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Issuer
**Ichigo Office REIT Investment Corporation ("Ichigo Office," 8975)**
1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative: Yoshihiro Takatsuka, Executive Director
www.ichigo-office.co.jp/en

Asset Management Company
**Ichigo Investment Advisors Co., Ltd.**
Representative: Hiroshi Iwai, President
Inquiries: Sanae Hiraoka, Head of Ichigo Office
Tel: +81-3-3502-4891

# Acquisition of Office Asset (Ichigo Tachikawa Building)

Consistent with its strategy as a specialized office REIT, Ichigo Office decided today to acquire an office asset, the Ichigo Tachikawa Building.

1. Asset Acquisition Summary

| | |
|---|---|
| Asset Number<br>Asset Name[1] | O-96<br>Ichigo Tachikawa Building |
| Asset Type | Office |
| Date Built | December 14, 1992 |
| Form of Ownership | Trust beneficiary interest in real estate (*juekiken*) |
| Appraisal Value[2] | JPY 4,000 million |
| Acquisition Price[3] | JPY 3,830 million |
| Seller | Tachikawa Holdings GK |
| Contract Date | December 14, 2020 |
| Closing Date | December 18, 2020 |
| Financing Method | Cash-on-hand, Loans |
| Settlement Method | Lump-sum payment |

[1] Ichigo Office will change the building name from the Unizo Tachikawa Building to the Ichigo Tachikawa Building. For purposes of this release, the building is referred to as the Ichigo Tachikawa Building.

[2] Appraisal Value is calculated by Daiwa Real Estate Appraisal as of November 1, 2020, 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] Acquisition Price excludes incidental expenses such as fees and property, city planning, and consumption taxes.

2. Transaction Rationale

As a specialized office REIT with stable earnings and a diverse portfolio, Ichigo Office continues to execute on its strategy to grow shareholder value by focusing its portfolio on high-quality, mid-size office assets. Ichigo Office is acquiring the Ichigo Tachikawa Building by exercising the preferential negotiation right that came with its TK equity investment in the asset. After the acquisition, Tachikawa Holdings GK will be dissolved and Ichigo Office's investment will be returned.

The Ichigo Tachikawa Building is located in Tachikawa, a major city connecting central Tokyo to the Tama area of Tokyo, where supply and demand for offices has historically been stable. Ichigo Office will drive earnings growth of the asset via value-add capex.

With this asset acquisition, Ichigo Office's post-transaction portfolio will be 82 office assets, or 96.8% of the total portfolio. Ichigo Office expects to continue to grow its specialized, mid-size office portfolio to drive further earnings growth.

The Ichigo Tachikawa Building's tenants fully comply with the "Financial Report (*Yuka Shoken Hokokusho*)" (Japanese only) submitted on July 29, 2020.

Please refer to the May 15, 2019 release "Acquisition of TK Equity Interest in Unizo Tachikawa Building" for additional details on the preferential negotiation right.

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

3. Details of the Ichigo Tachikawa Building

(1) Location

Tachikawa City is located in the Tama area of Tokyo, which has rapidly developed as a business and retail center in suburban Tokyo due to the redevelopment of the area surrounding Tachikawa Station and the launch of the Tama Monorail.

The building is located near Tachikawa Station on the JR Chuo Line, allowing easy access to central Tokyo via major stations such as Shinjuku and Tokyo.

The northern side of Tachikawa Station, where the building is located, is a commercial district with many large-size office buildings that is in high demand as a location for branch offices and sales offices.

(2) Features

The Ichigo Tachikawa Building is a mid-size office building located within an eight-minute walk from Tachikawa Station on the JR Chuo Line and a seven-minute walk from Tachikawa Kita Station on the Tama Toshi Monorail Line.

Each floor is sub-divisible with a standard floor plate of 145 tsubo (480m$^2$) and is equipped with raised-access floors and individual air conditioning units. Together with its 58 parking spaces, the building caters to tenant needs in the area.

The building is currently occupied by an IT company, an insurance company, a real estate management company, and the call center of a TSE-listed company.

(3) Building Exterior and Location






| Asset Overview | | |
|---|---|---|
| Asset Name | | Ichigo Tachikawa Building |
| Legal Form of Asset | | Trust beneficiary interest in real estate (*juekiken*) |
| Trustee | | Mizuho Trust & Banking Co., Ltd. |
| Period of Trust Contract | | February 22, 2006 – March 31, 2025 |
| Location | | 1-21-1 Akebonocho, Tachikawa, Tokyo |
| Land | Property Right | Freehold |
| | Area | 1,784.89m$^2$ |
| | Zoning | (1) Retail (2) Neighborhood Commercial |
| | Coverage Ratio<br>Floor Area Ratio | (1) 80% (2) 80%<br>(1) 500% (2) 300% |
| Building | Property Right | Freehold |
| | Use | Office, retail, parking, storage |
| | Structure | Steel Reinforced Concrete, Reinforced Concrete B3F/7F |
| | Total Floor Area | 7,642.37m$^2$ |
| | Date Built | December 14, 1992 |
| Appraiser | | Daiwa Real Estate Appraisal Co., Ltd. |
| Appraisal Value | | JPY 4,000 million |
| Appraisal Date | | November 1, 2020 |
| Value by Direct Capitalization Method | | JPY 4,100 million |
| Architect[1] | | Kimura Architects & Associates |
| Builder[1] | | Joint Venture of Taisei Corporation and Penta-Ocean Construction |
| Structural Designer[1] | | Kimura Architects & Associates |
| Inspection Agency[1] | | Tachikawa City |
| PML (Assessor) | | 5.00% (Sompo Risk Management Inc.) |
| Collateral | | None |

| Lease Details (as of October 31, 2020) | | | | | | |
|---|---|---|---|---|---|---|
| Tenant Overview | | | | | | |
| | Number of Tenants | 15 | | | | |
| | Monthly Rental Income | JPY 16.412 million | | | | |
| | Tenant Security Deposits | JPY 116.494 million | | | | |
| | Leasable Area | 4,879.78m$^2$ | | | | |
| | Leased Area | 4,700.57m$^2$ | | | | |
| | Occupancy | Oct 2018 | Apr 2019 | Oct 2019 | Apr 2020 | Oct 2020 |
| | | 100% | 100% | 96.9% | 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. Pursuant to Article 42, Paragraph 2 of the Building Standards Act, 11.47m$^2$ of land on the northeast side of the property is used as a public road. |
| 2. A report by Earth-Appraisal Co., Ltd. indicates that although asbestos was detected in the paint coating used for the outdoor staircase, there is no risk of the asbestos becoming airborne during normal use given that there are no significant damages and the coating is in good condition. Ichigo Office will record JPY 11 million of asset retirement obligations on its balance sheet for the April 2021 fiscal period in anticipation of asbestos removal expenses arising when the building is renovated. |
| 3. Lease termination notifications were received from two tenants, one with leased area of 211.50m$^2$ and effective February 28, 2021, and another with leased area of 163.21m$^2$ and effective May 31, 2021. Ichigo Office entered into a lease with a new tenant (leased area: 179.21m$^2$) effective December 11, 2020. Occupancy is expected to be 92.3% after the two lease terminations and the one new lease. |

[1] Names of the architect, builder, structural designer, and inspection agency are those as of the building's construction date.

| Appraisal Details | | |
|---|---|---|
| Asset Name | Ichigo Tachikawa Building | |
| Appraisal Value | JPY 4,000,000,000 | |
| Appraiser | Daiwa Real Estate Appraisal Co., Ltd. | |
| Appraisal Date | November 1, 2020 | |
| | **Amount** | **Note** |
| Appraisal Value | JPY 4,000,000,000 | Based on a DCF valuation and verified using a direct capitalization valuation |
| Value by Direct Capitalization Method | JPY 4,100,000,000 | |
| Income | JPY 253,983,792 | |
| Forecast Full-Occupancy Rental Income | JPY 266,649,450 | Based on an analysis of potential rental income, common area service income, parking lot income, and other income |
| Forecast Decrease in Rental Income due to Vacancy | JPY 12,665,658 | Based on long-term vacancy rates |
| Expenses | JPY 71,450,482 | |
| Administrative & Maintenance Expenses | JPY 13,044,000 | Based on actual amounts |
| Utility Expenses | JPY 24,798,984 | Based on actual amounts |
| Repair Expenses | JPY 4,115,167 | Based on engineering reports |
| PM Fee | JPY 3,895,168 | Based on a new fee quote from the property management company |
| Leasing Brokerage Fees | JPY 1,342,563 | Based on tenant acquisition costs for similar assets |
| Taxes | JPY 22,099,300 | Based on FY2020 actual amounts |
| Insurance Premiums | JPY 561,080 | Based on insurance estimates |
| Other Expenses | JPY 1,594,220 | Based on actual amounts |
| Net Operating Income (NOI) | JPY 182,533,310 | |
| Income from Investments of Deposits | JPY 1,204,522 | Based on a 1.0% investment yield |
| Capital Expenditure | JPY 11,706,500 | Based on engineering reports |
| Net Profit | JPY 172,031,332 | |
| Cap Rate | 4.2% | 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 | JPY 3,950,000,000 | |
| | Discount Rate | 4.0% | Based on yields of similar real estate assets and of Japanese financial assets, taking into account the asset's specific characteristics |
| | Terminal Cap Rate | 4.4% | Based upon risk-adjusted NOI |
| Accounting Value | | JPY 3,390,000,000 | |
| | Land | 74.1% | |
| | Building | 25.9% | |
| **Notes** | | | |
| None | | | |

Note: Appraisal NOI Yield: 4.8% (calculated by dividing NOI by Acquisition Price)

4. Seller Profile

| | |
|---|---|
| Name | Tachikawa Holdings GK |
| Address | 2-7-1 Nihonbashi, Chuo-ku, Tokyo |
| Representative | Managing Member: Ippan Shadan Hojin Tachikawa Holdings<br>Manager: Shogo Kikuchi |
| Business | 1. Investment in trust beneficiary interests in real estate (*juekiken*)<br>2. Acquisition, holding, disposition, leasing, and management of real estate<br>3. Other businesses relating to the aforementioned businesses |
| Paid-In Capital | JPY 100,000 |
| Establishment Date | April 18, 2019 |
| Relationship to Ichigo Office or IIA | The seller does not have any additional capital, personnel, or transactional relationships with Ichigo Office or IIA requiring the disclosure under Tokyo Stock Exchange rules. In addition, the seller is not a related 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

N/A

6. Acquisition Schedule

| | |
|---|---|
| Ichigo Office Board Resolution Date | December 14, 2020 |
| Contract Date | December 14, 2020 |
| Closing Date | December 18, 2020 (expected) |

7. Earnings Outlook

The impact of this acquisition on Ichigo Office's April 2021 and October 2021 fiscal period earnings is described in today's release, "October 2020 Earnings."

**Reference**

1. Earnings Profile of Asset Being Acquired

(JPY million)

| | Forecast[1] | At Acquisition[2] |
|---|---|---|
| A. Rental Income | 244 | 239 |
| B. Rental Expenses (excluding depreciation)[3] | 69 | 70 |
| C. NOI (A-B) | 175 | 169 |
| D. NOI Yield[4] | 4.6% | 4.4% |
| E. Depreciation[5] | 43 | 43 |
| F. Post-depreciation NOI (C-E) | 131 | 125 |
| G. Post-depreciation NOI Yield[4] | 3.4% | 3.3% |
| H. Occupancy[6] | 96.0% | 96.3% |

[1] Amounts exclude one-off 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 one-off factors in the year of acquisition.
[3] Rental 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, respectively, by the Acquisition Price.
[5] Depreciation is as estimated by Ichigo Office.
[6] Occupancy is as of October 31, 2020.

2. Engineering Report Summary

| | |
|---|---|
| Asset Name | Ichigo Tachikawa Building |
| Inspector Name | Tokio Marine & Nichido Risk Consulting Co., Ltd. |
| Inspection Date | November 2020 |
| Short-Term Repair Expenses[1] | – |
| Long-Term Repair Expenses[2] | JPY 189.860 million |
| Current Replacement Cost | JPY 2,805.400 million |

[1] Short-Term Repair Expenses are defined as repair expenses beyond the scope of ordinary maintenance within a year from the time of inspection.
[2] Long-Term Repair Expenses are defined as cumulative repair expenses considered necessary for the maintenance of the asset within twelve years from the time of inspection.

3. Post-Transaction 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 | 1.0 |
| 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 |
| O-48 | Ichigo Sakaisuji Honmachi Building | Four Major Regional Cities | 1,940 | 0.9 |
| O-49 | Ichigo Kanda Ogawamachi Building | Central Tokyo | 2,210 | 1.1 |

| No. | Asset Name | Area[1] | Acquisition Price[2] (JPY million) | % of Portfolio[3] |
|---|---|---|---|---|
| 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 | 1.9 |
| O-62 | Ichigo Sasazuka Building | Central Tokyo | 4,780 | 2.3 |
| 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 | 1.1 |
| O-66 | Ichigo Kudan Building | Central Tokyo | 3,190 | 1.5 |
| 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 | 2.2 |
| O-70 | Koriyama Big-i (Office Section) | Other Regional Cities | 1,660 | 0.8 |
| O-71 | Ichigo Kawasaki Building | Tokyo Metro Area | 1,750 | 0.8 |
| 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 |
| O-82 | Ichigo Fushimi Building | Four Major Regional Cities | 2,340 | 1.1 |
| O-83 | Ichigo Nishiki Building | Four Major Regional Cities | 1,330 | 0.6 |
| O-84 | Ichigo Minami Morimachi Building | Four Major Regional Cities | 1,040 | 0.5 |

| No. | Asset Name | Area[1] | Acquisition Price[2] (JPY million) | % of Portfolio[3] |
|---|---|---|---|---|
| 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 | 1.3 |
| O-93 | Ichigo Nogizaka Building | Central Tokyo | 3,315 | 1.6 |
| O-94 | Ichigo Hakata East Building | Four Major Regional Cities | 2,250 | 1.1 |
| O-95 | Ichigo Nakameguro Building | Tokyo Metro Area | 1,495 | 0.7 |
| **O-96** | **Ichigo Tachikawa Building** | **Tokyo Metro Area** | **3,830** | **1.9** |
| Subtotal - Office (82 Assets) | | | 199,562 | 96.8 |
| 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-14 | Ichigo Kamata Building | Tokyo Metro Area | 1,400 | 0.7 |
| Subtotal - Other (4 Assets) | | | 6,630 | 3.2 |
| Total (86 Assets) | | | 206,192 | 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.