



June 19, 2023

Dear Berkeley Global, LLC,

**Ichigo Office's Position on Berkeley Global's Opinion Regarding Ichigo Office's  
Shareholder Proposals**

Keisuke Chiba, Executive Director  
Ichigo Office REIT Investment Corporation

Please find below the viewpoint of the Board of Directors of Ichigo Office REIT Investment Corporation ("Ichigo Office") regarding your opinion on the shareholder proposals.

**I. General Remarks**

You allege that Ichigo Office has made disclosures that mislead shareholders, but this allegation is based on your misunderstanding of our explanations and views. Instead, Ichigo Office's Board of Directors is seriously concerned that it is your claims that are misleading our shareholders.

We understand that your allegations are based on 1) a fundamental suspicion that our Board of Directors lacks the ability to independently verify and understand the asset management company's fee structure; and 2) suspicions that Ichigo Trust Pte. Ltd. ("Ichigo Trust"), as the largest shareholder holding 32.41% of Ichigo Office's shares, is exerting undue influence on the decisions of both Ichigo Office's Board of Directors and Ichigo Investment Advisors ("IIA"), the asset management company of Ichigo Office, neglecting the interests of general shareholders. However, these allegations are contrary to the facts.

The reasons are detailed below in our Board of Directors' response to your opinion on each shareholder proposal.

**II. Ichigo Office's Position on Berkeley Global's Opinion regarding Ichigo Office's  
Shareholder Proposals**

**A. Proposal 1**

You propose, in Proposal 9, an NOI & Dividend Performance Fee rate of 0.0036% which you claim to be the J-REIT average (although it is unclear how you have calculated this average – presumably by dividing the asset management fee by the total asset size for each J-REIT?). You assert that Ichigo Office's proposal of a fee rate of 0.0048%, Proposal 1, is inappropriate, basing this assertion on your claim that the average asset management fee rate of office REITs falls roughly between 0.42% and 0.44% (asset-size based). However, the premise that Ichigo Office should align with the J-REIT average fee fundamentally contradicts our Board of Directors' philosophy. Moreover, from a practical standpoint, it is essentially meaningless to compare the fee rate of Ichigo Office's no fixed fee, performance fee-only structure with that of a typical asset management fee structure linked to asset size. Under Ichigo Office's no fixed fee, performance fee-only structure, strong performance by IIA results in a larger fee, and poor performance results in a smaller fee. IIA bears the risk of not receiving fees if their performance falls short. A simple comparison with the fee rates of entirely different asset management fee structures is irrelevant.

You also claim that our NOI & Dividend Performance Fee is in a sense linked to asset size because it includes NOI as a factor. However, this fee is calculated by multiplying NOI with DPS. Therefore, even if assets grow and NOI increases, the fee does not necessarily increase should the DPS decrease but may in fact decrease, and that is entirely as intended with this fee structure. This fee structure is aligned with Ichigo Office's basic objective of increasing both NOI and DPS.

Also, you repeatedly claim that Ichigo Office's disclosures for the 2020 Shareholder Meeting were inadequate. However, as stated in the June 13, 2023 release, "Response to Questions from Berkeley Global" (Ichigo Office disclosure only in Japanese), the disclosures that you criticize in our June 15, 2020 release "Proposed Amendments to Articles of Incorporation and Election of Directors," were accurately calculated based on actual historical results, objectively comparing what the asset management fee actually was under the former fee structure with what the asset management fee would have been under the new fee structure, and there were no flaws in our disclosure. This calculation was based on actual results of Ichigo Office's performance for all fiscal periods since its shift to a specialized office REIT, and the decision to propose implementing a simplified, no fixed fee, performance-fee only asset management structure by Ichigo Office and IIA was made based on this calculation. Furthermore, the comparison of October 2020 fiscal period under the former asset management fee structure with the April 2021 fiscal period under the current fee structure is irrelevant because the earnings of each period differed. Therefore, Ichigo Office's disclosures at the time were appropriate.

You claim that actual results since the April 2021 fiscal period (i.e., since the introduction of the current asset management fee structure) contradict our explanation that "under the current fee structure, a strong performance by IIA results in a larger fee, and a poor performance results in a smaller fee", observing that the asset management fee increased compared to earlier periods despite NOI decreasing. However, assessing the appropriateness of the new fee structure by comparing it to a fee calculated based on different factors under a different fee structure is not a meaningful exercise. By using the October 2020 fiscal period as the base and comparing it with the actual fees in each subsequent fiscal period, one can see that Ichigo Office's asset management fee is indeed linked to NOI and DPS, in line with our explanation that "under the current fee structure, a strong performance by IIA results in a larger fee, and a poor performance results in a smaller fee."

You also claim that the rate of increase of Ichigo Office's asset management fee for the April 2022 fiscal period is significantly greater than the DPS growth rate. Since you are focusing exclusively situations where DPS is increasing, you overlook the fact that under our current fee structure, in situations where DPS decreases – since NOI is likely in those cases to decrease as well – the fee will decrease even more rapidly than the DPS decrease. In shifting to the current fee structure, careful consideration was made to ensure that the sum of the NOI & Dividend Performance Fee and Gains on Sale Performance Fee would remain at roughly the same level as the total fee under the previous fee structure. Therefore, your criticism that we shifted to the new asset management fee structure in order for IIA to receive more compensation than was required is incorrect. The appropriateness of the fee amount paid to the asset management company does require constant review, and we continue to monitor it based on recent results, as explained in B. Proposal 2.

Based on the above, we find your allegations to be a biased presentation that selectively manipulates facts to suit your own convenience. We consider your information disclosure to be inappropriate since it has the potential to mislead Ichigo Office shareholders.

In addition, you have criticized Ichigo Office's Board of Directors, suggesting that we have blindly accepted the rate proposed by Ichigo Trust without verifying the basis for its calculation and proposing it as Ichigo Office's own proposal. However, your allegation is utterly groundless. The decision for the proposal was made by Ichigo Office's Board of Directors in discussion with IIA in light of the current portfolio and asset management environment, based on the assessment that it is appropriate from the perspective of balancing shareholder returns with the soundness of the asset management company.

## B. Proposal 2

You claim that Proposal 2 will essentially abolish the Gains on Sale Performance Fee. However, as explained in the June 9, 2023 release, "Ichigo Office's Position on Berkeley Global's Shareholder Proposal Withdrawal," your assumption that the Gains on Sale Performance Fee will always exceed the NOI & Dividend Performance Fee is incorrect. Proposal 2 will not abolish the Gains on Sale Performance Fee.

For example, if large gains on sales are generated and Ichigo Office makes use of the Act on Special Measures Concerning Taxation Article 65-7 "Special Taxation in the Case of Replacement of Specific Assets," choosing to retain and reinvest a portion of earnings to increase long-term shareholder value, the Gains on Sale Performance Fee may exceed the NOI & Dividend Performance Fee. Also, should NOI decline significantly due to natural disasters or the spread of infectious diseases, the Gains on Sale Performance Fee may exceed the NOI & Dividend Performance Fee.

In addition, you claim that the amendment to the Articles of Incorporation proposed in Proposal 2 will result in a double payment and that IIA will receive the Gains on Sale Performance Fee as well as the NOI & Dividend Performance Fee. However, Ichigo Office is proposing to amend the Gains on Sale Performance Fee to subtract the Gains on Sale Performance Fee amount from the NOI & Dividend Performance Fee, taking into consideration the increased total asset management fee in the April 2022 and April 2023 fiscal periods, resulting from the increased Gains on Sale Performance Fee due to higher than expected gains on sale. The amendment is being proposed to maximize shareholder value in light of these circumstances.

You also claim that Ichigo Office's Board of Directors does not understand the asset management fee structure that is commonly implemented by J-REITs, claiming that Proposal 10, which conflicts with Proposal 2, assumes that the fee rate is calculated for each asset sale and acquisition with the upper limit being 0.5% of the transaction price. However, if an upper limit of the fee rate is stipulated in the AOI, the Investment Corporation and the asset management company typically agree upon a specific fee rate in advance (within the upper limit of the fee rate in the AOI), and do not set a fee rate for each asset sale and acquisition. Under your proposal for a separate fee rate to be agreed upon for each transaction, it is unclear how each separate fee rate would be determined and it would be difficult to implement. Although it is possible to take into account the degree of contribution to shareholder value at the time of sale, which means taking into account the amount of gains, doing so would be equivalent to following the philosophy of Ichigo Office's current asset management fee structure; conversely, there are no such indicators for evaluating contribution to shareholder value at the time of asset acquisition. Furthermore, setting a fee rate for each transaction in light of the Investment Corporation's earnings is potentially problematic since compensating for losses is prohibited under the Financial Instruments and Exchange Act Article 42-2, Item 6, and the provision of extraordinary profits is prohibited under the Financial Instruments and Exchange Act Article 38, Item 9 and Cabinet Office Order on Financial Instruments Business, etc. Article 117, Clause 1, Item 3. We are forced to conclude that it is you who lacks understanding of the Investment Corporation rules and asset

management fee decision-making processes.

You have, on occasion, been making unsubstantiated claims based on fiduciary duty, claiming that there could be no asset sales and acquisitions conducted solely for the purpose of acquisition and sale fees due to the asset management company's fiduciary duty. Although we believe it is natural to assume that the asset management company will act in line with its fiduciary duty, and we are not in any way concerned that IIA would act in a way that breaches its duties, it is, generally speaking, difficult to determine whether any specific action is a breach of the asset management company's fiduciary duty, and it is not easy to examine a situation and hold the responsible parties accountable after the fact, thus making it difficult to assess whether the asset management company's fiduciary duty is fully and appropriately functioning at all times. Meanwhile, providing appropriate incentives to the asset management company will clearly reduce the likelihood that fiduciary duty will be breached. Ichigo Office's no fixed fee, performance fee-only structure assures that the asset management company will carry out its fiduciary duty as the service provider for Ichigo Office, and aims to drive operational efficiency via incentivizing the asset management company to realize gains on sales in order to maximize shareholder value. Therefore, it is evident that the Gains on Sale Performance Fee under Proposal 2 is more practical than controlling the activities of the asset management company by relying solely on fiduciary duty.

### C. Proposals 3 and 4

You claim that Ichigo Office's Gains on Merger Performance Fee and Gains on REIT TOB Sale Performance Fee allows for substantial profits to be diverted if there is a change in asset management company, and are takeover defense measures similar to a "golden parachute". However, the Gains on Merger Performance Fee and Gains on REIT TOB Sale Performance Fee under Ichigo Office's no fixed fee, performance fee-only structure are paid in line with the asset management company's contributions to per-share increase in value (specifically, unrealized gains per share) up until the merger or TOB date. The fees are appropriate compensation for the activities that have been performed by the asset management company, and are equivalent to those which would have been paid to the asset management company had it sold real estate assets and recorded gains on sales in the absence of a merger or TOB. Therefore, the Gains on Merger Performance Fee and Gains on REIT TOB Sale Performance Fee are appropriate compensation for the activities performed by the asset management company, are not payments that "allow for substantial profits to be diverted," and are fundamentally different from "golden parachutes" under which large amounts of severance are paid without any valid reasons.

The Gains on Merger Performance Fee and Gains on REIT TOB Sale Performance Fee are paid to compensate the asset management company for its long-term asset management efforts should there be a change in asset management company in the event of a merger or TOB, and aim to incentivize the asset management company to maximize shareholder value. Although you claim that Ichigo Office's Board of Directors is able to assess merger and TOB bids with the assistance of securities firms and other specialists without the payment of significant fees, your claim deliberately ignores the incentives to improve asset management performance that are built into the Gains on Merger Performance Fee and Gains on REIT TOB Sale Performance Fee mentioned above. Furthermore, with respect to the fee amounts, if the asset management company's performance is low, the fees will also be low, and your claim that the fees are too high based on fees calculated assuming the execution of a merger or TOB is not valid.

Here, you also claim that the Gains on Merger Performance Fee and Gains on REIT TOB Sale Performance Fee are inappropriate, citing the asset management company's

fiduciary duty. However, as stated in our response dated June 13, 2023, we believe it is natural to assume that the asset management company will act in line with its fiduciary duty, and we are not concerned that IIA would act in a way that breaches its duty. Although it is difficult to ascertain whether a merger or TOB offer will contribute to shareholder returns, we believe it is meaningful to establish a fee structure that does not result in the asset management company being unreasonably reluctant to assist in a merger or TOB process when it is difficult to ascertain whether there is a breach of fiduciary duty by the asset management company.

Furthermore, based on the Investment Trusts Act Article 206, Clause 2, Item 1, you claim that the Board of Directors are able to dismiss the asset management company if the asset management company “is unreasonably uncooperative in assisting with a merger or TOB proposal” for “merger or TOB offers that contribute to shareholder returns” (and therefore, it is not necessary to establish a fee structure that does not unfairly discourage asset management company from considering or implementing merger or TOB proposals via the Gains on Merger Performance Fee and Gains on REIT TOB Sale Performance Fee). However, if the asset management company is dismissed, it is necessary to search for a new asset management company in advance, and such a change will hurt asset value. Changing the asset management company would also require significant time and costs. Do you really believe that the Board of Directors’ dismissing an asset management company that is reluctant to assist with a merger or TOB is an effective solution when it is not easy to assess whether a merger or TOB offer contributes to shareholder returns, and management is expected to make quick decisions regarding the proposed merger or TOB?

You claim yet again that Ichigo Office and its shareholders decide on Ichigo Office’s mergers and TOB, not the asset management company. Naturally, Ichigo Office understands this, but also understands that the cooperation of the asset management company is crucial in successfully implementing a merger or TOB that contributes to shareholder value. The very fact that you continue making this claim is evidence that you do not understand Ichigo Office’s operations and that your various allegations completely lack substance.

Lastly, you point out minor technical issues with Proposals 3 and 4, and claim that Ichigo Office did not consider the practical implementation of these proposals. However, we believe that each of these points can be interpreted differently from your claims, and are not fundamental issues with our asset management fee structure. Asserting that Ichigo Office’s Board of Directors fundamentally lacks the ability to assess the asset management fee structure is not only based on a false set of assumptions, but is clearly speculative. We strongly request that you refrain from making such inappropriate claims, which are unfounded and involve significant leaps in logic.

#### D. Proposals 5 and 6

You have made the far-fetched claim that the true intent behind Ichigo Office’s nominating the Executive Director and Supervisory Director candidates under Proposals 5 and 6 is to establish an asset management structure that is in the interest of Ichigo Trust and the Ichigo group’s profits, solely because the two candidates were initially proposed by Ichigo Trust.

However, it is an objective fact that the Executive Director and Supervisory Director candidates are completely independent from Ichigo Trust and the Ichigo group. Furthermore, in deciding the candidates for Proposals 5 and 6, Ichigo Office’s Board of Directors selected these individuals after conducting interviews, ensuring their suitability and confirming their independence from Ichigo Trust and the Ichigo group, and there is no cause for concern as you claim.

Mr. Sugihara, on the other hand, is an employee of and economically reliant on Star Asia Group, which manages Star Asia Investment Corporation, a competitor of Ichigo Office. If Mr. Sugihara is appointed as Ichigo Office's Executive Director, there is a concern that he may use his position as Executive Director to make decisions and act in a way that would prioritize the profits and interests of Star Asia Group over the profits of Ichigo Office and Ichigo Office shareholders.

However, you claim that Ichigo Office's Board of Directors' concern of a conflict of interest is not a valid reason for declining to nominate Mr. Sugihara as Executive Director, yet merely offer Mr. Sugihara's deep understanding of an Executive Director's fiduciary duty to an Investment Corporation as proof that he will not act in a way that would be a conflict of interest. Thus far, you have not provided any explanation whatsoever regarding specific measures that Mr. Sugihara would take to avoid conflicts of interest were he appointed as an Executive Director.

You also claim that it is common for directors to be seconded from shareholders operating in the same industry, and that there are no problems with appointing a Director with a conflict of interest, citing legal measures which exclude related-party Directors from Board decisions when a conflict of interest arises. However, it is widely recognized that the scope of a related-party Director under the Companies Act is limited. Except for the extremely rare case where Ichigo Office and Star Asia Group are engaged in a direct transaction, it is hard to believe that this legal measure would suffice in a situation where an actual conflict of interest exists with Star Asia Group. You also cite the measures implemented to avoid conflicts of interest during the merger negotiations between Sakura Sogo REIT Investment Corporation and Star Asia Investment Corporation. However, in that case, Mr. Sugihara, part of Star Asia group, was appointed as an Executive Director of Sakura Sogo REIT Investment Corporation, with the explicit goal of facilitating the merger. This clearly presented a high potential for conflict of interest. Under such circumstances, it was only natural to establish a third-party committee and exclude Mr. Sugihara from the decision-making processes. On the other hand, under the present situation, considering Ichigo Office will continue to be listed, there will be many instances of potential conflicts of interest with Ichigo Office shareholders. The current situation is completely different from the merger mentioned above, and is not a valid reason for nominating Mr. Sugihara.

#### E. Proposal 7

It is clear that Proposals 7 and 14 conflict. You seem to argue that they are not conflicting because the upper limit on Director compensation under Proposal 7 and the total Director compensation under Proposal 14 can be technically be implemented simultaneously. However, Proposal 7 amends Article 20 Items 1 and 2 of the AOI, changing the upper limits on individual Director compensation (and does not assume a separate upper limit for total Director compensation), while Proposal 14 does not amend Article 20, Items 1 and 2 of the AOI, thus not changing the upper limits on individual Director compensation, but attempts to introduce a separate upper limit on total Director compensation via the addition of Item 3, which clearly conflicts. Furthermore, the total Director compensation under Proposal 14 assumes the addition of Directors that are economically dependent on an organization other than Ichigo Office. Proposal 7 does not assume the addition of such Directors, and setting the monthly total Director compensation at JPY 1,090,000 conflicts with the objective of our proposal.

You also argue that Proposal 7 doesn't serve the interest of shareholders, citing the theoretical possibility that the proposals regarding Director compensation will not be approved at the EGM. However, it is evident that the process of having Director compensation be determined by Shareholder Meeting approval is, in and of itself, in line with shareholder interests. Shareholders understand the need for appropriate Director compensation to attract appropriate suitable Director candidates, and we believe

proposing a reasonable compensation that resonates with shareholders and sufficiently explaining the underlying reasons will minimize the risk of a proposal not being approved at the EGM.