Ichigo Office
(8975)

Today's Strategic Asset Acquisitions and Sales

December 14, 2018

Ichigo Office REIT Investment Corporation (8975)

Ichigo Investment Advisors Co., Ltd.

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This material is a summary of the following releases detailing today's strategic acquisitions and sales:

"Acquisition of Two Office Assets and Sale of Two Non-Office Assets," December 14, 2018

"Earnings Forecast Revision for the April 2019 Fiscal Period and Earnings Forecast for the October 2019 Fiscal Period," December 14, 2018

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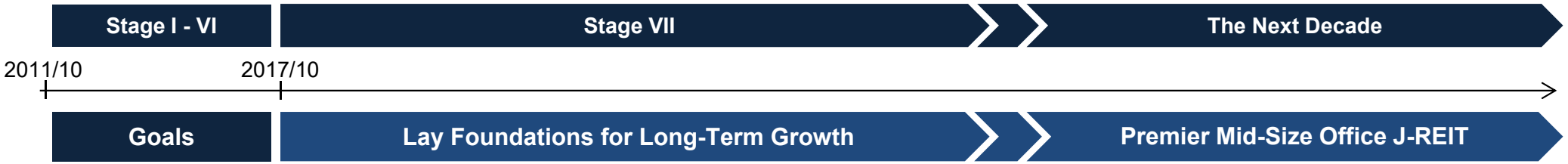
Ichigo Office Growth Strategy Roadmap



Goals	**Lay Foundations for Long-Term Growth**	**Premier Mid-Size Office J-REIT**

Actions

Durably and Dynamically Grow Ichigo Office – Invest for Growth

- Sell non-office assets to secure funds for growth investments
- Adjust dividend reserve release policy

Invest for Sustainable Growth in Shareholder Value

- Acquire high-quality assets via portfolio restructuring and using borrowing capacity
- Carry out value-add capex

■ Organic Growth Strategy

- Achieve minimal downtime between leases
- Carry out value-add capex to drive higher returns
- Implement environmental sustainability initiatives to grow long-term value
- Build a trusted Ichigo brand

■ Acquisition-Driven Growth Strategy

- Use acquisitions to raise portfolio quality
- Acquire assets to increase shareholder value
- Consider M&A

■ Financing Strategy

- Further improve borrowing terms
- Diversify funding via issuance of bonds
- Raise credit rating
- Enter global REIT indices

Build Win-Win Relationships with Tenants to Grow Shareholder Value and Contribute to the Development of the Japanese Economy

■ Ichigo Office Differentiation Strategy

- Drive high occupancy and earnings through a tenacious focus on tenant satisfaction
- Support the growth of startup tenants through tenant networking and business matching services
- Deliver services and spaces matched to tenant needs
- Build a strong Ichigo Office brand centered on tenant satisfaction

■ Ichigo Office Portfolio Construction

- Further develop a specialized mid-size office portfolio
- Drive sustainable growth through preserving and improving Ichigo Office assets
- Be a leader in creating infrastructure and ecosystem to support Japanese mid-size offices and tenants

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Today's Transactions Drive Further Growth (1)

Executing on Strategy to Grow Shareholder Value by Focusing Portfolio on High-Quality Office Assets

- ✓ Transaction counterparties: Japanese real estate companies
- ✓ Increased portfolio size to JPY 200B
- ✓ +JPY 69M annual NOI, +JPY 322 NAV per share

	Economics
Portfolio Size	JPY 199.9B → JPY 203.0B
% Office Assets	93.0% → 94.6%
NOI	+JPY 69M per annum
NAV per Share	+JPY 322

Annualized forecast NOI of acquired assets calculated by IIA minus annualized NOI of sold assets based on October 2018 actual

Harvesting Gains on Sale in a Strong Real Estate Market

- ✓ Sale price +22% vs. book value, +8% vs. appraisal value
- ✓ JPY 370M of JPY 640M gains on sale retained for growth investments (including these acquisitions) in compliance with J-REIT conduit rules
- ✓ Part of proceeds used to increase April 2019 dividend by JPY 270M

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Today's Transactions Drive Further Growth (2)

Sale of Two Non-Offices and Acquisition of Two Mid-Size Offices in Central Tokyo (JPY 6B)

Sales



Ichigo Machida East Building (Machida City, Tokyo)



Ichigo Shin Yokohama Arena Dori Building (Yokohama)

- Asset Type: Retail
- Book Value
  JPY 2.947B
- Appraisal Value
  JPY 3.33B
- Closing Date
  December 20, 2018
- Expected Sales Price
  JPY 3.6B
- Expected Gains on Sales
  JPY 640M
- Buyer
  Third Party
  (Domestic)

Acquisitions

Asset	Ichigo Minami Otsuka Building	Ichigo Nogizaka Building
		
Closing Date	December 21, 2018	December 28, 2018
Area	Toshima-ku, Tokyo	Minato-ku, Tokyo
Features	Convenient access to central Tokyo only 1 station away from Ikebukuro Station, a major rail hub	At center of the Akasaka, Roppongi, Minami Aoyama areas favored by foreign corporations
Acquisition Price	JPY 2.78B	JPY 3.32B
NOI Yield at Acquisition	4.6%	4.1%
Location	6-min walk from Otsuka Station on JR Yamanote Line and a 3-min walk from Shin-Otsuka Station on Marunouchi Line	2-min walk from Nogizaka Station on Chiyoda Line and an 8-min walk from Roppongi Station on Oedo Line
Occupancy	100%	100%
Seller	Third Party (Domestic)	Third Party (Domestic)

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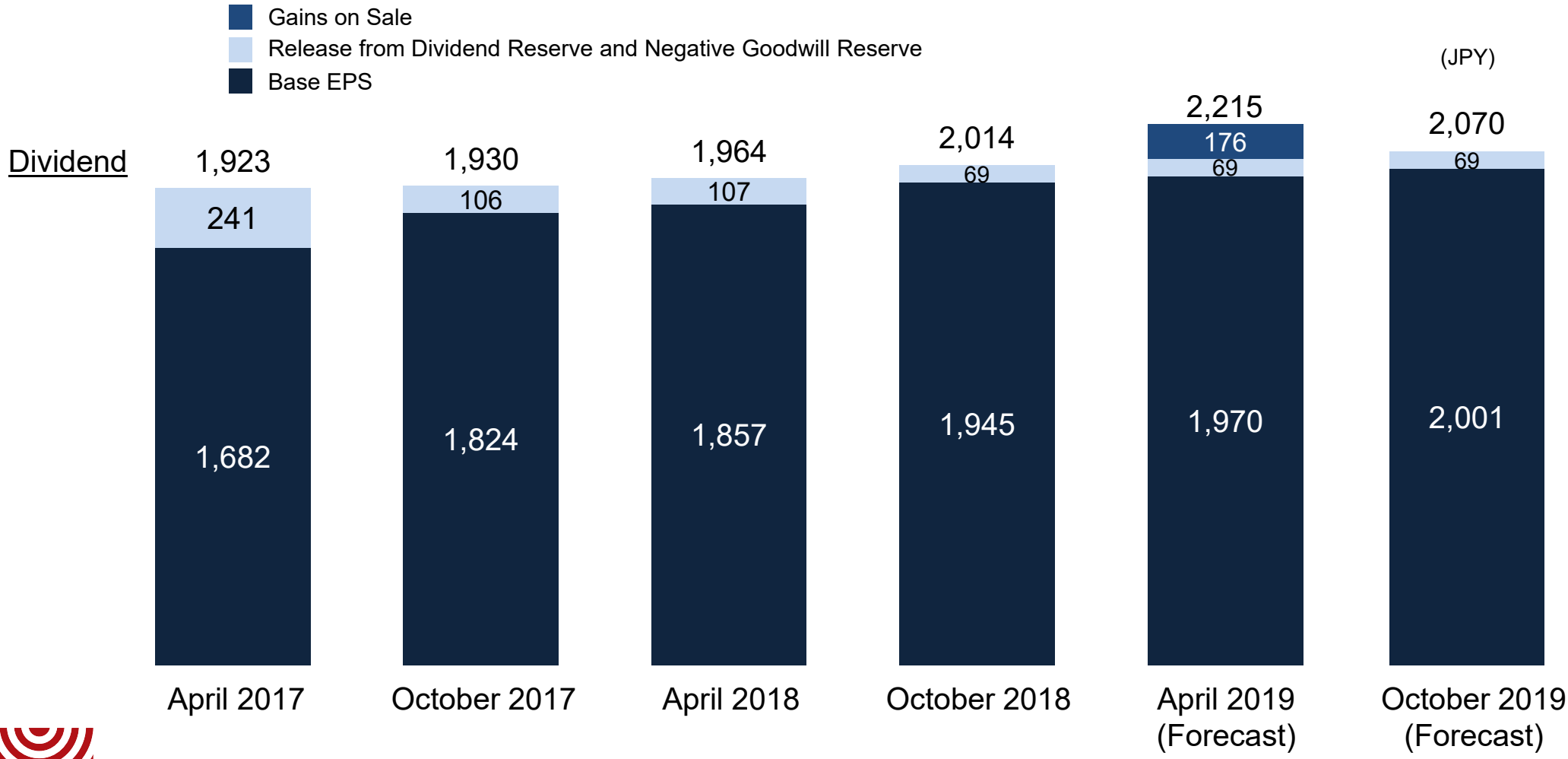
Growing Shareholder Value: Continued Growth in Base EPS

Base EPS +15.6% vs. April 2017

April 2019 Dividend +JPY 176 on Gains on Sale



Base EPS = EPS - Capital Gains

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Acquisition: Ichigo Minami Otsuka Building (O-92)

A mid-size office building in an area with easy access to Tokyo CBD

Asset Overview

Acquisition Price	JPY 2,780 million
Appraisal Value	JPY 3,080 million
NOI Yield	4.6%
Asset Type	Office
Location	3-10-10 Minami Otsuka, Toshima-ku, Tokyo
Leasable Area	3,127.84m^2
Structure	Steel Reinforced Concrete, 7F
Date Built	May 1987
Occupancy	100% (as of October 31, 2018)





Location and Features

- A mid-size office building located within a six-minute walk from Otsuka Station on the JR Yamanote Line and a three-minute walk from Shin-Otsuka Station on the Tokyo Metro Marunouchi Line
- The area near Otsuka Station has undergone extensive redevelopment, and there are many office buildings due to its convenient location.
- Each floor has a standard floor plate of 528m^2 (160 tsubo) and is equipped with individual air conditioning systems and raised-access floors, therefore catering to the demands of diverse tenants.
- The building's common areas have been refurbished.
- Tenants include a real estate company, an IT company, and a construction material manufacturer.

* Ichigo Office will change the building name from Minami Otsuka Square Building to Ichigo Minami Otsuka Building. For purposes of this presentation, the building is referred to as the Ichigo Minami Otsuka Building.

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Acquisition: Ichigo Nogizaka Building (O-93)

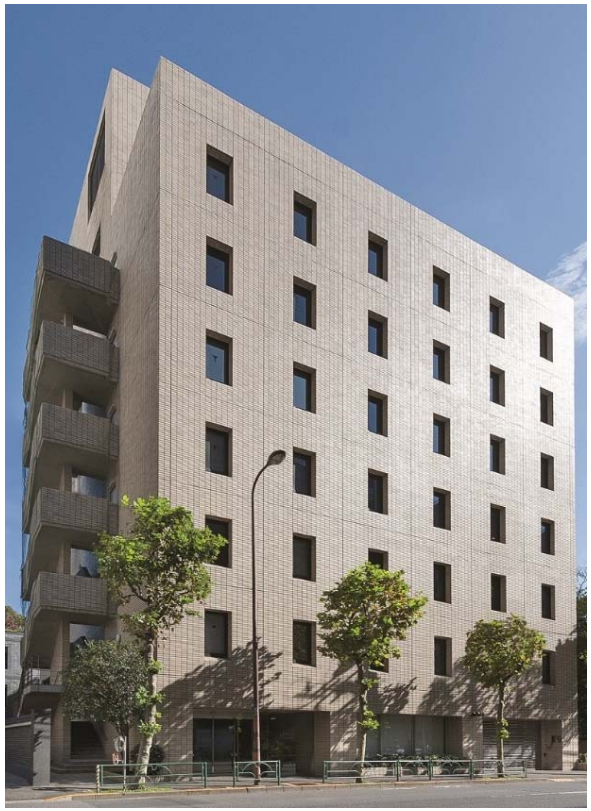
A mid-size office building in an area popular with global companies

Asset Overview

Acquisition Price	JPY 3,315 million
Appraisal Value	JPY 3,510 million
NOI Yield	4.1%
Asset Type	Office
Location	8-11-37 Akasaka, Minato-ku, Tokyo
Leasable Area	2,175.88m^2
Structure	Steel Reinforced Concrete, B1F/7F
Date Built	May 1983
Occupancy	100% (as of October 31, 2018)

Location and Features

- A mid-size office building located within a two-minute walk from Nogizaka Station on the Tokyo Metro Chiyoda Line and an eight-minute walk from Roppongi Station on the Toei Oedo and Tokyo Metro Hibiya Lines.
- Located near the popular Akasaka, Roppongi, and Minami Aoyama commercial districts, and benefits from convenient access to transportation.
- Each floor has a standard floor plate of 280m^2 (85 tsubo) and is equipped with individual air conditioning systems and raised-access floors, therefore catering to the demands of diverse tenants.
- Tenants include an auto parts importer, office equipment manufacturer, and apparel company.





* Ichigo Office will change the building name from Unizo Nogizaka Building to Ichigo Nogizaka Building. For purposes of this presentation, the building is referred to as the Ichigo Nogizaka Building.

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Reference: Portfolio (Other Asset Types)

JPY 2.1B in Unrealized Gains

as of October 31, 2018

No.	Asset Name	Area	Location	Acquisition Price (JPY M)	Book Vakue (JPY M)	Leasable Area (m^2)	Oct 2018 Appraisal Value (JPY M)	Unrealized Gains/ Losses	% Change
Z-02	Ichigo Fiesta Shibuya Building	Central Tokyo	Shibuya-ku, Tokyo	1,970	1,963	1,185.85	2,210	+246	+12.5%
Z-09	Konami Sports Club Izumi Fuchu	Other Regional Cities	Izumi City, Osaka	1,210	1,095	3,733.68	1,440	+344	+31.5%
Z-10	Ichigo Shibuya Bunkamura Dori Building	Central Tokyo	Shibuya-ku, Tokyo	2,400	2,464	778.77	3,220	+755	+30.6%
Z-11	Twicere Yokohama Isogo (Retail Section)	Tokyo Metro Area	Yokohama City, Kanagawa	1,620	1,518	2,717.77	1,880	+361	+23.8%
Z-12	Lions Square Kawaguchi	Tokyo Metro Area	Kawaguchi City, Saitama	2,430	2,376	7,788.09	2,710	+333	+14.0%
Z-14	Ichigo Kamata Building	Tokyo Metro Area	Ota-ku, Tokyo	1,400	1,446	2,124.68	1,520	+73	+5.1%
			Total	**11,030**	**10,865**	**18,328.84**	**12,980**	**+2,114**	**+19.5%**

Leasable Area and Occupancy are provisionally calculated using data of assets held as of October 31, 2018 and assets acquired in the October 2018 period.

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Notes

p. 5 Calculations

- Asset Sale NOI Yield = Annual NOI (October 2017 fiscal period annualized) divided by the sale price of the asset
- NAV = (Net Assets + Unrealized Gains/Losses) / Total Shares Outstanding (Period-End)
  - ✓ Pre-Assets and Sales Unrealized Gains
    October 2018 Fiscal Period-End Appraisal Value minus October 2018 Fiscal Period-End Book Value
  - ✓ Post-Assets and Sales Unrealized Gains
    Portfolio Assets (83 assets): October 2018 Fiscal Period-End Appraisal Value minus April 2019 Fiscal Period-End Forecast Book Value
    Asset Acquisition: Appraisal Value at Acquisition minus April 2019 Fiscal Period-End Forecast Book Value

p. 6 Calculations

- Asset Sale Forecast Book Value = Forecast book value as of the sale date calculated by IIA
- Asset Sale Appraisal Value is as of October 31, 2018
- Asset Sale Gains on Sale = Sale Price minus Forecast Book Value and Other Expenses Relating to Asset Sale
- Asset Acquisition Forecast NOI Yield = Forecast annual NOI calculated by IIA divided by acquisition price

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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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