

**Ichigo Office  
(8975)**



## Today's Strategic Asset Acquisition and Sale

May 29, 2019

**Ichigo Office REIT Investment Corporation (8975)  
Ichigo Investment Advisors Co., Ltd.**

---

This material provides supplementary explanatory information with respect to today's asset acquisition and sale as detailed in the below release:

“Acquisition of Office Asset (Ichigo Hakata East Building) and Sale of Retail Asset (Ichigo Fiesta Shibuya Building),” May 29, 2019



**Make The World  
More Sustainable**

# Today's Transactions Drive Further Growth

## Gains on Sale Significantly Exceed Unrealized Gains & Increase Portfolio's Exposure to Mid-Size Office Assets with Rental Growth Upside

### Objectives

- Generate Positive Portfolio Outcomes

<b>Portfolio</b>	JPY 203B → JPY 203.2B	<b>Office %</b>	94.6% → 95.5%	<b>NOI</b>	+JPY 12M per annum
------------------	-----------------------	-----------------	---------------	------------	--------------------

- Drive sustainable growth leveraging Ichigo sponsor support
  - ✓ Despite sale, retained preferential negotiation right to buy back Ichigo Fiesta Shibuya Building if Ichigo redevelops
  - ✓ Approach supports sustainable growth strategy leveraging Ichigo's value-add capabilities
- Generate Gains on Sale significantly higher than appraisal-based Unrealized Gains (i.e., Sale Price > Appraisal Value)
  - ✓ Gains on sale (JPY 400M) to be retained subject to J-REIT conduit rules and used to fund growth investments such as the Ichigo Hakata East Building acquisition

#### Asset Sale (Ichigo Fiesta Shibuya Building)

- Area  
Shibuya-ku, Tokyo
- Book Value  
JPY 1.96B
- Appraisal Value  
JPY 2.21B
- Closing Date  
May 30, 2019
- Sale Price  
JPY 2.4B
- Gains on Sale  
JPY 400M




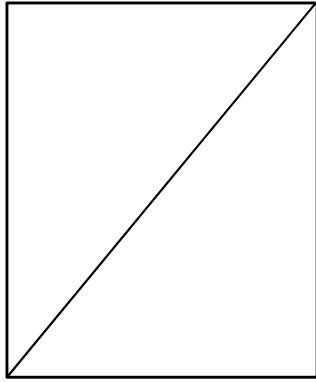

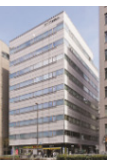








#### Asset Acquisition (Ichigo Hakata East Building)

<b>Area</b>	Fukuoka
<b>Location</b>	4-min walk from Hakata Station on JR Lines & Fukuoka City Subway Kuko Line
<b>Closing Date</b>	May 31, 2019
<b>Acquisition Price</b>	JPY 2.25B
<b>NOI Yield at Acquisition</b>	5.2%
<b>Occupancy</b>	98.1%
<b>Description</b>	Mid-size office located in Fukuoka's central commercial district



# Driving Higher NOI & Harvesting Gains in Strong Market

## Acquisitions and Sales Over Past Two Years

		April 2017 & October 2017	April 2018 & October 2018		April 2019	October 2019
		Acquisitions & Sales	Acquisitions & Sales	Acquisition	Acquisitions & Sales	Acquisition & Sale
Sales (10 assets)		<ul style="list-style-type: none"> <li>Sold 4 assets (serviced apartments and retail assets) to Ichigo</li> <li>Sale price JPY 4.4B (Gains on sales JPY 30M)</li> </ul>	<ul style="list-style-type: none"> <li>Sold 3 retail assets to third-party</li> <li>Sale price JPY 6B (Gains on sales JPY 1.59B)</li> </ul>		<ul style="list-style-type: none"> <li>Sold 2 retail assets to third-party</li> <li>Sale price JPY 3.6B (Gains on sales JPY 640M)</li> </ul>	<ul style="list-style-type: none"> <li>Sold 1 retail asset to Ichigo</li> <li>Sale price JPY 2.4B (Gains on sale JPY 400M)</li> </ul>  <p>Ichigo Fiesta Shibuya Building</p>
		<ul style="list-style-type: none"> <li>Acquired 3 mid-size office assets from Ichigo</li> <li>Acquisition price JPY 7B</li> </ul>    <p>Win Gotanda Building    Ichigo Hongo Building    Oimachi Center Building</p>	<ul style="list-style-type: none"> <li>Acquired 2 mid-size office assets from Ichigo</li> <li>Acquisition price JPY 5.5B</li> </ul>   <p>Win Gotanda Building 2    MIF Building</p>		<ul style="list-style-type: none"> <li>Acquired 1 mid-size office asset from third-party</li> <li>Acquisition price JPY 1.9B</li> </ul>  <p>Ichigo Uchi Honmachi Building</p>	<ul style="list-style-type: none"> <li>Acquired 2 mid-size office assets from third-parties</li> <li>Acquisition price JPY 6B</li> </ul>   <p>Ichigo Minami Otsuka Building    Ichigo Nogizaka Building</p>
Acquisitions (9 assets)		<b>Portfolio Size</b> JPY 194.5B → JPY 203.2B (+JPY 8.7B)		<b>NOI Increase*</b> JPY 290M per annum		
		<b>Office %</b> 88.1% → 95.5% (+7.4%)		<b>Gains on Sales</b> +JPY 2.71B		
<b>Outcomes</b>						

\* NOI Increase = Forecast NOI of acquired assets calculated by IIA minus actual NOI of sold assets

# Acquisition: Ichigo Hakata East Building (O-94)

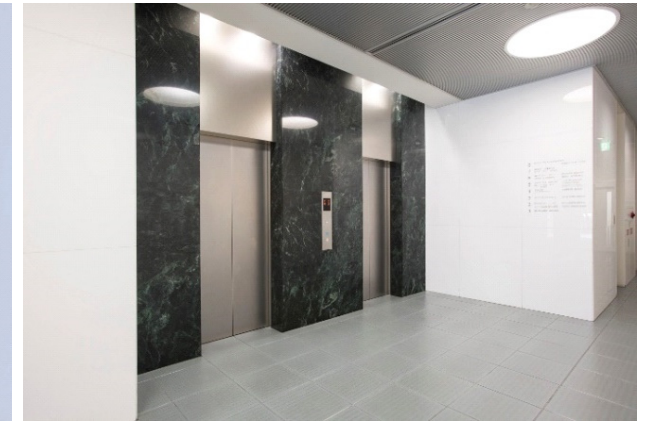
## Mid-Size Office Building Located in Fukuoka's Main Commercial District

### Asset Overview

Acquisition Price	JPY 2.25B
Appraisal Value	JPY 2.48B
NOI Yield	5.2%
Asset Type	Office
Location	1-13-6 Hakataeki Higashi, Hakata-ku, Fukuoka
Leasable Area	2,918.31m <sup>2</sup>
Structure	Steel Reinforced Concrete, 8F
Date Built	June 2002
Occupancy	98.1% (as of April 30, 2019)

### Location and Features

- A mid-size office building located within a four-minute walk from Hakata Station on the JR Lines and the Fukuoka City Subway Kuko Line.
- The building is located in Fukuoka's main commercial district.
- Each floor has a standard floor plate of 120 tsubo (c. 396m<sup>2</sup>) with a standard ceiling height of 2.7m, and is equipped with individual air conditioning systems and raised-access floors, and is thus capable of catering to diverse tenant needs.
- Tenants include a cosmetics manufacturer, a security company, a construction consultancy, and the branch and sales offices of listed Japanese companies.



# Reference: Remaining Non-Office Assets

## Post-Transaction: Five Retail Assets

Unrealized Gains: JPY 1.8B (+21% vs. Acquisition Price)

(JPY million)

No.	Asset Name	Area	Location	Acquisition Price (JPY M)	Book Value (JPY M)	Leasable Area (m <sup>2</sup> )	Oct 2018 Appraisal Value (JPY M)	Unrealized Gain	% Unrealized Gain
Z-09	Konami Sports Club Izumi Fuchu	Other Regional Cities	Izumi City, Osaka	1,210	1,095	3,733.68	1,440	+344	+31.5%
Z-10	Ichigo Shibuya Bunkamura Dori Building	Central Tokyo	Shibuya-ku, Tokyo	2,400	2,464	778.77	3,220	+755	+30.6%
Z-11	Twicere Yokohama Isogo (Retail Section)	Tokyo Metro Area	Yokohama City, Kanagawa	1,620	1,518	2,717.77	1,880	+361	+23.8%
Z-12	Lions Square Kawaguchi	Tokyo Metro Area	Kawaguchi City, Saitama	2,430	2,376	7,788.09	2,710	+333	+14.0%
Z-14	Ichigo Kamata Building	Tokyo Metro Area	Ota-ku, Tokyo	1,400	1,447	2,124.68	1,520	+72	+5.0%
<b>Total</b>				<b>9,060</b>	<b>8,902</b>	<b>17,142.99</b>	<b>10,770</b>	<b>+1,867</b>	<b>+21.0%</b>

Book Value, Appraisal Value, Unrealized Gain, and % Unrealized Gain (i.e., Book Value premium to Acquisition Price) are as of October 31, 2018.



# Notes

---

## p. 4 Calculations

- NOI of sold asset: Annualized NOI of sold asset based on October 2018 actual
- NOI of acquired asset: Annualized forecast NOI of acquired asset calculated by IIA
- Unrealized Gains: Appraisal value minus book value at time of sale
- Gains on Sale: Sale price (including property and city planning taxes) minus book value and expected sale-related expenses







# Disclaimer

---

These materials are for informational purposes only, and do not constitute or form a part of, and should not be construed as, an offer to sell or a solicitation of an offer to buy any securities of Ichigo Office REIT Investment Corporation (“Ichigo Office”).

These materials may contain forward-looking statements regarding the intent, belief or current expectations of management of Ichigo Office with respect to financial condition and future results of operations. These statements are based on certain assumptions founded on currently available information. Accordingly, such statements are subject to risks, uncertainties and assumptions and there is no assurance as to actual financial conditions or results of operations. Actual results may vary from those indicated in the forward-looking statements. Accordingly, please refrain from solely relying on these statements.

These materials have been created by the management of Ichigo Office and Ichigo Investment Advisors Co., Ltd. (IIA) with the belief that the information contained is accurate. However, there is no assurance given as to the accuracy, certainty, validity or fairness of any such information. Please note that the content of these materials is subject to revision or retraction without prior notice.

This document is a translation. If there is any discrepancy between the Japanese version and the English translation, the Japanese version shall prevail. No copying or reproduction of these materials or part of these materials is allowed without obtaining prior consent from Ichigo Office and IIA.



## **Ichigo Office REIT IR Desk**

TEL : 03-3502-4891

IR\_Office@ichigo.gr.jp

[www.ichigo-office.co.jp/english](http://www.ichigo-office.co.jp/english)

Ichigo is Japan's first zero-carbon listed real estate company. We are taking responsibility for our environmental footprint by offsetting our carbon emissions and investing in low-carbon technologies such as solar energy.