

[Provisional Translation Only]

This English translation of the original Japanese document is provided solely for information purposes. Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

August 8, 2024

Issuer

Ichigo Office REIT Investment Corporation (“Ichigo Office,” 8975)

2-6-1 Marunouchi, Chiyoda-ku, Tokyo

Representative: Takafumi Kagiya, Executive Director

www.ichigo-office.co.jp/en

Asset Management Company

Ichigo Investment Advisors Co., Ltd.

Representative: Hiroshi Iwai, President

Inquiries: Yuji Kamo, Head of Ichigo Office

Tel: +81-3-4485-5231

Sale of Portfolio Asset (Ichigo Yotsuya 4 Chome Building)

Ichigo Office decided today to sell the Ichigo Yotsuya 4 Chome Building.

1. Asset Sale Summary

Asset Number	O-14
Asset Name	Ichigo Yotsuya 4 Chome Building
Asset Type	Office
Date Built	October 4, 2006
Legal Form of Asset	Trust beneficiary interest in real estate (<i>juekiken</i>)
Date Acquired	November 1, 2011
Buyer	Trust East Real Estate Investment Company Limited
Broker	N/A
Sale Price ¹ (A)	JPY 1,000 million
Book Value ² (B)	JPY 495 million
Sale Price vs. Book Value ³ (A) – (B)	JPY 504 million
Gains on Sale	JPY 422 million
Appraisal Value ⁴	JPY 591 million
Contract Date	August 8, 2024
Closing Date	November 29, 2024

¹ Sale Price is the sale price of the asset excluding incidental expenses such as fees and property, city planning, and consumption taxes.

² Book Value is an estimate based upon the most recent book value (April 2024 fiscal period-end), adjusted for expected capital expenditures and depreciation through the Closing Date.

³ The difference between the Sale Price and Book Value is not equal to the gains on sale from today's sale.

⁴ Appraisal Value is calculated by Daiwa Real Estate Appraisal as of April 30, 2024, pursuant to the appraisal guidelines stipulated in Ichigo Office's Articles of Incorporation and the rules of the Investment Trusts Association of Japan.

2. Sale 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.

Today's asset sale is an office building located in Shinjuku-ku, Tokyo. Ichigo Office's asset management company, IIA, was approached by the buyer, the owner of an adjacent land, regarding the potential sale of the building, and after directly conducting negotiations, it received an offer that values the building at 2.0X book value and 1.7X appraisal value. Ichigo Office decided the sale of this asset would be positive for shareholders because 18% of the asset's leasable area, categorized as a residence, is legally difficult to convert into an office section, and would drive long-term shareholder value due to the gains on sale and shareholder returns.

With this asset sale, Ichigo Office's post-transaction portfolio will be 97.8% office assets.

Ichigo Office will use the proceeds from this asset sale for strategic investments such as asset acquisitions and value-add capex.

3. Acquisition Details

Asset Overview						
Asset Name		Ichigo Yotsuya 4 Chome Building				
Form of Ownership		Trust beneficiary interest in real estate (<i>juekiken</i>)				
Location		4-3-20 Yotsuya, Shinjuku-ku, Tokyo				
Trustee		Mizuho Trust & Banking Co., Ltd.				
Period of Trust Contract		November 30, 2010 – November 30, 2030				
Land	Property Right	Freehold				
	Area	123.79m ²				
	Zoning	Commercial				
	Coverage Ratio Floor Area Ratio	80% 700%				
Building	Property Right	Freehold				
	Use	Office, Residence, Retail				
	Structure	Steel, 11F				
	Total Floor Area	868.47m ²				
	Date Built	October 4, 2006				
Number of Tenants		9 (as of June 30, 2024)				
Monthly Rental Income		JPY 2.893 million (as of June 30, 2024)				
Tenant Security Deposits		JPY 28.023 million (as of June 30, 2024)				
Leasable Area		780.64m ² (as of June 30, 2024)				
Leased Area		638.52m ² (as of June 30, 2024)				
Occupancy		Oct 2022	Apr 2023	Oct 2023	Apr 2024	Jun 2024
		81.8%	81.8%	90.9%	81.8%	81.8%
Acquisition Price		JPY 550 million				
Appraisal Value	Appraiser	Daiwa Real Estate Appraisal Co., Ltd.				
	Appraisal Date	April 30, 2024				
	Appraisal Value	JPY 591 million				

Appraisal Details		
Asset Name	Ichigo Yotsuya 4 Chome Building	
Appraisal Value	JPY 591,000,000	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	April 30, 2024	
	Amount (JPY)	Note
Appraisal Value	592,000,000	Calculated using an income approach, with a DCF valuation as a basis and verified using a direct capitalization valuation
Value by Direct Capitalization Method	596,000,000	
Income	35,589,137	
Maximum Obtainable Rental Income	40,620,144	Based on rent levels under current contract, new rent levels and trends of similar assets located in nearby areas, and the asset's long-term competitiveness
Vacancy Loss	2,031,007	Based on a vacancy rate of 5%
Expenses	12,630,102	
Administrative and Maintenance Expenses	2,975,994	Based on historical actual amounts
Utility Expenses	2,550,852	Based on historical actual amounts
Repair Expenses	1,240,250	Based on an amount equivalent to 30% of the average of the past 12 years of engineering reports
PM Fee	1,093,053	Based on existing contractual fees
Leasing Brokerage Fees	303,626	Equivalent to one month rent for a new tenant based on tenant acquisition costs at similar assets
Taxes	4,237,300	Based on FY2023 actual amounts
Insurance Premiums	74,670	Based on current actual amounts
Other Expenses	154,357	Based on historical actual amounts
Net Operating Income (NOI)	25,959,035	
Income on Investment of Deposits Received	191,838	Based on a 1.0% investment yield
Capital Expenditure	2,893,917	Based on an amount equivalent to 70% of the average of the past 12 years of engineering reports
Net Profit	23,256,956	
Cap Rate	3.9%	
Value via DCF Method	590,000,000	
Discount Rate	3.7%	Base rate adjusted for individual risks assuming a holding period of ten years
Terminal Cap Rate	4.1%	Cap rate adjusted for uncertainties

Value via Cost Approach	682,000,000	
Ratio of Land	84.8%	Based upon the value recorded in the government land assessment (<i>koujikakaku</i>) and transactions of similar assets
Ratio of Building	15.2%	Based on current replacement costs and depreciation due to building age from engineering reports
Notes		
Although the amount of lead contained in the soil underneath the building exceeds the government standard, Ichigo Office has executed concrete coating measures pursuant to the Soil Contamination Countermeasures Act.		

4. Seller Profile

Name	Trust East Real Estate Investment Company Limited
Address	6-20-2 Shinbashi, Minato-ku, Tokyo
Representative	Representative Director, Kinton Chan
Capital	JPY 100 million
Establishment Date	December 13, 2019
Principal Business	Renovation and sale of real estate investments, long-term assets, and rental and investment properties; land development; real estate development and ownership
Net Assets	JPY 7,198 million (as of December 31, 2023)
Total Assets	JPY 28,835 million (as of December 31, 2023)
Major Shareholder and Shareholding Ratio	TRUST BROWN REAL ESTATE INVESTMENT LIMITED (Macau) 100%
Relationship to Ichigo Office and IIA	
Capital Relationship	N/A
Personnel Relationship	N/A
Transactional Relationship	N/A
Related Party Treatment	N/A

5. Forward Commitment

Because the Transaction Date is November 29, 2024, the sale of the Ichigo Yotsuya 4 Chome 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 10% of the purchase price as penalty.

As Ichigo Office is the seller, it is highly unlikely that Ichigo Office will not be able to fulfill its obligations under the Sale.

¹ Forward commitment 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.

6. Settlement Method

Ichigo Office will receive a deposit of JPY 50 million on the contract date and will receive the remainder on the closing date.

7. Use of Proceeds

Ichigo Office will retain c. JPY 101 million of the JPY 422 million of gains on sale as retained earnings without incurring a tax burden, and distribute the remaining amounts as dividends to shareholders for the April 2025 fiscal period. Gains on sale is calculated by subtracting book value, brokerage fee, IIA's gains on sale performance fee, and other asset sale-related expenses from each building's sale price. Ichigo Office will deploy the remainder of the sales proceeds towards strategic investments such as asset acquisitions and value-add renovations to maximize shareholder value.

8. Earnings Impact

Today's sale has been factored into Ichigo Office's April 2025 fiscal period earnings forecast announced in today's release, "Upward Earnings Forecast Revision for the April 2025 Fiscal Period."

(Reference) Post-Sale Portfolio

No.	Asset Name	Area ¹	Acquisition Price (JPY million)	% of Portfolio ²
O-02	Ichigo Nishisando Building	Central Tokyo	3,254	1.4
O-03	Ichigo Mita Building	Central Tokyo	2,740	1.2
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	0.5
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-15	Ichigo Tameike Building	Central Tokyo	580	0.3
O-16	Ichigo Jimbocho Building	Central Tokyo	1,820	0.8
O-17	Ichigo Hakozaki Building	Central Tokyo	1,150	0.5
O-19	Ichigo Kudan 3 Chome Building	Central Tokyo	844	0.4
O-20	Ichigo Gotanda Building	Central Tokyo	5,060	2.3
O-21	Ichigo Shin Yokohama Building	Tokyo Metro Area	1,816	0.8
O-22	Ichigo Minami Ikebukuro Building	Tokyo Metro Area	1,460	0.7
O-23	Ichigo Nakano North Building	Tokyo Metro Area	764	0.3
O-24	Ichigo Eitai Building	Tokyo Metro Area	1,490	0.7
O-26	Ichigo Ikejiri Building	Tokyo Metro Area	2,030	0.9
O-27	Ichigo Nishi Ikebukuro Building	Tokyo Metro Area	639	0.3
O-28	Ichigo Nishi Gotanda Building	Central Tokyo	765	0.3
O-29	Ichigo Kichijoji Building	Tokyo Metro Area	2,160	1.0
O-34	Ichigo Sakae Building	Four Major Regional Cities	4,705	2.1
O-37	Ichigo Marunouchi Building	Four Major Regional Cities	6,710	3.0
O-38	Ichigo Toyamaeki Nishi Building	Other Regional Cities	1,645	0.7
O-39	Ichigo Mirai Shinkin Building	Other Regional Cities	1,158	0.5
O-42	Ichigo Takamatsu Building	Other Regional Cities	3,010	1.3
O-46	Ichigo Kanda Nishikicho Building	Central Tokyo	2,130	0.9
O-47	Ichigo Akihabara North Building	Central Tokyo	5,500	2.4
O-48	Ichigo Sakaisuji Honmachi Building	Four Major Regional Cities	1,940	0.9
O-49	Ichigo Kanda Ogawamachi Building	Central Tokyo	2,210	1.0
O-50	Ichigo Hatchobori Building	Central Tokyo	1,905	0.8
O-51	Ichigo Ebisu Green Glass	Central Tokyo	5,900	2.6
O-52	Ichigo Omori Building	Central Tokyo	3,850	1.7

No.	Asset Name	Area ¹	Acquisition Price (JPY million)	% of Portfolio ²
O-53	Ichigo Takadanobaba Building	Central Tokyo	1,580	0.7
O-54	Ichigo Omiya Building	Tokyo Metro Area	3,430	1.5
O-55	Ichigo Sagamihara Building	Tokyo Metro Area	1,174	0.5
O-57	Ichigo Sendai East Building	Other Regional Cities	1,840	0.8
O-58	Ichigo Kumamoto Building	Other Regional Cities	1,450	0.6
O-59	Ichigo Jingumae Building	Central Tokyo	7,200	3.2
O-60	Ichigo Shibuya Dogenzaka Building	Central Tokyo	3,650	1.6
O-61	Ichigo Hiroo Building	Central Tokyo	3,960	1.8
O-62	Ichigo Sasazuka Building	Central Tokyo	4,780	2.1
O-63	Ichigo Nihonbashi East Building	Central Tokyo	4,700	2.1
O-64	Ichigo Sakurabashi Building	Central Tokyo	2,500	1.1
O-65	Ichigo Shinkawa Building	Central Tokyo	2,360	1.1
O-66	Ichigo Kudan Building	Central Tokyo	3,190	1.4
O-67	Ichigo Higashi Gotanda Building	Central Tokyo	3,660	1.6
O-68	Axior Mita	Central Tokyo	1,800	0.8
O-69	Ichigo Higashi Ikebukuro Building	Tokyo Metro Area	4,570	2.0
O-70	Koriyama Big-i (Office Section)	Other Regional Cities	1,660	0.7
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	0.6
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	0.6
O-76	Ichigo Nishiki First Building	Four Major Regional Cities	2,000	0.9
O-78	Ichigo Ikebukuro East Building	Tokyo Metro Area	3,010	1.3
O-79	Ichigo Motoazabu Building	Central Tokyo	1,890	0.8
O-80	Ichigo Otsuka Building	Tokyo Metro Area	2,740	1.2
O-81	Ichigo Nagoya Building	Four Major Regional Cities	3,420	1.5
O-82	Ichigo Fushimi Building	Four Major Regional Cities	2,340	1.0
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	1.6
O-86	Win Gotanda Building	Central Tokyo	3,100	1.4
O-87	Ichigo Hongo Building	Tokyo Metro Area	2,300	1.0
O-88	Oimachi Center Building	Central Tokyo	1,680	0.7
O-89	Win Gotanda Building 2	Central Tokyo	3,300	1.5

No.	Asset Name	Area ¹	Acquisition Price (JPY million)	% of Portfolio ²
O-90	MIF Building	Central Tokyo	2,200	1.0
O-91	Ichigo Uchi Honmachi Building	Four Major Regional Cities	1,900	0.8
O-92	Ichigo Minami Otsuka Building	Tokyo Metro Area	2,780	1.2
O-93	Ichigo Nogizaka Building	Central Tokyo	3,315	1.5
O-94	Ichigo Hakata East Building	Four Major Regional Cities	2,250	1.0
O-95	Ichigo Nakameguro Building	Tokyo Metro Area	1,495	0.7
O-96	Ichigo Tachikawa Building	Tokyo Metro Area	3,830	1.7
O-97	Ichigo Higashi Ikebukuro 3 Chome Building	Tokyo Metro Area	3,840	1.7
O-98	Ichigo Marunouchi South Building	Four Major Regional Cities	1,750	0.8
O-99	Ichigo Hakataeki Higashi Building	Four Major Regional Cities	3,500	1.6
O-100	Fukuoka Kensetsu Kaikan	Four Major Regional Cities	2,750	1.2
O-101	Ichigo Kinshicho South Building	Tokyo Metro Area	1,875	0.8
O-102	Ichigo Akihabara East Building	Central Tokyo	3,240	1.4
O-103	Ichigo Hakata Meiji Dori Building	Four Major Regional Cities	3,080	1.4
O-104	Ichigo Hakata Gion Building	Four Major Regional Cities	1,700	0.8
O-105	Ichigo Tenjin North Building	Four Major Regional Cities	1,550	0.7
O-106	Ichigo Gotanda West Building	Central Tokyo	3,950	1.8
O-107	Ichigo Otemachi North Building	Central Tokyo	1,946	0.9
Subtotal - Office (88 Assets)			219,565	97.8
Z-09	Future IZUMI	Other Regional Cities	1,210	0.5
Z-10	Ichigo Shibuya Bunkamura Dori Building	Central Tokyo	2,400	1.1
Z-14	Ichigo Kamata Building	Tokyo Metro Area	1,400	0.6
Subtotal - Other (3 Assets)			5,010	2.2
Total (91 Assets)			224,575	100

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.