

[Provisional Translation Only]

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Issuer

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**Earnings Forecast Revision for the October 2019 Fiscal Period and
Earnings Forecast for the April 2020 Fiscal Period**

Ichigo Office is revising up its October 2019 earnings forecast announced on December 14, 2018, and is also announcing its April 2020 earnings forecast.

1. October 2019 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	7,708	3,897	3,067	3,067	2,070
New Forecast (B)	8,266	4,357	3,537	3,536	2,140
Difference (B) - (A)	+558	+459	+469	+469	+70
% Change	+7.2%	+11.8%	+15.3%	+15.3%	+3.4%

Net Income per Share: JPY 2,308 (1,532,287 shares outstanding at period-end)

Note: The new forecast reflects a JPY 440 million gain on sale on the Ichigo Fiesta Shibuya Building on May 30, 2019. Without the gain on sale, the forecast Net Income per Share would be JPY 2,021.

2. April 2020 Earnings Forecast

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
April 2020 Forecast	7,789	3,925	3,105	3,105	2,095

Net Income per Share: JPY 2,026 (1,532,287 shares outstanding at period-end)

The forecasts presented above are based on the preconditions set out below in “Preconditions for the October 2019 and April 2020 Earnings Forecasts.” The actual operating revenue, operating profit, recurring profit, net income, and dividend may vary due to changes in circumstances such as asset acquisitions and dispositions, tenant turnover, unexpected maintenance and repair costs and other expenses, changes in interest rates, and the issuance of new shares. These forecasts should therefore not be construed as a guarantee of such results. Ichigo Office will revise the forecast should a substantial discrepancy emerge between the forecast and actual operating results.

3. Reason for October 2019 Earnings Forecast Revision

Ichigo Office is revising up its earnings forecast to reflect the impact of an asset sale and acquisition and strong operating results.

Specifically, since its previous earnings forecast announcement, Ichigo Office sold the Ichigo Fiesta Shibuya Building on May 30, 2019.¹ The asset sale will generate a gain on sale of JPY 440 million in the October 2019 period.² With operating results also robust, Ichigo Office is revising up its October 2019 earnings forecast.

From the JPY 440 million gain on sale, JPY 362 million will be retained to fund growth investments. Ichigo Office will continue to work to drive higher earnings for shareholders via value-add capex and asset acquisitions such as its acquisition of the Ichigo Hakata East Building on May 31, 2019.

¹ For details, please refer to the May 29, 2019 release “Acquisition of Office Asset (Ichigo Hakata East Building) and Sale of Retail Asset (Ichigo Fiesta Shibuya Building).”

² Calculated as sale price including property and city planning taxes minus book value and expected sale-related expenses.

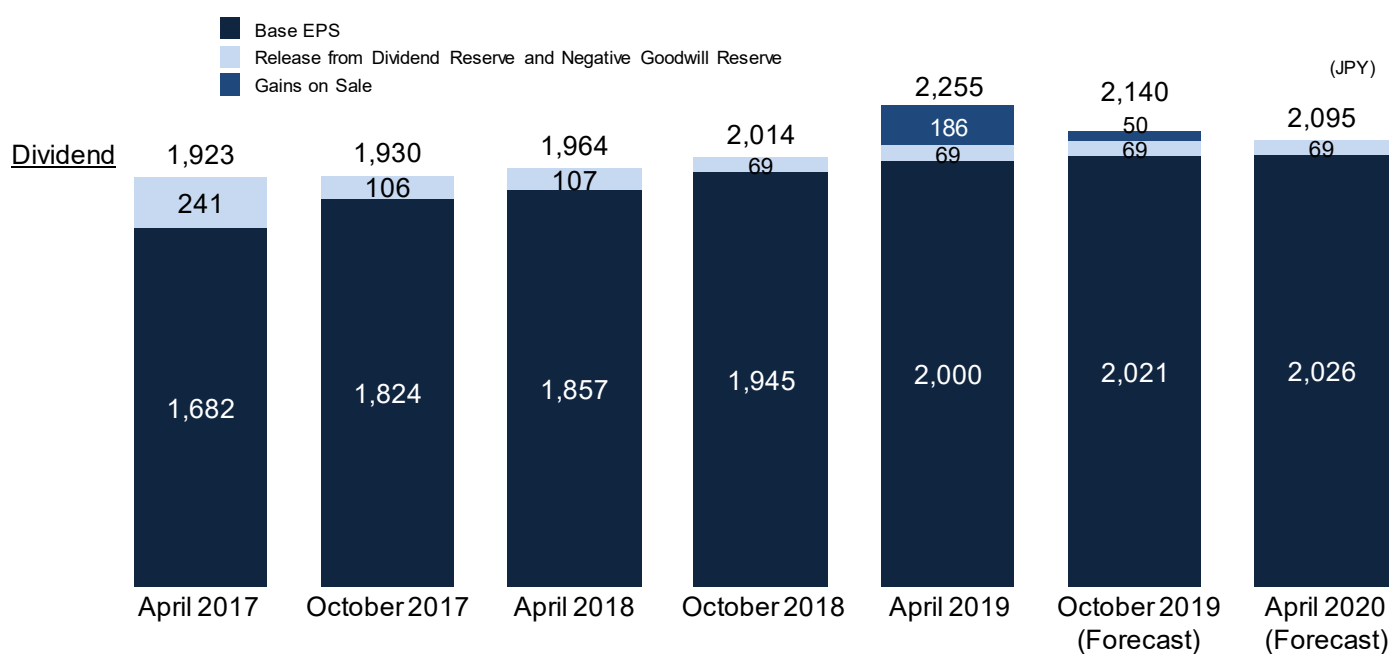
Preconditions for the October 2019 and April 2020 Earnings Forecast

Period	<ul style="list-style-type: none"> • October 2019: May 1, 2019 – October 31, 2019 (184 days) • April 2020: November 1, 2019 – April 30, 2020 (182 days)
Number of Assets	<ul style="list-style-type: none"> • 85 assets
Number of Shares	<ul style="list-style-type: none"> • 1,532,287 shares issued and outstanding as of the date of this report
Operating Revenue	<ul style="list-style-type: none"> • Rental income is calculated conservatively based on lease contracts that are in effect as of April 30, 2019 while taking into consideration such factors as historical rents, the competitiveness of the properties, and market conditions. • Total occupancy: 98.3% as of October 31, 2019 and 98.5% as of April 30, 2020 • Gains on sale: JPY 440 million for October 2019
Operating Expenses	<ul style="list-style-type: none"> • Depreciation: JPY 838 million for October 2019 and JPY 837 million for April 2020. Depreciation has been calculated using the straight-line method and includes the depreciation of forecast future capital expenditures. • Property, city planning, and depreciable asset taxes: JPY 653 million for October 2019 and JPY 655 million for April 2020. Prorated property and city planning taxes related to acquisitions are included in acquisition cost. • Building maintenance and repair expenses: JPY 132 million for October 2019 and JPY 137 million for April 2020. However, expenses may differ significantly from these estimated amounts for reasons including the variability of maintenance and repair expenses, one-time costs due to unexpected building damage, etc. • Service provider expenses, including property management fees: JPY 663 million for October 2019 and JPY 664 million for April 2020 • Performance fees: None for October 2019 and JPY 16 million for April 2020 • Rental expenses, Ichigo Office’s principal operating expenses (other than depreciation, see above), are calculated based on historical data adjusted for any anticipated changes. • Actual operating expenses may differ significantly from these assumptions due to unforeseeable factors.
Non-Operating Expenses	<ul style="list-style-type: none"> • Interest expenses on loans and bonds: JPY 546 million for October 2019 and JPY 537 million for April 2020 • Other borrowing-related expenses: JPY 274 million for October 2019 and JPY 282 million for April 2020
Interest-Bearing Liabilities	<ul style="list-style-type: none"> • Loans and bonds: JPY 108,458 million outstanding as of October 31, 2019 and JPY 108,399 million outstanding as of April 30, 2020
Dividend	<ul style="list-style-type: none"> • The dividend forecast assumes that dividends will comply with the dividend distribution policy stipulated in Ichigo Office’s Articles of Incorporation. • Total dividends for the October 2019 period are forecast to be JPY 3,279 million (unappropriated retained earnings (i.e., Net Income) of JPY 3,536 million plus JPY 105 million of negative goodwill amortization, minus a JPY 362 million provision from gains on sale to the dividend reserve, subject to the reserve complying with J-REIT conduit requirements). Ichigo Office does not expect to pay any corporate tax, because it can offset any potential tax liability with loss carry-forwards. • Total dividends for April 2020 are forecast to be JPY 3,210 million (unappropriated retained earnings (i.e., Net Income) of JPY 3,105 million plus JPY 105 million of negative goodwill amortization). • The dividend is subject to change due to changes in circumstances such as asset acquisitions and dispositions, tenant turnover, unexpected maintenance and repair costs and other expenses, changes in interest rates, and the issuance of new shares.

Dividend in Excess of Earnings	<ul style="list-style-type: none"> • Ichigo Office does not plan on paying any dividend in excess of earnings.
Other	<ul style="list-style-type: none"> • This forecast assumes that there are no material revisions to laws and regulations, the tax system, accounting standards, listing rules of the Tokyo Stock Exchange, and rules of the Investment Trusts Association, Japan, and no material changes in the state of the economy and real estate market conditions.

Reference

Dividend and Base EPS



Base EPS = EPS – Capital gains