

[Provisional Translation Only]

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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	O-96
Asset Name ¹	Ichigo Tachikawa Building
Asset Type	Office
Date Built	December 14, 1992
Form of Ownership	Trust beneficiary interest in real estate (<i>juekiken</i>)
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.

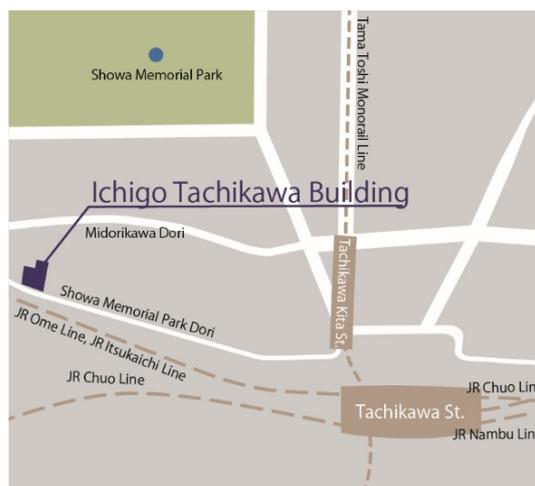
(2) Features

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 (480m²) 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 (<i>juekiken</i>)
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 Floor Area Ratio	(1) 80% (2) 80% (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, 11.47m² 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 211.50m² and effective February 28, 2021, and another with leased area of 163.21m² and effective May 31, 2021. Ichigo Office entered into a lease with a new tenant (leased area: 179.21m²) 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 Manager: Shogo Kikuchi
Business	1. Investment in trust beneficiary interests in real estate (<i>juekiken</i>) 2. Acquisition, holding, disposition, leasing, and management of real estate 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 Hakozaeki 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 Sagamiyama 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.