

[Provisional Translation Only]

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Issuer

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Hotel Acquisition (Washington Hotel Plaza Shimonoseki Eki Nishi)

Ichigo Hotel decided today to acquire the Washington Hotel Plaza Shimonoseki Eki Nishi in Yamaguchi Prefecture.

1. Acquisition Summary

Hotel Name	Washington Hotel Plaza Shimonoseki Eki Nishi
Hotel Number ¹	F-6 026
Hotel Type	Lodging-focused
Date Built	March 1999
Form of Ownership	Trust beneficiary interest in real estate (<i>juekiken</i>)
Appraisal Value ²	JPY 1,200,000,000
Acquisition Price ³	JPY 1,080,000,000
Seller ⁴	Third-party Japanese company
Contract Date	February 26, 2020
Closing Date	March 12, 2020
Financing Method	Cash-on-hand
Settlement Method	Lump-sum payment

¹ The initial letter “F” is Ichigo Hotel’s region code for where the hotel is located, in this case Chugoku/Shikoku. Please see page 9 for region code details.

² Appraisal Value is calculated by Tanizawa Sogo Appraisal as of January 1, 2020, and is in compliance with the appraisal guidelines of Ichigo Investment Advisors (“IIA”) as well as the rules of the Investment Trusts Association of Japan.

³ Acquisition Price excludes incidental expenses such as fees and property, city planning, and consumption taxes.

⁴ The seller, a third-party Japanese company, did not provide consent to disclose its name.

2. Acquisition Rationale

Ichigo Hotel continues to execute on its strategy to grow earnings and dividends for its shareholders.

As part of that strategy, Ichigo Hotel is today acquiring the Washington Hotel Plaza Shimonoseki Eki Nishi in Shimonoseki, Yamaguchi, an area with stable business and leisure demand.

Ichigo Hotel will acquire the hotel at a 10% discount to appraisal value using proceeds from the sale of the Nest Hotel Naha announced in the January 30, 2020 release “Hotel Sale (Nest Hotel Naha).”

The Washington Hotel Plaza Shimonoseki Eki Nishi is a three-minute walk from Shimonoseki Station on the JR Sanyo Main Line. (Shimonoseki Station was fully renovated in 2014.)

Shimonoseki has historically thrived as a port city facing the Kanmon Straits between the Japanese islands of Honshu and Kyushu. It has grown into Yamaguchi Prefecture’s most populated city and economic center, with many company headquarter and branch offices. The city also draws the most tourists in the prefecture with historic sites and attractions such as the waterfront Karato Market. In addition, tourists can easily access popular attractions such as Ganryu Island and Moji Port by ferry.

Shimonoseki also offers convenient access to northern Kyushu, with the city of Kitakyushu within easy commuting distance just across the Kanmon Straits.

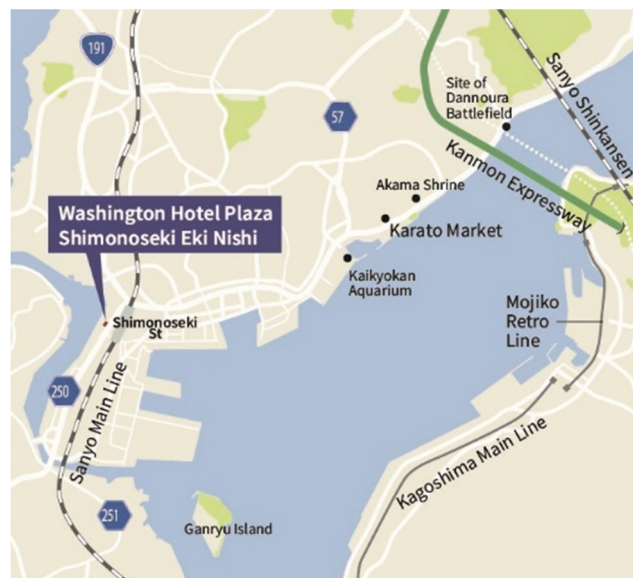
Ichigo Hotel has a fixed-rent lease with the hotel’s operator, which will drive further earnings growth and geographic diversification. Today’s acquisition is forecast to increase Ichigo Hotel’s annual NOI by JPY 74 million.

3. Description and Location of the Washington Hotel Plaza Shimonoseki Eki Nishi

The Washington Hotel Plaza Shimonoseki Eki Nishi is a lodging-focused hotel located at a three-minute walk from Shimonoseki Station on the JR Sanyo Main Line.

The area near Shimonoseki Station attracts both business and leisure demand given its convenient location, and demand going forward is expected to be stable on the back of opportunities to host sporting events and conferences.

The hotel's single-bed rooms and twin-bed rooms allow it to flexibly accommodate the diverse needs of travelers.



Hotel Details						
Legal Form of Asset		Trust beneficiary interest in real estate (<i>juekiken</i>)				
Trustee		Sumitomo Mitsui Trust Bank, Limited				
Period of Trust Contract		March 12, 2020 – March 31, 2030 (Expected)				
Location		1-4-1 Yamatomachi, Shimonoseki, Yamaguchi				
Land	Property Right	Freehold				
	Area	978.36m ²				
	Zoning	Commercial				
	Coverage Ratio Floor Area Ratio	80% 600%				
Building	Property Right	Freehold				
	Use	Hotel				
	Structure ¹	Steel Reinforced Concrete 11F				
	Total Floor Area	5,228.95m ²				
	Date Built	March 18, 1999				
Appraiser		Tanizawa Sogo Appraisal Co., Ltd.				
Appraisal Value		JPY 1,200,000,000				
Appraisal Date		January 1, 2020				
Value by Direct Capitalization Method		JPY 1,250,000,000				
Number of Guest Rooms		238				
Architect ²		JA-Sekkei Architects & Engineers, Inc. / Koei Kikaku Sekkei				
Builder ²		Takenaka Corporation Hiroshima Branch				
Structural Designer ²		JA-Sekkei Architects & Engineers, Inc. / Koei Kikaku Sekkei				
Inspection Agency ²		Shimonoseki City				
PML (Assessor)		3.04% (Sompo Risk Management & Health Care Inc.)				
Collateral		None				
Lease Details						
Tenant Overview						
Number of Tenants		1				
Rental Income ³		The hotel operator did not provide consent to disclose lease details. Ichigo Hotel has a fixed-rent lease with the operator.				
Deposit		Lease deposit: JPY 157,609,000. No guarantee deposit.				
Leasable Area		5,709.35m ²				
Leased Area		5,709.35m ²				
Occupancy		September 2019	October 2019	November 2019	December 2019	January 2020
		100%	100%	100%	100%	100%

Property Management Company	Uniho Co., Ltd.
Master Lease Company	Ichigo Hotel REIT Investment Corporation
Master Lease Type	Pass-through
Appraisal NOI Yield ⁴	7.3%
Post-Depreciation NOI Yield ⁵	4.6%
Special Items	
None	

¹ Building Structure refers to the structure described in the real estate registry.

² Names of the architect, builder, structural designer, and inspection agency are those as of when the building was built.

³ Rental Income includes all rent from hotel facilities.

⁴ Appraisal NOI Yield = Appraisal NOI (Net Operating Income) in the real estate appraisal report divided by the Acquisition Price. This figure is independently calculated by IIA based upon the above data and is therefore not in the real estate appraisal report itself.

⁵ Post-Depreciation NOI Yield = Appraisal NOI in the real estate appraisal report minus Depreciation, divided by the Acquisition Price. Depreciation is independently calculated by IIA using the straight-line method, and the Post-Depreciation NOI Yield is calculated by IIA based upon the above data and are therefore not in the real estate appraisal report itself.

Appraisal Details		
Hotel Name	Washington Hotel Plaza Shimonoseki Eki Nishi	
Appraisal Value	JPY 1,200,000,000	
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.	
Appraisal Date	January 1, 2020	
	Amount	Note
Appraisal Value	JPY 1,200,000,000	Based on a DCF valuation, and verified using a direct capitalization valuation and DCF valuation
Value by Direct Capitalization Method	JPY 1,250,000,000	
Income	JPY 99,720,000	
Maximum Obtainable Rental Income	JPY 99,720,000	
Vacancy Loss	–	
Expenses	JPY 20,577,632	
Administrative & Maintenance Expenses	–	Borne by tenant
Utility Expenses	–	Borne by tenant
Repair Expenses	JPY 8,700,000	Based on the average of the past 12 years of engineering reports and past expenses at similar assets
PM Fee	JPY 1,440,000	Based on estimates
Leasing Brokerage Fees	JPY 52,352	
Taxes	JPY 9,728,300	Based on FY2019 actual amounts (including depreciable asset tax)
Insurance Premiums	JPY 357,820	Based on insurance estimates
Other Expenses	JPY 299,160	Based on actual amounts
Net Operating Income (NOI)	JPY 79,142,368	
Income on Investment of Deposits Received	JPY 1,576,090	
Capital Expenditure	JPY 20,880,000	Based on the average of the past 12 years of engineering reports and past expenditures at similar assets
Net Profit	JPY 59,838,458	
Cap Rate	4.8%	Based on transactions of similar assets and comprehensive assessment of the asset's location, its individual characteristics, and property rights

	Value via DCF Method	JPY 1,180,000,000	
	Discount Rate	4.8% (Until 10 th year)	Based on transactions of similar assets and the yields of financial assets with the asset's individual characteristics taken into account
		4.9% (From 11 th year)	
	Terminal Cap Rate	5.0%	Based upon risk-adjusted NOI
	Value via Cost Approach	JPY 1,190,000,000	
	Land	34.3%	
	Building	65.7%	Sum of building and FF&E values divided by sum of building, FF&E, and land values
Notes			
None			

4. Seller Profile

Name	Third-party Japanese company
Relationship with Ichigo Hotel or IIA	The seller does not have any capital, personnel, or business relationship of note with Ichigo Hotel or IIA. In addition, the seller is not a related party as defined in the Enforcement Ordinance of the Investment Trust and Investment Corporation Law or the internal rules of the Asset Management Company.

5. Ownership History

The seller of the Washington Hotel Plaza Shimonoseki Eki Nishi is not a related party.

6. Broker Profile

Name	The broker did not provide consent to disclose its name.
Relationship with Ichigo Hotel or IIA	The broker does not have any material capital, personnel, or transactional relationship with Ichigo Hotel or IIA. In addition, the broker is not a related party as defined in the Enforcement Ordinance of the Investment Trust and Investment Corporation Law or the internal rules of the Asset Management Company.
Broker Fee	The broker did not provide consent to disclose the fee.

7. Acquisition Schedule

Ichigo Hotel Board Resolution Date	February 26, 2020
Contract Date	February 26, 2020
Acquisition and Settlement Date	March 12, 2020 (Expected)

8. Earnings Outlook

The acquisition of the Washington Hotel Plaza Shimonoseki Eki Nishi is forecast to increase Ichigo Hotel's July 2020 fiscal period NOI and dividend by c. JPY 32 million and JPY 50, respectively. Nonetheless, given the uncertainty surrounding the negative impact of the coronavirus on inbound tourism, Ichigo Hotel is not currently revising its existing earnings forecast for the July 2020 fiscal period. Should an earnings forecast revision become necessary, Ichigo Hotel will promptly disclose the details.

Appendix A: Engineering Report Summary

Inspector Name	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Inspection Date	January 2020
Short-Term Repair Expenses ¹	–
Long-Term Repair Expenses ²	JPY 360,472,000
Current Replacement Cost	JPY 1,800,700,000

¹ Short-Term Repair Expenses are defined as repair expenses considered necessary beyond the scope of ordinary maintenance within a year from the time of inspection.

² Long-Term Repair Expenses are defined as cumulative repair expenses considered necessary for the maintenance of the hotel within twelve years from the time of inspection.

Appendix B: Post-Acquisition Portfolio

Hotel No.¹	Hotel Name	Prefecture	Lease Terms	Acquisition Price² (JPY million)	% of Portfolio³
A-1 004	Nest Hotel Sapporo Ekimae	Hokkaido	Variable Rent	2,160	4.2
A-2 008	Nest Hotel Sapporo Odori	Hokkaido	Variable Rent	1,450	2.8
A-3 018	Comfort Hotel Kushiro	Hokkaido	Fixed Rent	300	0.6
B-1 020	Grandpark-Inn Yokohama	Kanagawa	Fixed Rent	1,490	2.9
C-1 012	Smile Hotel Tokyo Asagaya	Tokyo	Variable Rent	3,910	7.5
C-3 016	Hotel Livemax Nihombashi-Hakozaki	Tokyo	Fixed Rent	1,360	2.6
C-4 025	HOTEL EMIT SHIBUYA	Tokyo	Variable Rent	3,700	7.1
D-1 006	Comfort Hotel Hamamatsu	Shizuoka	Fixed Rent	1,550	3.0
D-2 003	Hotel Wing International Nagoya	Aichi	Variable Rent	2,670	5.1
D-3 011	Comfort Hotel Central International Airport	Aichi	Fixed Rent	5,308	10.2
D-4 019	Comfort Hotel Suzuka	Mie	Fixed Rent	300	0.6
E-1 001	Smile Hotel Kyoto Shijo	Kyoto	Variable Rent	4,480	8.6
E-3 005	Chisun Inn Osaka Hommachi	Osaka	Variable Rent	1,630	3.1
E-4 007	Hotel Wing International Kobe Shin Nagata Ekimae	Hyogo	Variable Rent	1,490	2.9
E-5 010	Nest Hotel Osaka Shinsaibashi	Osaka	Variable Rent	7,600	14.6
F-1 017	Comfort Hotel Okayama	Okayama	Fixed Rent	1,200	2.3
F-2 015	Nest Hotel Matsuyama	Ehime	Variable Rent	1,610	3.1
F-3 021	Urbain Hiroshima Executive	Hiroshima	Fixed Rent	1,800	3.5
F-4 022	Court Hotel Kurashiki	Okayama	Variable Rent	1,725	3.3
F-5 024	Valie Hotel Hiroshima	Hiroshima	Variable Rent	1,500	2.9
F-6 026	Washington Hotel Plaza Shimonoseki Eki Nishi	Yamaguchi	Fixed Rent	1,080	2.1
G-1 009	Valie Hotel Tenjin	Fukuoka	Variable Rent	1,380	2.7
G-3 023	Nest Hotel Kumamoto	Kumamoto	Variable Rent	2,220	4.3
Total 23 Hotels				51,913	100

¹ The initial letter (A, B, etc.) is a region code which identifies the area in which the hotel is located.

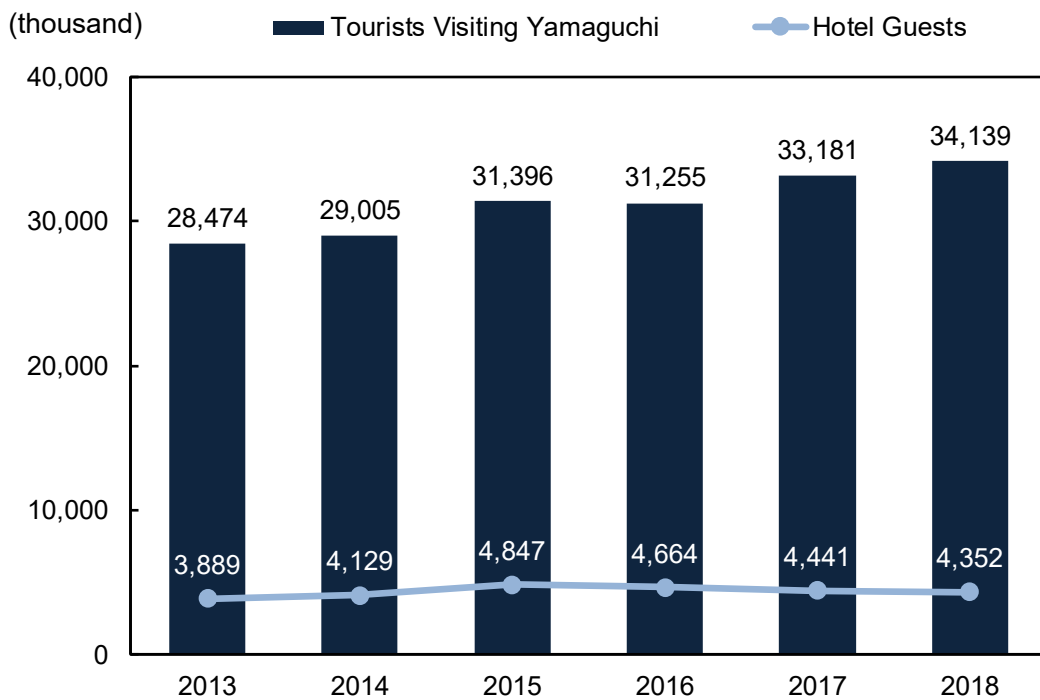
Code	Region	Prefectures
A	Hokkaido/Tohoku	Hokkaido, Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima
B	Kanto	Ibaraki, Tochigi, Gunma, Saitama, Chiba, Kanagawa, Yamanashi, Nagano, Niigata
C	Tokyo	Tokyo
D	Hokuriku/Tokai	Toyama, Ishikawa, Fukui, Gifu, Shizuoka, Aichi, Mie
E	Kinki	Osaka, Hyogo, Kyoto, Shiga, Nara, Wakayama
F	Chugoku/Shikoku	Tottori, Shimane, Okayama, Hiroshima, Yamaguchi, Kagawa, Tokushima, Kochi, Ehime

G Kyushu/Okinawa Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, Okinawa

² Acquisition Price is the price as indicated in the purchase and sales agreement for the hotel (excluding fees and incidental expenses such as property, city planning, and consumption taxes).

³ % of Portfolio is the Acquisition Price of each hotel as a percentage of the Total Acquisition Price for the portfolio, rounded to the nearest tenth.

Appendix C: Annual Tourists and Hotel Guests in Yamaguchi Prefecture



Note: Data prepared by IIA based on Yamaguchi Prefecture’s “Number of Hotel Guests and Tourists Visiting Yamaguchi in 2018.”