Ichigo Office
(8975)

Today's Strategic Asset Acquisition and Sale

May 29, 2019

Ichigo Office REIT Investment Corporation (8975)

Ichigo Investment Advisors Co., Ltd.

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This material provides supplementary explanatory information with respect to today's asset acquisition and sale as detailed in the below release:

"Acquisition of Office Asset (Ichigo Hakata East Building) and Sale of Retail Asset (Ichigo Fiesta Shibuya Building)," May 29, 2019

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Make The World More Sustainable

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Today's Transactions Drive Further Growth

Gains on Sale Significantly Exceed Unrealized Gains & Increase Portfolio's Exposure to Mid-Size Office Assets with Rental Growth Upside

Objectives

– Generate Positive Portfolio Outcomes

Portfolio	JPY 203B → JPY 203.2B	Office %	94.6% → 95.5%	NOI	+JPY 12M per annum

– Drive sustainable growth leveraging Ichigo sponsor support
  - ✓ Despite sale, retained preferential negotiation right to buy back Ichigo Fiesta Shibuya Building if Ichigo redevelops
  - ✓ Approach supports sustainable growth strategy leveraging Ichigo's value-add capabilities

– Generate Gains on Sale significantly higher than appraisal-based Unrealized Gains (i.e., Sale Price > Appraisal Value)
  - ✓ Gains on sale (JPY 400M) to be retained subject to J-REIT conduit rules and used to fund growth investments such as the Ichigo Hakata East Building acquisition

Asset Sale (Ichigo Fiesta Shibuya Building)

– Area
  Shibuya-ku, Tokyo
– Book Value
  JPY 1.96B
– Appraisal Value
  JPY 2.21B
– Closing Date
  May 30, 2019
– Sale Price
  JPY 2.4B
– Gains on Sale
  JPY 400M



Asset Acquisition (Ichigo Hakata East Building)

Area	Fukuoka
Location	4-min walk from Hakata Station on JR Lines & Fukuoka City Subway Kuko Line
Closing Date	May 31, 2019
Acquisition Price	JPY 2.25B
NOI Yield at Acquisition	5.2%
Occupancy	98.1%
Description	Mid-size office located in Fukuoka's central commercial district



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Driving Higher NOI & Harvesting Gains in Strong Market

Acquisitions and Sales Over Past Two Years

	April 2017 & October 2017	April 2018 & October 2018		April 2019	October 2019
	Acquisitions & Sales	Acquisitions & Sales	Acquisition	Acquisitions & Sales	Acquisition & Sale
Sales (10 assets)	• Sold 4 assets (serviced apartments and retail assets) to Ichigo • Sale price JPY 4.4B (Gains on sales JPY 30M)	• Sold 3 retail assets to third-party • Sale price JPY 6B (Gains on sales JPY 1.59B)		• Sold 2 retail assets to third-party • Sale price JPY 3.6B (Gains on sales JPY 640M)	• Sold 1 retail asset to Ichigo • Sale price JPY 2.4B (Gains on sale JPY 400M)  Ichigo Fiesta Shibuya Building
Acquisitions (9 assets)	• Acquired 3 mid-size office assets from Ichigo • Acquisition price JPY 7B  Win Gotanda Building  Ichigo Hongo Building  Oimachi Center Building	• Acquired 2 mid-size office assets from Ichigo • Acquisition price JPY 5.5B  Win Gotanda Building 2  MIF Building	• Acquired 1 mid-size office asset from third-party • Acquisition price JPY 1.9B  Ichigo Uchi Honmachi Building	• Acquired 2 mid-size office assets from third-parties • Acquisition price JPY 6B  Ichigo Minami Otsuka Building  Ichigo Nogizaka Building	• Acquired 1 mid-size office asset from Ichigo • Acquisition price JPY 2.25B  Ichigo Hakata East Building

Outcomes				
	Portfolio Size	JPY 194.5B → JPY 203.2B (+JPY 8.7B)	**NOI Increase***	JPY 290M per annum
	Office %	88.1% → 95.5% (+7.4%)	**Gains on Sales**	+JPY 2.71B

* NOI Increase = Forecast NOI of acquired assets calculated by IIA minus actual NOI of sold assets

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Acquisition: Ichigo Hakata East Building (O-94)

Mid-Size Office Building Located in Fukuoka's Main Commercial District

Asset Overview

Acquisition Price	JPY 2.25B
Appraisal Value	JPY 2.48B
NOI Yield	5.2%
Asset Type	Office
Location	1-13-6 Hakataeki Higashi, Hakata-ku, Fukuoka
Leasable Area	2,918.31m^2
Structure	Steel Reinforced Concrete, 8F
Date Built	June 2002
Occupancy	98.1% (as of April 30, 2019)

Location and Features

- A mid-size office building located within a four-minute walk from Hakata Station on the JR Lines and the Fukuoka City Subway Kuko Line.
- The building is located in Fukuoka's main commercial district.
- Each floor has a standard floor plate of 120 tsubo (c. 396m^2) with a standard ceiling height of 2.7m, and is equipped with individual air conditioning systems and raised-access floors, and is thus capable of catering to diverse tenant needs.
- Tenants include a cosmetics manufacturer, a security company, a construction consultancy, and the branch and sales offices of listed Japanese companies.







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Reference: Remaining Non-Office Assets

Post-Transaction: Five Retail Assets

Unrealized Gains: JPY 1.8B (+21% vs. Acquisition Price)

(JPY million)

No.	Asset Name	Area	Location	Acquisition Price (JPY M)	Book Value (JPY M)	Leasable Area (m^2)	Oct 2018 Appraisal Value (JPY M)	Unrealized Gain	% Unrealized Gain
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	1,447	2,124.68	1,520	+72	+5.0%
			Total	**9,060**	**8,902**	**17,142.99**	**10,770**	**+1,867**	**+21.0%**

Book Value, Appraisal Value, Unrealized Gain, and % Unrealized Gain (i.e., Book Value premium to Acquisition Price) are as of October 31, 2018.

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Notes

p. 4 Calculations

- NOI of sold asset: Annualized NOI of sold asset based on October 2018 actual
- NOI of acquired asset: Annualized forecast NOI of acquired asset calculated by IIA
- Unrealized Gains: Appraisal value minus book value at time of sale
- Gains on Sale: Sale price (including property and city planning taxes) minus book value and expected sale-related expenses

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Ichigo Office REIT IR Desk
TEL：03-3502-4891
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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