

[Provisional Translation Only]

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Issuer

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Acquisition of Office Asset (Ichigo Kinshicho South Building)

Ichigo Office decided today to acquire an office asset in Tokyo, the Ichigo Kinshicho South Building.

1. Asset Acquisition Summary

Asset Number	O-101
Asset Name ¹	Ichigo Kinshicho South Building
Asset Type	Office
Date Built	January 31, 1993
Legal Form of Asset	Real Estate
Appraisal Value ²	JPY 2,060 million
Acquisition Price ³	JPY 1,875 million
Seller ⁴	A Third-Party Japanese Company
Broker ⁵	A Third-Party Broker
Contract Date	October 13, 2023
Closing Date	October 31, 2023 (expected)
Financing Method	Cash-on-hand
Settlement Method	Lump-sum payment

¹ Ichigo Office will change the building name from the Kuramochi Building 2 to the Ichigo Kinshicho South Building. For purposes of this release, the building is referred to as the Ichigo Kinshicho South Building.

² Appraisal Value is calculated by Tanizawa Sogo Appraisal as of September 1, 2023, 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 third-party Japanese company, did not provide consent to disclose its name.

⁵ The broker is not a related party as defined in the Enforcement Ordinance of the Investment Trust and Investment Corporation Law or the internal rules of the Asset Management Company.

2. Acquisition Rationale

As a specialized office REIT that delivers robust earnings stability via 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.

As announced on September 22, 2023, Ichigo Office is selling the Twicere Yokohama Isogo (Retail Section) on October 30, 2023, and is using the proceeds from the sale to finance the acquisition of the Ichigo Kinshicho South Building, a mid-size office in Tokyo's Kinshicho area with earnings stability.

The Kinshicho area offers convenient access by train, and is c. ten minutes via train from the office areas near Tokyo and Otemachi Stations on the JR Sobu and Tokyo Metro Hanzomon Lines.

Post-acquisition, Ichigo Office's portfolio will consist of 85 office assets comprising 97.6% of the portfolio. Upward rent renewals for the majority of the tenants at the Ichigo Kinshicho South Building have already been negotiated, which is expected to drive future NOI growth. Ichigo Office will draw upon its operational capabilities to carry out value-add activities at the newly acquired office assets and drive stable earnings growth.

The existing tenants of the Ichigo Kinshicho South Building satisfy the tenant standard stated in the "Financial Report (*Yuka Shoken Hokokusho*)" (Japanese only) disclosed on July 26, 2023.

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

3. Details of the Ichigo Kinshicho South Building

(1) Location

The Kinshicho area is one of the seven Tokyo sub-centers designated by the Tokyo Metropolitan Government, and is a central area in the Joto district following the redevelopment of the area surrounding Kinshicho Station and the Tokyo Sky Tree.

Kinshicho Station is a connecting hub in the Joto district, served by the JR Sobu Line, JR Sobu Rapid Line, and Tokyo Metro Hanzomon Line, and is 8 minutes to Tokyo Station, 18 minutes to Shinagawa Station and 12 minutes to Otemachi Station via train. The area offers convenient access to central Tokyo office areas and Chiba Prefecture, and sees office demand from sales offices and back offices for the Joto and Western Chiba areas.

(2) Building Features

The Ichigo Kinshicho South Building is a mid-size office building located within a six-minute walk from Kinshicho Station.

The standard floor plate has a leasable area of 93 tsubo (c. 307m²) with a ceiling height of 2.4 to 2.5 meters, individual air conditioning units, and security systems, catering to

the needs of many tenants.

Current tenants include an IT company, import-export agent, nursing care company, and an interior construction company.

(3) Building Photos and Location Map



Asset Overview					
Asset Name		Ichigo Kinshicho South Building			
Form of Ownership		Real Estate			
Location		2-2-3 Kotobashi, Sumida-ku, Tokyo			
Land	Property Right	Freehold			
	Area	430.46m ²			
	Zoning	Commercial			
	Coverage Ratio ¹ Floor Area Ratio	80% 600%			
Building	Property Right	Freehold			
	Use	Office, Parking lot			
	Structure	Steel Reinforced Concrete, B1F/8F			
	Total Floor Area	2,719.50m ²			
	Date Built	January 31, 1993			
Appraiser		Tanizawa Sogo Appraisal Co., Ltd.			
Appraisal Value		JPY 2,060 million			
Appraisal Date		September 1, 2023			
Value by Direct Capitalization Method		JPY 2,110 million			
Architect ²		Zen Sekkei			
Builder ²		Tokyo Kogyo Co., Ltd., Construction Division			
Structural Designer ²		Zen Sekkei			
Inspection Agency ²		Sumida Ward			
Seismic PML (Assessor)		9.1% (Sompo Risk Management Inc.)			
Collateral		None			
Lease Details (as of September 30, 2023)					
Number of Tenants		7			
Monthly Rental Income		JPY 8.473 million			
Tenant Security Deposits		JPY 36.603 million			
Leasable Area		2,054.47m ²			
Leased Area		2,054.47m ²			
Occupancy	Oct 2021	Apr 2022	Oct 2022	Apr 2023	Sep 2023
	63.4%	78.5%	93.2%	100%	100%
Property Management Company		Tokyo Capital Management Co., Ltd. (expected)			
Master Lease Company		None			
Master Lease Type		None			
Special Items					
<ol style="list-style-type: none"> Some of the building tiles encroach the northeast neighbor and part of the northeast neighbor's hood encroaches the building. There is a memorandum of understanding with the northeast neighbor to rectify the situation when a large-scale renovation or reconstruction is conducted in the future. An engineering report indicates issues with the building from an inspection that have not been rectified (broken exterior tiles, a faulty emergency light, and a faulty manhole cover), as well as a malfunction of the cover of the box containing the standpipe on the fourth 					

floor. The costs associated with fixing the broken exterior tiles have been deducted from the sale price. The other issues have been agreed by the seller to be rectified at the seller's expense.

¹ The coverage ratio is relaxed to 100% from 80% because the property complies with fire prevention zoning regulations.

² Names of the architect, builder, structural designer, and inspection agency are those as of the building's construction date.

Appraisal Details		
Asset Name	Ichigo Kinshicho South Building	
Appraisal Value	JPY 2,060,000,000	
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.	
Appraisal Date	September 1, 2023	
	Amount (JPY)	Note
Appraisal Value	2,060,000,000	Calculated using an income approach, with a DCF valuation as a basis and verified using a direct capitalization valuation
Value by Direct Capitalization Method	2,110,000,000	
Income	108,648,270	
Maximum Obtainable Rental Income	115,503,442	Based on expected long-term, stable rental income, common area service income, parking lot income, and other income
Vacancy Loss	6,855,172	Based on long-term, normalized vacancy rates
Expenses	30,999,034	
Administrative and Maintenance Expenses	6,681,136	Based on expense receipts and historical actual amounts
Utility Expenses	9,688,881	Based on historical actual amounts
Repair Expenses	2,140,000	Based on engineering reports, reference to similar assets, and a 3:7 (Repair Expenses: Capital Expenditure) allocation based on the Corporate Tax Law Basic Interpretive Regulations
PM Fee	3,034,114	Based on property management proposal
Leasing Brokerage Fees	821,810	Based on assumption that 10% of tenants will change annually
Taxes	7,219,700	Based on FY2023 actual amounts
Insurance Premiums	326,910	Based on quotes from insurance companies
Other Expenses	1,086,483	Based on historical actual amounts
Net Operating Income (NOI)	77,649,236	
Income on Investment of Deposits Received	423,098	Based on a 1.0% investment yield
Capital Expenditure	4,280,000	Based on engineering reports, reference to similar assets, and a 3:7 (Repair Expenses: Capital Expenditure) allocation based on the Corporate Tax Law Basic Interpretive Regulations
Net Profit	73,792,334	

	Cap Rate	3.5%	Based on transactions of similar assets located in nearby areas
	Value via DCF Method	2,040,000,000	
	Discount Rate	3.6%	Base rate adjusted for individual risks assuming a holding period of ten years
	Terminal Cap Rate	3.7%	Cap rate adjusted for uncertainties
	Value via Cost Approach	2,040,000,000	
	Ratio of Land	84.2%	Land value divided by total land and building value
	Ratio of Building	15.8%	Building value divided by total land and building value
Notes			
None			

Note: Appraisal NOI Yield: 4.1% (calculated by dividing NOI by Acquisition Price)

4. Seller Profile

Name	The seller, a third-party Japanese company, 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 Enforcement Ordinance of the Investment Trust and Investment Corporation Law or the internal rules of the Asset Management Company.

5. Acquisition Schedule

Acquisition Decision Date	October 13, 2023
Contract Date	October 13, 2023
Closing Date	October 31, 2023 (expected)

6. Earnings Impact

The impact of the acquisition, which will be executed on October 31, 2023, on Ichigo Office's October 2023 fiscal period earnings is minimal, and there is no change to the forecast announced in the September 22, 2023 release, "Earnings Forecast Revision for the October 2023 Fiscal Period."

Although there is no change to the April 2024 fiscal period earnings forecast, upward rent renewals for the majority of the tenants at the Ichigo Kinshicho South Building have already been negotiated, which will drive future NOI growth.

Reference

1. Earnings Profile of Asset Being Acquired

Ichigo Kinshicho South Building

(JPY million)

	Forecast ¹	At Acquisition ²
A. Rental Income	114	104
B. Rental Expenses (excluding depreciation) ³	29	29
C. NOI (A-B)	84	74
D. NOI Yield ⁴	4.5%	4.0%
E. Depreciation ⁵	13	14
F. Post-depreciation NOI (C-E)	71	59
G. Post-depreciation NOI Yield ⁴	3.8%	3.2%
H. Occupancy ⁶	97.0%	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 September 30, 2023.

2. Engineering Report Summary

Asset Name	Ichigo Kinshicho South Building
Inspector Name	Tokio Marine dR Co., Ltd.
Inspection Date	September 2023
Short-Term Repair Expenses ¹	–
Long-Term Repair Expenses ²	JPY 103.282 million
Current Replacement Cost	JPY 1,072.5 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 12 years from the time of inspection.

3. Post-Transaction Portfolio¹

No.	Asset Name	Area ²	Acquisition Price (JPY million)	% of Portfolio ³
O-02	Ichigo Nishisando Building	Central Tokyo	3,254	1.5
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	0.5
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	1.0
O-50	Ichigo Hatchobori Building	Central Tokyo	1,905	0.9

No.	Asset Name	Area ²	Acquisition Price (JPY million)	% of Portfolio ³
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	0.7
O-54	Ichigo Omiya Building	Tokyo Metro Area	3,430	1.6
O-55	Ichigo Sagamiyama Building	Tokyo Metro Area	1,174	0.6
O-56	Ichigo Ofuna Building	Tokyo Metro Area	2,000	0.9
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	0.8
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	0.9
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	1.6
O-86	Win Gotanda Building	Central Tokyo	3,100	1.5

No.	Asset Name	Area ²	Acquisition Price (JPY million)	% of Portfolio ³
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	1.0
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
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	1.3
O-101	Ichigo Kinshicho South Building	Tokyo Metro Area	1,875	0.9
Subtotal - Office (85 Assets)			207,412	97.6
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-14	Ichigo Kamata Building	Tokyo Metro Area	1,400	0.7
Subtotal - Other (3 Assets)			5,010	2.4
Total (88 Assets)			212,422	100

TK Equity Investment	GK Kizuna1 TK Equity Interest	38	—
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¹ Excludes the Twicere Yokohama Isogo (Retail Section) (Z-11) scheduled to be sold on October 30, 2023. For details of the asset sale, please refer to the September 22, 2023 release “Sale of Retail Asset (Twicere Yokohama Isogo).”

² 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.

³ % of Portfolio is based upon acquisition price.