[Provisional Translation Only]
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Sale of Section of Underlying Land (Ichigo Toyamaeki Nishi Building)

Ichigo Office decided today to sell to Toyama Prefecture a section of the underlying land of the Ichigo Toyamaeki Nishi Building.

1. Asset Sale Summary

Asset Name	Ichigo Toyamaeki Nishi Building
Asset Type/Asset Number	Office/O-38
Legal Form of Asset[1]	Real Estate
Appraisal Value[2]	JPY 9,470,000
Sale Price[3] (A)	JPY 12,369,952
Book Value[4] (B)	JPY 4,734,000
Sale Price vs. Book Value[4] (A) – (B)	JPY 7,635,000
Contract Date	February 21, 2019
Transaction Date	February 21,2019
Buyer	Toyama Prefecture
Settlement Method	Cash payment within 30 days from the day Toyama Prefecture receives a payment request from Ichigo Office that is in compliance with the Purchase and Sales Agreement.

[1] While the asset is currently a trust beneficiary interest in real estate (*juekiken*), the trust will be cancelled before the sale and the asset's legal form will change to real estate.

[2] Appraisal Value is calculated by Tanizawa Sogo Appraisal as of December 1, 2018, and is in compliance with the appraisal guidelines of Ichigo Investment Advisors ("IIA") as well as the rules of the Investment Trusts Association of Japan.

[3] Sale Price is the total sale price indicated in the Purchase and Sales Agreement. In addition, Ichigo Office will receive a compensation of JPY 11,800,110 for the closing and removal of a paid parking lot. The compensation will be recorded in Ichigo Office's April 2019 fiscal period.

[4] Book Value is an estimate based upon the most recent book value (October 2018 fiscal period) calculated proportionate to the section's land area.

2. Sale Rationale

The road adjacent to the northwestern side of the building is a prefectural road subject to the Ushijima Ninagawa Road Urban Planning Project (as established March 31, 1959 and amended April 27, 2005). An additional section of the underlying land also became subject to the Project on April 11, 2011. After negotiations with Toyama Prefecture, Ichigo Office has agreed to sell the section of land to the Prefecture.

3. Details of the Land being Sold

Asset Overview		
Form of Ownership		Real Estate
Location		1-1-19 Jinzu Honmachi, Toyama City, Toyama
Land	Property Right	Freehold
	Area	96.04m^2 of 3,718.62m^2
	Zoning	Neighborhood Commercial
	Coverage Ratio Floor Area Ratio	80% 300%

Appraisal Details		
Asset Name	Ichigo Toyamaeki Nishi Building Underlying Land Section	
Appraisal Value	JPY 9,470,000	
Appraiser	Tanizawa Real Estate Appraisal Co., Ltd.	
Appraisal Date	December 1, 2018	
	Amount (JPY)	**Note**
Appraisal Value via Land Residual Method	@83,600/m^2	Appraisal value of total land divided by total area
Appraisal Value (Total Land)	311,000,000	Net profit of maximum obtainable rental income assuming maximum use of the building
Income	310,402,470	
Maximum Obtainable Rental Income	326,484,622	Based on an analysis of potential rental income, parking lot income, common area service income, and other income
Vacancy Loss	16,082,152	Based on long-term vacancy rates
Expenses	92,445,549	
Administrative and Maintenance Expenses	26,837,335	Based on similar assets and past actual amounts
Utility Expenses	15,999,181	Based on similar assets and past actual amounts
Repair Expenses	3,737,967	Based on engineering reports and similar assets
PM Fee	6,809,386	Based on similar assets and past actual amounts
Leasing Brokerage Fees	2,922,813	Based on expected turnover rate and tenant acquisition costs for similar assets
Taxes	34,437,200	Based on FY2018 actual amounts
Insurance Premiums	770,460	Based on similar assets and past actual amounts
Other Expenses	931,207	Consumable goods, etc.
Net Operating Income (NOI)	217,956,921	
Income on Investment of Deposits Received	1,251,010	Based on a 1.0% investment yield

	Amount (JPY)	Note
Capital Expenditure	5,778,450	Based on similar assets and past actual amounts
a. Net Profit	213,429,481	
b. Cap Rate	5.0%	Based on the leasing terms and an assessment of the asset's location and expected use as well as overall financial market trends
c. Projected NOI Growth	0.5%	Based on long-term CPI trends
d. Discount Factor	0.906541	Based on an assumed two-year development period (no income)
e. Development Cost and Expected Development Profit	3,852,300,000	Total of construction cost, design supervision fee, property taxes during development, real estate acquisition tax, initial leasing cost, and development profit
f. Amortization Rate to Calculate Profit Attributable to the Building	0.050670	Based on forecast useful life of 50 years
g. Net Profit Attributable to the Building	195,196,041	e × f
h. Adjusted Net Income Attributable to the Land	16,529,361	(a – g) × d
i. Annual Reserve for Demolition Costs	2,366,810	Based on building structure and forecast useful life
j. Property Taxes During Non-Income-Producing Development Period	171,538	
Net Profit Attributable to the Land	13,991,013	h – i – j
Cap Rate Attributable to the Land	4.5%	b – c
Appraisal Value via Comparable Asset Method	@98,600/m^2	

Notes
As the Land Residual Method resulted in undervalued and fluctuating Appraisal Values, the Comparable Asset Method was used to correctly reflect the land's market value.

4. Buyer Details

Name	Toyama Prefecture
Relationship with Ichigo Office or IIA	The buyer does not have any capital, personnel, or business relationship of note with Ichigo Office or IIA. In addition, the buyer 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 Details

N/A

6. Use of Sale Proceeds

Proceeds from the asset sale will be retained for future use.

7. Transaction Schedule

Ichigo Office Board Resolution Date	February 21, 2019
Contract Date	February 21, 2019
Transaction Date	February 21, 2019

8. Earnings Outlook

Because the earnings impact of the sale is minimal, there is no change to Ichigo Office's April 2019 and October 2019 earnings forecasts.

Reference

1. Transaction Outcomes

a. Appraisal Value of Ichigo Toyamaeki Nishi Building (JPY million)

	Appraisal Value	Appraisal Date
Pre-Sale Appraisal Value	1,730	December 1, 2018
Post-Sale Appraisal Value	1,730	December 1, 2018

Appraisal Value is calculated by Tanizawa Sogo Appraisal. Pre-Sale Appraisal Value is of the building and the underlying land; Post-Sale Appraisal Value excludes the land sold in this transaction.

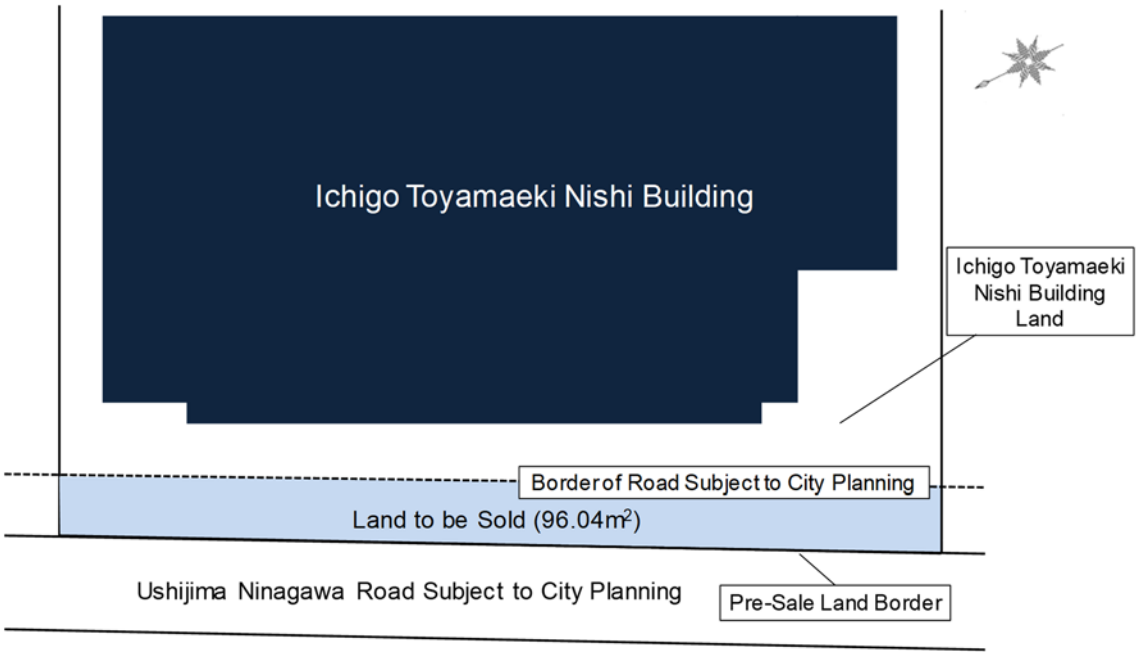
b. Earnings Impact Details

Expenses of JPY 5 million are anticipated to remove a parking lot and repair the pavement. The sale will thus result in lower parking lot income from the removal of the eight parking spaces. Ichigo Office will receive JPY 11,800,110 from Toyama Prefecture as a compensation for the closing and removal of the parking lot.

c. Legal Details

The sale will not result in the breach of any Japanese laws or regulations, including with respect to floor-area ratios (FAR) and building coverage ratios (BCR).

2. Diagram of Land to be Sold



Portfolio Reference Information

Post-Sale 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	1.3
O-04	Ichigo Nanpeidai Building	Central Tokyo	1,920	0.9
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	0.7
O-08	Ichigo Akasaka 5 Chome Building	Central Tokyo	735	0.4
O-09	Ichigo Shibakoen Building	Central Tokyo	1,100	0.5
O-10	Ichigo Ebisu Nishi Building	Central Tokyo	1,917	0.9
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	2.3
O-37	Ichigo Marunouchi Building	Four Major Regional Cities	6,710	3.3
O-38	**Ichigo Toyamaeki Nishi Building**	**Other Regional Cities**	**1,645**	**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	1.0
O-47	Ichigo Akihabara North Building	Central Tokyo	5,500	2.7

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	0.9
O-51	Ebisu Green Glass	Central Tokyo	5,900	2.9
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	3.5
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	2.3
O-64	Ichigo Sakurabashi Building	Central Tokyo	2,500	1.2
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	2.5
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	1.3
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	1.7
O-86	Win Gotanda Building	Central Tokyo	3,100	1.5
O-87	Ichigo Hongo Building	Tokyo Metro Area	2,300	1.1
O-88	Oimachi Center Building	Central Tokyo	1,680	0.8
O-89	Win Gotanda Building 2	Central Tokyo	3,300	1.6
O-90	MIF Building	Central Tokyo	2,200	1.1
O-91	Ichigo Uchi Honmachi Building	Four Major Regional Cities	1,900	0.9
O-92	Ichigo Minami Otsuka Building	Tokyo Metro Area	2,780	1.4
O-93	Ichigo Nogizaka Building	Central Tokyo	3,315	1.6
		Subtotal - Office (79 Assets)	191,987	94.6
Z-02	Ichigo Fiesta Shibuya Building	Central Tokyo	1,970	1.0
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-14	Ichigo Kamata Building	Tokyo Metro Area	1,400	0.7
		Subtotal - Other (6 Assets)	11,030	5.4
		Total (85 Assets)	203,017	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.

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