

March 17, 2023  
Berkeley Global, LLC  
Toru Sugihara, Manager

**Berkeley Global Makes Proposals to Ichigo Office REIT Investment Corporation**

Berkeley Global, LLC (“we”, “our”, “us” or “Berkeley Global”), an affiliate of Star Asia Group, is a unitholder of Ichigo Office REIT Investment Corporation (“IOR”) and has held 3.0% or more of IOR’s issued and outstanding investment units for more than six months.

We have made such proposals to IOR and Ichigo Investment Advisors Co., Ltd. (IOR’s asset management company, the “Asset Management Company”) to reduce the asset management fees payable to the Asset Management Company that are the most expensive among all J-REITs (from the perspective of the ratio of asset management fees to total assets). We have engaged in extensive dialogue with IOR and the Asset Management Company from the viewpoint of increasing the IOR unitholders’ investment value.

However, there has been no serious consideration of our proposal from either IOR or the Asset Management Company. Therefore, to improve the investment value for all IOR unitholders, we hereby notify you that today we requested IOR to call a unitholders’ meeting at which time the following proposals (the “Proposals”) are proposed to be discussed and resolved in order to give an opportunity for the unitholders to express their views regarding our proposals.

[Agenda Items to Be Submitted to the Unitholders’ Meeting]

- (a) Partial amendments to the Articles of Incorporation (change in the rate of NOI & Dividend Performance Fee);
- (b) Partial amendments to the Articles of Incorporation (abolition of Gains on Sale Performance Fee and adoption of Asset Acquisition Fee and Asset Disposition Fee);
- (c) Partial Amendments to the Articles of Incorporation (abolition of Gains on Merger Performance Fee and Gains on REIT TOB Sale Performance Fee, and adoption of Merger Fee);
- (d) Appointment of Mr. Toru Sugihara as an executive director (*shikkou yakuin*);
- (e) Appointment of Mr. Akihiko Fujinaga as a supervisory director (*kantoku yakuin*); and
- (f) Partial amendments to the Articles of Incorporation (adoption of a cap to directors’ compensation)

For the details of the Proposal, please also see the explanatory materials released by us today titled "Berkeley Global Makes Proposals to Ichigo Office REIT Investment Corporation".

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We aim to optimize the amount of asset management fees by transitioning to an asset management fee structure that is closely linked to and aligned with unitholders' interests and improve and strengthen the corporate governance of IOR by appointing professionals with significant experience and strong track record in J-REIT management.

We are confident that the Proposals will contribute to significantly improving the IOR unitholders' investment value. Please see below the explanation regarding the IOR's current problems with its asset management fee structure and corporate governance to be resolved and an overview of the Proposals, and we hope that the unitholders will understand our concerns and support to the Proposals.

**1. Optimizing the amount of asset management fees by transitioning to an asset management fee structure that is closely linked to and aligned with unitholders' interests**

At the unitholders' meeting held in July 2020 (the "2020 Meeting of Unitholders"), IOR completely changed its asset management fee structure (the "AM Fees Change") and adopted a new asset management fee structure consisting of "NOI & Dividend Performance Fee", "Gains on Sale Performance Fee", "Gains on Merger Performance Fee", and "Gains on REIT TOB Sale Performance Fee" (the asset management fee structure before the AM Fees Change shall be hereinafter referred to as the "Old AM Fee Structure", and the asset management fee structure after the AM Fees Change as the "New AM Fee Structure").

However, we believe that the New AM Fee Structure is an asset management fee structure that is not aligned with or promotes the increase in IOR unitholders' investment value. In the Proposals (1) through (3), we propose to optimize the amount of asset management fees by revising the asset management fee structure to become one that is closely linked to unitholders' interests.

**(1) Partial amendments to the Articles of Incorporation (change in the rate of NOI & Dividend Performance Fee) ((a) of the Proposals)**

IOR's "NOI & Dividend Performance Fee" are the highest asset management fees (ratio of asset management fees to total assets) among all J-REITs. The fees payable to the Asset Management Company are approximately **1.7 times** higher than the average equivalent from other J-REITs (ratio of asset management fees to total assets). Importantly, IOR has not achieved any external growth accompanying public offerings for seven years since the last public offering. In a situation where external growth has been significantly stagnant, the payment of such expensive asset management fees is not only inappropriate in itself but also a factor that has hindered the external growth of IOR.

Accordingly, we believe that it is critical and necessary to change the rate of “NOI & Dividend Performance Fee” in order to reduce the “NOI & Dividend Performance Fee” to approximately the average level for J-REITs, to raise distributions and create upward pressure on investment unit prices, as well as creating an environment that facilitates external growth accompanying a public offering, and propose to change the rate of the “NOI & Dividend Performance Fee” from the current “0.0054%” to “0.0036%”.

**(2) Partial amendments to the Articles of Incorporation (abolition of Gains on Sale Performance Fee, and establishment of Asset Acquisition Fee and Asset Disposition Fee) ((2) of the Proposals)**

The “Gains on Sale Performance Fee” under the New AM Fee Structure is set at an extremely high rate, which is 15% of the gain on sales of assets, and in the event of an occurrence of gain on sales of assets (in principle, obtained by deducting a book value from a sale price), IOR will have to bear extremely high fees. In addition, if a gain on sales of assets occurs for IOR, the “NOI & Dividend Performance Fee” will be also increased, and IOR will bear double burdens: the accrual of the “Gains on Sale Performance Fee” and the increase in the “NOI & Dividend Performance Fee”.

Therefore, we propose to abolish the “Gains on Sale Performance Fee” and newly adopt a standard Asset Acquisition Fee and Asset Disposition Fee to align with the prevailing fee structure for other J-REITs.

**(3) Partial Amendments to the Articles of Incorporation (abolition of Gains on Merger Performance Fee and Gains on REIT TOB Sale Performance Fee, and adoption of Merger Fee) ((3) of the Proposals)**

The “Gains on Merger Performance Fee” and the “Gains on REIT TOB Sale Performance Fee” under the New AM Fee Structure are fee structures that lack any connection with the services provided by an asset management company. In addition, while the amount can be extremely high, their calculations are unclear and, as a result, the structures lack rationale as a constructive fee structure. In terms of practical effects, it has the effect of discouraging proposals that would contribute to increasing IOR unitholders’ investment value and is considered to be a *de facto* takeover defense measure. It should be noted that IOR is the only J-REIT that has introduced “Gains on Merger Performance Fee” and “Gains on REIT TOB Sale Performance Fee”.

Therefore, we propose to abolish the “Gains on Merger Performance Fee” and the “Gains on REIT TOB Sale Performance Fee” and to newly adopt the Merger Fee to align with the prevailing fee structure for other J-REITs.

**2. Improving and strengthening the corporate governance of IOR through the appointment of professionals with significant experience and strong track record in J-REIT management**

As described above, the New AM Fee Structure contains a large amount of unreasonable and inappropriate details that are unlikely to contribute to the increase of the IOR unitholders' investment value. However, in the notice of the 2020 Meeting of Unitholders in connection with the AM Fees Change of IOR, IOR explains that the New AM Fee Structure is intended to "further improve the IOR unitholders' investment value". In addition, the press release of IOR ("Notice of Amendment to the Terms and Appointment of Directors" dated June 15, 2020), which was disclosed prior to the 2020 Meeting of Unitholders, compared the total asset management fees for the 5 years from the fiscal period ending October 2015 to the fiscal period ending April 2020 under the Old AM Fee Structure before the amendment with the total asset management fees for the 5 years from the fiscal period ending October 2015 to the fiscal period ending April 2020 under the New AM Fee Structure after the amendment (estimated amount), and included a bar graph showing that the total asset management fees would decrease by 4.2% under the New AM Fee Structure. In other words, the materials disclosed by IOR suggested that if IOR adopted the New AM Fee Structure, the total amount of asset management fees will decrease, leading to an increase of the IOR unitholders' investment value.

However, our calculations based on the materials disclosed by IOR indicate that the actual result of asset management fees (based on the New AM Fee Structure) for the 4 periods from the fiscal period ending April 2021 to the fiscal period ending October 2022 after the AM Fees Change **significantly exceeded** the amount of asset management fees based on the Old AM Fee Structure. This is completely contrary to what was suggested by the disclosure materials. In addition, the attitudes of IOR and the Asset Management Company when we proposed a review of the New AM Fee were far from sincere in the responses to our suggestions, so we have had no choice but to conclude that they totally disregard the IOR unitholders' interests.

We believe that this attitude of disregard for IOR unitholders' interests by the Asset Management Company is due to the fact that IOR's supervision of the Asset Management Company are not being conducted properly. In order to correct this, it is essential to strengthen the governance structure of IOR and strengthen the supervision and oversight on the Asset Management Company. We therefore propose (d) - (f) of the Proposals:

**(1) Appointment of Toru Sugihara as an executive director (*shikkou yakuin*) ((d) of the Proposals) and Appointment of Akihiko Fujinaga as a supervisory director (*kantoku yakuin*) ((e) of the Proposals)**

As stated above, we believe that the governance system of IOR has not been established to realize the fundamental principle of aligning interests and increasing unitholders' investment value. In order to resolve such issues on the governance system, we believe it is critical to

appoint one executive director (*shikkou yakuin*) and one supervisory director (*kantoku yakuin*) who are knowledgeable about J-REIT management, and have the executive director appropriately negotiate with the Asset Management Company on asset management fees from the viewpoint of protecting IOR unitholders' interests, and have both directors monitor the governance of IOR through the flexible management by the board of directors.

Mr. Toru Sugihara has significant knowledge and experience in the practice of investment corporations, including many years of practical experience in the real estate industry, deep experience in asset management at J-REITs, and prior experience as an executive director of a J-REIT. Mr. Sugihara is able to supplement the lack of practical ability of IOR to verify the appropriateness of the fee structures, and quickly recognize and respond, flexibly and appropriately, to events that are contrary to the IOR unitholders' interests.

Mr. Akihiko Fujinaga has held important positions such as president and executive director, etc. at many prominent real estate companies and J-REIT asset management companies and is a person who is extremely well versed in real estate investment management practices. In addition, Mr. Fujinaga has deep knowledge in the field of finance, which enables him to analyze and supervise both the appropriateness of the fee formula itself based on his knowledge of the real estate industry and the appropriateness of the payments based on his knowledge of the field of finance. Therefore, he is an appropriate person to be a supervisory director of IOR, where the appropriateness of the asset management fee structure is an issue.

## **(2) Partial Amendments to the Articles of Incorporation (adoption of a cap to directors' compensation) ((f) of the Proposals)**

The increase in the number of the executive directors and the supervisory directors proposed in "Appointment of Toru Sugihara as an executive director" ((d) of the Proposals) and "Appointment of Akihiko Fujinaga as a supervisory director" ((e) of the Proposals) is a measure to improve the corporate governance of IOR and is intended to increase the IOR unitholders' investment value. From the perspective of avoiding an unnecessary increase in the cost burden of IOR due to an increase in the number of such directors, the total amount of directors' fee will be limited in order to keep it within a reasonable range.

The amount of 1,090,000 yen per month proposed as the upper limit of the total amount of fee for the executive directors and the supervisory directors is comprised of the sum of: (i) the amount of the monthly fee for the current directors that can be confirmed in the asset management report for the 34th fiscal period of IOR; (ii) 10,000 yen per month as the fee for the executive director who are requested to be newly appointed; and (iii) the monthly amount as the fee for the supervisory director who is requested to be newly appointed (which is same amount currently paid for the other current supervisory directors) . The specific breakdown is as follows:

Current executive director	360,000 yen per month
Two current supervisory directors	480,000 yen per month
New executive director	10,000 yen per month
New supervisory director	240,000 yen per month

END

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This material is provided for the purpose of identifying points for improvement of Ichigo Office REIT Investment Corporation proposed by us (Berkeley Global, LLC) and providing information on solutions to such points, and is not intended as an offer, solicitation or marketing of any specific product.