Ichigo Preserves and Improves Real Estate

[Provisional Translation Only]
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Earnings Forecast Revision for the October 2018 Fiscal Period and Earnings Forecast for the April 2019 Fiscal Period

Ichigo Office is revising up its October 2018 earnings forecast that was announced in the December 15, 2017 release "October 2017 Fiscal Period Earnings," and is also announcing its April 2019 earnings forecast.

The earnings forecast for the April 2018 fiscal period, scheduled for announcement on June 14, is unchanged.

1. October 2018 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	7,531	3,652	2,867	2,866	1,940
New Forecast (B)	7,547	3,686	2,886	2,885	1,952
Difference (B) - (A)	+15	+33	+19	+19	+12
% Change	+0.2%	+0.9%	+0.7%	+0.7%	+0.6%

Net Income per share: JPY 1,883 Period-end number of shares outstanding: 1,532,287 shares

The forecast presented above is based on certain preconditions set out below in "Preconditions for the October 2018 and April 2019 Earnings Forecasts." The actual operating revenue, operating profit, recurring profit, net income, and dividend may vary due to changes in circumstances such as asset acquisitions and dispositions, tenant turnover, unexpected maintenance and repair costs and other expenses, changes in interest rates, and the issuance of new shares. These forecasts should not be construed as a guarantee of such performance or results. Ichigo Office will make a forecast revision should there be a substantial discrepancy between the forecast and actual operating results.

2. Reason for October 2018 Earnings Forecast Revision

Ichigo Office continues to execute on its strategy to grow long-term value for its shareholders as a specialized office REIT, and is revising up its earnings forecast to reflect the impact of the sale of three retail assets made during the April 2018 fiscal period (the "Asset Sales"), the acquisition of two assets announced in today's release "Acquisition of Two Office Assets (Win Gotanda Building 2, MIF Building)" (the "Asset Acquisitions"), and current portfolio operating results.

October 2018 operating revenue is forecast to exceed the previous forecast by JPY 15 million, comprised of a JPY 26 million increase in common area services income, a JPY 2 million increase in parking fees, and a JPY 14 million decrease in utilities income mainly as a result of the Asset Sales. The increase in common area service income is further comprised of a JPY 133 million increase due to the Asset Acquisitions and a JPY 60 million increase resulting from the rapid lease-up of existing assets, partially offset by a JPY 167 million decrease due to the Asset Sales.

Operating expenses are forecast to decrease by JPY 17 million compared to the previous forecast, comprised of a JPY 63 million decrease in rental expenses resulting from the Asset Sales & Acquisitions, partially offset by a JPY 13 million increase in maintenance and repair expenses of existing assets, a JPY 12 million increase in utilities expense, a JPY 10 million increase in service provider expenses, and a JPY 2 million increase in other expenses. Operating expenses other than rental expenses are forecast to increase by JPY 9 million as a result of an increase in AM fees associated with the Asset Acquisitions and Asset Sales, resulting in operating profit forecast to increase by JPY 33 million.

Non-operating expenses are forecast to increase by JPY 14 million comprised mainly of a JPY 5 million increase in interest expense and a JPY 5 million increase in borrowing-related expenses, both associated with the Asset Acquisitions. Recurring profit and net income are therefore each forecast to increase by JPY19 million.

Negative goodwill amortization is forecast at JPY 105 million. Thus, total dividends and dividend per share are forecast at JPY 2,991 million and JPY 1,952 (+JPY 12 vs. the April 2018 forecast), respectively.

Note: For details of the Asset Sales, please refer to the March 16, 2018 release "Sale of Two Retail Assets (Ichigo Sapporo Minami 2 Nishi 3 Building, Ichigo Daimyo Balcony)" and the March 29, 2018 release "Sale of Retail Asset (Ichigo Burg Omori Building)."

3. April 2019 Earnings Forecast

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
April 2019 Forecast (A)	7,493	3,717	2,926	2,925	1,974
New October 2018 Forecast (B)	7,547	3,686	2,886	2,885	1,952
Difference (B) - (A)	-54	+31	+40	+40	+22
% Change	-0.7%	+0.9%	+1.4%	+1.4%	+1.1%

Net Income per share: JPY 1,905 Period-end number of shares outstanding: 1,532,287 shares

The forecast presented above is based on certain preconditions set out below in "Preconditions for the October 2018 and April 2019 Earnings Forecasts." The actual operating revenue, operating profit, recurring profit, net income, and dividend may vary due to changes in circumstances such as asset acquisitions and dispositions, tenant turnover, unexpected maintenance and repair costs and other expenses, changes in interest rates, and the issuance of new shares. These forecasts should not be construed as a guarantee of such performance or results. Ichigo Office will make a forecast revision should there be a substantial discrepancy between the forecast and actual operating results.

4. April 2019 Earnings Forecast Rationale

April 2019 operating revenue is forecast to decrease by JPY 54 million versus the October 2018 forecast, comprised of a JPY 42 million seasonal decrease in utilities income from tenants and a JPY 15 million decrease in other income, partially offset by a JPY 3 million increase in parking fees.

Operating expenses are forecast to decrease by JPY 80 million versus the October 2018 forecast, comprised of a JPY 66 million decrease in rental-related expenses and a JPY 13 million decrease in operating expenses other than rental expenses. The decrease in rental expenses is further broken-down into a JPY 31 million seasonal decrease in utilities expenses, a JPY 26 million decrease in service provider expenses, and a JPY 9 million decrease in depreciation. The decrease in operating expenses other than rental expenses is comprised of a JPY 10 million decrease in performance fees and a JPY 3 million decrease of other non-rental expenses. Operating profit is therefore forecast to increase by JPY 26 million.

Non-operating expenses are forecast to decrease by a JPY 8 million versus the October 2018 forecast, due primarily to a decrease in interest and borrowing-related expenses resulting from fewer operating days in the period. Recurring profit and net income are therefore each forecast to increase by JPY 34 million.

Negative goodwill amortization is forecast at JPY 105 million. Thus, total dividends and dividend per share are forecast at JPY 3,024 million and JPY 1,974 (+JPY 22 vs. the October 2018 forecast), respectively.

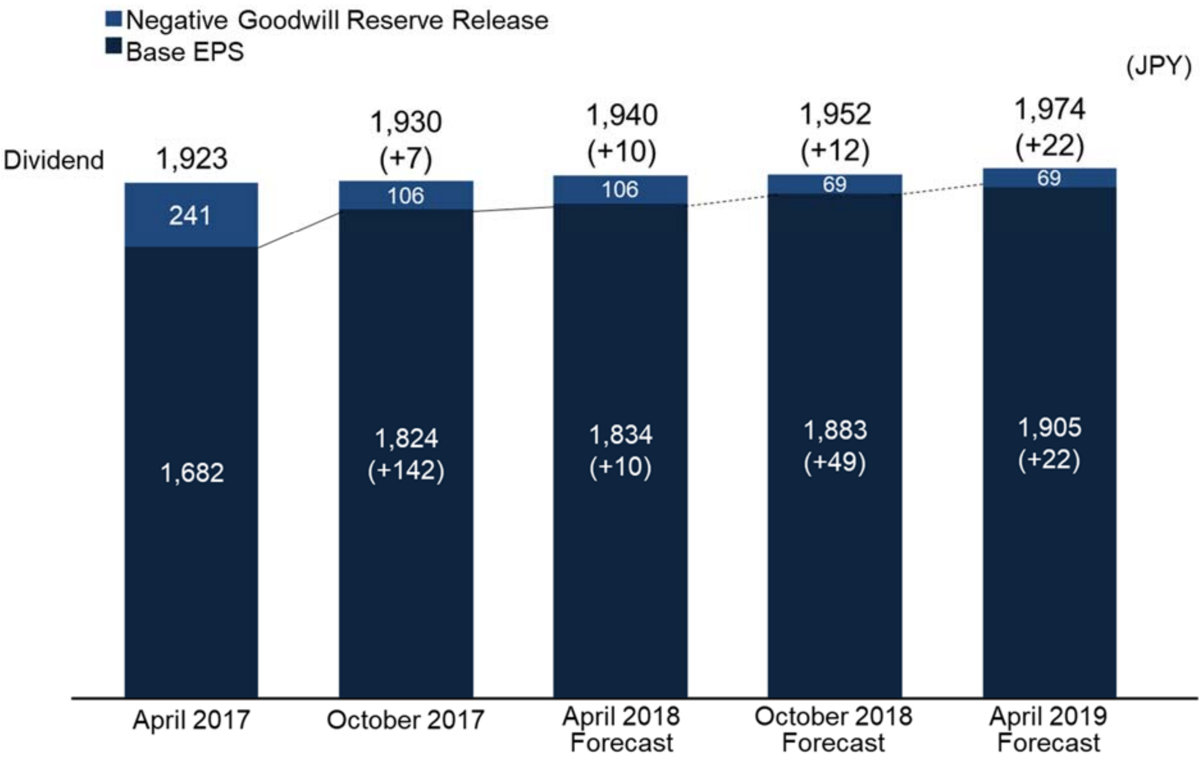
Preconditions for the October 2018 and April 2019 Earnings Forecasts

Period	• October 2018: May 1, 2018 – October 31, 2018 (184 days) • April 2019: November 1, 2018 – April 30, 2019 (181 days)
Number of Assets	• 84 assets (including the two assets acquired in today's Asset Acquisitions).
Number of Shares	• 1,532,287 shares issued and outstanding as of the date of this report
Operating Revenue	• Rental income is calculated conservatively based on lease contracts that are in effect as of today while taking into consideration such factors as historical rents, the competitiveness of the properties, and market conditions. • Total occupancy: 97.8% as of October 31, 2018 and 97.5% as of April 30, 2019
Operating Expenses	• Depreciation: JPY 851 million for October 2018 and JPY 841 million for April 2019. Depreciation has been calculated using the straight-line method and includes the depreciation of forecast future capital expenditures. • Property, city planning, and depreciable asset taxes: JPY 623 million for both October 2018 and April 2019. Taxes associated with the Asset Acquisitions will be pro-rated with the seller based on the number of days of ownership, and will be included in the acquisition costs. • Building maintenance and repair expenses: JPY 138 million for October 2018 and JPY 139 million for April 2019. However, expenses may differ significantly from these estimated amounts for reasons including the variability of maintenance and repair expenses, one-time costs due to unexpected building damage, etc. • Service provider expenses, including property management fees: JPY 670 million for October 2018 and JPY 644 million for April 2019. • Performance fees: JPY 33 million for October 2018 and JPY 22 million for April 2019. • Rental expenses, Ichigo Office's principal operating expenses (other than depreciation, see above), are calculated based on historical data adjusted for anticipated expense variations. • Actual operating expenses may differ significantly from these assumptions due to unforeseeable factors.
Non-Operating Expenses	• Interest expenses on loans and bonds: JPY 544 million for October 2018 and JPY 535 million for April 2019. • Other borrowing-related expenses: JPY 255 million for both October 2018 and April 2019.
Interest-Bearing Liabilities	• Loans and bonds: JPY 104,699 million outstanding as of October 31, 2018 and JPY 104,623 million outstanding as of April 30, 2019.
Dividend	• The dividend forecast assumes that dividends will comply with the dividend distribution policy stipulated in Ichigo Office's Articles of Incorporation. • Total dividends are forecast to be JPY 2.991 billion (unappropriated retained earnings of JPY 2.886 billion plus JPY 105 million of negative goodwill amortization) for October 2018 and JPY 3.025 billion (unappropriated retained earnings of JPY 2.920 billion plus JPY 105 million of negative goodwill amortization) for April 2019. Forecast total dividends are rounded down, as necessary, to create a dividend per share that is a whole number. • The dividend is subject to change due to changes in circumstances such as asset acquisitions and dispositions, tenant turnover, unexpected maintenance and repair costs and other expenses, changes in interest rates, and the issuance of new shares.
Dividend in Excess of Earnings	• Ichigo Office does not plan on paying any dividend in excess of earnings.

Other	• This forecast assumes that there are no material revisions to laws and regulations, the tax system, accounting standards, listing rules of the Tokyo Stock Exchange, and rules of the Investment Trusts Association, Japan, and no material changes in the state of the economy and real estate market conditions.

Reference

Dividend and Base EPS



Base EPS = EPS - Capital gains
Parentheses show change versus previous fiscal period