

**To the Unitholders of Ichigo Office REIT Investment Corporation**

**Berkeley Global, LLC's Opinion concerning the  
Unitholder Proposal Submitted by Ichigo Trust  
Pte. Ltd. to Ichigo Office REIT Investment  
Corporation**

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**May 19th, 2023**

**Berkeley Global, LLC**

(A minority unitholder of Ichigo Office REIT Investment Corporation /  
a member of Star Asia Group)



## To the Unitholders of Ichigo Office REIT Investment Corporation

- Berkeley Global, LLC is a unitholder of Ichigo Office REIT Investment Corporation ("IOR") who has continuously held 3.0% or more of the outstanding investment units of IOR. As of March 17, 2023, we requested to convene a unitholders' meeting to present a number of unitholder-friendly demands to IOR, including a reduction in their asset management fees (please refer to [Link](#) for details)
- Ichigo Trust Pte. Ltd. ("Ichigo Trust PTE"), IOR's largest unitholder, also submitted unitholder proposals to IOR (for details, please refer to [Link](#)).
- In our opinion, Ichigo Trust PTE's proposal contains misleading statements and other intolerable problems, including its recommendation for anti-takeover measures designed to maximize Ichigo Trust PTE's own profits and to not maximize unitholder value. Therefore, we expressed our statement of opinion to IOR today.
- A general overview of our statement of opinion is described in this presentation material. For a more detailed explanation, please refer to "Statement of Opinion Concerning Ichigo Trust Pte. Ltd.'s Unitholder Proposal" which was released today at [Link](#).
- Please carefully consider contents of this material prior to the convocation of unitholders' meeting by IOR.

Star Asia Group  
Berkeley Global, LLC  
Toru Sugihara

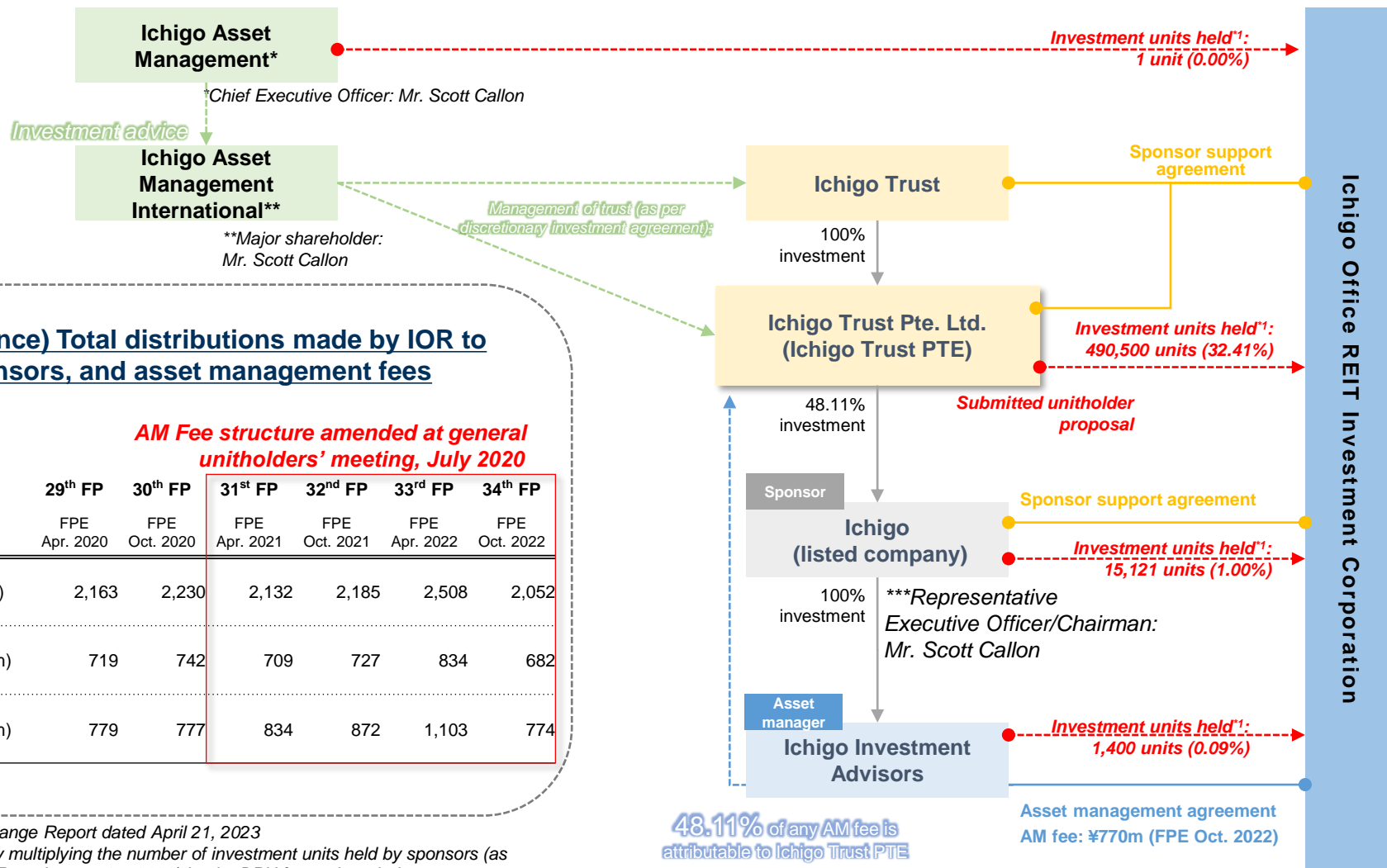
(signature)

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# Overview of Ichigo Group's Organizational Structure

Relationships between IOR and relevant entities

- Presented below are the relationships between and among IOR and relevant Ichigo Group entities
- Ichigo Trust PTE is in a position and is able to maximize its own profits by increasing AM fees (with 48.11% of the total amount being attributable to Ichigo Trust PTE) even if it results in the reduction of IOR distributions (with 32.41% of the total amount being attributable to Ichigo Trust PTE) (i.e. Ichigo Trust PTE is in a position of clear conflict of interests with other unitholders). This is very poor alignment of interest with unitholders.



## ((Reference) Total distributions made by IOR to sponsors, and asset management fees

**AM Fee structure amended at general unitholders' meeting, July 2020**

		29 <sup>th</sup> FP	30 <sup>th</sup> FP	31 <sup>st</sup> FP	32 <sup>nd</sup> FP	33 <sup>rd</sup> FP	34 <sup>th</sup> FP
		FPE	FPE	FPE	FPE	FPE	FPE
		Apr. 2020	Oct. 2020	Apr. 2021	Oct. 2021	Apr. 2022	Oct. 2022
DPU	(¥)	2,163	2,230	2,132	2,185	2,508	2,052
Total distributions to sponsors <sup>2</sup>	(¥m)	719	742	709	727	834	682
AM fees	(¥m)	779	777	834	872	1,103	774

\*1 Based on Change Report dated April 21, 2023

\*2 Calculated by multiplying the number of investment units held by sponsors (as disclosed by IOR on January 25, 2023) by the DPU for each period

48.11% of any AM fee is attributable to Ichigo Trust PTE

# Rapid and Large Purchase of IOR investment units by Ichigo Group

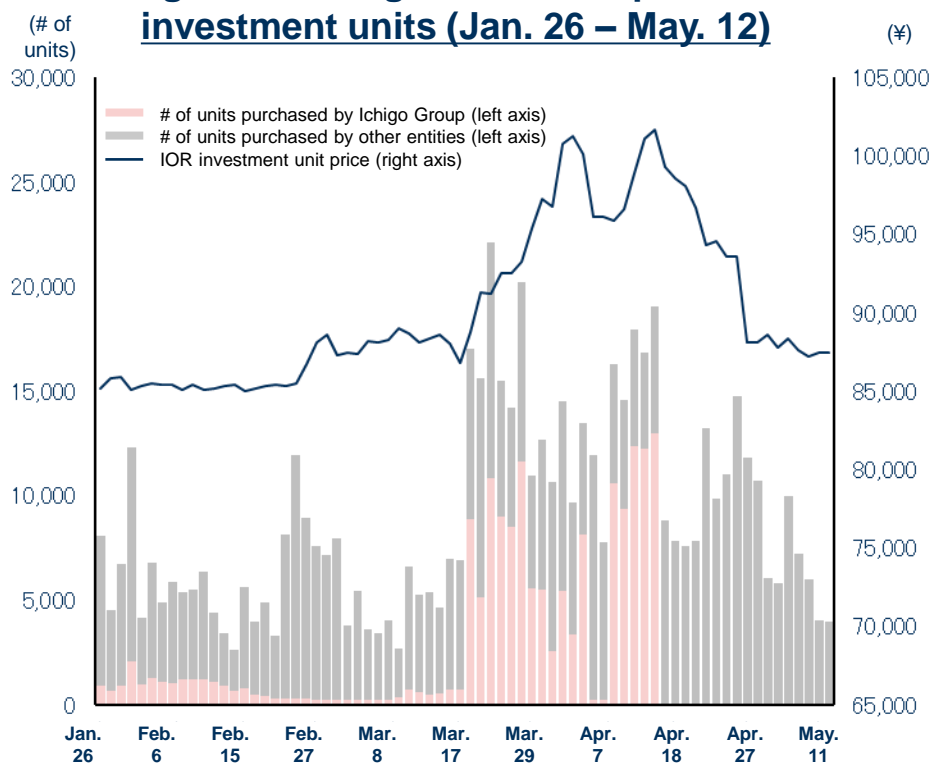
Ichigo Group has been aggressively purchasing IOR investment units in the market, accounting for a high share of volume

- After our request to convene a unitholders' meeting, Ichigo Trust PTE and other affiliated unitholders have been aggressively acquiring IOR investment units, with an unusually high share of market trades, far in excess of market practice (average rate: 47.6%; peak rate: 72.8%) in a trading day
- As a result, Ichigo Group's holding ratio of IOR investment units, which stood at 23.6% just prior to our request for convocation of a unitholders' meeting, and jumped to 33.5% as of April 14th. We believe that the purpose behind such rapid and substantial purchases is driven by self-serving, even at the expense of other unitholders

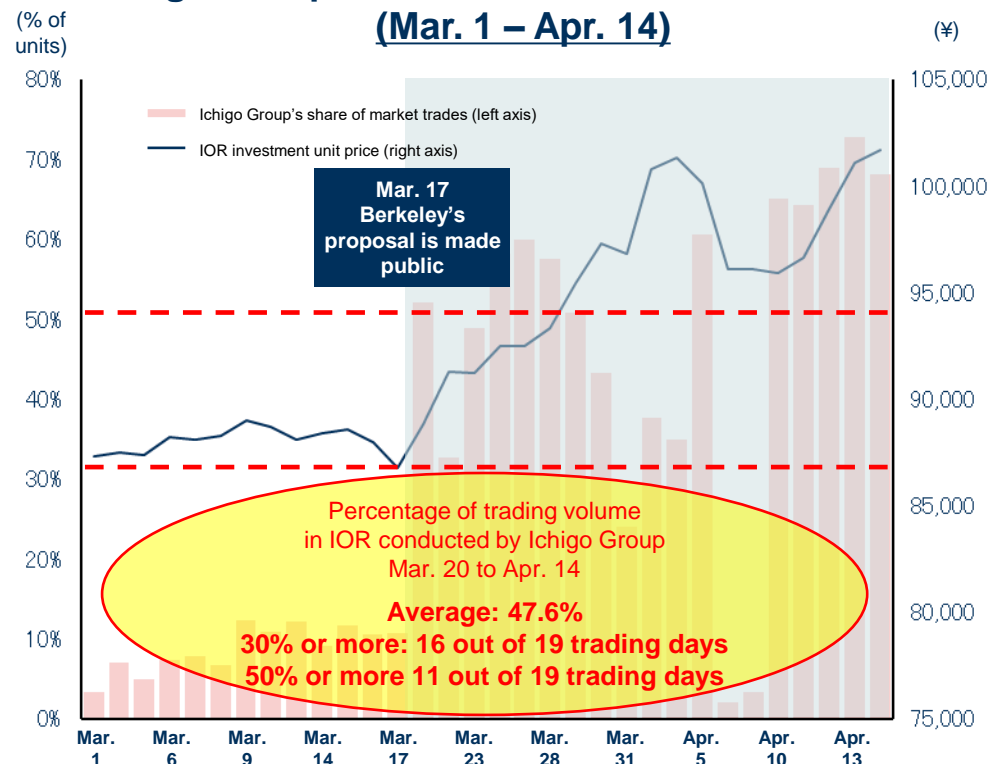
\*1 Based on Change Report dated Mar. 2, 2023

\*2 Based on Change Report dated Apr. 21, 2023

## Changes in trading volume and price of IOR investment units (Jan. 26 – May. 12)



## Ichigo Group's share of IOR units market trades (Mar. 1 – Apr. 14)



*There was an extremely rapid and large purchase of IOR investment units far in excess of normal market practice, resulting in the significant price change in IOR investment units*

# Our opinion on the Unitholder Proposals of Ichigo Trust PTE (Ichigo Trust)

## Agenda Item 1. Change in the rate of NOI & Dividend Performance Fee

### <Comparison of proposals>

- ✓ Current Articles of Incorporation = DPU before deduction of NOI & Dividend Performance Fee x NOI x 0.0054%
- ✓ Berkeley proposal = reduction to 0.0036% (similar to average for J-REITs)
- ✓ Ichigo Trust proposal = reduction to 0.0048%

### <Our Opinion>

- i. Ichigo Trust provided absolutely no explanation in the Unitholder Proposal as to why it is appropriate to reduce the rate to 0.0048%
- ii. Ichigo Trust has not indicated in the Unitholder Proposal its view on the disclosure in July 2020 that could mislead investors into believing that "the amount of AM fees will decrease compared to the Old AM Fee structure" when the AM fee structure changed
- iii. The maintenance of investment management quality is the top priority for the REIT's asset management company, so Ichigo Trust's argument that a reduction of the AM fee will lead to a deterioration of assets and poor investment performance due to "cheap and shoddy" management and administration is not rational

### (Supplementary information)

- ✓ Pursuant to Article 42 of the Financial Instruments and Exchange Act, the asset management company must conduct its investment management business with due care of a prudent manager (duty of care) and in good faith (duty of loyalty) for the benefit of the investment corporation
- ✓ Therefore, the asset management company is required to manage assets with its duty of care and duty of loyalty based on the AM fees stipulated in the REIT's Articles of Incorporation, and it is not permitted to provide "shoddy" services even when the AM fees are "cheap"
- ✓ In addition, the fee rate proposed by us is at the average level for listed J-REITs, and is not such a low rate as to cause the asset management company to run at a loss
- ✓ Ichigo Trust argues that the high AM fee is necessary for the management of "mid-sized and high-liquidity office buildings, the majority of which are old buildings requiring more time and effort to increase profitability". However, there are multiple asset management companies managing assets similar to those of IOR at the same level of AM Fees as that proposed by us (the average level among J-REITs)

(Reference data)	IOR	REIT A	REIT B	J-REIT (office)avg.	J-REIT avg.
Average age of portfolio assets	29.95 years	33.16 years	27.02 years	-	-
AM fee (% of total assets)	0.78%	0.44%	0.42%	0.33%	0.46%

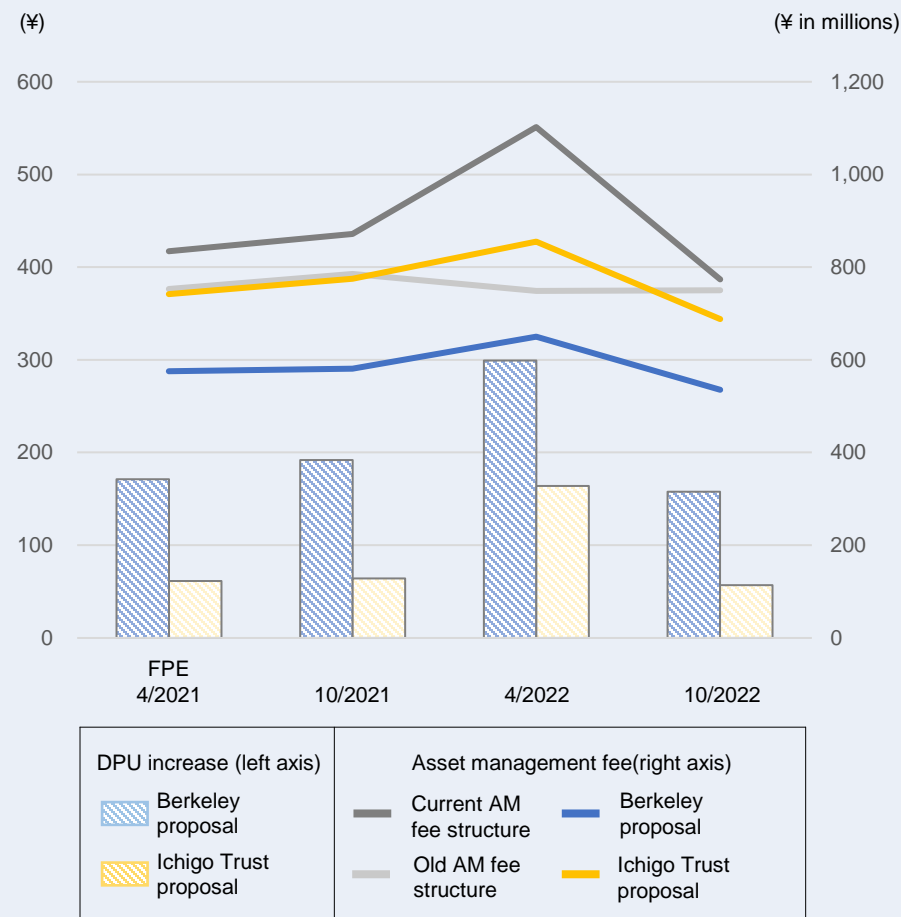
# Our opinion on the Unitholder Proposals of Ichigo Trust PTE

## Agenda Item 1. Change in the rate of NOI & Dividend Performance Fee

(Supplementary information)

### Examination of asset management fees Comparison of current/old/Ichigo Trust proposal/Berkeley proposal structures

		31 <sup>st</sup> FP	32 <sup>nd</sup> FP	33 <sup>rd</sup> FP	34 <sup>th</sup> FP
		FPE	FPE	FPE	FPE
		Apr.	Oct.	Apr.	Oct.
		2021	2021	2022	2022
		(¥ in millions)			
Old AM Fee Structure (FPE Oct. 2020)	AM Fee I	572	569	569	575
	AM Fee II	161	165	171	156
	Asset Acquisition Fee	19	-	-	19
	Asset Sale Fee	-	-	9	-
	Incentive Fee	-	50	-	-
	<b>Total</b>	<b>753</b>	<b>785</b>	<b>749</b>	<b>750</b>
Current AM Fee Structure (FPE Apr 2021)	NOI & Dividend Performance Fee	834	872	962	774
	Gains on Sale Performance Fee	-	-	141	-
	<b>Total</b>	<b>834</b>	<b>872</b>	<b>1,103</b>	<b>774</b>
Ichigo Trust proposal	NOI & Dividend Performance Fee	742	775	714	688
	Gains on Sale Performance Fee	-	-	141	-
	<b>Total</b>	<b>742</b>	<b>775</b>	<b>855</b>	<b>688</b>
<b>Berkeley proposal</b>	<b>NOI &amp; Dividend Performance Fee</b>	<b>556</b>	<b>581</b>	<b>641</b>	<b>516</b>
	<b>Asset Acquisition Fee</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>19</b>
	<b>Asset Sale Fee</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>-</b>
	<b>Total</b>	<b>575</b>	<b>581</b>	<b>650</b>	<b>535</b>



# Our opinion on the Unitholder Proposals of Ichigo Trust PTE

## Agenda Item 2. Change in the Gains on Sale Performance Fee

### <Comparison of proposals>

- ✓ Current Articles of Incorporation = Gain on sale of assets before deduction of Gains on Sale Performance Fee × 15%
- ✓ Berkeley proposal = Abolition of Gains on Sale Performance Fee/Adoption of Asset Acquisition Fee and Asset Sale Fee
- ✓ Ichigo Trust proposal = Maintain Gains on Sale Performance Fee, and Deduct an amount equivalent to the Gains on Sale Performance Fee (gain on sale of assets before deduction of Gains on Sale Performance Fee × 15%) from the NOI & Dividend Performance Fee

(If the NOI & Dividend Performance Fee exceeds the Gains on Sale Performance Fee, the Gains on Sale Performance Fee will be effectively 0)

### <Our Opinion>

- i. The Gains on Sale Performance Fee is estimated to not exceed the NOI & Dividend Performance Fee regardless of the amount of the gains on sale of assets<sup>Note</sup>  
 → **Ichigo Trust's proposal would substantially abolish the Gains on Sale Performance Fee**  
*Note: It may exceed the NOI & Dividend Performance Fee in the case of a significant decrease of NOI. However, it is unlikely that this will be the case in an office REIT*
- ii. **Despite proposing an abolishment of the Gains on Sale Performance Fee, Ichigo Trust proposed to maintain the Gains on Merger Performance Fee and Gains on REIT TOB Sale Performance Fee on the assumption of the existence of the Gains on Sale Performance Fee, which is deceptive and bad faith disclosure to investors**
- iii. Although Ichigo Trust concludes that our proposal will "charge a fee of 0.5% of the acquisition / disposition price" and that "the fee structure is not aligned with unitholders' value", we had in fact proposed a fee to be agreed between IOR and the Asset Management Company with an **cap** of 0.5%, instead of an automatic rate of 0.5%. Therefore, in our view, Ichigo Trust has misunderstood our proposal.

### (Supplementary information)



Over 15% gains on sale of assets (c.20% in the latest period) is recorded as NOI & Dividend Performance Fee = Gains on Sale Performance Fee is estimated not to exceed the NOI & Dividend Performance Fee

# Our opinion on the Unitholder Proposals of Ichigo Trust PTE

## Agenda Item 3. Change in the Gains on Merger Performance Fee / Agenda Item 4. Change in the Gains on REIT TOB Sale Performance Fee

### <Comparison of proposals>

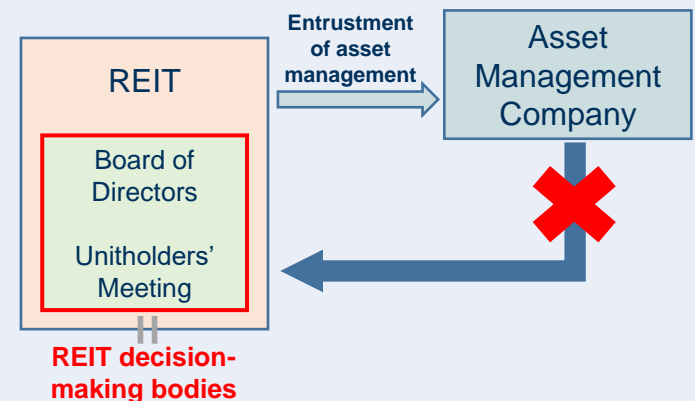
- ✓ Current Articles of Incorporation = (Unrealized profit per unit at merger/TOB) x (number of outstanding units (at merger) or number of units subject to TOB) x 15%  
(The Gains on Merger Performance Fee is only applicable in the case of IOR accepting a merger proposal from another REIT)
- ✓ Berkeley proposal = Abolition of Gains on Merger Performance Fee and Gains on REIT TOB Sale Performance Fee; adoption of Merger Fee
- ✓ Ichigo Trust proposal (Gains on Merger Performance Fee / Gains on REIT TOB Sale Performance Fee)
  - = (Unrealized profit per unit at conclusion of merger agreement) x (number of outstanding units (at conclusion of merger agreement)) x 15%  
Applicable only if IOR's Asset Management Company does not become an asset management company for the REIT that inherits IOR's assets (i.e. IOR's asset management company changes)
  - = (Unrealized profit per unit at TOB) x (number of units subject to TOB) x 15% (Applicable only if IOR's asset management company changes after TOB)

### <Our Opinion>

- i. It is not permissible, in light of a fiduciary duty and a duty of loyalty, for an asset management company not to “provide asset management services from a long-term perspective due to not receiving fees for "potential results of asset management", such as the Gains on Merger Performance Fee / Gains on REIT TOB Sale Performance Fee
- ii. If fees for the “potential results of asset management” are incentives to the Asset Management Company, then **why is the fee only set for mergers and TOB, and not for dissolution of the REIT or acquisition by means other than TOB?**
- iii. Berkeley is proposing a fee rate to be agreed upon between REIT and an asset management company, with an "cap" of 0.5%, not an automatic rate of 0.5%. Therefore, **Ichigo Trust proposal is based on a misunderstanding**
- iv. **The decision on whether to accept a proposal for merger or acquisition is to be made by the REIT and its unitholders, not the Asset Management Company**

### (Supplementary information)

- ✓ Although Ichigo Trust claims that the Asset Manager is expected to vehemently resist M&A because it would mean the loss of the REIT as a recipient of asset management services, under the Act on Investment Trusts and Investment Corporations as well as IOR's Articles of Incorporation, the asset management agreement can be terminated with a general resolution at the unitholders' meeting, so the Asset Management Company is not in a position to resist in the first place
- ✓ Ichigo Trust fundamentally misunderstands the relationship between the REIT and the asset management company, and assumes that the REIT is not an entity that makes decisions independently of the asset management company





# Our opinion on the Unitholder Proposals of Ichigo Trust PTE

Agenda Item 5. Nomination of Mr. Takafumi Kagiyama as Executive Director /  
 Agenda Item 6. Nomination of Mr. Yuji Maruo as Supervisory Director

## <Comparison of proposals>

- ✓ Berkeley proposal = Nomination of Mr. Toru Sugihara as Executive Director and Mr. Akihiko Fujinaga as Supervisory Director
- ✓ Ichigo Trust proposal = Nomination of Mr. Takafumi Kagiyama as Executive Director and Mr. Yuji Maruo as Supervisory Director

## <Our Opinion>

- i. Ichigo Trust's proposal does not state any reason why an increase in Executive Directors and Supervisory Directors is necessary
- ii. We believe that the bad faith explanation on the unitholder proposals and misunderstanding of the Act on Investment Trusts and Investment Corporations have further heightened the necessity of the appointment of the Executive Director and Supervisory Director in our proposals

## (Supplementary information)

- ✓ While the reasons for appointing Mr. Kagiyama and Mr. Maruo are stated as, respectively, "maintaining and increasing IOR returns and further enhancing ESG-oriented management" and "his experienced and multi-faceted perspective as a real estate professional will further increase the effectiveness of IOR monitoring functions and contribute to maximize unitholders' value" in Ichigo Trust proposals, there is no clear explanation why an increase in Executive Directors and Supervisory Directors is necessary and therefore the necessity is unclear

## <Contact information for this material>

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