

[Provisional Translation Only]

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June 14, 2022

Issuer

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Asset Management Company

Ichigo Investment Advisors Co., Ltd.

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Acquisition of Office Asset (Ichigo Higashi Ikebukuro 3 Chome Building)

Ichigo Office decided today to acquire an office asset, the Ichigo Higashi Ikebukuro 3 Chome Building.

1. Asset Acquisition Summary

Asset Number	O-97
Asset Name ¹	Ichigo Higashi Ikebukuro 3 Chome Building
Asset Type	Office
Date Built	March 31, 1988
Legal Form of Asset	Trust beneficiary interest in real estate (<i>juekiken</i>)
Appraisal Value ²	JPY 3,930 million
Acquisition Price ³	JPY 3,840 million
Seller ⁴	Domestic TMK (<i>tokutei mokuteki kaisha</i>)
Contract Date	June 14, 2022
Closing Date	June 20, 2022 (expected)
Financing Method ⁵	Cash-on-hand, Loans (expected)
Settlement Method	Lump-sum payment

¹ Ichigo Office will change the building name from the Seiwa Ikebukuro Building to the Ichigo Higashi Ikebukuro 3 Chome Building. For purposes of this release, the building is referred to as the Ichigo Higashi Ikebukuro 3 Chome Building.

² Appraisal Value is calculated by Tanizawa Sogo Appraisal as of April 1, 2022, 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.

⁴ The seller, a domestic company (TMK), did not provide consent to disclose its name.

⁵ This asset acquisition will be financed by cash-on-hand and JPY 1,900 million of new loans, as announced in today's release "New Loans."

2. Acquisition Rationale

As a specialized office REIT with stable earnings and a diversified 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 Higashi Ikebukuro 3 Chome Building, a mid-size office building in Central Tokyo with growth potential, to increase the quality of its portfolio, using proceeds from the asset sale announced in the February 17, 2022 release "Sale of Portfolio Asset (Ichigo Akasaka 5 Chome Building)."

The Ichigo Higashi Ikebukuro 3 Chome Building is located in the east side of Ikebukuro Station, an area that is expected to see a further increase in convenience on the back of new redevelopment projects following the completed redevelopment of the former Toshima Ward Office site. In addition to conducting value-add capex on the building, Ichigo Office can draw upon its operational know-how from owning four other assets in the Ikebukuro area to drive stable earnings from the building.

The existing tenants of the Ichigo Higashi Ikebukuro 3 Chome Building meet the tenant standard stated in the "Financial Report (*Yuka Shoken Hokokusho*)" (Japanese only) disclosed on January 27, 2022.

Please refer to Section 3 "Details of the Ichigo Higashi Ikebukuro 3 Chome Building" immediately below for additional details on the asset's features and characteristics that underpinned the acquisition decision.

3. Details of the Ichigo Higashi Ikebukuro 3 Chome Building

(1) Location

The Ichigo Higashi Ikebukuro 3 Chome Building is located near Ikebukuro Station, one of Tokyo's three major train stations, alongside Shibuya and Shinjuku stations, that offers convenient access to central Tokyo and the surrounding suburbs via the JR Lines, the Tokyo Metro, and several private railway lines and enjoys a large number of passengers.

The Higashi Ikebukuro area benefits from stable tenant demand spanning multiple industries owing to a large number of office buildings along trunk roads such as Meiji Dori road as well as many retail stores and restaurants along the Sunshine 60 Dori road.

(2) Features

The Ichigo Higashi Ikebukuro 3 Chome Building is a mid-size office building located within an 8-minute walk from the JR Ikebukuro Station and a 9-minute walk from the Higashi Ikebukuro Station on the Tokyo Metro Yurakucho Line.

Each floor has a standard floor plate of 145 tsubo (480m²) with a ceiling height of 2.8 meters, and is equipped with zoned air conditioning systems and raised-access floors, catering to the demands of diverse tenants.

Current tenants include those from the IT and electronic parts manufacturing industries.

(3) Building Location and Photos



Asset Overview						
Asset Name		Ichigo Higashi Ikebukuro 3 Chome Building				
Legal Form of Asset		Trust beneficiary interest in real estate (<i>juekiken</i>)				
Trustee		Mitsubishi UFJ Trust and Banking Corporation				
Period of Trust Contract		June 29, 2018 – June 30, 2032 (expected)				
Location		3-13-3 Higashi Ikebukuro, Toshima-ku, Tokyo				
Land	Property Right	Freehold				
	Area	856.89m ²				
	Zoning	Commercial				
	Coverage Ratio Floor Area Ratio	80% 700%				
Building	Property Right	Freehold				
	Use	Office, Machine Room				
	Structure	Steel Reinforced Concrete, 6 Floors, 1 Basement Floor				
	Total Floor Area	4,050.27m ²				
	Date Built	March 31, 1988				
Appraiser		Tanizawa Sogo Appraisal Co., Ltd.				
Appraisal Value		JPY 3,930 million				
Appraisal Date		April 1, 2022				
Value by Direct Capitalization Method		JPY 4,030 million				
Architect ¹		Kato Yoshihiro Architects & Engineers Co., Ltd.				
Builder ¹		Taisei Corporation				
Structural Designer ¹		Kato Yoshihiro Architects & Engineers Co., Ltd.				
Inspection Agency ¹		Toshima Ward				
PML (Assessor)		8.0% (Sompo Risk Management Inc.)				
Collateral		None				
Lease Details (as of April 30, 2022)						
Tenant Overview						
Number of Tenants		6				
Monthly Rental Income		JPY 14.350 million				
Tenant Security Deposits		JPY 131.974 million				
Leasable Area		2,764.59m ²				
Leased Area		2,764.59m ²				
Occupancy		Apr 2020	Oct 2020	Apr 2021	Oct 2021	Apr 2022
		100%	100%	100%	100%	100%
Property Management Company		Shimizu Comprehensive Development Corporation (expected)				
Master Lease Company		Ichigo Office REIT Investment Corporation (expected)				
Master Lease Type		Pass-through (expected)				

Special Items

1. A memorandum of understanding is in place with the neighbor on the eastern border of the building (lot numbers 66-2, 66-3, 66-4, 66-5, 66-8, 66-15, 66-17, and 66-19) with respect to rectifying the following encroachments during any future renovation work:
 - a. Co-owned doors on the north and south sides encroach into each party's lot.
 - b. The service drop line to the building encroaches into the aerial space of the northeastern neighbor's property (lot number 66-15).
2. Part of the asset's floor lights and brick flooring encroach into the property of the northwestern neighbor (lot number 66-16). No memorandum of understanding exists with respect to this encroachment.
3. Part of the building's plantation encroaches into the property of the southwestern neighbor (lot number 66-14). No memorandum of understanding exists with respect to this encroachment.

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 Higashi Ikebukuro 3 Chome Building	
Appraisal Value	JPY 3,930,000,000	
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.	
Appraisal Date	April 1, 2022	
	Amount	Note
Appraisal Value	JPY 3,930,000,000	Calculated using an income approach, with a DCF valuation as a basis and verified using a direct capitalization valuation
Value by Direct Capitalization Method	JPY 4,030,000,000	
Income	JPY 204,189,183	
Forecast Full-Occupancy Rental Income	JPY 216,111,225	Based on expected long-term, stable rental income, common area service income, parking lot income, and other income
Forecast Decrease in Rental Income due to Vacancy	JPY 11,922,042	Based on long-term, normalized vacancy rates
Expenses	JPY 41,149,256	
Administrative & Maintenance Expenses	JPY 8,210,102	Based on actual amounts
Utility Expenses	JPY 10,686,703	Based on actual amounts
Repair Expenses	JPY 5,040,000	Based on engineering reports
PM Fee	JPY 2,782,156	Based on contractual rates and reference to rates at similar assets
Leasing Brokerage Fees	JPY 1,792,257	Based on tenant acquisition costs at similar assets
Taxes	JPY 11,675,400	Based on FY2021 actual amounts
Insurance Premiums	JPY 554,260	Based on insurance estimates
Other Expenses	JPY 408,378	Based on actual amounts
Net Operating Income (NOI)	JPY 163,039,927	
Income from Investments of Deposits	JPY 922,087	Based on a 1.0% investment yield
Capital Expenditure	JPY 10,800,000	Based on engineering reports
Net Profit	JPY 153,162,014	
Cap Rate	3.8%	Based on transactions of similar assets, taking into consideration the asset's location and specific characteristics, rights, and terms and conditions of the contract

	Value via DCF Method	JPY 3,880,000,000	
	Discount Rate	3.9%	Based on transactions of similar assets and the current yield of financial assets, taking into consideration the asset's location and specific characteristics
	Terminal Cap Rate	4.0%	Cap rate adjusted for uncertainties
	Accounting Value	JPY 3,760,000,000	
	Land	85.9%	
	Building	14.1%	
Notes			
None			

Note: Appraisal NOI Yield: 4.2% (calculated by dividing NOI by Acquisition Price)

4. Seller Profile

Name	The seller, a domestic TMK, did not provide consent to disclose its name.
Relationship to Ichigo Office or Ichigo Investment Advisors (IIA)	The seller does not have any material capital, personnel, or transactional relationship with Ichigo Office or IIA. In addition, the seller is not a related party as defined in the Act on Trusts and Investment Corporations or the internal rules of IIA.

5. Broker Profile

Name	Japan Asset Advisors Co., Ltd.
Address	3-3-4 Kanda Kajicho, Chiyoda-ku, Tokyo
Representative	Kazuhiro Minami, President & Representative Director
Principal Business	1. Real estate transactions, leasing, management, brokerage, intermediation, and appraisal; as well as the consulting thereof 2. Research and investment of real estate, securitized real estate, bonds, securities, and financial assets 3. Other businesses relating to the aforementioned businesses
Capital	JPY 80 million
Establishment Date	November 15, 2005
Relationship to Ichigo Office or Ichigo Investment Advisors (IIA)	The broker does not have any material capital, personnel, or transactional relationships with Ichigo Office or IIA. In addition, the broker is not a related party as defined in the Act on Trusts and Investment Corporations or the internal rules of IIA.
Brokerage Fee	The broker did not provide consent to disclose the fee.

6. Acquisition Schedule

Acquisition Decision Date	June 14, 2022
Contract Date	June 14, 2022
Closing Date	June 20, 2022 (expected)

7. Earnings Impact

The impact of this asset acquisition on Ichigo Office's October 2022 and April 2023 fiscal period earnings is described in today's release "April 2022 Fiscal Period Earnings."

Reference

1. Earnings Profile of Asset Being Acquired

(JPY million)

	Forecast ¹	At Acquisition ²
A. Rental Income	200	194
B. Rental Expenses (excluding depreciation) ³	43	39
C. NOI (A-B)	156	155
D. NOI Yield ⁴	4.1%	4.1%
E. Depreciation ⁵	16	17
F. Post-depreciation NOI (C-E)	140	137
G. Post-depreciation NOI Yield ⁴	3.7%	3.6%
H. Occupancy ⁶	96%	100%

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 fees, taxes, maintenance and repair fees, insurance premiums, and other fees.

⁴ Calculated based on Acquisition Price.

⁵ Depreciation is as estimated by Ichigo Office using the straight-line method.

⁶ Occupancy at acquisition is as of April 30, 2022.

2. Engineering Report Summary

Asset Name	Ichigo Higashi Ikebukuro 3 Chome Building
Inspector Name	Tokio Marine dR Co., Ltd.
Inspection Date	April 2022
Short-Term Repair Expenses ¹	–
Long-Term Repair Expenses ²	JPY 185.72 million
Current Replacement Cost	JPY 1,444.7 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.

Appendix C: Post-Transaction Portfolio

No.	Asset Name	Area ¹	Acquisition Price (JPY million)	% of Portfolio ²
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	0.7
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	0.8
O-12	Ichigo Uchikanda Building	Central Tokyo	1,140	0.5
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	0.5
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	2.4
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	2.2
O-37	Ichigo Marunouchi Building	Four Major Regional Cities	6,710	3.2
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	1.4
O-46	Ichigo Kanda Nishikicho Building	Central Tokyo	2,130	1.0
O-47	Ichigo Akihabara North Building	Central Tokyo	5,500	2.6
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
O-50	Ichigo Hatchobori Building	Central Tokyo	1,905	0.9

No.	Asset Name	Area ¹	Acquisition Price (JPY million)	% of Portfolio ²
O-51	Ichigo Ebisu Green Glass	Central Tokyo	5,900	2.8
O-52	Ichigo Omori Building	Central Tokyo	3,850	1.8
O-53	Ichigo Takadanobaba Building	Central Tokyo	1,580	0.8
O-54	Ichigo Omiya Building	Tokyo Metro Area	3,430	1.6
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	3.4
O-60	Ichigo Shibuya Dogenzaka Building	Central Tokyo	3,650	1.7
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	2.2
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	1.7
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	0.6
O-73	Ichigo Ningyocho Building	Central Tokyo	1,450	0.7
O-74	Ichigo Nishi Honmachi Building	Four Major Regional Cities	2,190	1.0
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	1.4
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	1.6
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
O-85	Ichigo Shibuya Udagawacho Building	Central Tokyo	3,500	1.7

No.	Asset Name	Area ¹	Acquisition Price (JPY million)	% of Portfolio ²
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	1.8
O-97	Ichigo Higashi Ikebukuro 3 Chome Building	Tokyo Metro Area	3,840	1.8
Subtotal - Office (82 Assets)			202,667	96.8
Z-09	Future IZUMI	Other Regional Cities	1,210	0.6
Z-10	Ichigo Shibuya Bunkamura Dori Building	Central Tokyo	2,400	1.1
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)			209,297	100.0

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.