Ichigo Office
(8975)

April 26th Asset Sales & Today's Asset Acquisitions Supplementary Material

May 20, 2024

Ichigo Office REIT Investment Corporation (8975)

Ichigo Investment Advisors Co., Ltd.

Ichigo ESG

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Make The World More Sustainable

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This material supplements the information on Ichigo Office's strategic initiatives during the April 2024 and October 2024 fiscal periods detailed in the following releases:

<u>April 26, 2024 Releases</u>

"Sale of Two Portfolio Assts (Ichigo Ofuna Building, Ichigo Kudan 2 Chome Building)"

"Upward Earnings Forecast Revisions for the April 2024 Fiscal Period & October 2024 Fiscal Period"

<u>Today's Releases</u>

"Issuance of New Shares via Third-Party Allotment"

"Acquisition of Six Office Assets"

"New Loans for Acquisition of Office Assets"

"Upward Earnings Forecast Revision for the October 2024 Fiscal Period"

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Significance of Sales & Acquisitions & Third-Party Allotment

Monetizing Higher Asset Values Generated via Value-Add & Distributing Proceeds to Shareholders

- ✓ Significantly Increased Asset Values via Value-Add
  - — Ichigo Ofuna Building Sale Price: 10% Above Appraisal Value, 20% Above Book Value
    - – Ichigo Ofuna Building Gains on Sale of c. JPY 260M to be Distributed as April 2024 Dividend
  - — Ichigo Kudan 2 Chome Building: 70% Above Appraisal Value, 170% Above Book Value
    - – Ichigo Kudan 2 Chome Building Gains on Sale of c. JPY 1.06B to be Distributed as October 2024 Dividend

Acquiring New Assets With Earnings Upside & Executing Value-Add to Drive Further Growth in Shareholder Value

- ✓ Buying 6 High-Quality Mid-Size Office Assets (Total Acquisition Price JPY 15.4B) With Earnings Upside in Central Tokyo and Central Fukuoka

Both of Ichigo Office's Sponsors Taking Actions to Support Ichigo Office's Growth

- ✓ Provision of High-Quality Asset Pipeline (Ichigo)
- ✓ Participation in Third-Party Share Issuance (Ichigo Trust)

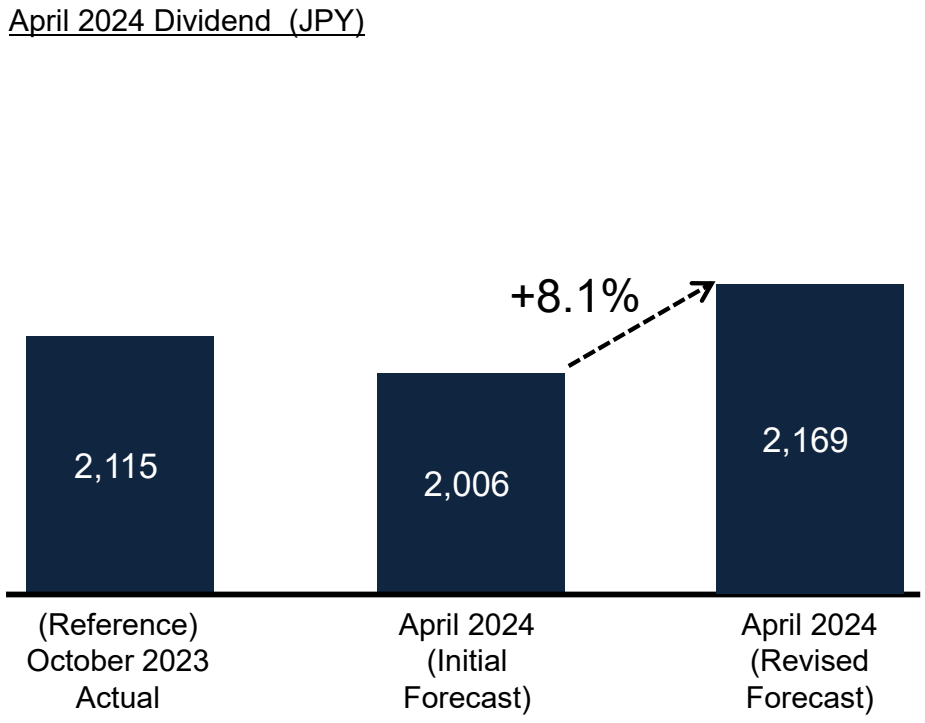
Note: Of the total gains on sales, Ichigo Office will retain JPY 101 million of the gains on sales as retained earnings within the J-REIT taxation rules and distribute the remainder as dividends

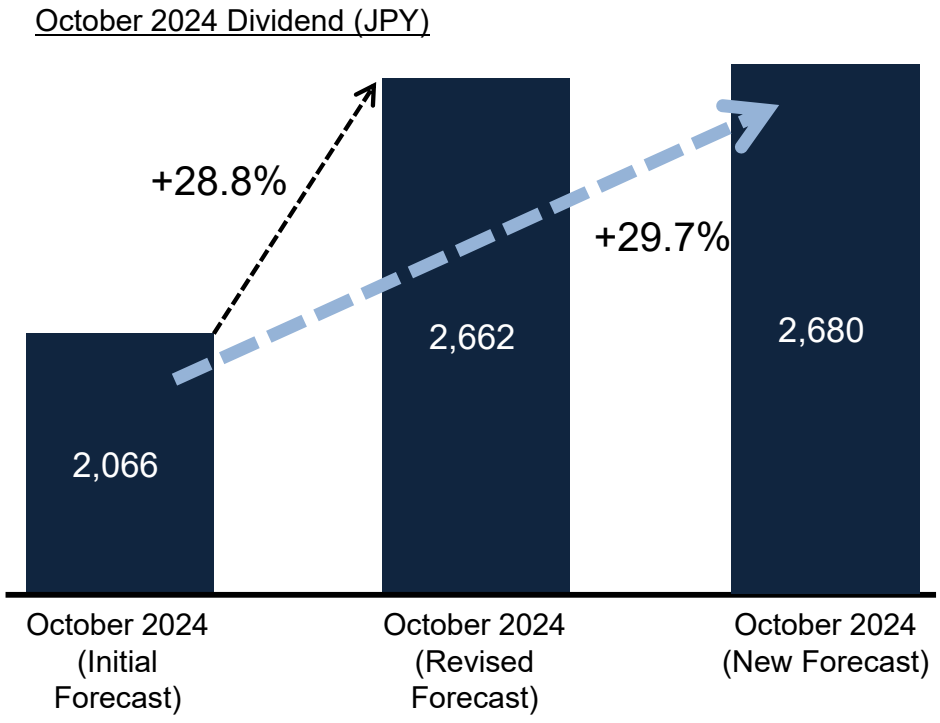
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Dividend Impact of Sales & Acquisitions & Third-Party Allotment

- Impact of Asset Sales on Dividend Forecasts: April 2024: +JPY 163 (+8.1%), October 2024: +JPY 596 (+28.8%)
- Impact of Asset Acquisitions & New Share Issuance on Dividend Forecasts: October 2024: +JPY 614 (+29.7%)





(Note 1) The preconditions of the initial April 2024 earnings forecast announced in December 2023 and the revised forecast announced in April 2024 differ because the revised forecast reflects the impact of the asset sales and a re-evaluation of the preconditions of existing assets, i.e., dividend increase due to asset sales.
(Note 2) The preconditions of the October 2024 earnings forecast announced in December 2023 and the revised forecast announced in April 2024 differ because the revised forecast reflects the impact of the asset sales, asset acquisitions, and third-party allotment, and a re-evaluation of the preconditions of existing assets.

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Third-Party Allotment Overview

Maximizing Equity Proceeds & Minimizing Dilution

- ✓ Issuing Shares at Previous Trading Day's Closing Price – No Risk of Issuance Price Being Pushed Down by Share Price Decreases During Book Building Period
- ✓ Issuing Shares at No Discount and None of the Significant Underwriter & Offering Costs That Are Typical of Public Offerings

Third-Party Allotment Overview

Number of Shares to be Offered	41,567 Shares
Issue Price	JPY 84,200 per Share
Total Issue Amount	JPY 3,499,941,400
Offering Method	Third-Party Allotment
Allottee and Number of Shares to be Issued to Allottee	Ichigo Trust: 41,567 Shares

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Overview of Asset Sales & Acquisitions

	Before Sales & Acquisitions	Asset Sales	Asset Acquisitions	After Sales & Acquisitions
Portfolio Size	88 assets/ JPY 212.4B	2 assets/ JPY 2.7B	6 assets/ JPY 15.4B	92 assets/ JPY 225.1B
Central Tokyo %	54.0%	–	–	54.7%
Tokyo Metropolitan Area %	21.9%	–	–	19.8%
Four Major Regional Cities %	18.5%	–	–	20.2%
NOI (Annual)	JPY 11.21B	JPY 170M	JPY 650M	JPY 11.69B
		Ichigo Ofuna Building Ichigo Kudan 2 Chome Building	Ichigo Akihabara East Building Ichigo Hakata Meiji Dori Building Ichigo Hakata Gion Building Ichigo Tenjin North Building Ichigo Gotanda West Building Ichigo Otemachi North Building	

(Note 1) Annual NOI: Calculated by IIA
Before Sales & Acquisitions: Annualized April 2024 NOI as of today
Asset Sales: Annualized April 2024 NOI of the Ichigo Ofuna Building and Ichigo Kudan 2 Chome Building as of today
Asset Acquisitions: NOI of 6 assets calculated using the appraisal value of each asset as of the acquisition date and direct capitalization method
After Sales & Acquisitions: NOI Before Sales & Acquisitions minus NOI of assets to be sold plus NOI of assets to be acquired
(Note 2) Percentages are calculated on an acquisition-price basis

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Overview of Asset Acquisitions (6 Offices/JPY 15.4B)

- Acquiring Offices Located in Central Tokyo & Central Fukuoka
- Deploying Value-Add Capex to Drive Asset Value

Asset Number	O-102	O-103	O-104	O-105	O-106	O-107
Asset Name	Ichigo Akihabara East Building	Ichigo Hakata Meiji Dori Building	Ichigo Hakata Gion Building	Ichigo Tenjin North Building	Ichigo Gotanda West Building	Ichigo Otemachi North Building
Exterior						
Acquisition Date	May 30, 2024					
Acquisition Price	JPY 3,240M	JPY 3,080M	JPY 1,700M	JPY 1,550M	JPY 3,950M	JPY 1,946M
Appraisal Value	JPY 3,370M	JPY 3,460M	JPY 1,710M	JPY 1,570M	JPY 4,010M	JPY 2,060M
NOI Yield	4.1%	5.4%	4.5%	4.7%	4.6%	4.3%
Seller	GK Kizuna1		Ichigo Estate			
Financing Method	New Share Issuance via Third-Party Allotment, Loans, Cash-on-hand					

NOI Yield is equal to Annual NOI calculated by IIA minus Acquisition Price

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Ichigo Akihabara East Building (O-102)

- Mid-Size Central Tokyo Office Offering Convenient Access
- Deploying Value-Add Capex to Drive Asset Value, Tenant Satisfaction, & Rental Income

Value-Add Plan[1]

- ✓ Renewal of common areas including restrooms
- ✓ Long-term rent increase negotiations, re-tenanting
- ✓ Close 15% rent gap[2]

Common Area Renovation Example
(Ichigo Shibuya Dogenzaka Building)



Asset Details

Acquisition Price	JPY 3,240 million
Appraisal Value	JPY 3,370 million
Expected NOI Yield	4.1%
Asset Type	Office
Location	2-19 Kanda Sakumacho, Chiyoda-ku, Tokyo
Access	3-min walk from Akihabara Station on JR Yamanote Line, 1-min walk from Akihabara Station on Hibiya Line
Leasable Area	2,100.93m^2
Structure	SRC, B1F / 8F
Date Built	March 1988
Occupancy	100% (as of March 31, 2024)

Building Photos





(Note 1) The value-add plans on this page and the following pages are plan as of today and are subject to change. The value-add examples on this page and the following pages are not of the assets being acquired.

(Note 2) Rent gap refers to the gap between the expected rent calculated by IIA reflecting the asset's value-add plan and the current rent.

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Ichigo Hakata Meiji Dori Building (O-103)

- Mid-Size Office Located Near Hakata Station & Tenjin Areas, Offering Convenient Access
- Deploy Value-Add Capex to Drive Asset Value, Tenant Satisfaction, & Rental Income

Value-Add Plan

- ✓ Renovate vacant space with Ichigo Layout Office format
  - Target ROI >8%
- ✓ Renovate common areas including pantries & entrance
- ✓ Close 30% rent gap

Ichigo Layout Office Example
(Ichigo Nakameguro Building)





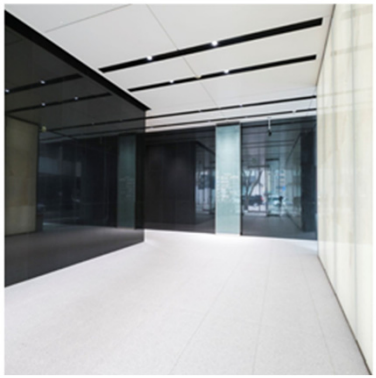
(Note) Ichigo Layout Office is a service that differentiates Ichigo buildings from those of its competitors by providing fully-fitted offices to accelerate tenant move-ins and reduce tenant costs

Asset Details

Acquisition Price	JPY 3,080 million
Appraisal Value	JPY 3,460 million
Expected NOI Yield	5.4%
Asset Type	Office
Location	8-17 Tenyamachi, Hakata-ku, Fukuoka City
Access	1-min walk from Gofukucho Station on Fukuoka City Subway Hakozaki Line, 4-min walk from Nakasu Kawabata Station on Fukuoka City Subway Kuko Line
Leasable Area	3,374.97m^2
Structure	Steel, 7F
Date Built	October 2007
Occupancy	76.6% (as of March 31, 2024)

Building Photos





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Ichigo Hakata Gion Building (O-104)

- Mid-Size Office Located in one of Fukuoka City's Prime Office Areas
- Deploy Value-Add Capex to Drive Asset Value, Tenant Satisfaction, & Rental Income

Value-Add Plan

- ✓ Conduct leasing activities tailored to needs of tenants in the area, including dividing currently vacant spaces and vacant spaces in the future
- ✓ Renovate common areas including restrooms
- ✓ Close 15% rent gap

Ichigo Layout Office Example
(Ichigo Hakata East Building)




Asset Details

Acquisition Price	JPY 1,700 million
Appraisal Value	JPY 1,710 million
Expected NOI Yield	4.5%
Asset Type	Office
Location	4-61 Gionmachi, Hakata-ku, Fukuoka City
Access	2-min walk from Gion Station on Fukuoka City Subway Kuko Line & Kushida Jinjamae Station on Fukuoka City Subway Nanakuma Line
Leasable Area	1,632.29m^2
Structure	(1) Steel, 9F; (2) Steel, one-story building
Date Built	February 2009
Occupancy	88.0% (as of March 31, 2024)

Building Photos




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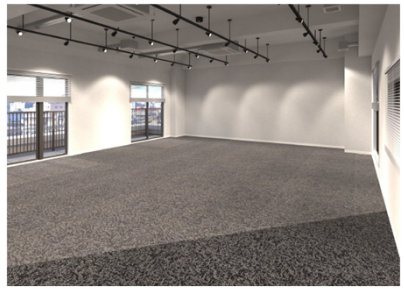
Ichigo Tenjin North Building (O-105)

- Mid-Size Office Located in one of Fukuoka City's Prime CBD, Offering Convenient Access by Train
- Deploy Value-Add Capex to Drive Asset Value, Tenant Satisfaction, & Rental Income

Value-Add Plan

- ✓ Convert 8th floor residential section to office section
  - Aim for ROI>10%
- ✓ Improve energy efficiency via installing LED lighting
- ✓ Close 20% rent gap

Conversion Example



Asset Details

Acquisition Price	JPY 1,550 million
Appraisal Value	JPY 1,570 million
Expected NOI Yield	4.7%
Asset Type	Office
Location	4-6-28 Tenjin, Chuo-ku, Fukuoka City
Access	6-min walk from Tenjin Station on Fukuoka City Subway Kuko Line
Leasable Area	1,475.75m^2
Structure	(1) SRC/RC, 8F; (2) Steel, 1F
Date Built	October 1985
Occupancy	100% (as of March 31, 2024)

Building Photos





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Ichigo Gotanda West Building (O-106)

- Mid-Size Office Located in Convenient Gotanda Area With High Office Demand
- Deploy Value-Add Capex to Drive Asset Value, Tenant Satisfaction, & Rental Income

Value-Add Plan

- ✓ Renovate common areas on 2nd-5th floors
  - Re-tenant 7th floor section at 80% rent increase after renovating common areas
- ✓ Convert 2 vacant sections on 6th floor to Ichigo Layout Office
- ✓ Close 15% rent gap

Asset Details

Acquisition Price	JPY 3,950 million
Appraisal Value	JPY 4,010 million
Expected NOI Yield	4.6%
Asset Type	Office
Location	2-18-3 Nishi Gotanda, Shinagawa-ku, Tokyo
Access	4-min walk from Gotanda Station on JR Yamanote, Tokyu Ikegami, & Toei Asakusa Lines
Leasable Area	2,735.34m^2
Structure	SRC, B1F / 8F
Date Built	March 1985
Occupancy	85.4% (as of March 31, 2024)

Building Photos





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Ichigo Otemachi North Building (O-107)

- Mid-Size Office Located in Uchikanda Area Offering Convenient Access Within Central Tokyo
- Deploy Value-Add Capex to Drive Asset Value, Tenant Satisfaction, & Rental Income

Value-Add Plan

✓ Convert 3 floors into Ichigo Office Layout formats
  - Target ROI >10%
  - Re-tenant at 50% rent increase after converting another floor into Ichigo Layout Office format

✓ Close 20% rent gap

Asset Details

Acquisition Price	JPY 1,946 million
Appraisal Value	JPY 2,060 million
Expected NOI Yield	4.3%
Asset Type	Office
Location	1-15-7 Uchikanda, Chiyoda-ku, Tokyo
Access	6-min walk from Kanda Station on JR Yamanote Line, 3-min walk from Awajicho Station on Tokyo Metro Marunouchi Line & Ogawamachi Station on Toei Shinjuku Line
Leasable Area	1,237.43m^2
Structure	Steel, 12F
Date Built	February 2008
Occupancy	93.3% (as of March 31, 2024)

Building Photos





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Ichigo ESG

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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