

[Provisional Translation Only]

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Issuer

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**Sale of Two Portfolio Assets
(Ichigo Ofuna Building, Ichigo Kudan 2 Chome Building)**

Ichigo Office decided today to sell two assets, the Ichigo Ofuna Building and Ichigo Kudan 2 Chome Building.

1. Asset Sales Summary

(Total Appraisal Value: JPY 3,360 million, Total Sale Price: JPY 4,470 million)

Asset Number Asset Name	O-56 Ichigo Ofuna Building	O-18 Ichigo Kudan 2 Chome Building
Asset Type	Office	Office
Date Built	April 3, 1973	November 6, 1997
Legal Form of Asset	Trust beneficiary interest in real estate (<i>juekiken</i>)	
Date Acquired	December 5, 2014	November 1, 2011
Buyer ¹	Third-Party Japanese Company	Third-Party Japanese Company
Broker	Third-Party Broker	Third-Party Broker
Sale Price ² (A)	JPY 2,420 million	JPY 2,050 million
Book Value ³ (B)	JPY 1,981 million	JPY 750 million
Sale Price vs. Book Value ⁴ (A) – (B)	JPY 438 million	JPY 1,299 million
Gains on Sale	JPY 260 million	JPY 1,060 million
Appraisal Value ⁵	JPY 2,180 million	JPY 1,180 million
Contract Date	April 26, 2024	April 26, 2024
Closing Date	April 26, 2024	October 31, 2024

- ¹ The buyers, third-party Japanese companies, did not provide consent to disclose their names.
- ² Sale Price is the sale price of the asset excluding incidental expenses such as fees and property, city planning, and consumption taxes.
- ³ Book Value is an estimate based upon the most recent book value (October 2023 fiscal period-end), adjusted for expected capital expenditures and depreciation through the Closing Date.
- ⁴ The difference between the Sale Price and Book Value is not equal to the gains on sale from today's sale.
- ⁵ Appraisal Value is calculated by Tanizawa Sogo Real Estate Appraisal as of October 31, 2023, pursuant to the appraisal guidelines stipulated in Ichigo Office's Articles of Incorporation and the rules of the Investment Trusts Association of Japan.

2. Sales 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.

Of the two assets being sold today, the Ichigo Ofuna Building is an office building located in Kamakura City in Kanagawa Prefecture near Yokohama, and is a three-minute walk from Ofuna Station on the JR and Shonan Monorail Lines.

Since Ichigo Office's acquisition in 2014, the building had been fully occupied due to its attractive location near a train station. Although a major bank tenant departed on December 31, 2022 due to a branch reorganization, Ichigo Office successfully leased up part of the vacant space to a new store tenant searching for a convenient location and has maintained 85% occupancy since re-tenanting.

After exploring options to sell the building based on the policy described above, Ichigo Investment Advisors ("IIA") decided to accept an offer from the buyer for a price that exceeds book value and the recent appraisal value. The buyer recognized the building's convenient location and potential to attract retail tenants in the service industry.

The second asset being sold today is the Ichigo Kudan 2 Chome Building, a highly visible office building located an eight-minute walk from Ichigaya Station on the JR Sobu Line and a nine-minute walk from Kudanshita Station on the Tokyo Metro and Toei Subway Lines. After the building's sole tenant occupying the entire building departed in February 2022, Ichigo Office conducted value-add renovations of the entrance and common areas on each floor, and successfully leased up the building to a new tenant in August 2022 with a 38.5% increase in rent.

As a result, the building's appraisal value increased by 25.9% from JPY 937 million as of April 30, 2022 to JPY 1,180 million as of October 31, 2023. Please refer to [Driving Growth via Value-Add Capex \(Ichigo Kudan 2 Chome Building\)](#) on the next page for details.

Given that the new tenant's rent is near the upper limit of rent in the area, IIA determined that it would be difficult to further increase rent. As such, after exploring options to sell the building based on its policy described above, IIA decided to accept an offer from the buyer for a price that is 2.7 times book value and 1.7 times recent appraisal value. The buyer recognized the building's convenient location in a quiet neighborhood in central Tokyo.

IIA decided that the sale of this asset would drive long-term shareholder value in light of anticipated increases in capital expenditures required for repairs and facility upgrades to maintain and drive the building's competitiveness, and the uncertain outlook for rent

levels in the area.

With these asset sales, Ichigo Office’s post-transaction portfolio will be 97.6% office assets. Ichigo Office will use the proceeds from the asset sales for strategic investments such as asset acquisitions and value-add capex.

Driving Growth via Value-Add Capex (Ichigo Kudan 2 Chome Building)

- February 2022: Departure of sole tenant that occupied the entire building since Ichigo Office’s acquisition due to tenant moving to its parent company office
- Ichigo Office conducted value-add to renovate building entrance and common areas to achieve re-tenanting at a higher rent (Value-add capex: JPY 34 million)
- August 2022: Leased up entire building to a new tenant occupying the entire building with a 38.5% increase in rent



Entrance (Before)



Entrance (After)



Elevator Hall (After)

Outcomes

Occupancy		NOI		Appraisal Value	
Feb 28, 2022	100%	2021 (Before Re-tenanting)	JPY 45M p.a.	Apr 2022	JPY 937M
Mar 31, 2022	0%			Oct 2022	JPY 1,160M
Aug 31, 2022	100%	2023 (After Re-tenanting)	JPY 63M p.a.	Apr 2023	JPY 1,160M
Mar 31, 2024	100%			Oct 2023	JPY 1,180M

3. Asset Details

(1) Ichigo Ofuna Building

Asset Overview						
Asset Name		Ichigo Ofuna Building				
Form of Ownership		Trust beneficiary interest in real estate (<i>juekiken</i>)				
Location		1-26-29 Ofuna, Kamakura City, Kanagawa Prefecture				
Trust Beneficiary		Sumitomo Mitsui Trust Bank, Limited				
Trust Beneficiary Period		September 30, 2004 to September 30, 2024				
Land	Property Right	Freehold				
	Area	1,461.04m ²				
	Zoning	Residential				
	Coverage Ratio Floor Area Ratio	60% 200%				
Building	Property Right	Freehold				
	Use	Office/Parking Lot				
	Structure	Reinforced Concrete, B1F/8F				
	Total Floor Area	3,323.93m ²				
	Date Built	April 3, 1973				
Number of Tenants		10 (as of March 31, 2024)				
Monthly Rental Income		JPY 8.970 million (as of March 31, 2024)				
Tenant Security Deposits		JPY 89.054 million (as of March 31, 2024)				
Leasable Area		2,176.47m ² (as of March 31, 2024)				
Leased Area		1,884.05m ² (as of March 31, 2024)				
Occupancy		Apr 2022	Oct 2022	Apr 2023	Aug 2023	Mar 2024
		100%	100%	94.3%	83.3%	86.6%
Acquisition Price		JPY 2,000 million				
Appraisal Value	Appraiser	Tanizawa Sogo Real Estate Appraisal Co., Ltd.				
	Appraisal Date	October 31, 2023				
	Appraisal Value	JPY 2,180 million				

Monthly rental income and tenant security deposits are based on the monthly rental income (including common area service income) and tenant security deposits pursuant to tenant rental contracts.

Appraisal Details		
Asset Name	Ichigo Ofuna Building	
Appraisal Value	JPY 2,180,000,000	
Appraiser	Tanizawa Sogo Real Estate Appraisal Co., Ltd.	
Appraisal Date	October 31, 2023	
	Amount (JPY)	Note
Appraisal Value	2,180,000,000	Calculated using an income approach, with a DCF valuation as a basis and verified using a direct capitalization valuation
Value by Direct Capitalization Method	2,190,000,000	
Income	148,753,944	
Maximum Obtainable Rental Income	158,532,047	Based on expected long-term, stable rental income, common area service income, and other income
Vacancy Loss	9,778,103	Based on a vacancy rate of 5.0%
Expenses	31,477,829	
Administrative and Maintenance Expenses	8,540,468	Based on management expenses pursuant to management agreement and historical actual amounts
Utility Expenses	10,264,233	Based on historical actual amounts
Repair Expenses	1,660,000	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	2,770,992	Based on existing contractual fees
Leasing Brokerage Fees	849,842	Based on assumption that 10% of tenants will change annually
Taxes	6,970,100	Based on FY2023 actual amounts
Insurance Premiums	273,440	Based on quotes from insurance companies
Other Expenses	148,754	Based on historical actual amounts
Net Operating Income (NOI)	117,276,115	
Income on Investment of Deposits Received	820,383	Based on a 1.0% investment yield
Capital Expenditure	4,150,000	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	113,946,498	
Cap Rate	5.2%	Based on transactions of similar assets, while taking into account the discount rate

	Value via DCF Method	2,180,000,000	
	Discount Rate	5.1%	Base rate adjusted for individual risks assuming a holding period of ten years
	Terminal Cap Rate	5.4%	Cap rate adjusted for uncertainties
	Value via Cost Approach	2,130,000,000	
	Ratio of Land	86.1%	Based upon the value recorded in the government land assessment (<i>koujikakaku</i>) and transactions of similar assets
	Ratio of Building	13.9%	Based on current replacement costs and depreciation due to building age from engineering reports
Notes			
Given that demand for the building comes primarily from investors making decisions based on profitability, Ichigo Office believes the price has been determined based on profitability in light of the building's current condition and competitiveness.			

(2) Ichigo Kudan 2 Chome Building

Asset Overview						
Asset Name		Ichigo Kudan 2 Chome Building				
Form of Ownership		Trust beneficiary interest in real estate (<i>juekiken</i>)				
Location		2-8-4 Kudan Minami, Chiyoda-ku, Tokyo				
Trust Beneficiary		Resona Bank				
Trust Beneficiary Period		June 29, 2011 to June 30, 2031				
Land	Property Right	Freehold				
	Area	322.74m ²				
	Zoning	Commercial				
	Coverage Ratio Floor Area Ratio	80% 500%				
Building	Property Right	Freehold				
	Use	Office				
	Structure	Steel/Reinforced Concrete, B1F/7F				
	Total Floor Area	1,664.79m ²				
	Date Built	November 6, 1997				
Number of Tenants		1 (as of March 31, 2024)				
Monthly Rental Income ²		JPY 6.891 million (as of March 31, 2024)				
Tenant Security Deposits ²		JPY 53.6 million (as of March 31, 2024)				
Leasable Area		1,265.76m ² (as of March 31, 2024)				
Leased Area		1,265.76m ² (as of March 31, 2024)				
Occupancy		Apr 2022	Oct 2022	Apr 2023	Aug 2023	Mar 2024
		–	100%	100%	100%	100%
Acquisition Price		JPY 763 million				
Appraisal Value	Appraiser	Daiwa Real Estate Appraisal Co., Ltd.				
	Appraisal Date	October 31, 2023				
	Appraisal Value	JPY 1,180 million				

Monthly rental income and tenant security deposits are based on the monthly rental income (including common area service income) and tenant security deposits pursuant to tenant rental contracts.

Appraisal Details		
Asset Name	Ichigo Kudan 2 Chome Building	
Appraisal Value	JPY 1,180,000,000	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	October 31, 2023	
	Amount (JPY)	Note
Appraisal Value	1,180,000,000	Calculated using an income approach, with a DCF valuation as a basis and verified using a direct capitalization valuation
Value by Direct Capitalization Method	1,100,000,000	
Income	69,112,419	
Maximum Obtainable Rental Income	72,748,020	Based on expected long-term, stable rental income, common area service income, and other income
Vacancy Loss	3,635,601	Based on a vacancy rate of 5.0%
Expenses	20,836,171	
Administrative and Maintenance Expenses	5,307,060	Based on historical actual amounts
Utility Expenses	3,377,220	Based on historical actual amounts
Repair Expenses	1,817,417	Based on the average of the past 12 years of engineering reports
PM Fee	1,869,973	Based on existing contractual fees
Leasing Brokerage Fees	556,539	Equivalent to 1.0 month rent for a new tenant based on tenant acquisition costs at similar assets
Taxes	7,397,900	Based on FY2023 actual amounts
Insurance Premiums	164,500	Based on current actual amounts
Other Expenses	345,562	0.5% of rent revenue as reserves
Net Operating Income (NOI)	48,276,248	
Income on Investment of Deposits Received	556,539	Based on a 1.0% investment yield
Capital Expenditure	4,930,500	Based on the average of the past 12 years of engineering reports
Net Profit	43,902,287	
Cap Rate	4.0%	
Value via DCF Method	1,210,000,000	
Discount Rate	3.9%	Based on transactions of similar assets and the yields of financial assets
Terminal Cap Rate	4.2%	Based upon current NOI adjusted for expected marketability at the end of ownership period.
Value via Cost Approach	965,000,000	
Ratio of Land	82.6%	Based upon the value recorded in the government land assessment (<i>koujikkakaku</i>) and transactions of similar assets

	Ratio of Building	17.4%	Based on current replacement costs and depreciation due to building age from engineering reports
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Notes

Given that demand for the building comes primarily from investors making decisions based on profitability and investment returns, Ichigo Office determined that the value by direct capitalization method, which takes into consideration the market price from a profitability perspective, is more appropriate than the value via cost approach.

4. Buyer Profiles

Ichigo Ofuna Building and Ichigo Kudan 2 Chome Building

Name	The buyers, both of which are domestic operating companies, did not provide consent to disclose their names.
Relationship to Ichigo Office or Ichigo Investment Advisors (IIA)	The buyers do not have any material capital, personnel, or transactional relationship with Ichigo Office or IIA. In addition, the buyers are not related parties as defined in the Act on Trusts and Investment Corporations or the internal rules of IIA.

5. Forward Commitment (Ichigo Kudan 2 Chome Building)

Because the contract date for the Ichigo Kudan 2 Chome Building is October 31, 2024, six months and five days from today, the asset 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 Agency¹.

In the event of a violation of the provisions of the asset sale by Ichigo Office or the buyer, the other party shall have the right to terminate the sale and claim up to 10% of the sale price as a penalty.

Because Ichigo Office is the seller, it is highly unlikely that Ichigo Office will incur the penalty or suffer a negative material impact on its financial position.

¹ 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. Transaction Method

Lump-sum payments will be made for both the Ichigo Ofuna Building and the Ichigo Kudan 2 Chome Building at the time of each sale.

7. Use of Proceeds

Ichigo Office will retain c. JPY 100 million of the c. JPY 260 million of gains on sale for the Ichigo Ofuna Building and c. JPY 100 million of the c. JPY 1.06 billion of gains on sale for the Ichigo Kudan 2 Chome Building as retained earnings without incurring a tax burden, and distribute the remaining amounts as dividends to shareholders for the April 2024 fiscal period and the October 2024 fiscal period, respectively. 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.

8. Earnings Impact

Today's sales have been factored into Ichigo Office's April 2024 and October 2024 fiscal period earnings forecast announced in today's release, "Upward Earnings Forecast Revisions for the April 2024 Fiscal Period & October 2024 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	1.6
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-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
O-51	Ichigo Ebisu Green Glass	Central Tokyo	5,900	2.8

No.	Asset Name	Area ¹	Acquisition Price (JPY million)	% of Portfolio ²
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 Sagamiyama Building	Tokyo Metro Area	1,174	0.6
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-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
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

No.	Asset Name	Area ¹	Acquisition Price (JPY million)	% of Portfolio ²
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	1.7
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 (83 Assets)			204,649	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 (86 Assets)			209,659	100

TK Equity Investment	GK Kizuna1 TK Equity Interest	38	—
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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.