[Provisional Translation Only]
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September 26, 2018

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Asset Acquisition (Ichigo Uchi Honmachi Building)

Ichigo Investment Advisors ("IIA"), the asset management company of Ichigo Office, decided today to acquire the Ichigo Uchi Honmachi Building.

1. Asset Acquisition Summary

Asset Number Asset Name[1]	O-91 Ichigo Uchi Honmachi Building
Asset Type	Office
Date Built	May 1992
Legal Form of Asset	Trust beneficiary interest in real estate (*juekiken*)
Appraisal Value[2]	JPY 2,000 million
Acquisition Price[3]	JPY 1,900 million
Seller[4]	Domestic special purpose company
Contract Date	September 26, 2018
Closing Date	September 28, 2018
Financing Method[5]	Cash-on-hand and loans
Settlement Method	Lump-sum payment

[1] Ichigo Office will change the building name from the Cross Road Uchi Honmachi Building to the Ichigo Uchi Honmachi Building after the acquisition. For purposes of this release, the building is referred to as the Ichigo Uchi Honmachi Building.

[2] Appraisal value is calculated by Daiwa Real Estate Appraisal as of September 1, 2018, and is compliant with the appraisal guidelines of IIA as well as the rules of The Investment Trusts Association, Japan.

[3] Acquisition Price excludes incidental expenses such as fees and property, city planning, and consumption taxes.

[4] The seller, a domestic special purpose company, did not provide consent to disclose its name.

[5] For financing details, please refer to today's release "New Loans."

2. Acquisition Rationale

As a specialized office REIT that focuses on mid-size offices, Ichigo Office continues to execute on its strategy to grow shareholder value through strong asset acquisitions. The asset being acquired is located in Chuo-ku, Osaka, an area with strong tenant demand and upside rent potential. Post-acquisition, Ichigo Office expects to drive further earnings growth through value-add capex.

Including the acquisition of two mid-size office buildings during the October 2018 fiscal period, Ichigo Office's post-acquisition portfolio totals 78 assets, 93% of which are offices. Ichigo Office expects to continue to grow its specialized, mid-size office portfolio to drive further earnings growth.

The Ichigo Uchi Honmachi Building's tenants fully comply with the "Real Investment Trust Issuer Management Report" (Japanese only) submitted on July 26, 2018.

Please refer to Section 3 "Details of the Ichigo Uchi Honmachi Building" immediately below for additional details on the asset's features and characteristics that underpinned the acquisition decision.

3. Details of the Ichigo Uchi Honmachi Building

Ichigo Office has specialized capabilities to operate, add value to, and increase the profitability of mid-size office assets, and determined that this acquisition would leverage those capabilities to drive higher asset and portfolio value. In evaluating this asset for acquisition, it took into consideration the following features and characteristics:

(1) Location

The Ichigo Uchi Honmachi Building is located in Osaka's Tanimachi Yonchome, an area with a major road that has a cluster of government buildings including the Osaka Prefectural Government Office and the Osaka Legal Affairs Bureau on the east side of the road and an office area including offices of small- and medium-sized companies, law offices, and tax accounting offices on the west side.

Given its proximity to Honmachi, Osaka's central business district, the Tanimachi Yonchome area sees demand from diverse tenants due to its convenient location and relatively low rents.

Despite robust tenant demand, the supply of new buildings in Osaka is limited and office vacancies are decreasing.

(2) Features

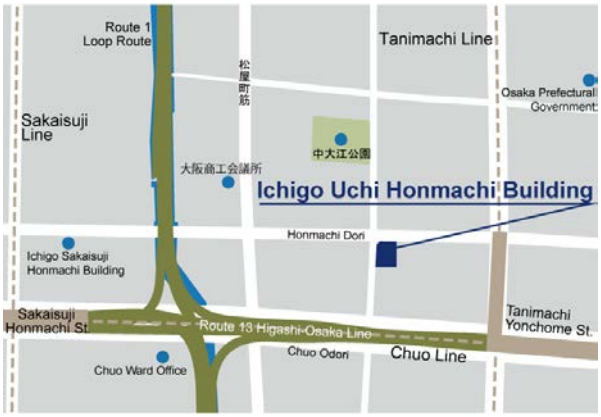
The Ichigo Uchi Honmachi Building is a mid-size office building located within a three-minute walk from Tanimachi Yonchome Station on the Osaka Municipal Subway Tanimachi and Chuo Lines, with high visibility given its location along Honmachi Dori, a major road.

Each floor is sub-divisible with a standard floor plate of 96 tsubo (317m^2). The building's common areas were refurbished in 2012.

The first floor is occupied by a convenience store and the upper floors are occupied by office tenants, including manufacturing companies and construction consulting companies.

(3) Building Exterior and Location





Asset Overview						
Asset Name		Ichigo Uchi Honmachi Building				
Form of Ownership		Trust beneficiary interest in real estate (*juekiken*)				
Trustee		Mizuho Trust & Banking Co., Ltd.				
Period of Trust Contract		September 28, 2016 – September 28, 2026 (expected)				
Location		1-3-5 Uchi Honmachi, Chuo-ku, Osaka City, Osaka				
Land	Property Right	Freehold				
	Area	522.31m^2				
	Zoning	Retail				
	Coverage Ratio Floor Area Ratio	80% 800%				
Building	Property Right	Freehold				
	Use	Office, parking				
	Structure	Steel Reinforced Concrete, B1/10F				
	Total Floor Area	4,239.50m^2				
	Date Built	May 21, 1992				
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.				
Appraisal Value		JPY 2,000 million				
Appraisal Date		September 1, 2018				
Value by Direct Capitalization Method		JPY 2,080 million				
Architect[1]		Haseko Corporation, Iwaki Architects Office				
Builder[1]		Joint Venture of Haseko Corporation and Fujiki Komuten Co., Ltd.				
Structural Designer[1]		Haseko Corporation				
Inspection Agency[1]		Osaka City				
PML (Assessor)		6.95% (Sompo Risk Management & Health Care Inc.)				
Collateral		None (expected)				
Tenant & Lease Overview (as of August 31, 2018)						
Number of Tenants		16				
Monthly Rental Income		JPY 8.112 million				
Tenant Security Deposits		JPY 76.109 million				
Leasable Area[2]		2,829.16m^2				
Leased Area[2]		2,725.11m^2				
Occupancy		Oct 2016	Apr 2017	Oct 2017	Apr 2018	Oct 2018
		96.3%	96.3%	96.3%	96.3%	96.3%
Property Management Company		Dai-ichi Building Co., Ltd. (expected)				
Master Lease Company		Ichigo Office REIT Investment Corporation (expected)				
Master Lease Type		Pass-through (expected)				

Special Items
1. Part of the security door encroaches the eastern neighbor. A memorandum of understanding exists which agrees to rectify the situation when a large-scale renovation or reconstruction is implemented in the future.
2. An engineering report indicates that there is insufficient smoke ventilation in the ninth-floor hallway. The seller has agreed to rectify the issue at the seller's expense after the Acquisition Date.

[1] Names of the architect, builder, structural designer, and inspection agency are those as of when the building was built.

[2] The leased area in the rental contract signed on December 12, 2014 between the seller and the seventh-floor tenant is c. 70m^2 less than the actual leased area. For the purposes of this release, the asset's leasable area, leased area, and occupancy reflect the actual leased area. Post-acquisition, Ichigo Office will sign a memorandum of understanding with the tenant with respect to the leased area.

Appraisal Details		
Asset Name	Ichigo Uchi Honmachi Building	
Appraisal Value	JPY 2,000,000,000	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	September 1, 2018	
	Amount (JPY)	**Note**
Appraisal Value	2,000,000,000	Based on a DCF valuation, and verified using a direct capitalization valuation
Value by Direct Capitalization Method	2,080,000,000	
Income	139,422,021	
Maximum Obtainable Rental Income	145,570,332	Based on an analysis of potential rental income, common area service income, parking lot income, and other income
Vacancy Loss	6,148,311	Based on long-term vacancy rates
Expenses	39,255,221	
Administrative and Maintenance Expenses	9,549,900	Based on similar assets and past actual amounts
Utility Expenses	8,728,400	Based on similar assets and past actual amounts
Repair Expenses	4,029,300	Based on engineering reports and similar assets
PM Fee	2,551,602	Based on similar assets and past actual amounts
Leasing Brokerage Fees	789,167	Based on expected turnover rate and tenant acquisition costs for similar assets
Taxes	11,745,358	Based on FY2018 actual amounts
Insurance Premiums	321,180	Based on a quote from an insurance company
Other Expenses	1,540,314	Based on past actual amounts
Net Operating Income (NOI)	100,166,800	
Income on Investment of Deposits Received	920,778	Based on a 1.0% investment yield
Capital Expenditure	3,202,300	Based on engineering reports and similar assets
Net Profit	97,885,278	
Cap Rate	4.7%	Based on transactions of similar assets and a comprehensive assessment of the asset's location, its specific characteristics, and market trends
Value via DCF Method	1,960,000,000	
Discount Rate	4.5%	Based on transactions of similar assets and the current yield of financial assets, taking into consideration the asset's specific characteristics
Terminal Cap Rate	4.9%	Based upon risk-adjusted NOI

Value via Cost Approach	1,620,000,000	
Land	70.3%	
Building	29.7%	
Notes		
None		

Appraisal NOI Yield: 5.3% (calculated by dividing NOI by Acquisition Price)

4. Seller Profile

Name	The seller, a domestic special purpose company, did not provide consent to disclose its name.
Relationship with Ichigo Office or IIA	The seller does not have any capital, personnel, or business relationship of note with Ichigo Office or IIA. In addition, the seller is not an interested party as defined in the Enforcement Ordinance of the Investment Trust and Investment Corporation Law or the internal rules of the Asset Management Company.

5 Broker Profile

Name	Mizuho Trust & Banking Co., Ltd.
Address	1-2-1 Yaesu, Chuo-ku, Tokyo
Representative	CEO Tetsuo Iimori
Principal Businesses	Trust business and banking business
Capital	JPY 2,473,690,000 (as of March 31, 2018)
Establishment Date	March 12, 2003
Relationship with Ichigo Office or IIA	The broker does not have any capital, personnel, or business relationship of note with Ichigo Office or IIA. In addition, although the broker is not an interested party as defined in the Enforcement Ordinance of the Investment Trust and Investment Corporation Law, it is a related party as defined in the internal rules of the Asset Management Company since it is Ichigo Office's custodian.
Broker Fee	The broker did not provide consent to disclose the broker fee.

6. Acquisition Schedule

Ichigo Office Board Resolution Date	September 26, 2018
Contract Date	September 26, 2018
Closing Date	September 28, 2018 (expected)

7. Earnings Outlook

The impact of this acquisition on Ichigo Office's October 2018 and April 2019 earnings is minimal. Therefore, there is no revision to the earnings forecasts announced in Ichigo Office's April 2018 earnings results on June 14, 2018.

Reference

1. Rental Income and Expense Details of the Ichigo Uchi Honmachi Building

(JPY million)

	Forecast[1]	At Acquisition[2]
A. Rental Income	127	122
B. Rental Expenses (excluding depreciation)[3]	35	38
C. NOI (A-B)	92	83
D. NOI Yield[4]	4.9%	4.4%
E. Depreciation[5]	25	25
F. Post-depreciation NOI (C-E)	66	57
G. Post-depreciation NOI Yield	3.5%	3.0%
H. Occupancy[6]	95.0%	96.3%

[1] Amounts exclude special factors in the year of acquisition and are calculated based on current and future anticipated fluctuations in occupancy.

[2] Shows first-year amounts used to calculate the DCF-based valuation, excluding special factors in the year of acquisition.

[3] Rent-related expenses include incidental expenses such as service provider expenses, property, city planning, and consumption taxes, and other fees.

[4] Forecast NOI yield and NOI yield at Acquisition are calculated by dividing the Forecast NOI and NOI at Acquisition by the acquisition price, respectively (rounded off to the nearest tenth of a percent.)

[5] Depreciation is estimated by Ichigo Office.

[6] Occupancy at acquisition is as of August 31, 2018.

2. Engineering Report Summary

Asset Name	Ichigo Uchi Honmachi Building
Name of Inspector	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Date of Inspection	September 2018
Short-Term Repair Expenses[1]	–
Long-Term Repair Expenses[2]	JPY 86.8 million
Current Replacement Cost	JPY 1,424.7 million

[1] Short-Term Repair Expense is defined as repair expenses considered necessary beyond the scope of ordinary maintenance within a year from the time of inspection.

[2] Long-Term Repair Expense is defined as repair expenses considered necessary for the maintenance of the asset within twelve years from the time of inspection.

Portfolio Reference Information

Post-Acquisition Portfolio

No.	Asset Name	Area[1]	Acquisition Price[2] (JPY million)	% of Portfolio[3]
O-02	Ichigo Nishisando Building	Central Tokyo	3,254	1.6
O-03	Ichigo Mita Building	Central Tokyo	2,740	1.4
O-04	Ichigo Nanpeidai Building	Central Tokyo	1,920	1.0
O-05	Ichigo Hanzomon Building	Central Tokyo	1,550	0.8
O-06	Ichigo Hijirizaka Building	Central Tokyo	1,200	0.6
O-07	Ichigo Shibuya Kamiyamacho Building	Central Tokyo	1,505	0.8
O-08	Ichigo Akasaka 5 Chome Building	Central Tokyo	735	0.4
O-09	Ichigo Shibakoen Building	Central Tokyo	1,100	0.6
O-10	Ichigo Ebisu Nishi Building	Central Tokyo	1,917	1.0
O-11	Ichigo Ginza 612 Building	Central Tokyo	1,773	0.9
O-12	Ichigo Uchikanda Building	Central Tokyo	1,140	0.6
O-14	Ichigo Yotsuya 4 Chome Building	Central Tokyo	550	0.3
O-15	Ichigo Tameike Building	Central Tokyo	580	0.3
O-16	Ichigo Jimbocho Building	Central Tokyo	1,820	0.9
O-17	Ichigo Hakozaki Building	Central Tokyo	1,150	0.6
O-18	Ichigo Kudan 2 Chome Building	Central Tokyo	763	0.4
O-19	Ichigo Kudan 3 Chome Building	Central Tokyo	844	0.4
O-20	Ichigo Gotanda Building	Central Tokyo	5,060	2.5
O-21	Ichigo Shin Yokohama Building	Tokyo Metro Area	1,816	0.9
O-22	Ichigo Minami Ikebukuro Building	Tokyo Metro Area	1,460	0.7
O-23	Ichigo Nakano North Building	Tokyo Metro Area	764	0.4
O-24	Ichigo Eitai Building	Tokyo Metro Area	1,490	0.7
O-26	Ichigo Ikejiri Building	Tokyo Metro Area	2,030	1.0
O-27	Ichigo Nishi Ikebukuro Building	Tokyo Metro Area	639	0.3
O-28	Ichigo Nishi Gotanda Building	Central Tokyo	765	0.4
O-29	Ichigo Kichijoji Building	Tokyo Metro Area	2,160	1.1
O-34	Ichigo Sakae Building	Four Major Regional Cities	4,705	2.4
O-37	Ichigo Marunouchi Building	Four Major Regional Cities	6,710	3.4
O-38	Ichigo Toyamaeki Nishi Building	Other Regional Cities	1,650	0.8
O-39	Ichigo Mirai Shinkin Building	Other Regional Cities	1,158	0.6
O-42	Ichigo Takamatsu Building	Other Regional Cities	3,010	1.5
O-46	Ichigo Kanda Nishikicho Building	Central Tokyo	2,130	1.1
O-47	Ichigo Akihabara North Building	Central Tokyo	5,500	2.8

No.	Asset Name	Area[1]	Acquisition Price[2] (JPY million)	% of Portfolio[3]
O-48	Ichigo Sakaisuji Honmachi Building	Four Major Regional Cities	1,940	1.0
O-49	Ichigo Kanda Ogawamachi Building	Central Tokyo	2,210	1.1
O-50	Ichigo Hatchobori Building	Central Tokyo	1,905	1.0
O-51	Ebisu Green Glass	Central Tokyo	5,900	3.0
O-52	Ichigo Omori Building	Central Tokyo	3,850	1.9
O-53	Ichigo Takadanobaba Building	Central Tokyo	1,580	0.8
O-54	Ichigo Omiya Building	Tokyo Metro Area	3,430	1.7
O-55	Ichigo Sagamihara Building	Tokyo Metro Area	1,174	0.6
O-56	Ichigo Ofuna Building	Tokyo Metro Area	2,000	1.0
O-57	Ichigo Sendai East Building	Other Regional Cities	1,840	0.9
O-58	Ichigo Kumamoto Building	Other Regional Cities	1,450	0.7
O-59	Ichigo Jingumae Building	Central Tokyo	7,200	3.6
O-60	Ichigo Shibuya Dogenzaka Building	Central Tokyo	3,650	1.8
O-61	Ichigo Hiroo Building	Central Tokyo	3,960	2.0
O-62	Ichigo Sasazuka Building	Central Tokyo	4,780	2.4
O-63	Ichigo Nihonbashi East Building	Central Tokyo	4,700	2.4
O-64	Ichigo Sakurabashi Building	Central Tokyo	2,500	1.3
O-65	Ichigo Shinkawa Building	Central Tokyo	2,360	1.2
O-66	Ichigo Kudan Building	Central Tokyo	3,190	1.6
O-67	Ichigo Higashi Gotanda Building	Central Tokyo	3,660	1.8
O-68	Axior Mita	Central Tokyo	1,800	0.9
O-69	Ichigo Higashi Ikebukuro Building	Tokyo Metro Area	4,570	2.3
O-70	Koriyama Big-i (Office Section)	Other Regional Cities	1,660	0.8
O-71	Ichigo Kawasaki Building	Tokyo Metro Area	1,750	0.9
O-72	Ichigo Shibuya East Building	Central Tokyo	1,350	0.7
O-73	Ichigo Ningyocho Building	Central Tokyo	1,450	0.7
O-74	Ichigo Nishi Honmachi Building	Four Major Regional Cities	2,190	1.1
O-75	Ichigo Hakata Building	Four Major Regional Cities	1,380	0.7
O-76	Ichigo Nishiki First Building	Four Major Regional Cities	2,000	1.0
O-77	Ichigo Ikenohata Building	Tokyo Metro Area	5,130	2.6
O-78	Ichigo Ikebukuro East Building	Tokyo Metro Area	3,010	1.5
O-79	Ichigo Motoazabu Building	Central Tokyo	1,890	0.9
O-80	Ichigo Otsuka Building	Tokyo Metro Area	2,740	1.4
O-81	Ichigo Nagoya Building	Four Major Regional Cities	3,420	1.7

No.	Asset Name	Area[1]	Acquisition Price[2] (JPY million)	% of Portfolio[3]
O-82	Ichigo Fushimi Building	Four Major Regional Cities	2,340	1.2
O-83	Ichigo Nishiki Building	Four Major Regional Cities	1,330	0.7
O-84	Ichigo Minami Morimachi Building	Four Major Regional Cities	1,040	0.5
O-85	Ichigo Shibuya Udagawacho Building	Central Tokyo	3,500	1.8
O-86	Win Gotanda Building	Central Tokyo	3,100	1.6
O-87	Ichigo Hongo Building	Tokyo Metro Area	2,300	1.2
O-88	Oimachi Center Building	Central Tokyo	1,680	0.8
O-89	Win Gotanda Building 2	Central Tokyo	3,300	1.7
O-90	MIF Building	Central Tokyo	2,200	1.1
O-91	**Ichigo Uchi Honmachi Building**	**Four Major Regional Cities**	**1,900**	**1.0**
		Subtotal - Office (77 Assets)	185,897	93.0
Z-02	Ichigo Fiesta Shibuya Building	Central Tokyo	1,970	1.0
Z-05	Ichigo Machida East Building	Tokyo Metro Area	1,310	0.7
Z-09	Konami Sports Club Izumi Fuchu	Other Regional Cities	1,210	0.6
Z-10	Ichigo Shibuya Bunkamura Dori Building	Central Tokyo	2,400	1.2
Z-11	Twicere Yokohama Isogo (Retail Section)	Tokyo Metro Area	1,620	0.8
Z-12	Lions Square Kawaguchi	Tokyo Metro Area	2,430	1.2
Z-13	Ichigo Shin Yokohama Arena Dori Building	Tokyo Metro Area	1,700	0.9
Z-14	Ichigo Kamata Building	Tokyo Metro Area	1,400	0.7
		Subtotal - Other (8 Assets)	14,040	7.0
		Total (85 Assets)	199,937	100.0

[1] Central Tokyo refers to Chiyoda, Minato, Chuo, Shinjuku, Shibuya, and Shinagawa Wards. Tokyo Metro Area refers to Tokyo (excluding the six wards above), Kanagawa, Chiba, and Saitama Prefectures. Four Major Regional Cities refers to Osaka, Nagoya, Fukuoka, and Sapporo.

[2] Acquisition Price excludes incidental expenses such as consumption taxes and other fees. Assets O-02 through O-42 (31 assets) and assets Z-02 and Z-05 (2 assets) show the appraisal value as of October 31, 2011.

[3] % of Portfolio is based upon acquisition price.