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December 16, 2015

Financial Report for the October 2015 Fiscal Period

Ichigo Office REIT Investment Corporation (Tokyo Stock Exchange, 8975)

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www.ichigo-office.co.jp/english

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Submission of Financial Report (*Yuka Shoken Hokokusho*): January 27, 2016 (expected)

Dividend Payment: January 22, 2016 (expected)

Supplemental Material to Financial and Business Results: Yes (Corporate Presentation)

Financial and Business Results Briefing: Yes (for institutional investors and analysts)

1. Financial Results for the October 2015 Fiscal Period (May 1, 2015 - October 31, 2015)

(1) Earnings

(million yen; period-on-period change)

	Operating Revenue	Change	Operating Profit	Change	Recurring Profit	Change	Net Income	Change
October 2015	6,248	24.5%	2,952	30.2%	1,854	84.4%	1,853	163.1%
April 2015	5,020	8.8%	2,267	6.0%	1,005	(28.7%)	704	(50.0%)

	Net Income per Share (yen)	Ratio of Net Income to Equity	Ratio of Recurring Profit to Total Assets	Ratio of Recurring Profit to Operating Revenue
October 2015	1,310	2.3%	1.2%	29.7%
April 2015	634	1.1%	0.8%	20.0%

(2) Dividends

	Dividend per Share (yen)	Total Dividends (million yen)	Dividend per Share in Excess of Earnings (yen)	Total Dividends in Excess of Earnings (million yen)	Payout Ratio (%)	Ratio of Dividends to Net Assets (%)
October 2015	1,706	2,416	0	0	130.3	2.7
April 2015	1,603	1,811	0	0	257.1	2.7

(Note 1) The April 2015 dividend reflects a 1,107 million yen dividend reserve reversal and thus differs from Net Income.

(Note 2) The October 2015 dividend reflects a dividend reserve reversal of 562 million yen and thus differs from Net Income.

(Note 3) The April 2015 and October 2015 payout ratios reflect new share issuances and are calculated as:
 Payout Ratio = Total Dividends / Net Income x 100

(3) Assets and Equity

	Total Assets (million yen)	Net Assets (million yen)	Equity Ratio (%)	Net Assets per Share (yen)
October 2015	184,792	93,255	50.5	65,843
April 2015	136,160	68,562	50.4	60,657

(4) Cash Flow

	Cash Flow from Operating Activities (million yen)	Cash Flow from Investment Activities (million yen)	Cash Flow from Financing Activities (million yen)	Cash and Cash Equivalents at End of the Period (million yen)
October 2015	5,180	(47,277)	44,612	15,968
April 2015	18,531	(25,920)	10,355	13,453

2. Earnings Forecast for the April 2016 Fiscal Period (November 1, 2015 to April 30, 2016) and the October 2016 Fiscal Period (May 1, 2016 to October 31, 2016)

(million yen; period-on-period change)

	Operating Revenue	Change	Operating Income	Change	Recurring Profit	Change	Net Income	Change
April 2016	6,346	1.6%	2,813	(4.7%)	2,176	17.4%	2,175	17.4%
October 2016	6,472	2.0%	2,944	4.7%	2,301	5.7%	2,300	5.7%

(yen)

	Dividend per Share	Dividend per Share in Excess of Earnings
April 2016	1,720	0
October 2016	1,760	0

(Note 1) The forecast Net Income per share for April 2016 is 1,536 yen and for October 2016 is 1,624 yen.

(Note 2) The April 2016 dividend reflects a dividend reserve reversal of 260 million yen, and the October 2016 dividend reflects a dividend reserve reversal of 200 million yen. Thus both differ from Net Income of the relevant period respectively.

3. Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

- | | |
|--|------|
| (i) Changes Accompanying Amendments to Accounting Standards: | None |
| (ii) Changes Not Listed in (i): | None |
| (iii) Changes in Accounting Estimates: | None |
| (iv) Retrospective Restatement: | None |

(2) Number of Shares Issued and Outstanding

- (i) The number of shares issued and outstanding (including treasury shares) was 1,130,323 shares at the end of April 2015 and 1,416,323 shares at the end of October 2015.
- (ii) There were no treasury shares at either the end of April 2015 or at the end of October 2015.

Completion Status of Auditing Procedures

This document is not subject to the auditing requirements set forth in the Financial Instruments and Exchange Law of Japan. The auditing procedures in accordance with those requirements have thus not been completed as of the date of the publication of this document.

Appropriate Use of Performance Forecasts and Other Matters of Special Note

The forecasts presented above are current figures based on certain preconditions. Accordingly, the actual operating revenue, operating income, recurring profit, net income, dividend per share, and dividend per share in excess of earnings may vary due to changes in circumstances. Moreover, these forecasts should not be construed as a guarantee of such performance or results.

For details on preconditions, please refer to the “Preconditions for Earnings Forecast of the Fiscal Periods ending April 2016 and October 2016” on page 4.

This English version is a translation of the original Japanese notice and is provided solely for informational purposes. Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

Preconditions for April 2016 and October 2016 Fiscal Period Earnings Forecasts

Item	Preconditions
Period	<ul style="list-style-type: none"> • November 1, 2015 – April 30, 2016 (182 days) • May 1, 2016 – October 31, 2016 (184 days)
Portfolio Assets	<ul style="list-style-type: none"> • 77 assets in total. The forecast assumes there will be no additional acquisitions or sales before the end of October 2016. • However, the number of assets may change due to acquisitions or sales.
Number of Shares	<ul style="list-style-type: none"> • The forecast assumes 1,416,323 shares issued and outstanding as of December 16, 2015.
Operating Revenue	<ul style="list-style-type: none"> • Rental revenue is calculated conservatively based on lease contracts that are in effect as of October 31, 2015 while taking into consideration such factors as historical rents, asset competitiveness, and market conditions. • Occupancy of 96.0% has been forecast for the end of April 2016 and 95.8% for the end of October 2016.
Operating Expenses	<ul style="list-style-type: none"> • Rental expenses, Ichigo Office REIT's principal operating expense, are calculated based on historical data adjusted for anticipated expense variations. (Depreciation expenses are treated separately.) • Anticipated property tax and city planning tax is 388 million yen for the April 2016 fiscal period and 524 million yen for the October 2016 fiscal period. • Building maintenance and repair expenses are forecast to be 115 million yen for the April 2016 period and 108 million yen for the October 2016 period. However, expenses for each period could differ significantly from these forecast amounts for reasons including the variability of maintenance and repair expenses, costs due to unexpected building damage, etc. • Service provider expenses including property management fees, etc., are forecast to be 594 million yen for the April 2016 period, and 570 million yen for the October 2016 period. • Depreciation has been calculated using the straight-line method. Depreciation is calculated by including the depreciation for future additional capital expenditures in the amortization amount. Depreciation of 851 million yen has been anticipated for the April 2016 period and 865 million yen for the October 2016 period. • Incentive fees of 157 million yen for the asset management company have been anticipated for the April 2016 period, and no incentive fees have been anticipated for the October 2016 period. • Actual operating expenses may differ significantly from assumptions due to unforeseeable factors.
Non-operating Expenses	<ul style="list-style-type: none"> • Interest expenses of 483 million yen are anticipated for the April 2016 period, and 488 million yen for the October 2016 period. • Borrowing-related expenses of 155 million yen are anticipated for the April 2016 period, and 156 million yen for the October 2016 period.
Borrowings	<ul style="list-style-type: none"> • Ichigo Office REIT's balance of loans payable stands at 81,252 million yen as of April 30, 2016, and 81,110 million yen as of October 31, 2016.
Dividend per Share	<ul style="list-style-type: none"> • The dividend forecasts assume that distribution will comply with the dividend distribution policy stipulated in Ichigo Office REIT's Articles of Incorporation. • The dividend for April 2016 is forecast to be 2,436 million yen, which is the total amount of retained earnings of 2,175 million yen plus a dividend reserve reversal of 260 million yen. The dividend for October 2016 is forecast to be 2,499 million yen, which is the total amount of retained earnings of 2,300 million yen plus a dividend reserve reversal of 200 million yen. • The dividend per share is subject to change due to factors such as changes in rental revenue associated with tenant turnover, the occurrence of unexpected maintenance and repair costs, fluctuations in interest rates, as well as additional share issuance.

Dividend in Excess of Earnings per Share	<ul style="list-style-type: none"> • Ichigo Office REIT does not plan on making any dividend distribution in excess of earnings per share or retained earnings.
Other	<ul style="list-style-type: none"> • Performance forecasts are based on the assumption that material revisions will not be made to laws and ordinances, the tax system, accounting standards, listing rules, and rules of the Investment Trusts Association, Japan, etc. • Performance forecasts are also based on the assumption that there will be no unexpected material change in general economic trends and real estate market conditions, etc.

Financial Statements

(1) Balance Sheet

(Thousand yen)

	April 2015 (as of April 30, 2015)	October 2015 (as of October 31, 2015)
Assets		
Current assets		
Cash and cash equivalents	6,339,011	6,545,720
Cash and cash equivalents in trust	7,146,522	9,455,413
Operating accounts receivable	36,814	46,996
Prepaid expenses	259,445	325,501
Consumption taxes receivable	—	515,293
Other	2,840	748
Total current assets	13,784,634	16,889,673
Fixed assets		
Property, plant, and equipment		
Buildings	8,473,551	8,492,334
Accumulated depreciation	(851,537)	(976,199)
Buildings, net	7,622,013	7,516,134
Structures	32,545	32,545
Accumulated depreciation	(15,029)	(17,183)
Structures, net	17,515	15,362
Machinery and equipment	261,009	265,918
Accumulated depreciation	(71,268)	(81,671)
Machinery and equipment, net	189,741	184,247
Fixtures	56,743	58,111
Accumulated depreciation	(23,816)	(27,855)
Fixtures, net	32,926	30,255
Land	18,825,582	18,825,582
Construction in progress	124	124
Buildings in trust	29,266,605	37,003,566
Accumulated depreciation	(2,563,456)	(2,885,137)
Buildings in trust, net	26,703,148	34,118,429
Structures in trust	52,575	57,868
Accumulated depreciation	(9,136)	(10,259)
Structures in trust, net	43,439	47,608
Machinery and equipment in trust	333,189	351,538
Accumulated depreciation	(96,927)	(109,675)
Machinery and equipment in trust, net	236,262	241,863
Fixtures in trust	254,089	191,917
Accumulated depreciation	(92,729)	(76,520)
Fixtures in trust, net	161,359	115,397
Land in trust	63,414,448	99,388,460
Construction in progress in trust	2,120	4,286
Total property, plant, and equipment	117,248,682	160,487,752
Intangible assets		
Leasehold rights in trust	4,494,579	4,494,579
Total Intangible assets	4,494,579	4,494,579

(Thousand yen)

	April 2015 (as of April 30, 2015)	October 2015 (as of October 31, 2015)
Investments and other assets		
Investments in securities	—	2,022,112
Tenant leasehold and security deposits	15,227	10,005
Long-term prepaid expenses	603,770	868,429
Other	13,587	19,801
Total investments and other assets	632,584	2,920,348
Total Fixed assets	122,375,846	167,902,679
Total assets	136,160,481	184,792,353
Liabilities		
Current liabilities		
Operating accounts payable	334,839	463,454
Current portion of long-term loans payable	6,025,171	283,049
Accounts payable – other	366,502	531,893
Accrued expenses	9,622	5,243
Income taxes payable, etc.	605	605
Accrued consumption taxes, etc.	73,465	30,985
Advances received	801,153	1,040,173
Other	18,604	11,607
Total current liabilities	7,629,962	2,367,010
Noncurrent liabilities		
Long-term loans payable	53,555,141	81,110,726
Tenant leasehold and security deposits	1,723,922	1,744,540
Tenant leasehold and security deposits in trust	4,683,727	6,311,861
Asset retirement obligations	4,815	2,725
Total noncurrent liabilities	59,967,607	89,169,854
Total liabilities	67,597,570	91,536,865
Net assets		
Shareholders' equity		
Shareholders' capital	34,130,503	58,781,415
Surplus		
Capital surplus	20,566,420	20,566,420
Dividend reserve	13,160,756	12,053,620
Unappropriated retained earnings /loss	705,230	1,854,031
Total surplus	34,432,407	34,474,073
Total shareholders' equity	68,562,911	93,255,488
Total net assets	68,562,911	93,255,488
Total liabilities and net assets	136,160,481	184,792,353

(2) Income Statement

(Thousand yen)

	April 2015 (November 1, 2014 to April 30, 2015)	October 2015 (May 1, 2015 to October 31, 2015)
Operating revenue		
Rental revenue	4,386,495	5,596,972
Other rental revenue	483,980	633,787
Dividend income from investment in TK equity	—	17,808
Gain on sales of real estate	150,311	—
Total operating revenue	5,020,788	6,248,567
Operating expenses		
Rental expense	2,133,086	2,545,378
Loss on sales of real estate	—	654
Asset management fee	484,527	631,997
Asset custody fee	9,420	10,169
Administrative service fees	29,316	38,433
Director's compensation	5,040	5,040
Other operating expenses	91,439	64,181
Total operating expenses	2,752,829	3,295,855
Operating profit	2,267,958	2,952,711
Non-operating income		
Interest income	1,153	1,615
Reversal of distribution payable	852	639
Insurance Income	10	—
Other	142	—
Total non-operating income	2,159	2,255
Non-operating expenses		
Interest expenses	409,090	490,964
Borrowing related expenses	806,962	567,196
Share issuance expenses	48,576	40,416
Other	—	2,212
Total non-operating expenses	1,264,629	1,100,789
Recurring profit	1,005,488	1,854,178
Extraordinary loss		
Impairment loss	300,406	—
Total extraordinary losses	300,406	—
Income (losses) before income taxes	705,082	1,854,178
Income taxes – current	605	605
Total income taxes	605	605
Net income	704,477	1,853,573
Retained earnings brought forward	753	458
Unappropriated retained earnings/loss	705,230	1,854,031

(3) Statement of Shareholders' Equity

April 2015 (November 1, 2014 to April 30, 2015)

(Thousand yen)

	Shareholders' equity						Balance at start of the period
	Shareholders' capital	Surplus				Total shareholders' equity	
		Capital surplus	Dividend reserve	Unappropriated retained earnings/loss	Total surplus		
Balance at start of the period	25,782,839	20,566,420	13,338,498	1,410,732	35,315,652	61,098,491	61,098,491
Changes during the period							
Issuance of new shares	8,347,664					8,347,664	8,347,664
Reversal of dividend reserve			(177,741)	177,741	—	—	—
Dividends from surplus				(1,587,721)	(1,587,721)	(1,587,721)	(1,587,721)
Net income				704,477	704,477	704,477	704,477
Total changes during the period	8,347,664	—	(177,741)	(705,502)	(883,244)	7,464,419	7,464,419
Balance at end of the period	34,130,503	20,566,420	13,160,756	705,230	34,432,407	68,562,911	68,562,911

October 2015 (May 1, 2015 to October 31, 2015)

(Thousand yen)

	Shareholders' equity						Balance at start of the period
	Shareholders' capital	Surplus				Total shareholders' equity	
		Capital surplus	Dividend reserve	Unappropriated retained earnings/loss	Total surplus		
Balance at start of the period	34,130,503	20,566,420	13,160,756	705,230	34,432,407	68,562,911	68,562,911
Changes during the period							
Issuance of new shares	24,650,912					24,650,912	24,650,912
Reversal of dividend reserve			(1,107,136)	1,107,136	—	—	—
Dividends from surplus				(1,811,907)	(1,811,907)	(1,811,907)	(1,811,907)
Net income				1,853,573	1,853,573	1,853,573	1,853,573
Total changes during the period	24,650,912	—	(1,107,136)	1,148,801	41,665	24,692,577	24,692,577
Balance at end of the period	58,781,415	20,566,420	12,053,620	1,854,031	34,474,073	93,255,488	93,255,488

(4) Cash Flow Statement

(Thousand yen)

	April 2015 (November 1, 2014 to April 30, 2015)	October 2015 (May 1, 2015 to October 31, 2015)
Cash flows from operating activities		
Income before income taxes	705,082	1,854,178
Depreciation and amortization	667,704	831,363
Share issuance expenses	48,576	40,416
Impairment loss	300,406	—
Interest income	(1,153)	(1,615)
Interest expenses	409,090	490,964
Decrease (increase) in operating accounts receivable	12,333	(10,181)
Decrease (increase) in consumption taxes receivable	—	(515,293)
Decrease (increase) in prepaid expenses	(545)	(66,056)
Decrease (increase) in long-term advance charges	(228,083)	(264,659)
Increase (decrease) in accrued consumption taxes	(59,765)	(42,480)
Increase (decrease) in operating accounts payable	37,944	167,812
Increase (decrease) in accounts payable	87,696	165,391
Increase (decrease) in advances received	51,517	239,019
Decrease due to sale of property, plant, and equipment	958,825	—
Decrease due to sale of property, plant, and equipment in trust	15,944,448	2,809,010
Other, net	41,376	(22,679)
Subtotal	18,975,454	5,675,189
Interest income received	1,153	1,615
Interest expenses paid	(444,076)	(495,343)
Income taxes paid	(605)	(605)
Net cash generated by (used in) operating activities	18,531,926	5,180,856
Cash flows from investment activities		
Purchase of property, plant, and equipment	(31,609)	(39,194)
Purchase of property, plant, and equipment in trust	(27,029,280)	(46,879,754)
Increase in tenant leasehold and security deposits	20,839	19,791
Decrease in tenant leasehold and security deposits	(79,173)	(4,839)
Increase in tenant leasehold and security deposits in trust	1,537,017	1,935,346
Decrease in tenant leasehold and security deposits in trust	(338,390)	(303,617)
Purchase of investment securities	—	(2,005,400)
Net cash generated by (used in) investment activities	(25,920,596)	(47,277,668)
Cash flows from financing activities		
Increase in long-term loans payable	31,610,500	29,644,000
Decrease in long-term loans payable	(27,966,758)	(7,830,537)
Proceeds from issuance of shares	8,299,087	24,610,495
Dividends paid	(1,586,939)	(1,811,741)
Net cash generated by (used in) financing activities	10,355,889	44,612,217
Net increase (decrease) in cash and cash equivalents	2,967,220	2,515,405
Cash and cash equivalents at beginning of the period	10,485,827	13,453,047
Cash and cash equivalents at end of the period	13,453,047	15,968,453