Ichigo Office REIT Growth Strategy

September 7, 2015

Ichigo Office REIT Investment Corporation (8975)

Ichigo Real Estate Investment Advisors Co., Ltd.

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Creating peace of mind through honest and committed management.

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World-Class Excellence



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Strategic Transition: Ichigo Office REIT

- Transition from a multi-asset class REIT to a specialized office REIT focusing on Mid-Size Offices, an asset class that offers both return stability and upside potential
  - ✓ Target assets: Offices
  - ✓ Non-target assets: Residential, Retail, Hotels, etc.
  - ✓ No forcible requirement to exit non-target assets (c. 15% of current portfolio, will decrease over time)
- Corporate name change to Ichigo Office REIT Investment Corporation
- New growth strategy and action plan as a specialized office REIT



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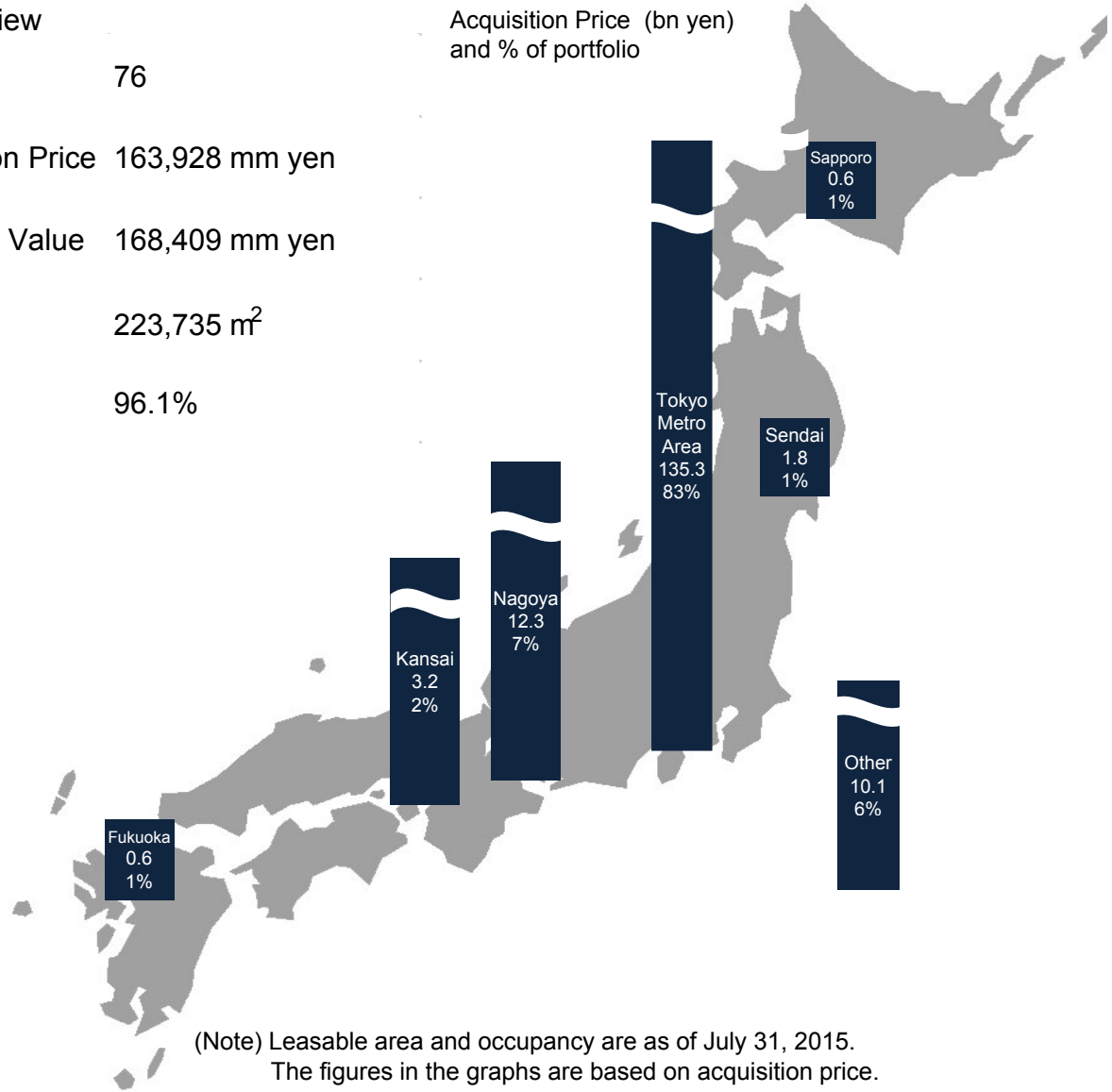
Portfolio: 85% Office & 83% Tokyo Metro Area

As of August 31, 2015

Portfolio Overview

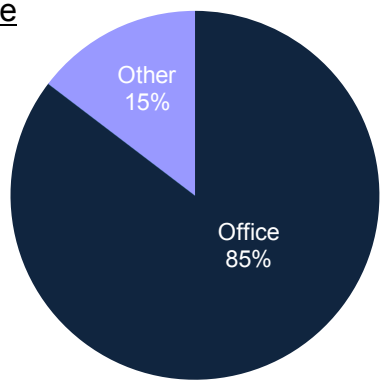
No. of Assets	76
Total Acquisition Price	163,928 mm yen
Total Appraisal Value	168,409 mm yen
Leasable Area	223,735 m^2
Occupancy	96.1%

Acquisition Price (bn yen) and % of portfolio

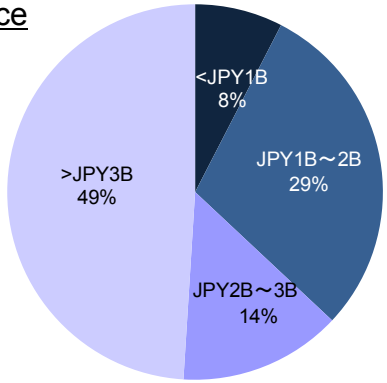


(Note) Leasable area and occupancy are as of July 31, 2015.
The figures in the graphs are based on acquisition price.

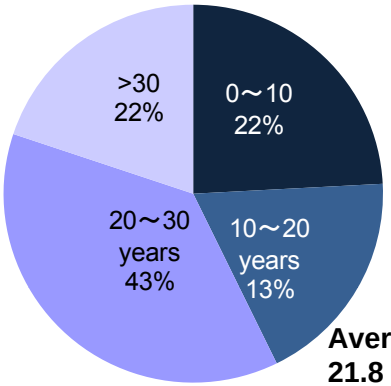
By Use



By Price



By Age



Average: 21.8 years

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Significant Portfolio Growth: Focus on Mid-Size Offices

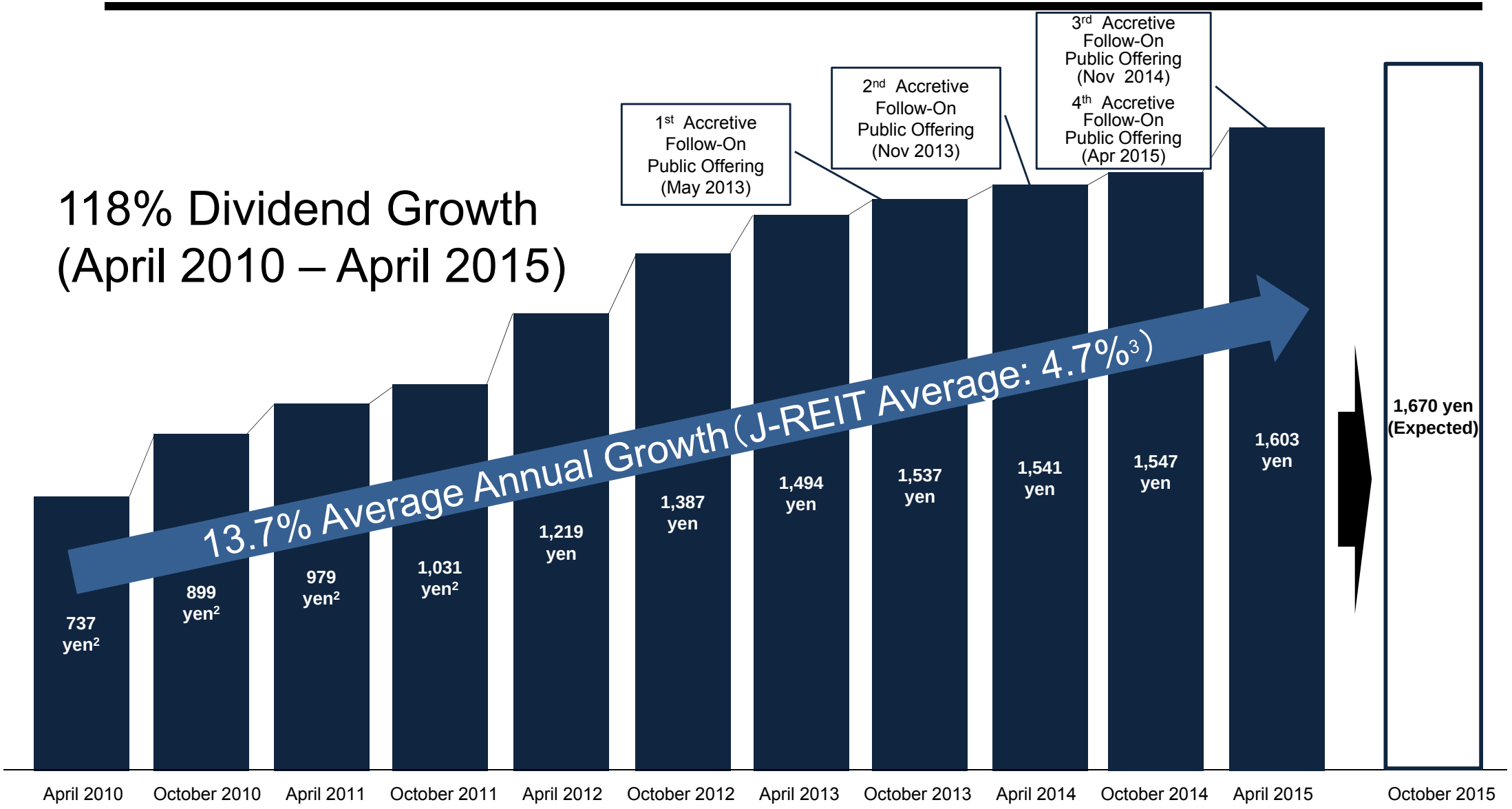
		As of October 31, 2014	As of April 30, 2015	As of August 31, 2015
# of Assets	Total	70	65	76
	Office	41	48	60
	Residence	18	—	—
	Other	11	17	16
Acquisition Price (billion yen)	Total	114.0(100%)	123.3(100%)	163.9(100%)
	Office	75.1(66%)	95.8(78%)	139.9(85%)
	Residence	20.0(18%)	—	—
	Other	18.8(16%)	27.4(22%)	24.0(15%)
Location	Central Tojkyo	54%	49%	60%
	Tokyo Metropolitan Area	21%	26%	22%
	Four Major Regional Cities	17%	15%	9%
	Other Regional Cities	8%	9%	8%
Appraisal Value (billion yen)		114.1	126.3	168.4
Leasable Area		170,306.22㎡	184,919.13㎡	223,735.20㎡
Occupancy		95.7%	96.0%	96.1%
NOI Yield		5.6%	5.6%	5.5%
LTV (Based on Book Value)		45.2%	43.7%	43.8%

1: NOI as of April 30, 2015 and August 31, 2015 are provisionally calculated excluding assets sold during the period. NOI of assets acquired in April 2015 and October 2015 are calculated from the annual NOI calculated via DCF method based on the appraisal value at acquisition.
2: Appraisal Value as of August 31, 2015 is provisionally calculated based on portfolio assets as of April 30, 2015 plus the October 2015 acquisitions.
3: Leasable Area and Occupancy indicated in As of August 31, 2015 are as of July 31, 2015.
4: LTV as of August 31, 2015 is provisionally calculated based on interest bearing liabilities as of April 30, 2015, taking the assets acquired and sold during the October 2015 fiscal period into account.
5: “Other” as of April 30, 2015 and August 31, 2015 includes 3 serviced apartments.

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10 Consecutive Periods of Dividend Growth – No. 1 vs. All J-REITs[1]



[1] 10 consecutive periods are through April 30, 2015 period
[2] Adjusted to reflect stock split on November 1, 2011
[3] Average of J-REITs disclosing dividends for the last 10 terms

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Recent Acquisitions Contributing to Further Dividend Growth

- Acquired interest (JPY 2B) in 13 high-quality mid-size office assets with preferential negotiation rights to fully acquire all 13 assets
  - ✓ Dividend contribution: JPY 100M p.a.



EPS

c. +35 yen

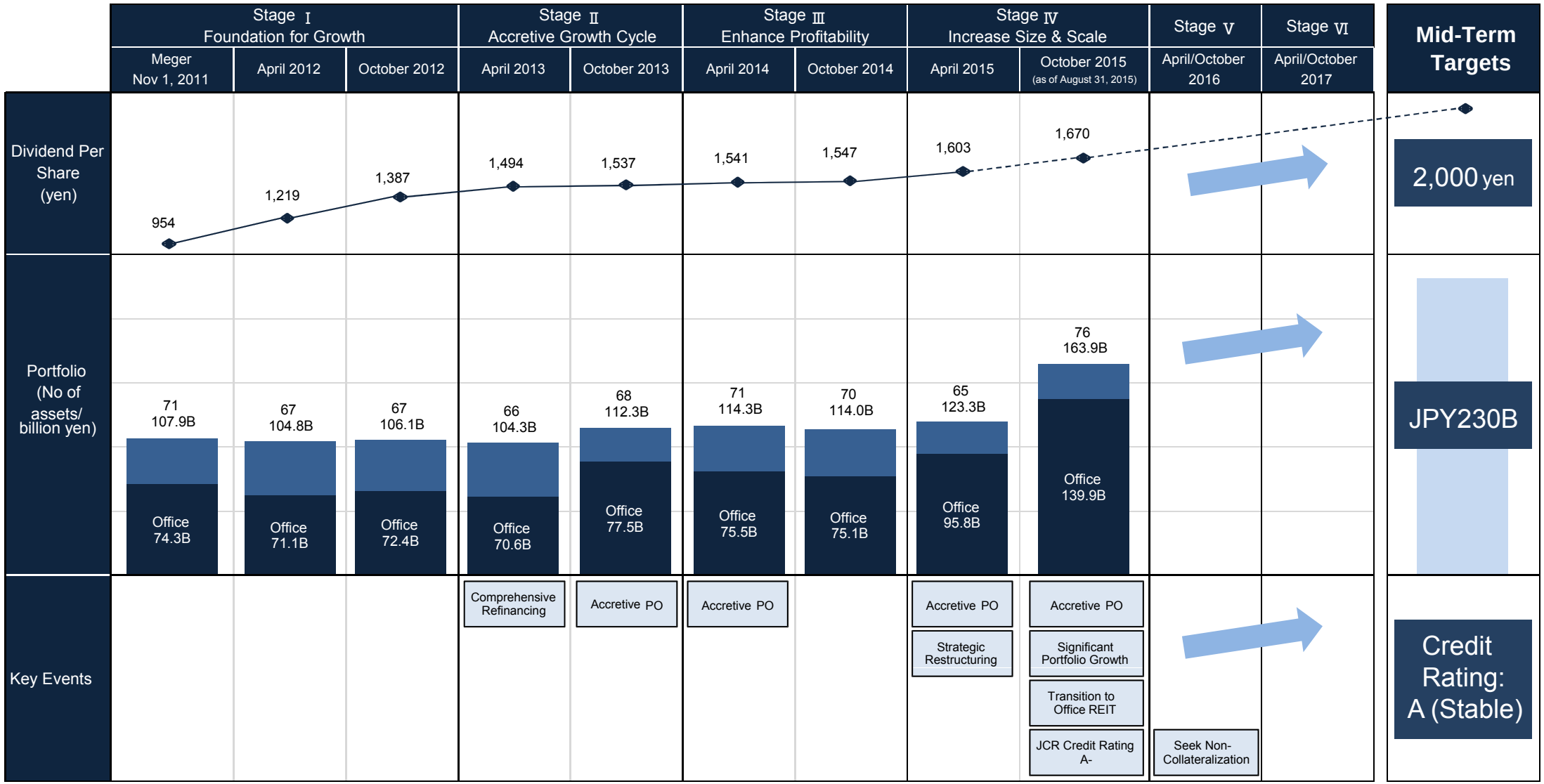
- Contracted to acquire Kawasaki office asset (JPY1.75B) at Sep-end 2015
  - ✓ 8-minute walk from JR Kawasaki Station
  - ✓ NOI 114 million p.a., NOI yield 6.5%



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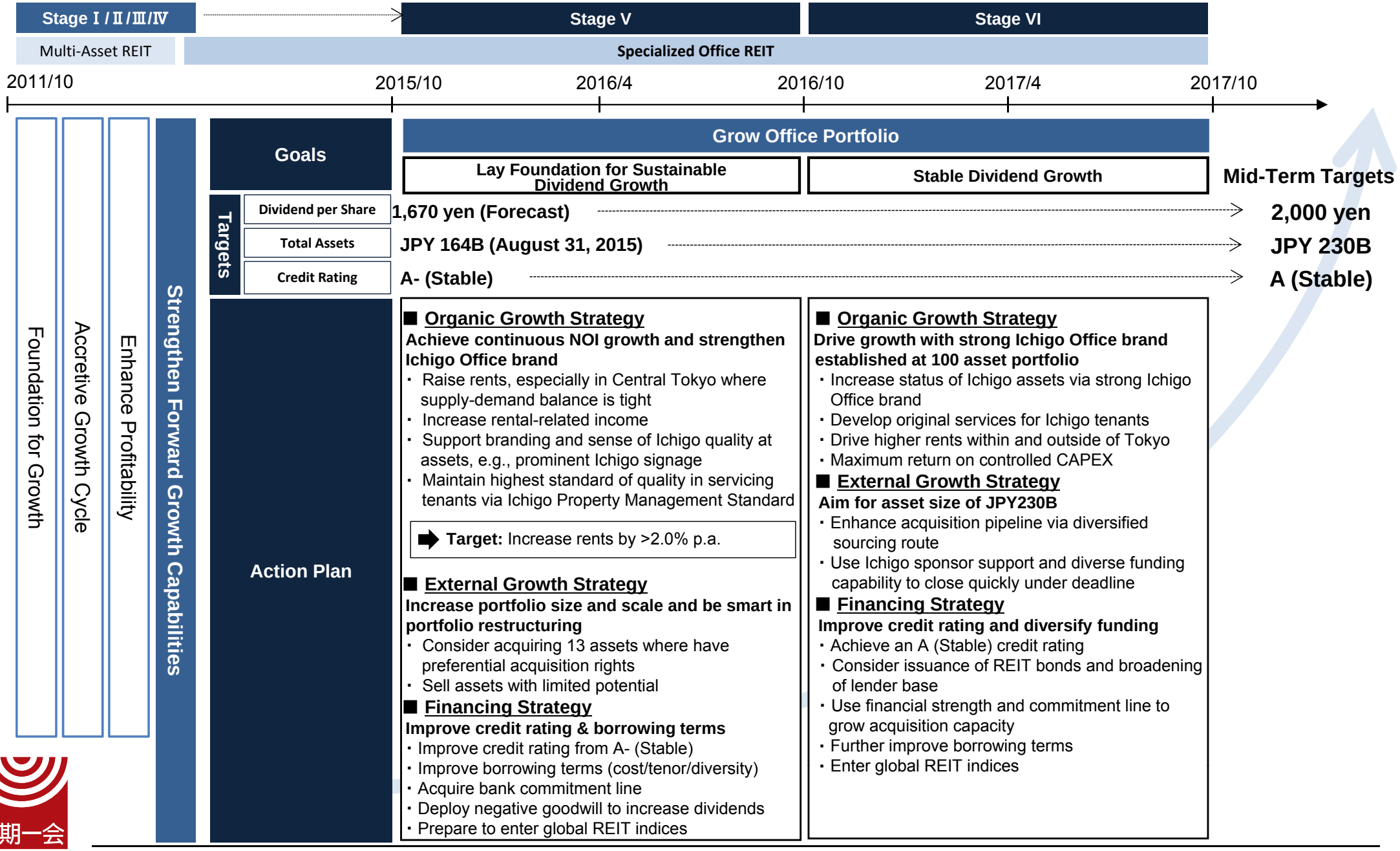
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Growth Achievements and Mid-Term Targets



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Ichigo Office REIT Growth Strategy Map



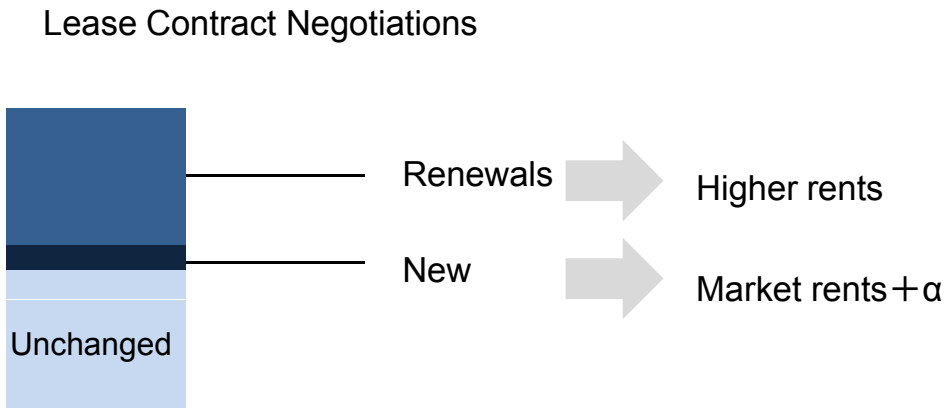
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Organic Growth Strategy (1)

Target: Increase rents by >2.0%/year

- ✓ Renew at higher rents, supported by Ichigo's direct tenant relationships
  - —Focus on tenants in central Tokyo in areas with significant demand: Shibuya, Ebisu, Gotanda, Kanda
  - —Market the superior functionality of Ichigo assets in Japanese regional areas to drive higher rents
- ✓ Acquire new tenants at higher rents
  - —Higher rents via value-add enhancements to improve functionality and tailored marketing to target tenants



- ✓ Increase total income via non-rental income increases
  - — Review utilities and parking fees

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Organic Growth Strategy (2)

- Ichigo Branding
  - ✓ Strengthen Ichigo brand via Ichigo-ification of building names and Ichigo signage
  - ✓ Ichigo Entrance Branding Project
    - Create Ichigo-unique entrances that embody the Ichigo Office brand
- Build an unmatched, well-branded 100-asset portfolio
  - ✓ Build a recognized and high-quality brand so that Ichigo Office Buildings are recognized as high value for tenants



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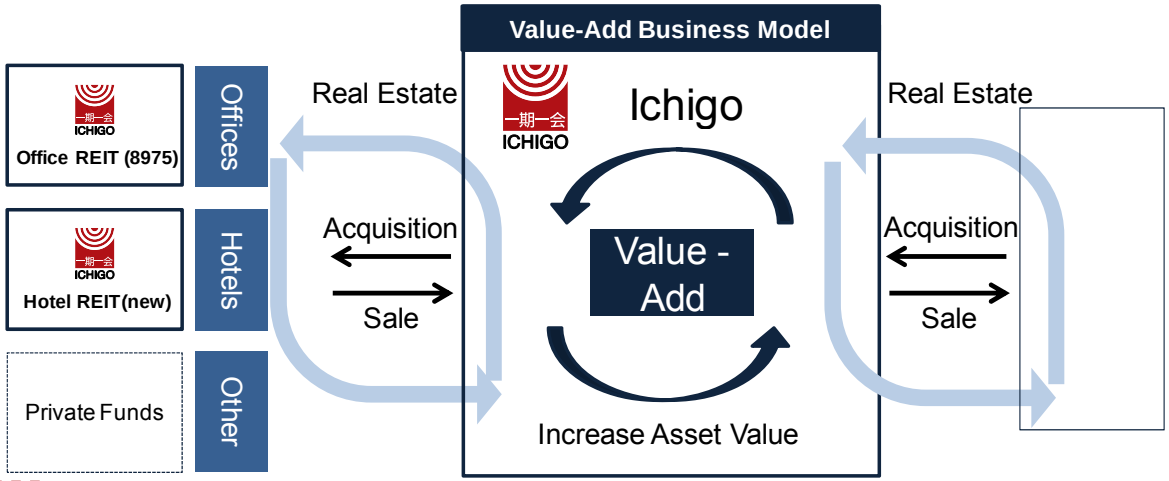
External Growth Strategy

Growth Strategy Roadmap

- ✓ Consider acquiring 13 assets where have preferential acquisition rights
  Total: JPY 29.2B Preferential acquisition right period: July 30, 2015 – July 31, 2016
- ✓ Continue to improve portfolio quality (sell assets with limited potential)
- ✓ Enhance acquisition pipeline via diversified sourcing
- ✓ Use Ichigo sponsor support and diverse funding capability to close quickly on high-quality assets with tight acquisition deadlines
- ✓ Drive higher EPS via acquisition of mid-size office assets in growing economic zones
- ✓ Improve profitability of acquired assets and increase shareholder value

Take Full Advantage of Ichigo as Sponsor

- ✓ Make maximum use of Ichigo Group's deep value-add capabilities to drive further growth



Ichigo Group Mid-Size Office Buildings*


WIN Gotanda Building (Shinagawa-ku, Tokyo)


IKB Hongo Building (Bunkyo-ku, Tokyo)


MIF Building (Chiyoda-ku, Tokyo)

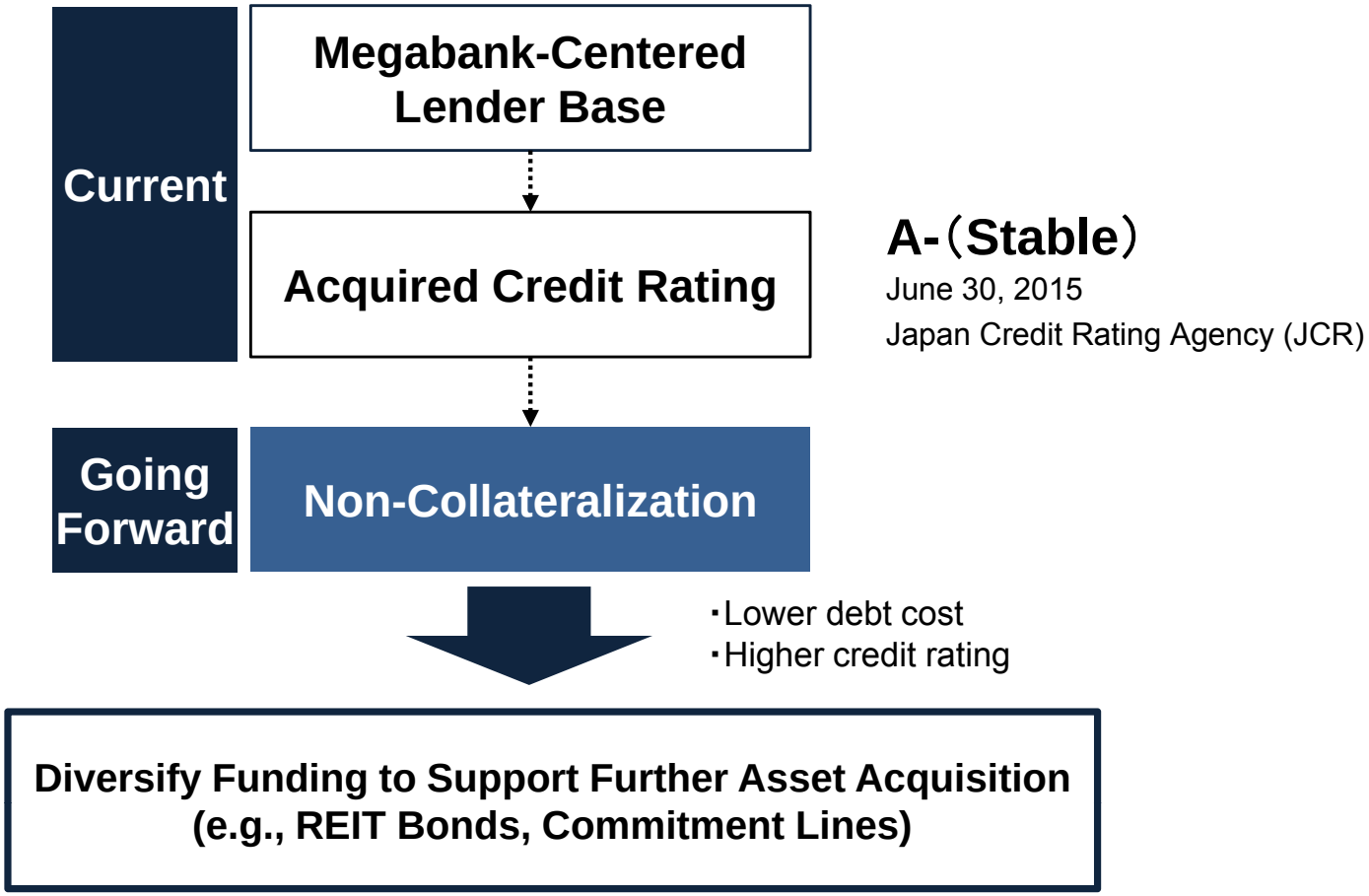

Kichijoji Central Building (Musashino City, Tokyo)

*These buildings are merely shown as examples, and Ichigo Office REIT has no specific plans to acquire these assets as of today.

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Financing Strategy

- Achieved increased financial strength via refinancing and new loans from megabank centered lender base, leading to new A- long-term issuer rating
- Working towards non-collateralization and further increase in credit rating to increase acquisition capacity and drive higher earnings



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Reference: Dividend Reserve & Negative Goodwill Amortization

Partial Amendments to Ordinance on Accounting of Investment Corporations and Code on Real Estate Investment Trusts and Real Estate Investment Corporations in 2015 Tax Law Revision

- ✓ Need to change *Dividend Reserve* to *Reserve for Adjustment of Temporary Differences* by the end of March 2017 and amortize negative goodwill to zero within 50 years

☐ Ichigo Office REIT Negative Goodwill Amortization Policy

- ✓ Determine the amortization amount and start date with reference to cash position and avoidance of excessive dividend volatility
- ✓ Seek further dividend growth taking into consideration the impact of forward expenses such as forecast property and city planning tax in October 2016 period
- ✓ Continue to offset one-off expenses with reserves

☐ Details

- ✓ JPY 11.7B negative goodwill as of Sept 7, 2015
- ✓ Start amortization in October 2016 period
- ✓ Amortize minimum JPY 200MM per period

Dividend Reserve Policy	
Asset Sales and Acquisitions	Offset sales and acquisitions-related P&L (Profits set aside in dividend reserve and used for dividend stabilization)
Financing	Offset one time expenses
Tax & Accounting	Offset tax vs. accounting discrepancies
Other	Offset other one-off P&L
Tax Law Revision (NEW)	**Amortize negative goodwill of minimum JPY 200MM p.a. (beginning October 2016 period)**

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Contact:

Ichigo Office REIT IR Desk
TEL：03-3502-4891　FAX：03-3502-4894
IR_Office@ichigo.gr.jp
www.ichigo-office.co.jp/english

Ichigo is Japan's first zero-carbon listed real estate company. We are taking responsibility for our environmental footprint by offsetting our carbon emissions and investing in low-carbon technologies such as solar energy.

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