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Issuer

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Sale of Portfolio Asset (Ichigo Ikenohata Building)

Ichigo Office decided today to sell one of its assets, the Ichigo Ikenohata Building.

1. Asset Sale Summary

Asset Number	O-77
Asset Name	Ichigo Ikenohata Building
Asset Type	Office
Date Built	June 27, 1991
Form of Ownership	Trust beneficiary interest in real estate (<i>juekiken</i>)
Acquisition Date	May 24, 2016
Buyer ¹	A Third-Party Japanese Company
Broker	A Third-Party Broker
Sale Price ² (A)	JPY 10,600 million
Book Value ³ (B)	JPY 5,111 million
Sale Price vs. Book Value ³ (A) – (B)	JPY 5,488 million
Appraisal Value ⁴	JPY 5,500 million
Contract Date	October 31, 2022
Closing Date	December 20, 2022
Legal Form of Transaction	Sale of trust beneficiary interest in real estate (<i>juekiken</i>)

¹ The buyer did not provide consent to disclose its name.

² Sale Price is the sale price of the asset excluding incidental expenses such as fees and property, city planning, and consumption taxes.

³ Book Value is an estimate based upon the most recent book value (April 2022 fiscal period-end), adjusted for expected capital expenditures and depreciation through the Closing Date.

⁴ Appraisal Value is calculated by Tanizawa Sogo Appraisal as of April 30, 2022, pursuant to both the appraisal guidelines of Ichigo Investment Advisors Co., Ltd. (“IIA”) and the rules of the Investment Trusts Association of Japan.

2. Sales Rationale

Ichigo Office continues to work to improve the quality of its portfolio and drive earnings by focusing its portfolio on high-quality, mid-size office assets that generate stable cash flow, and recently acquired a mid-size office with high growth potential located in Ikebukuro, a commercial and entertainment district in Toshima Ward, in June 2022.

Today’s asset sale is an office building located in Taito Ward. After receiving an offer from the buyer for a price that is 2.1 times book value and 1.9 times recent appraisal value, Ichigo Office decided that the sale of this asset would be positive for its shareholders in light of anticipated increases in capital expenditures required for facility upgrades and the uncertain outlook for rent levels in the area.

This asset sale is forecast to generate a gain on sale of JPY 4.39 billion, of which Ichigo Office will retain a portion, up to an amount such that no tax burden will arise, as retained earnings.

Ichigo Office will use the proceeds from this asset sale for strategic investments such as asset acquisitions and value-add capex to offset any loss of rental income from this asset sale and therefore maintain portfolio earnings and dividends.

3. Details of the Ichigo Ikenohata Building

Asset Overview						
Asset Name		Ichigo Ikenohata Building				
Form of Ownership		Trust beneficiary interest in real estate				
Location		1-2-18 Ikenohata, Taito-ku, Tokyo				
Land	Property Right	Freehold				
	Area	1,120.22m ²				
	Zoning	Commercial				
	Coverage Ratio Floor Area Ratio	80% 600%				
Building	Property Right	Freehold				
	Use	Office				
	Structure	Steel Reinforced Concrete, 8 floors & 1 basement floor				
	Total Floor Area	7,774.41m ²				
	Date Built	June 27, 1991				
Number of Tenants		7 (as of September 30, 2022)				
Monthly Rental Income		JPY 25.284 million (as of September 30, 2022)				
Tenant Security Deposits		JPY 150.517 million (as of September 30, 2022)				
Leasable Area ²		5,504.15m ² (as of September 30, 2022)				
Leased Area ²		5,504.15m ² (as of September 30, 2022)				
Occupancy		Oct 2020	Apr 2021	Oct 2021	Apr 2022	Sep 2022
		100%	100%	100%	100%	100%
Acquisition Price		JPY 5,130 million				
Appraisal Value	Appraiser	Tanizawa Sogo Appraisal Co., Ltd.				
	Appraisal Date	April 30, 2022				
	Appraisal Value	JPY 5,500 million				

Appraisal Details		
Asset Name	Ichigo Ikenohata Building	
Appraisal Value	JPY 5,500,000,000	
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.	
Appraisal Date	April 30, 2022	
	Amount (JPY)	Note
Appraisal Value	5,500,000,000	Calculated using an income approach, with a DCF valuation as a basis and verified using a direct capitalization valuation
Value by Direct Capitalization Method	5,650,000,000	
Income	341,726,432	
Maximum Obtainable Rental Income	361,458,981	Based on expected long-term, stable rental income, common area service income, parking lot income, and other income
Vacancy Loss	19,732,549	Based on long-term, normalized vacancy rates
Expenses	85,519,462	
Administrative and Maintenance Expenses	19,154,442	Based on an analysis of expenses of similar assets and historical actual amounts
Utility Expenses	20,211,239	Based on historical actual amounts and reference to similar assets
Repair Expenses	11,350,000	Based on engineering reports and reference to similar assets
PM Fees	4,485,205	Based on existing contractual fees and reference to similar assets
Leasing Brokerage Fees	2,504,840	Based on expected turnover rate and historical actual amounts, and reference to similar assets
Taxes	26,579,300	Based on FY2021 actual amounts
Insurance Premiums	892,710	Based on historical actual amounts and reference to similar assets
Other Expenses	341,726	Based on actual amounts
Net Operating Income (NOI)	256,206,970	
Income on Investment of Deposits Received	1,378,311	Based on a 1.0% investment yield
Capital Expenditures	26,105,000	Based on engineering reports and reference to similar assets
Net Profit	231,480,281	
Cap Rate	4.1%	Based on transactions of similar assets while taking into account the asset's location and specific characteristics, rights, and terms and conditions of the contract

Value via DCF Method	5,440,000,000	
Discount Rate	4.2%	Based on yields of similar assets and financial assets, taking into consideration the asset's location and specific characteristics
Terminal Cap Rate	4.3%	Cap rate adjusted for uncertainties
Value via Cost Approach	5,620,000,000	
Ratio of Land	89.1%	Based upon the value recorded in the government land assessment (<i>koujikakaku</i>) and transactions of similar assets
Ratio of Building	10.9%	Based upon the replacement cost specified in engineering reports and depreciation
Notes		
Given that demand for the building comes primarily from investors, the appraisal value was deemed more appropriate as it better reflects current market prices compared to a value derived from the cost approach.		

4. Buyer Profile

Name	The buyer, a third-party Japanese company, did not provide consent to disclose its name.
Relationship with Ichigo Office or IIA	The buyer does not have any material capital, personnel, or transactional relationships with Ichigo Office or IIA. In addition, the buyer is not a related party as defined in the Enforcement Ordinance of the Investment Trust and Investment Corporation Law or the internal rules of IIA.

5. Broker Profile

Name	The broker did not provide consent to disclose its name.
Relationship with Ichigo Office or IIA	The broker is not a related party as defined in the Enforcement Ordinance of the Investment Trust and Investment Corporation Law or the internal rules of IIA.
Brokerage Fee	The broker did not provide consent to disclose the fee.

6. Forward Commitment

Because the Closing Date is December 20, 2022, over one month from today, the sale of the Ichigo Ikenohata Building (the "Sale") constitutes a forward commitment by Ichigo Office as stipulated in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators" by the Financial Services Agency.¹

In the event of a violation of the provisions of the Sale by Ichigo Office or the buyer, the

other party shall have the right to terminate the Sale and claim an amount equivalent to 20% of the purchase price as penalty.

Because Ichigo Office is the seller and therefore does not bear risks such as financing needs, it is highly unlikely that Ichigo Office will not be able to fulfill its obligations under the Sale.

¹ Refers to a post-dated purchase and sales agreement under which payment and property delivery shall be made at least one month after the conclusion of the agreement, or any other agreement similar thereto.

7. Settlement Method

JPY 1,060 million payment on the Contract Date with the remainder fully paid on the Closing Date.

8. Use of Sale Proceeds

Ichigo Office will distribute the gain on sale as part of dividends to shareholders, and will deploy the remainder of the sales proceeds towards strategic investments such as asset acquisitions and value-add capex.

9. Earnings Impact

The impact of today's asset sale on Ichigo Office's April 2023 fiscal period earnings has been reflected in the forecast presented in today's Ichigo Office release "Earnings Forecast Revision for the April 2023 Fiscal Period."

There is no change to the October 2022 fiscal period earnings forecast.

Reference: Post-Asset-Sale 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-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	1.1
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

No.	Asset Name	Area ¹	Acquisition Price ² (JPY million)	% of Portfolio ³
O-48	Ichigo Sakaisuji Honmachi Building	Four Major Regional Cities	1,940	1.0
O-49	Ichigo Kanda Ogawamachi Building	Central Tokyo	2,210	1.1
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	1.2
O-66	Ichigo Kudan Building	Central Tokyo	3,190	1.6
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	0.9
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-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

No.	Asset Name	Area ¹	Acquisition Price ² (JPY million)	% of Portfolio 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	0.7
O-84	Ichigo Minami Morimachi Building	Four Major Regional Cities	1,040	0.5
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	1.4
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
O-97	Ichigo Higashi Ikebukuro 3 Chome Building	Tokyo Metro Area	3,840	1.9
Subtotal - Office (81 Assets)			197,537	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 (85 Assets)			204,167	100

TK Equity Investment	GK Kizuna1 TK Equity Interest	50	–
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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 % of Portfolio is based upon acquisition price.