

[Provisional Translation Only]

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September 14, 2022

Issuer

Ichigo Hotel REIT Investment Corporation (“Ichigo Hotel,” 3463)

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Asset Management Company

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Hotel Acquisition (Hotel Sunshine Utsunomiya)

Ichigo Hotel decided today to acquire the Hotel Sunshine Utsunomiya in Tochigi Prefecture.

1. Acquisition Summary

Hotel Name	Hotel Sunshine Utsunomiya
Hotel Number ¹	B-3 028
Hotel Type	Lodging-focused
Date Built	February 1991
Form of Ownership	Trust beneficiary interest in real estate (<i>juekiken</i>)
Appraisal Value ²	JPY 2,400,000,000
Acquisition Price ³	JPY 2,200,000,000
Seller ⁴	Takara Leben Real Estate Investment Corporation
Contract Date	September 14, 2022
Closing Date	September 20, 2022
Financing Method	Cash-on-hand
Settlement Method	Lump-sum payment

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

² Appraisal Value is calculated by Tanizawa Sogo Appraisal as of August 1, 2022, 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.

2. Acquisition Rationale

Ichigo Hotel continues to execute on its strategy to build a stable, diversified portfolio and drive shareholder value. As part of this strategy, Ichigo Hotel decided to acquire the Hotel Sunshine Utsunomiya, a lodging-focused hotel in Utsunomiya City, Tochigi Prefecture, an area with stable business and leisure demand.

The Hotel Sunshine Utsunomiya is a five-minute walk from Utsunomiya Station on the JR Tohoku Main Line and Tohoku/Yamagata/Akita Shinkansen, and caters to business and leisure demand. Utsunomiya City is expected to see stable business demand, serving as home to government buildings such as the Tochigi Prefectural Government Building, and the Kiyohara Industrial Park, an inland industrial park that is one of the largest in Japan. The area is also expected to see leisure demand as the hub to major tourist attractions such as Nikko Toshogu Shrine and Lake Chuzenji, as well as venues for various sporting events.

Ichigo Hotel will acquire the hotel using proceeds from a January 2020 hotel sale and cash-on-hand.

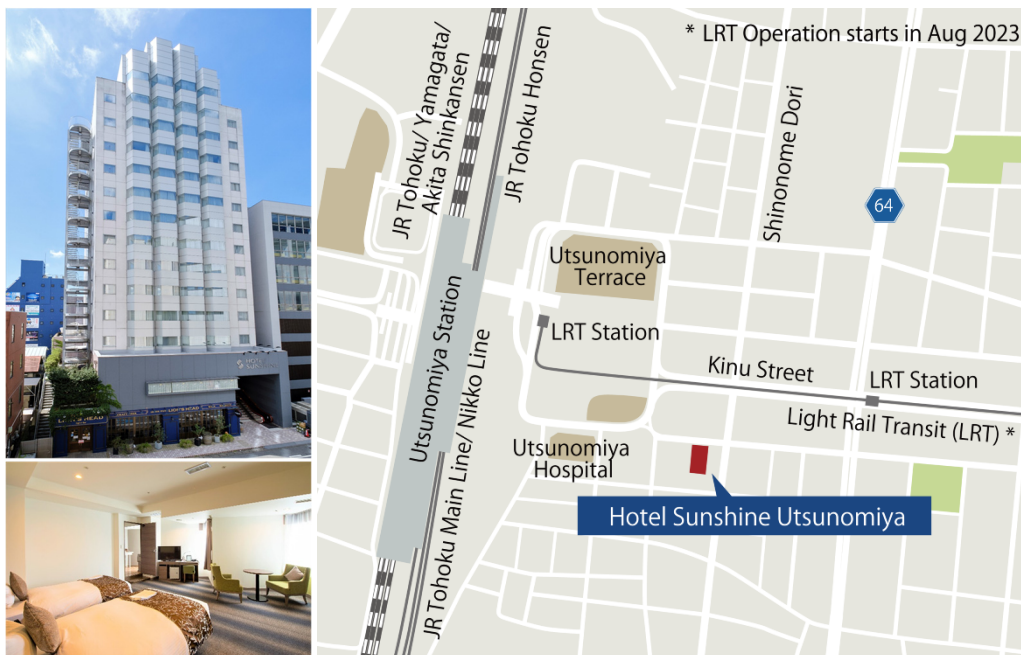
Ichigo Hotel has a fixed-rent lease with the hotel's operator, which will drive earnings stability and geographic diversification.

3. Description and Location of the Hotel Sunshine Utsunomiya

The Hotel Sunshine Utsunomiya is a lodging-focused hotel located within a five-minute walk from Utsunomiya Station on the JR Tohoku Main Line and Tohoku/Yamagata/Akita Shinkansen.

The hotel is located in an area with lodging-focused hotels, low-rise offices, hospitals, and restaurants. As part of the redevelopment of the area around Utsunomiya Station East Exit, Utsunomiya Terrace, a retail complex opened in August 2022, in line with the Light Rail Transit (LRT) scheduled to open in August 2023. The area is expected to grow as a commercial district, with Light Cube Utsunomiya, a convention center, scheduled to open in November 2022.

The guest rooms are mostly single-bed rooms, and with some double rooms, capable of accommodating the diverse needs of travelers.



Hotel Details						
Legal Form of Asset		Trust beneficiary interest in real estate (<i>juekiken</i>)				
Trustee		Mizuho Trust Bank, Limited				
Period of Trust Contract		April 21, 2017 – September 30, 2032 (Expected)				
Location		2-3-3 Higashi Shukugo, Utsunomiya City, Tochigi				
Land	Property Right	Freehold				
	Area	1,038.28m ²				
	Zoning	Commercial				
	Coverage Ratio Floor Area Ratio	80% 600%				
Building	Property Right	Freehold				
	Use	Hotel				
	Structure ¹	Steel 1 Basement & 13 Floors				
	Total Floor Area	5,397.36m ²				
	Date Built	February 20, 1991				
Appraiser		Tanizawa Sogo Appraisal Co., Ltd.				
Appraisal Value		JPY 2,400,000,000				
Appraisal Date		August 1, 2022				
Value by Direct Capitalization Method		JPY 2,480,000,000				
Number of Guest Rooms		160				
Architect ²		Shimiz DESIGN				
Builder ²		Shimizu Corporation				
Structural Designer ²		Shimiz DESIGN				
Inspection Agency ²		Utsunomiya City				
PML (Assessor)		0.2% (Sompo Risk Management Inc.)				
Collateral		None				
Lease Details						
Tenant Overview						
Number of Tenants		1				
Rental Income		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 31,981,899. No guarantee deposit.				
Leasable Area		5,267.16m ²				
Leased Area		5,267.16m ²				
Occupancy		March 2022	April 2022	May 2022	June 2022	July 2022
		100%	100%	100%	100%	100%

Property Management Company	Samty Property Management Co., Ltd.
Master Lease Company	GK S Hotel Operations Utsunomiya
Master Lease Type	Rent Guarantee/Pass-Through
Appraisal NOI Yield ⁴	6.05%
Post-Depreciation NOI Yield ⁵	5.30%

Special Items

An engineering report indicates the following issues with the building. The seller has agreed to rectify them at the seller's expense by the acquisition date.

1. A valid outdoor signage permit has not been confirmed for the hotel's outdoor signboards.
2. The width of the door installed at the outdoor evacuation staircase on the east side of the building is less than the required 90cm, same as the staircase width.
3. The concrete block wall on the east side of the hotel measures over 1.2-meters high, but is buttress-free.
4. The entrance of the store on the first floor encroaches within 2 meters of the outdoor evacuation staircase on the east side of the hotel. Also, the fire-resistance requirements of the outer wall within the fire spread perimeter cannot be confirmed.
5. Issues (buttress-free wall and lighting equipment installment failure) were indicated in the November 2021 Periodic Inspection Report of Specific Buildings.

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	Hotel Sunshine Utsunomiya	
Appraisal Value	JPY 2,400,000,000	
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.	
Appraisal Date	August 1, 2022	
	Amount	Note
Appraisal Value	JPY 2,400,000,000	Calculated using an income approach, with a DCF valuation as a basis and verified using a direct capitalization valuation
Value by Direct Capitalization Method	JPY 2,480,000,000	
Income	JPY 150,097,126	Income based on income and expenditure forecast and reference to similar assets
Maximum Obtainable Rental Income	JPY 150,743,604	
Vacancy Loss	JPY 646,478	
Expenses	JPY 17,092,137	
Administrative & Maintenance Expenses	–	Borne by tenant
Utility Expenses	–	Borne by tenant
Repair Expenses	JPY 5,355,000	Based on engineering reports and reference to similar assets
PM Fee	JPY 1,560,000	Based on estimates
Leasing Brokerage Fees	JPY 112,050	Based on tenant acquisition costs at similar assets for the retail section
Taxes	JPY 9,508,900	Based on FY2022 actual amounts (including depreciable asset tax)
Insurance Premiums	JPY 406,090	Based on insurance estimates
Other Expenses	JPY 150,097	Based on reference to similar assets
Net Operating Income (NOI)	JPY 133,004,989	
Income on Investment of Deposits Received	JPY 61,415	Based on a 1.0% investment yield for deposits received for the retail section
Capital Expenditure	JPY 11,475,000	Based on engineering reports and reference to similar assets
FF&E Reserve	–	Borne by tenant
Net Profit	JPY 121,591,404	
Cap Rate	4.9%	Based on transactions of similar assets while taking into account the asset's location and specific characteristics, rights, and terms and conditions of the contract

	Value via DCF Method	JPY 2,370,000,000	
	Discount Rate	5.0%	Base rate adjusted for individual risks
	Terminal Cap Rate	5.1%	Cap rate adjusted for uncertainties
	Value via Cost Approach	JPY 2,090,000,000	
	Ratio of Land	71.5%	
	Ratio of Building	28.5%	Building value divided by the sum of building and land values
Notes			
None			

4. Seller Profile

Name	Takara Leben Real Estate Investment Corporation		
Address	1-14-15 Akasaka, Minato -ku, Tokyo		
Representative	Executive Director Testuo Saida		
Capital	JPY 63,801 million (as of September 1, 2022)		
Establishment Date	September 11, 2017		
Net Assets	JPY 59,320 million (as of February 28, 2022)		
Total Assets	JPY 121,319 million (as of February 28, 2022)		
Major Shareholder and Shareholding Ratio (as of August 31, 2022)	The Master Trust Bank of Japan, Ltd. (Trust Account)	14.1%	
	Custody Bank of Japan, Ltd. (Trust Account)	10.6%	
	The Nomura Trust and Banking Co., Ltd. (Trust Account)	4.2%	
	Takara Leben Co., Ltd.	2.5%	
	JP MORGAN CHASE BANK 385771	1.6%	
Principal Business	Real estate investment and asset management		
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 IIA.		

5. Ownership History

The seller of the Hotel Sunshine Utsunomiya 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 IIA.
Broker Fee	The broker did not provide consent to disclose the fee.

7. Acquisition Schedule

Ichigo Hotel Board Resolution Date	September 14, 2022
Contract Date	September 14, 2022
Acquisition and Settlement Date	September 20, 2022 (Expected)

8. Earnings Impact

The impact of the acquisition of the Hotel Sunshine Utsunomiya on Ichigo Hotel's January 2023 and July 2023 earnings forecasts is detailed in today's release, "July 2022 Fiscal Period Earnings."

Appendix A: Engineering Report Summary

Inspector Name	Tokio Marine dR Co., Ltd.
Inspection Date	July 2022
Short-Term Repair Expenses ¹	–
Long-Term Repair Expenses ²	JPY 231,862,000
Current Replacement Cost	JPY 1,528,400,000

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	3.9
A-2 008	Nest Hotel Sapporo Odori	Hokkaido	Variable Rent	1,450	2.6
A-3 018	Comfort Hotel Kushiro	Hokkaido	Fixed Rent	300	0.5
B-1 020	Capsule Plus Yokohama	Kanagawa	Variable Rent	1,490	2.7
B-2 027	Comfort Hotel Nagano	Nagano	Fixed Rent	670	1.2
B-3 028	Hotel Sunshine Utsunomiya	Tochigi	Fixed Rent	2,200	4.0
C-1 012	Smile Hotel Tokyo Asagaya	Tokyo	Variable Rent	3,910	7.1
C-3 016	Hotel Livemax Nihombashi-Hakozaki	Tokyo	Fixed Rent	1,360	2.5
C-4 025	HOTEL EMIT SHIBUYA	Tokyo	Variable Rent	3,700	6.8
D-1 006	Comfort Hotel Hamamatsu	Shizuoka	Fixed Rent	1,550	2.8
D-2 003	Hotel Wing International Nagoya	Aichi	Variable Rent	2,670	4.9
D-3 011	Comfort Hotel Central International Airport	Aichi	Fixed Rent	5,308	9.7
D-4 019	Comfort Hotel Suzuka	Mie	Fixed Rent	300	0.5
E-1 001	Smile Hotel Kyoto Shijo	Kyoto	Variable Rent	4,480	8.2
E-3 005	The OneFive Osaka Sakaisuji	Osaka	Variable Rent	1,630	3.0
E-4 007	Hotel Wing International Kobe Shin Nagata Ekimae	Hyogo	Variable Rent	1,490	2.7
E-5 010	Nest Hotel Osaka Shinsaibashi	Osaka	Variable Rent	7,600	13.9
F-1 017	The OneFive Okayama	Okayama	Variable Rent	1,200	2.2
F-2 015	Nest Hotel Matsuyama	Ehime	Variable Rent	1,610	2.9
F-3 021	Urbain Hiroshima Executive	Hiroshima	Fixed Rent	1,800	3.3
F-4 022	The OneFive Garden Kurashiki	Okayama	Variable Rent	1,725	3.1
F-5 024	Valie Hotel Hiroshima	Hiroshima	Variable Rent	1,500	2.7
F-6 026	Washington Hotel Plaza Shimonoseki Eki Nishi	Yamaguchi	Fixed Rent	1,080	2.0
G-1 009	The OneFive Fukuoka Tenjin	Fukuoka	Variable Rent	1,380	2.5
G-3 023	Nest Hotel Kumamoto	Kumamoto	Variable Rent	2,220	4.1
Total 25 Hotels				54,783	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.