June 2, 2023

To: Ichigo Office REIT Investment Corporation
Mr. Keisuke Chiba, Executive Director, Ichigo Office REIT Investment Corporation
Mr. Masahiro Terada, Supervisory Director, Ichigo Office REIT Investment Corporation
Ms. Noriko Ichiba, Supervisory Director, Ichigo Office REIT Investment Corporation

Opinion Statement on Ichigo Office REIT Investment Corporation's Proposals and Objection made by the Board of Directors against the Claimant's Proposals

Berkeley Global, LLC
Toru Sugihara, Manager

The reference documents for the unitholders' meeting published by Ichigo Office REIT Investment Corporation ("IOR") on June 1, 2023 describe the proposals (those proposed by IOR, the "IOR's Proposals", and those proposed by Berkeley Global, LLC (the "Claimant"), the "Claimant's Proposals") to be discussed at the unitholders' meeting of IOR scheduled for Friday, June 23, 2023 at 4:00 p.m. (the "Unitholders' Meeting") and the reasons for the IOR's Proposals and the opinion of the board of directors on the Claimant's Proposals (the "Opinion of the Board of Directors"). The Claimant, who is a unitholder of IOR, hereby gives notice of its opinion on them (this "Opinion Statement (2)") as follows.

The Claimant has already given notice of its objection (the "Opinion Statement (1)")[1] to the unitholder proposals dated April 27, 2023 (the "Ichigo Trust PTE's Proposals") sent to IOR by Ichigo Trust Pte. Ltd. ("Ichigo Trust PTE"). As the IOR's Proposals remain unchanged from the Ichigo Trust PTE's Proposals except for some formal amendments made to certain parts of each proposal, the Claimant will, in this Opinion Statement (2), leave discussions on the points that overlap with the Opinion Statement (1) to the minimum extent necessary.

The fact that the executive director and the supervisory directors of IOR did not correctly understand the Opinion Statement (1) but decided to submit the IOR's Proposals is nothing but deplorable. The Claimant strongly requests that the board of directors of IOR carefully consider this Opinion Statement (2) and take appropriate action to provide true protection for the interests of the unitholders.

Separately, the Claimant received a notice from IOR of its questions. The Claimant has provided its answers to them along with its own questions to IOR relating to the IOR's Proposals that unitholders would presumably find questionable. The directors of IOR shall be accountable for the IOR's Proposals at the unitholders' meeting pursuant to Article 314 of the Companies Act as applied *mutatis mutandis* pursuant to Article 94, Paragraph 2 of the Act on Investment Trusts and Investment Corporations (the "Investment Trust Act"). Therefore, to ensure the proper exercise of the voting rights by the unitholders, the Claimant would appreciate it if the directors of IOR could answer these questions.

[1] Published on https://starasiamanagement.com/assets/file/news20230519_2_en.pdf

1. Introduction

As already mentioned by the Claimant in the Opinion Statement (1), the Ichigo Trust PTE's Proposals contained misunderstandings that could not be overlooked, which are due to Ichigo Trust PTE's lack of understanding on both the Investment Trust Act and the basic relationship between an investment corporation and its asset management company under the Investment Trust Act. Furthermore, they contained the statements that would mislead general unitholders. Nevertheless, **the board of directors of IOR neither correctly understood nor corrected the errors and the misleading information, but instead irrationally submitted the Ichigo Trust PTE's Proposals to the Unitholders' Meeting as the IOR's Proposals by following the misunderstandings of Ichigo Trust PTE.**

The way the board of directors of IOR is handling the situation raises: (1) a fundamental doubt on **the ability of the board of directors of IOR to independently examine and understand the AM fee structure** as it lacked such ability when the unitholders' meeting of IOR was held in July 2020 (the "2020 Unitholders' Meeting"); and (2) a suspicion that **the wishes of Ichigo Trust PTE are being surmised and accommodated as it is the largest unitholder holding 32.41% of the investment units of IOR, in other words, the largest unitholder itself and Ichigo Investment Advisors ("IIA") controlled by it are causing undue influence on the decisions made by the board of directors of IOR, as a result of which the interests of the general unitholders are being neglected**.

As described above, considering its inappropriate handling of the Ichigo Trust PTE's Proposals, it has become clear that the board of directors of IOR disregards the interests of the minority unitholders by focusing only on the interests of certain unitholders and does not well function as a governance body. Therefore, **it would be difficult for Mr. Kagiyama and Mr. Maruo, who were recommended by Ichigo Trust PTE and strongly presumed to be under the influence of Ichigo Trust PTE, to manage the board of directors of IOR in a manner that maximizes the interests of all unitholders, including minority unitholders**. The Claimant believes that **there has been a dramatic increase in the need to strengthen the governance structure by appointing Mr. Sugihara and Mr. Fujinaga, who are familiar with asset management practices of listed J-REITs, as an executive director and a supervisory director, as proposed by the Claimant**.

2. The Claimant's opinion on the reasons for the IOR's Proposals and the Opinion of the Board of Directors

Except for Proposal No. 8, the IOR's Proposals and the Claimant's Proposals conflict with or are substantially opposing and thus, the issues contained in the reasons for the IOR's Proposals and the Opinion of the Board of Directors on the Claimant's Proposals are interrelated. Therefore, the Claimant explains its opinions as follows through comparing the conflicting or opposing proposals.

(1) Proposal No.1 and Proposal No.9

[Comparison of each proposal]

Proposal No. 9 made by the Claimant proposes to reduce the rate of the NOI & Dividend Performance Fee from the current rate of 0.0054% to 0.0036%.

In contrast, Proposal No. 1 made by IOR, just like the Ichigo Trust PTE's Proposal, proposes to reduce the rate of the NOI & Dividend Performance Fee from the current rate of 0.0054% to 0.0048%.

[Opinion of the Claimant]

The reason for the IOR's Proposal does not provide concrete grounds for 0.0048% being an appropriate rate. The Claimant believes that **the reduction to 0.0036%, a reduction to the average level among J-REITs, is appropriate from the perspective of the interests of the unitholders**.

(i) No concrete grounds for 0.0048% being an appropriate rate has been provided

As the reason for Proposal No. 1, the board of directors of IOR states that "it is important from the perspective of maximizing the interests of the unitholders to incorporate an appropriate incentive to perform higher quality management activities in the fee system" and that the rate of 0.0048% was set from the perspective of "encouraging the asset management company to improve its management efficiency". However, no concrete grounds have been provided as to how setting a rate of 0.0048% instead of 0.0036%, the average level among J-REITs proposed in the Claimant's Proposal, will lead to an incentive for the asset management company.

In addition, the Claimant explicitly stated in the Opinion Statement (1) that "the AM fee rates (*i.e.*, management fee rates based on total assets) of listed office-related J-REITs whose average portfolio age is older or about the same as that of IOR are approximately 0.42% to 0.44%, being the average level among J-REITs" (see page 4 of the Opinion Statement (1)) and the fact that "the main target of the portfolio is mid-sized office buildings, the majority of which are old buildings that require more time and resources to manage" as alleged by IOR cannot be reasonable grounds for setting a rate above the average level among J-REITs. However, no substantial response on this point has been provided in the Opinion of the Board of Directors. No.1 Proposal lacks quantitative grounds just like the Ichigo Trust PTE's Proposal.

(ii) Disclosure at the 2020 Unitholders' Meeting was inappropriate

IOR alleges, as a premise of the IOR's Proposals including Proposal No, 1, that the increase in the AM fees after the 2020 Unitholders' Meeting was "because of the Asset Management Company's strong investment performance" and that the expected increase of the AM fees was "properly disclosed".

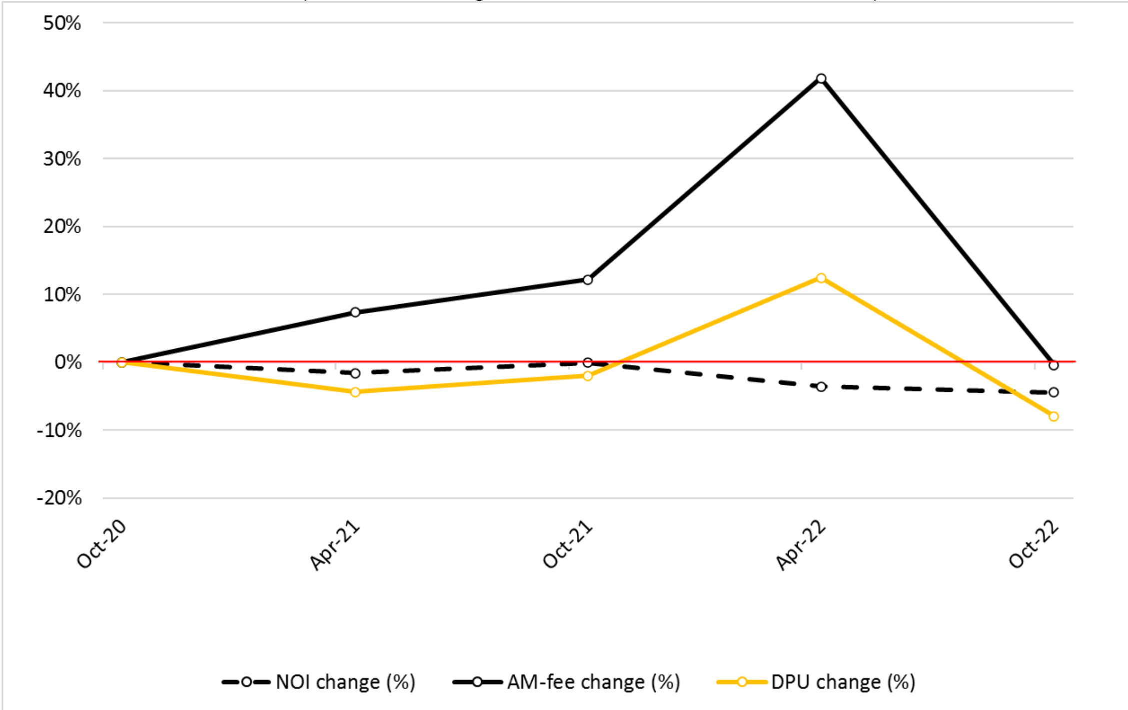
However, both of these allegations made by the board of directors of IOR are contrary to the facts.

The falsity of the allegation that the increase in the AM fees after the 2020 Unitholders' Meeting was "because of the Asset Management Company's strong investment performance"

is apparent from the following graph, which shows the NOI increase/decrease rate (for each fiscal period, the increase/decrease rate compared to the fiscal period ended October 31, 2020 before the change in the AM fees; hereinafter the same), the increase/decrease rate of the AM fees to IIA, and the increase/decrease rate of distributions per unit ("DPU") from the fiscal period ended April 30, 2021 to the fiscal period ended October 31, 2022. As shown in the following graph, during the fiscal periods ended April 30, 2021 and October 31, 2021, IOR's NOI and DPU decreased compared to the fiscal period ended October 31, 2020, while the AM fees increased. In the fiscal period ended April 30, 2022, the rate of increase in the AM fees significantly exceeded the rate of increase in DPU, due to a "double payment" of the NOI & Dividend Performance Fee and the Gains on Sale Performance Fee. Finally, in the fiscal period ended October 31, 2022, although NOI decreased from the fiscal period ended October 31, 2020, the AM fees remained at the same level, resulting in a decrease in DPU compared to the fiscal period ended October 31, 2020.

As explained above, despite the decrease in NOI compared to the fiscal period ended October 31, 2020, the AM fees paid from IOR to the asset management company increased. This situation is completely opposite to the explanation by IOR that "it goes up when the performance is high and goes down when the performance is low". Since the fiscal period ended April 30, 2021, the NOI & Dividend Performance Fee changed at the 2020 Unitholders' Meeting has resulted in the fees increasing even if NOI decreases compared to the fiscal period ended October 31, 2020, and it is clear that such introduced fees are lowering DPU, which is contrary to the interests of the unitholders. The Claimant criticized in the Request for Convocation of Unitholders' Meeting dated March 17, 2023 (the "Request for Convocation of Unitholders' Meeting") that the board of directors of IOR lacked enough attitude to conduct ex-post objective verification of then introduced fee system at the 2020 Unitholders' Meeting. The Claimant must say that the same mistakes are being repeated continuously as well.

Increase/decrease rate of NOI, AM fees and DPU
(vs. the fiscal period ended October 31, 2020)



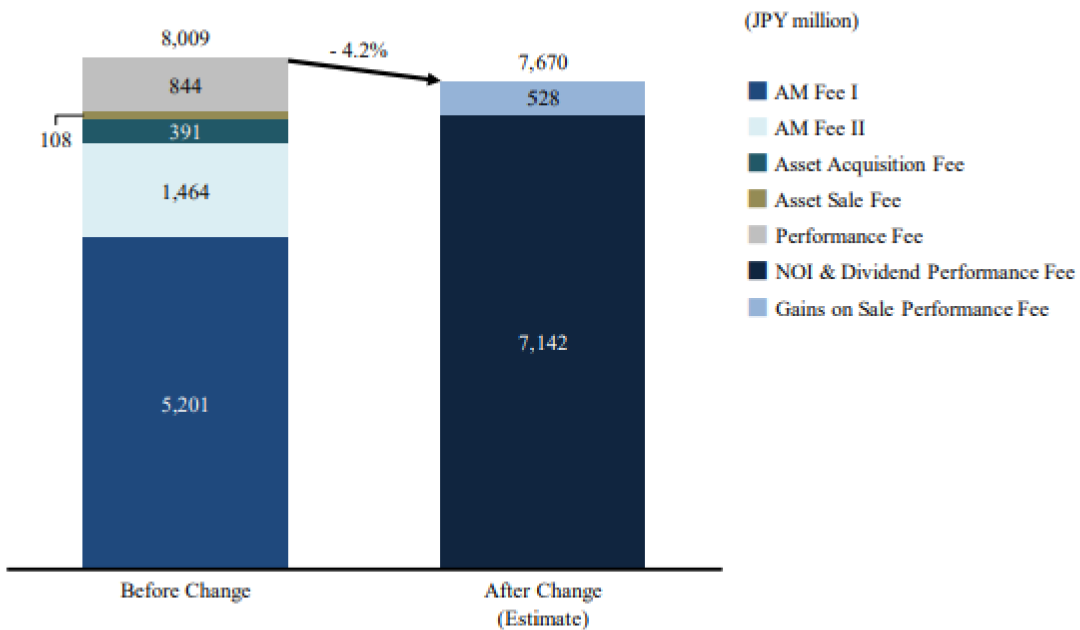
	Oct-20	Apr-21	Oct-21	Apr-22	Oct-22
NOI (million yen)	5,848	5,754	5,844	5,638	5,587
NOI change (%)		-1.6%	-0.1%	-3.6%	-4.5%
AM-fee (milliion yen)	777	834	872	1,103	774
AM-fee change (%)		7.4%	12.2%	41.9%	-0.4%
DPU (yen/unit)	2,230	2,132	2,185	2,508	2,052
DPU change (%)		-4.4%	-2.0%	12.5%	-8.0%

(NOI increase/decrease rate, AM fee increase/decrease rate and DPU increase/decrease rate are as compared to the fiscal period ended October 31, 2020)

In addition, the Claimant must say that the allegation of the board of directors of IOR that “the expected increase of the AM fees was properly disclosed” is deceptive to the unitholders. Under the title “AM Fee Structure Comparison” on the third page of the press release titled “Proposed Amendments to Articles of Incorporation and Election of Directors” dated June 15, 2020[2], which was intended to explain to the unitholders the proposals for the 2020 Unitholders' Meeting, IOR presented the following graph showing a decline with the word “-4.2%”. If the unitholders interested in the proposals for the unitholders’ meeting read this, it would be natural that they interpret this as “the fees will decrease” due to this “AM Fee Structure Comparison”.

AM Fee Structure Comparison

5-Year Cumulative AM Fees (October 2015 to April 2020)



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However, IOR alleges that “the expected increase of the AM fees” was “properly

[2] https://www.ichigo-office.co.jp/news/news_file/file/IchigoOffice_20200615_AOI_Change_Directors_ENG.pdf

disclosed” based on just a one-line statement “increase of the management fee: +71” in the financial results explanatory material dated the same day, which was not included in the said press release.

In the press release to inform investors of the contents of the amendment to the Articles of Incorporation, IOR included the graph showing a decline that took up almost half of one page, giving the unitholders the impression that the fees were expected to decrease. On the other hand, in another disclosure material, which was not intended to inform of the contents of the amendment to the Articles of Incorporation, IOR included just a one-line statement that the fees were expected to increase immediately after the introduction of the new fee structure and alleged that “it was properly disclosed” on the basis of such one-line statement. Such allegation of IOR is extremely inappropriate and fundamentally disregards the obligation to disclose information to the unitholders, which IOR must fulfill as a listed J-REIT. IOR is repeatedly making such inappropriate disclosure at the Unitholders’ Meeting as well even though the Claimant pointed out problems with the disclosure stance of IOR. The Claimant must conclude that this situation makes it even more necessary to appoint an executive director and a supervisory director recommended by the Claimant.

As explained above, although the board of directors of IOR was given the opportunity to review the inappropriate disclosure it made in response to the Opinion Statement (1) and to consider revising the fees based on such review, IOR concluded that there were no problems with its own disclosure without conducting sufficient review. This also clearly shows the dysfunction of the board of directors of IOR as a governance body.

(iii) Proposal No. 1 is to promote Ichigo Trust PTE’s own interests

As pointed out in the Opinion Statement (1), Ichigo Trust PTE has a conflict of interest with the other unitholders as they can benefit themselves at the expense of the interests of the other unitholders of IOR by increasing the AM fees to IIA. The Claimant believes that the reason why Ichigo Trust PTE, which is in such a conflict-of-interest situation, proposed the reduction of the rate of the NOI & Dividend Performance Fee this time is because, following the proposal made by the Claimant, it has become clear that the previous extremely high rate of 0.0054% would not be supported by the unitholders.

Under these circumstances, the board of directors of IOR should seriously consider which proposal, that of the Claimant or Ichigo Trust PTE, is more in the interest of unitholders, and agree to the more appropriate proposal. However, as stated in (i) above, the reason for the proposal presented by the board of directors of IOR this time does not include any concrete grounds for the 0.0048% rate being appropriate. There is no indication that any verification of the rate has been conducted.

Thus, the Claimant must say that it is extremely inappropriate for IOR to have irrationally accepted the rate proposed by Ichigo Trust PTE, which has a conflict of interest with the other unitholders with regard to the AM fees, and submitted it as the IOR’s Proposal without verifying the basis for its calculation.

(2) Proposal No. 2 and Proposal No. 10

[Comparison of each proposal]

Proposal No. 10 made by the Claimant is to abolish the Gains on Sale Performance Fee and to adopt the Asset Acquisition Fee and the Asset Sale Fee.

Proposal No. 2 made by IOR is, just like that in the Ichigo Trust PTE's Proposal, to maintain the Gains on Sale Performance Fee and to subtract the amount equivalent to such fee from the NOI & Dividend Performance Fee when the Gains on Sale Performance Fee accrues.

[Opinion of the Claimant]

The proposal made by Ichigo Trust PTE, as pointed out by the Claimant in the Opinion Statement (1), would have the substantially same effect as abolishing the Gains on Sale Performance Fee. The Claimant believes that **<u>its allegation has been substantially accepted</u>** in this regard, which the Claimant appreciates to a certain extent.

However, the reason for Proposal No. 2 contains errors due to a lack of sufficient understanding not only on the Claimant's Proposal but also on the IOR's own Proposal, and the fact that the board of directors of IOR continues to present such reason even after considering the Opinion Statement (1) clearly indicates a lack of its understanding of the investment corporation system and a serious lack of its ability to verify the AM fee structure.

(i) The Claimant's Evaluation on Proposal No. 2

As stated in the Opinion Statement (1), if the method of subtracting the amount equivalent to the Gains on Sale Performance Fee from the NOI & Dividend Performance Fee were adopted, as proposed by the Ichigo Trust PTE's Proposals and Proposal No. 2 that follows the contents of the Ichigo Trust PTE's Proposals, the NOI & Dividend Performance Fee would always exceed the Gains on Sale Performance Fee unless an exceptional event occurred[3], and thus the Gains on Sale Performance Fee would be substantially abolished. In this regard, the substance of Proposal No. 2 can be regarded as <u>having accepted the Claimant's Proposal to abolish the Gains on Sale Performance Fee, acknowledging the Claimant's opinion that double</u>

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[3] The "Gains on Sale Performance Fee" is calculated by the formula "distributable amount per unit x NOI x 0.0054%" which can be interpreted as "distributable amount x NOI x 0.0054% / total number of issued and outstanding investment units". If we apply the above formula the actual results of IOR for the fiscal period ended October 31, 2022, in which NOI was approximately JPY 5.5 billion and the total number of issued and outstanding investment units was 1,513,367 units, we are left with the result of "distributable amount multiplied by about 19.9%", or about 18% even based on a reduction of about 10% as proposed in the IOR's Proposals. As the "distributable amount" in the above formula will usually exceed gains on a sale of assets before the deduction of the Gains on Sale Performance Fee, unless there are very exceptional circumstances such as a substantial portion of the gains on sale of assets being preserved as an internal reserve or the Gains on Sale Performance Fee that eats up all the profits other than the gains on sale of assets accrues, the "NOI & Dividend Performance Fee", which is about 20% of the distributable amount, always exceeds the Gains on Sale Performance Fee, which is calculated by multiplying the gains on a sale of assets before the deduction of the Gains on Sale Performance Fee (the amount of which is below the distributable amount) by 15%.

payment of the Gains on Sale Performance Fee and the NOI & Dividend Performance Fee is problematic. From this standpoint, the Claimant appreciates Proposal No. 2 to a certain extent.

(ii) The board of directors of IOR does not correctly understand that Proposal No. 2 is to substantially abolish the Gains on Sale Performance Fee

In the reason for Proposal No. 2, the board of directors of IOR alleges that the Claimant's allegation that Proposal No. 2 is to substantially abolish the Gains on Sale Performance Fee is incorrect because “in cases where a large amount of the gains on sale of assets arises, the Gains on Sale Performance Fee may exceed the NOI & Dividend Performance Fee”.

However, as already pointed out in the Opinion Statement (1), when the gains on sale of assets increase, the NOI & Dividend Performance Fee also increases through an increase in the distributable amount. Therefore, it is impossible for the Gains on Sale Performance Fee to exceed the NOI & Dividend Performance Fee, no matter how large the amount of the gains on sale of assets may be, simply due to an increase in the gains on sale of assets. In order for the Gains on Sale Performance Fee to exceed the NOI & Dividend Performance Fee, exceptional circumstances other than an increase in the gains on sale of assets must occur, such as an unrealistic deterioration of the asset management situation at IOR, and therefore, the allegation of the board of directors of IOR is clearly based on a false understanding.

Rather, as stated above, it is clear from the calculation formula that Proposal No.2 is substantially to abolish the Gains on Sale Performance Fee, which the Claimant fully explained in the Opinion Statement (1) as well.

The Claimant must say that the board of directors of IOR failed to understand the structure of its own fee system it is proposing, even having taken into account the points made by the Claimant in the Opinion Statement (1). Therefore, it is impossible to expect the board of directors of IOR, which is unable or unwilling to understand even the basic structure of the fee system, to set and verify appropriate AM fees in the future, and its governance must be improved immediately.

(iii) The board of directors of IOR does not have a fundamental understanding of the fee system commonly used in J-REIT

In the reason for Proposal No. 2 and the Opinion of the Board of Directors to Proposal No. 10, the board of directors of IOR expressed its opinion against Proposal No. 10 on the grounds that the Asset Acquisition Fee and the Asset Sale Fee proposed by the Claimant are “the fee system that does not allow unitholders to control the accrual of fees that are unrelated to the improvement of investment performance” and they “may give the asset management company an incentive to unnecessarily purchase or sell properties regardless of whether or not it will increase asset value”.

However, as explained in the Opinion Statement (1), what the Claimant is proposing is to multiply by the rate agreed upon between IOR and the asset management company, with the upper limit of 0.5%, and it is assumed that the rate for calculating fees is agreed upon for

each purchase and sale of properties. Therefore, the system does not allow the asset management company to receive fees mechanically when it completes purchases and sales, nor does it allow the asset management company to receive fees in proportion to the size of the assets it has purchased or sold.

In this case, it is necessary to decide on the fee rate between the investment corporation and the asset management company for each case. Therefore, in order to properly manage the Asset Acquisition Fee and the Asset Sale Fee, it is a prerequisite that an effective checks and balances system works between the investment corporation and the asset management company. As stated in the Opinion Statement (1), the maximum fee rate proposed by the Claimant is a system that is introduced in the majority of J-REITs, which means that, unlike IOR, there is a healthy tension and an effective checks and balances system between an investment corporation and its asset management company in other J-REITs.

In the first place, if an asset management company were to purchase or sell the asset to the detriment of its client investment corporation and for the purpose of its own fee income, such conduct would be regarded as a violation of the duty of care of a prudent manager and the duty of loyalty but also as falling under the act prohibited by law for a registered investment manager under the Japanese Financial Instruments and Exchange Act. Such conduct would cause a loss of trust from the unitholders and could even be subject to an administrative penalty by the competent supervisory authorities. Therefore, it is least likely that, no matter how the fee system is structured, an asset management company purchases or sells the assets inappropriately with the aim of obtaining the Asset Acquisition Fee and the Asset Sale Fee, as pointed out by the board of directors of IOR.

In addition, the Claimant is proposing a fee system similar to that IOR had applied in the past since 2009, while the former fee system of IOR adopted a fixed fee rate rather than a capped fee rate and there was no room for IOR to fulfill the checks and balances function. If, as the board of directors of IOR alleges, the fee system proposed by the Claimant is really an unreasonable one that gives “an incentive to unnecessarily purchase or sell properties”, then the Claimant believes that the adequacy of the governance of the board of directors of IOR should be questioned even more because IOR had maintained such an unreasonable system for more than 10 years until 2020 and continued to pay fees based on a fixed fee rate, rather than a capped fee rate, without questioning the appropriateness of the asset management company's decision on purchase and sale.

As described above, the board of directors of IOR shows its lack of understanding of the investment corporation system in the Opinion of the Board of Directors on Proposal No. 10 as well.

(3) Proposals No. 3 and No. 4 and Proposal No. 11

[Comparison of each proposal]

Proposal No.11 made by the Claimant proposes to abolish the Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee and to adopt the Merger Fee.

In contrast, Proposals No. 3 and No. 4 made by IOR, just like those in the Ichigo Trust PTE's Proposals, propose to maintain the Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee and make amendments to clarify a part of their details.

[Opinion of the Claimant]

As stated in the Request for Convocation of Unitholders' Meeting, the Claimant could not help but suspect that the Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee have been introduced to function them as a *de facto* takeover defense measure. **As a result of the clarification made by the Ichigo Trust PTE's Proposals that these fees would be paid out when IIA ceased to be an asset management company of IOR, it has become clearer that these fees function as a takeover defense measure with an effect similar to a so-called "golden parachute" in a J-REIT, which is required to entrust its asset management to third party asset manager. It has also come to light that the real purpose of these fees was self-protection of Ichigo Group.**

The dysfunction of the board of directors of IOR as a governance body is now unequivocal because it has irrationally submitted as Proposals No. 3 and 4 the Ichigo Trust PTE's Proposals which intend to make the Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee, both of which were originally suspected to function as a *de facto* takeover defense measure, a "higher-purity" takeover defense measure like a golden parachute.

(i) Proposals No. 3 and No. 4 confirm that the essence of the Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee is a takeover defense measure and clarify that they function as a "higher-purity" takeover defense measure like a golden parachute

As stated in the Opinion Statement (1), the current Gains on Merger Performance Fee and the current Gains on REIT TOB Sale Performance Fee function as a *de facto* takeover defense measure. The Ichigo Trust PTE's Proposals makes it clear that these fees function as a "high-purity" takeover defense measure like a golden parachute on the point that these fees will be paid out when the asset management company of IOR is replaced.

A "golden parachute" as a takeover defense measure refers to an arrangement that is intended to increase acquisition costs and discourage a hostile takeover that involves a change in management by establishing a mechanism to generate a large retirement allowance upon the retirement of management in the event of a successful hostile takeover. For investment corporations that are required to entrust their asset management to external asset manager under the Investment Trust Act, setting up a mechanism to generate a large amount of fees and thereby increase acquisition costs upon the replacement of

the asset management company entrusted with the management of their assets effectively prevents hostile takeovers. Therefore, it is possible to make a similar effect to a "golden parachute" as a takeover defense measure by increasing the AM fees upon the change of the asset management company. The Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee have effects similar to a golden parachute as a takeover

defense measure in that when IOR is acquired in a merger or tender offer and the asset management company is replaced, a large amount of profit, which the Claimant estimates is an unusually high sum of more than 6 billion yen based on the current NAV, more than double the net income of IOR for the fiscal period ended October 2022, will be automatically drained out from IOR to IIA, thereby lowering the corporate value of IOR and discouraging the acquirer's willingness to takeover. A golden parachute as a takeover defense measure is scarcely ever used in the Japanese market, including the J-REIT market, because of the risk that management may, for the purpose of large retirement benefits, cooperate in an acquisition that does not contribute to the enhancement of corporate value or impede an efficient takeover proposal. There is no listed J-REIT that adopts a similar system other than IOR and Ichigo Hotel REIT Investment Corporation for both of which IIA is entrusted with their asset management.

As the Ichigo Trust PTE's Proposals and Proposals No. 3 and No. 4 set the replacement of the asset management company as one of the conditions of the accrual of the Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee, it is strongly suspected that the purpose of the Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee was to function like a golden parachute as a takeover defense measure at the time it was introduced at the 2020 Unitholders' Meeting, and it has become clear that the board of directors of IOR also endorsed such an inappropriate golden parachute-like takeover defense measure.

(ii) The explanation of the board of directors of IOR on Proposals No. 3 and No. 4 is unreasonable

The Ichigo Trust PTE's Proposals explained that the reason for maintaining the Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee was that the "acceptance [of a merger or takeover proposal] means that the asset management company … will lose its asset management service client, the investment corporation, and therefore it is anticipated that the asset management company will thoroughly fight against such proposal" (Double underlines were added by the Claimant; hereinafter the same), and maintaining these fees were necessary to avoid such a situation. In contrast, the IOR's Proposals explain that the reason for Proposal No. 3 is that the "acceptance [of a merger or takeover proposal] means that the asset management company … will lose its asset management service client, the investment corporation, and therefore a situation may arise where the asset management company is negatively incentivized to unreasonably fail to cooperate in the consideration or implementation of such proposal even if it is in the interests of the unitholders".

As the Claimant made clear in the Opinion Statement (1), it is IOR and its unitholders but not the asset management company that decide on a merger and takeover of IOR (i.e. There is no room for the asset manager to "fight against").

In addition, in the event that the asset management company, which owes a duty of care of a prudent manager and a duty of loyalty under the asset management agreement, "unreasonably fails to cooperate in the consideration or implementation of a proposal" of a "merger or takeover which is in the interests of the unitholders", the asset management company may be replaced solely by the board of directors pursuant to Article 206, Paragraph 2, Item 1

of the Investment Trust Act[4]. Therefore, if the asset management company does not "unreasonably" cooperate, the board of directors of an investment corporation is required under the Investment Trust Act to replace the asset management company or request the asset management company to reasonably cooperate by indicating the possibility of the replacement.

Nevertheless, the board of directors of IOR made a proposal at the Unitholders' Meeting to maintain a takeover defense measure like a golden parachute that would make a payment to the asset management company of 6 billion yen or more, which is over twice the net income of IOR, based on the grounds that there is a possibility that the asset management company "unreasonably fails to cooperate in the consideration or implementation of a proposal" of a "merger or takeover which is in the interests of the unitholders". The Claimant must say that the board of directors of IOR surmises and accommodates just the wishes of Ichigo Trust PTE, which is the largest unitholder, and lacks a basic perspective of considering the interests of all unitholders but not any particular unitholder. The Claimant is convinced once again that there is an urgent need to improve the governance of the board of directors of IOR as soon as possible.

To be clear, the board of directors of IOR attempts to justify each rate of Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee on the sole basis that each rate is the same as the rate of Gains on Sale Performance Fee; however, as described in detail in the Opinion Statement (1) and (2)(ii) above, the Gains on Sale Performance Fee is substantially abolished.

(iii) The board of directors of IOR has irrationally accepted the Ichigo Trust PTE's Proposals which do not take practicability into account

In the Request for Convocation of Unitholders' Meeting, the Claimant pointed out that there were unclear points in the current method of calculating the Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee. In response to this, the Ichigo Trust PTE's Proposals fully acknowledged the Claimant's allegation, stating that "the content of the Gains on Merger Performance Fee in the current Articles of Incorporation contains parts that are not necessarily clear" and "the Gains on REIT TOB Sale Performance Fee in the current Articles of Incorporation contains parts that are not necessarily clear", and said it would propose changes to "seek clarification of their contents". There is such an unclarity in the current Articles of Incorporation of IOR, which is also acknowledged by the largest unitholder of IOR.

As is clear from the aforementioned background, so long as changes are being made to clarify the current Articles of Incorporation that lack clarity, when submitting the Ichigo Trust PTE's Proposals as the IOR's Proposals, in light of a duty of care of a prudent manager and a duty of loyalty each director owes to the unitholder, it is essential for the board of directors of IOR to check to see if there are any unclear points in the relevant parts of the Articles of Incorporation. Nevertheless, Proposals No.3 and No.4, like the Ichigo Trust PTE's Proposals, as described below by the Claimant, contain unreasonable and unclear points that do not take

[4] It is provided that a registered investment corporation may, by a resolution of the board of directors, cancel the asset management agreement with the asset management company if the asset management company violates or neglects its duties in the course of its duties.

into account practicability.

First, with regard to the Gains on REIT TOB Sale Performance Fee, Proposal No.4 states that the payment date is "within one month from the time the current asset management company loses its status as an asset management company of IOR; provided, however, that for the portion of the Gains on REIT TOB Sale Performance Fee that corresponds to the squeezed-out investment units, within one month from the date of the completion of the squeeze-out procedure". However, an acquirer may review the performance of the asset management company more than one month after the completion of the squeeze-out procedures and then decide whether to replace the asset management company. In this case, at the moment when the current asset management company loses its status as an asset management company of IOR, more than one month have passed since the completion of the squeeze-out procedure, which makes it impossible for IOR to comply with the payment date stipulated in the Articles of Incorporation if Proposal No.4 is approved. Furthermore, under the current asset management agreement between IOR and the asset management company, it is necessary to give at least six months' prior notice for terminating the agreement. However, in light of this notice period and considering the schedule in which a listed J-REIT has gone private in the past, the asset management agreement cannot be terminated at the moment of one month after the completion of the squeeze-out procedure, in other words, "the moment when the current asset management company loses its position as an asset management company of IOR" has not arrived, and similarly, if Proposal No.4 is approved, IOR may not be able to comply with the payment date stipulated in the Articles of Incorporation. In this way, Proposal No.4 still contains irrationalities that do not take into account practicability, despite efforts to clarify the Gains on REIT TOB Sale Performance Fee in response to the indication of the Claimant.

Next, Proposal No.4 states that the Gains on REIT TOB Sale Performance Fee should be calculated based on the "amount of the net assets of IOR at the end of the tender offer period". However, as the Claimant pointed out in the Request for Convocation of Unitholders' Meeting, since the amount of the net assets is usually calculated at the end of each fiscal period, if the amount of the net assets were to be determined at a different time, IOR would need to go through procedures to prepare its financial statements and have them audited. While Proposal No.3 states that the concept of the "amount of the net assets" will not be used for the Gains on Merger Performance Fee, the details of the Gains on REIT TOB Sale Performance Fee still contain such irrationalities in Proposal No.4.

Furthermore, Proposal No.3 states that the Gains on Merger Performance Fee accrues only when the asset management company of IOR "does not continue to be an asset management company of the investment corporation that succeeds to the assets held by IOR at the time of the merger". However, in the case of an absorption-type merger in which IOR will be a surviving corporation and the counterparty investment corporation will be a dissolving corporation, and the asset management company of the counterparty investment corporation will become an asset management company of IOR, in other words, the asset management company will be switched, it is understood that there is no "investment corporation that succeeds to the assets held by IOR" and that Gains on Merger Performance Fee will not accrue. The reason for the proposal of and the details of Proposal No.3 is inconsistent here.

As such, the board of directors of IOR has irrationally accepted the Ichigo Trust PTE's

Proposals which still contain the problem of the current Articles of Incorporation not taking into account practicability, as pointed out by the Claimant in the Request for Convocation of Unitholders' Meeting. The Claimant must conclude that the bord of directors of IOR fundamentally lacks the ability to verify its fee system on its own.

(4) Proposals No. 5 and No. 6 and Proposals No. 12 and No. 13

[Comparison of each proposal]

Proposals No. 12 and No. 13 made by the Claimant involve the election of one executive director, Mr. Toru Sugihara, and one supervisory director, Mr. Akihiko Fujinaga.

In contrast, Proposals No. 5 and No. 6 made by IOR propose to elect one executive director and one supervisory director from the candidates provided in the Ichigo Trust PTE's Proposals.

These proposals are not conflicting with each other, and if all of these proposals are approved, IOR will have three executive directors and four supervisory directors.

[Opinion of the Claimant]

While denying the allegation of the Claimant and stating that there is no necessity to appoint Mr. Sugihara, **the board of directors of IOR intends to increase the number of directors by submitting proposals to appoint other candidates as an executive director and a supervisory director**. **The true aim is, to take account of the fact that Ichigo Trust PTE is the largest unitholder of IOR, holding 32.41% of the investment units of IOR**. **In other words, the Claimant has no choice but to believe that the true aim lies in the intention to increase the number of the directors under the influence of Ichigo Trust PTE and to establish a management structure more in line with the interest of Ichigo Group**. The Claimant is of the view that it is not appropriate to appoint the candidates for Proposals No. 5 and No. 6, who are likely to be under the influence of Ichigo Trust PTE, as directors of IOR.

As the Claimant has repeatedly stated so far, the handling of the board of directors of IOR has raised fundamental doubts that: (i) t**he board of directors of IOR lacks the ability to examine and understand the AM fee structure, as was the case at the 2020 Unitholders' Meeting**; and (ii) **the board of directors of IOR lacks a basic understanding on the Investment Trust Act and the investment corporation system**, and has further raised the doubt that (iii) **the board of directors of IOR does not intend to maximize the interests of the unitholders by disregarding the interests of the minority unitholders and surmising and accommodating the wishes of Ichigo Group**, leading the Claimant to conclude that **the board of directors of IOR has clearly become dysfunctional as a governance body**. Therefore, the Claimant believes that it is essential to appoint Mr. Sugihara and Mr. Fujinaga, who are recommended by the Claimant, as directors from the viewpoint of improving the governance of IOR and protecting the interests of the minority unitholders.

The conflict of interest that the board of directors of IOR cites as a reason why Mr. Sugihara and Mr. Fujinaga should not be appointed as directors is nothing more than a

misunderstanding of the power of an executive director and a supervisory director in an investment corporation and does not constitute a reason to oppose the proposal to appoint Mr. Sugihara and Mr. Fujinaga. Rather, **Mr. Kagiyama and Mr. Maruo, who are recommended by Ichigo Trust PTE, are more likely to act in line with the wishes of Ichigo Trust PTE in meetings of the board of directors, and in fact, there is a higher risk of a conflict of interest with the unitholders other than Ichigo Trust PTE**.

(i) Conflicting attitude of the board of directors of IOR to the increase in the number of directors

The board of directors of IOR alleges in the Opinion of the Board of Directors that there is no basis or necessity for appointing Mr. Sugihara as an executive director as "the AM fee structure proposed by IOR would rather serve the interests of the unitholders" and "there was no problem with the disclosure made by IOR at the 2020 Unitholders' Meeting".

Assuming that the allegation of the board of directors of IOR were correct, there would be no need to increase the number of executive directors and supervisory directors at all. However, the board of directors of IOR "takes seriously the fact that the Unitholder Proposal was submitted by the unitholder of IOR (Note: it is considered to be the Claimant) regarding the AM fee structure" and has come to submit the increase in the number of executive directors and supervisory directors as an agenda item for Proposals No.5 and No.6. Thus, the board of directors of IOR has taken conflicting attitude, which is difficult to understand, of proposing an increase in the number of directors by "taking seriously" the Unitholder Proposal from the Claimant, while denying the issues with the disclosure regarding the AM fee structure and the AM fee structure proposed by the Claimant.

It is not necessarily clear why the board of directors of IOR took such a conflicting attitude; however, considering the fact that the Ichigo Trust PTE's Proposals were made first, and after that, the board of directors of IOR adopted them as the IOR's Proposals, it is strongly inferred that appointing Mr. Kagiyama and Mr. Maruo is the intention of Ichigo Trust PTE or Ichigo Group aimed at increasing the number of directors under the influence of Ichigo Trust PTE or Ichigo Group and further strengthening the management structure in line with the sole interests of Ichigo Group. Consequently, the Claimant has no choice but to assume that the board of directors of IOR is cooperating with Ichigo Trust PTE by surmising and accommodating its wishes.

(ii) Necessity of increasing the number of directors from the perspective of improving the governance of IOR and protecting the minority unitholders

As the Claimant has repeatedly pointed out in this Opinion Statement, the responses of the board of directors of IOR to the Unitholders' Meeting reveal the following problems with the board of directors of IOR:

(a) Examples showing a lack of the ability to examine and understand the AM fee structure:

- It has irrationally accepted the proposal of Ichigo Trust PTE to

set the rate at 0.0048% for the NOI & Dividend Performance Fee without providing any concrete grounds for it or verifying the basis on which Ichigo Trust PTE calculated such rate (see above 2.(1)(ii));

- It cannot correctly understand the Claimant's allegation on the Gains on Sale Performance Fee as well as does not correctly understand the mechanism of the Gains on Sale Performance Fee itself, and thereby makes unreasonable allegations (see above 2.(2)(ii));
- It does not correctly understand a fee structure generally adopted by J-REITs and makes inappropriate objections based on the misunderstanding (see above 2.(2)(iii)); and
- It has not corrected the problems of the Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee that cannot be overlooked in practice even though the Claimant has pointed out such problems (see above 2.(3)(iii)).

(b) Example showing a lack of the understanding on the Investment Trust Act and the investment corporation system:

- It does not correctly understand a duty of care of a prudent manager and a duty of loyalty owed by an asset management company and roles required of the board of directors, as a result of which it attempts to justify the Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee by making unreasonable assumptions (see above 2.(3)(ii)).

(c) Examples showing a disregard of the interests of the unitholders:

- It denies the inappropriate disclosure made at the 2020 Unitholders' Meeting without any verification and continues to make the inappropriate disclosure repeatedly (see above 2.(1)(ii)); and
- It has irrationally accepted the maintenance of the Gains on Merger Performance Fee and the Gains on REIT TOB Sale Performance Fee, both of which function as a golden parachute-like takeover defense measure (see above 2.(3)(i)).

The above responses of the board of directors of IOR cast the Claimant fundamental doubts that it lacks the ability to examine and understand the AM fee structure and the basic understanding on the Investment Trust Act and the investment corporation system. Furthermore, the necessity to appoint appropriate directors has dramatically increased as it has been clarified that the current directors of IOR have an attitude of emphasizing the interests of certain unitholders while disregarding the interests of the other unitholders, and that the board of directors of IOR is dysfunctional as a governance body.

(iii) Concerns over the conflict of interest alleged by the board of directors of IOR

do not constitute a reason for not appointing Mr. Sugihara as an executive director

The board of directors of IOR alleges that there is a business conflict of interest between IOR and Star Asia Investment Corporation, and that there are concerns on the appointments of both Mr. Sugihara and Mr. Fujinaga as directors due to the fact that Mr. Sugihara belongs to Star Asia Group and due to the appointment process of Mr. Fujinaga and his relationship with Mr. Sugihara.

However, the asset management operations of an investment corporation must be entrusted to the asset management company pursuant to Article 198, Paragraph 2 of the Investment Trust Act, and an executive director cannot be directly involved in the asset management operations.

Therefore, there is no specific situation in which Mr. Sugihara, who will assume the position of an executive director of IOR, if appointed, can "make decisions and take actions that consider the interests and wishes of Star Asia Group" as alleged by the board of directors of IOR.

It is a normal practice in a company that directors are dispatched from the shareholders operating a similar business, and in situations where any conflict of interest arises, legal measures exist such as exclusion of the director with special interest from the board resolutions. Therefore, the dispatch of directors from the shareholders is not uniformly viewed as a problem. If the board of directors of IOR has any agenda item or proposal in which Mr. Sugihara is found to have a conflict of interest, Mr. Sugihara will be excluded from the resolution as a director with special interest, and the fact that there is a concern about a conflict of interest does not in itself constitute a reason to deny his appointment as a director.

Moreover, Mr. Sugihara, a candidate for an executive director, fully understands a duty of care of a prudent manager and a duty of loyalty that an executive director of a listed J-REITs owes to all the unitholders and understands that he must give top priority to his duties. Specifically, in the past, during Mr. Sugihara's service as an executive director of Sakura Sogo REIT Investment Corporation ("SSR"), he proposed the establishment of a third-party committee to discuss the merger between SSR and Star Asia Investment Corporation as he had a conflict of interest and formed a third-party committee that would not reflect his intentions, in other words, where he had no voting rights. The third-party committee discussed what was truly the best for the unitholders of SSR. As described above, Mr. Sugihara has a deep understanding of a duty of care of a prudent manager and a duty of loyalty as an executive director, and the Claimant is confident that he will be able to act for the best interests of the unitholders of IOR once he becomes an executive director.

Rather, Mr. Kagiyama and Mr. Maruo, who are recommended by Ichigo Trust PTE, are highly likely to act as directors in line with the wishes of Ichigo Trust PTE. Mr. Kagiyama and Mr. Maruo, who are under the influence of Ichigo Trust PTE, a member of Ichigo Group, holding 32.41% of the voting rights of IOR as the largest unitholder and controlling the asset management operations of IOR through IIA, may have conflicts of interest with the unitholders other than Ichigo Trust PTE.

(5) Proposal No.7 and Proposal No.14

[Comparison of each proposal]

Proposal No. 14 made by the Claimant caps the aggregate amount of the monthly remunerations of all directors at 1.09 million yen.

In contrast, Proposal No. 7 made by IOR proposes to, in line with the Ichigo Trust PTE's Proposal, lower the cap of the monthly remuneration for each executive director from the current amount of 0.8 million yen to 0.72 million yen, and for each supervisory director from the current amount of 0.5 million yen to 0.45 million yen. It also proposes to change the determining body of the amount of remuneration from the board of directors to the unitholders' meeting (by an ordinary resolution).

[Opinion of the Claimant]

The IOR's Proposal (Proposal No.7) does not contradict the Claimant's Proposal (Proposal No.14) and that Proposal No. 7 and Proposal No. 14 are compatible. Though the convocation notice of the unitholders' meeting published by IOR on June 1, 2023 states that Proposal No.7 and No.14 are in conflict, the Claimant believes that this treatment is based on an IOR's misunderstanding of the Investment Trust Act. However, even putting this point aside, based on the following two points, the Claimant believes that the Claimant's Proposal is more appropriate than the IOR's Proposal from the perspective of protecting the interests of the unitholders.

First of all, in the case where Proposal No. 14 is adopted, if a remuneration proposal is rejected at a unitholders' meeting by any chance in the future, the directors will not be able to receive any remuneration until such proposal is adopted at a unitholders' meeting on another occasion.

Under the current system where remunerations are determined by the board of directors, the board of directors can flexibly convene multiple meetings as necessary. Therefore, even if they fail to reach an agreement on the amount of the remunerations at a single meeting, such amount can still be determined without imposing additional costs on the unitholders. On the other hand, unitholders' meetings of listed J-REITs cannot be held easily as they require a large cost, including the cost of the venue, the cost of providing materials through electronic means and sending convocation notices, and compensations provided to the administrative agent. If the amount of remuneration is not approved at a specific unitholders' meeting and directors are forced to work for free, such situation would be in direct contradiction to the allegation that the board of directors of IOR cites as the reason for change: "to maintain an appropriate level of remuneration for directors is extremely important for unitholders."

In addition, from the perspective of protecting the interests of the unitholders, it is important to keep the aggregate amount of the remunerations for directors under a certain level. As the Claimant's Proposal is capable of keeping such amount smaller than the amount based on the IOR's Proposal, the Claimant believes that its contribution to the interests of the unitholders shall be larger than that of the IOR's Proposal.

3. Conclusion

The Claimant pointed out in the Opinion Statement (1) that it was necessary for the directors of IOR to consider the interests of all unitholders of IOR instead of the interests of any particular unitholder. Ichigo Trust PTE has been rapidly and massively accumulating the investment units of IOR following the Claimant's request for convocation of the Unitholders' Meeting, thereby making the potential conflict of interest between Ichigo Trust PTE and the other unitholders stronger and more obvious. Needless to say, the Ichigo Trust PTE's Proposals require careful examination and consideration by the board of directors of IOR. The Claimant is deeply disappointed with the fact that the board of directors of IOR nevertheless has irrationally accepted the Ichigo Trust PTE's Proposals, which include the maintenance of a golden parachute-like takeover defense measure.

The Claimant believes that, since the board of directors of IOR has been handling the situation inappropriately, the need to strengthen the governance structure of IOR by appointing an executive director and a supervisory director recommended by the Claimant has increased dramatically. The Claimant will continue to consider and implement action plans for the fundamental improvement of the governance of IOR not for the benefit of any particular unitholder but for the benefit of all unitholders of IOR.

End