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Sale of Ten Hotel Assets to Ichigo Hotel REIT

Ichigo agreed today to sell to Ichigo Hotel REIT (3463) ten assets (total sale price: JPY 27.2 billion) owned by Ichigo subsidiaries, GK Nishinihon Holdings Tokumei Kumiai ("Nishinihon Holdings TK") and GK Shinsaibashi Jisho Tokumei Kumiai ("Shinsaibashi Jisho TK").

On today's asset sales, Ichigo expects to record consolidated revenues of JPY 28.1 billion (total sale price plus taxes), consolidated gross profits of JPY 6.6 billion, and net income of JPY 4.6 billion. The profits reflect Ichigo's ability to acquire hotels in fast and efficient, direct negotiations with hotel owners without going through an auction process and Ichigo's value-add improvements at the hotels post-acquisition to increase operating efficiency and profitability. They also include asset management fees Ichigo receives at asset acquisition as Ichigo Hotel REIT's asset manager.

1. Background

As Ichigo Hotel REIT's sponsor, Ichigo is working to generate win-win outcomes for both Ichigo's and Ichigo Hotel REIT's shareholders. Ichigo's sponsor support includes asset acquisition via Ichigo's proprietary sourcing network, asset warehousing, value-add improvements to Ichigo Hotel REIT assets, and tailored tenant leasing. Via the growth of its asset management business, Ichigo is expanding its stable earnings base and further increasing its capital efficiency for its shareholders.

2. Asset Details

(i) Nishinihon Holdings TK-Owned Asset

Nest Hotel Osaka Shinsaibashi

Location	2 Chome, Minami Senba, Chuo-ku, Osaka City
Access	1-minute walk from Nagahoribashi Station on the Osaka Municipal Subway Sakaisuji Line and Nagahori Tsurumi Ryokuchi Line, 6-minute walk from Shinsaibashi Station on the Midosuji Subway Line
Land Area	1,072.78 m^2
Total Floor Area	7,968.49 m^2
Zoning	Commercial
Structure	SRC 13F
Builder	Zenitaka Corporation

(ii) Shinsaibashi Jisho TK-Owned Assets

Comfort Hotel Central International Airport

Location	4 Chome, Centrair, Tokoname City, Aichi
Access	5-minute walk from Central Japan International Airport, 3-minute walk from Central Japan International Airport Station on the Meitetsu Airport Line
Land Area	(1) 3,314.30 m^2 (2) 3,322.81 m^2
Total Floor Area	(1) 5,250.18 m^2 (2) 6,349.45 m^2
Zoning	Commercial
Structure	RC 8F
Builder	Takenaka Corporation

Smile Hotel Tokyo Asagaya

Location	3 Chome, Asagaya Minami, Suginami-ku, Tokyo
Access	1-minute walk from Asagaya Station on the JR Chuo Line and Sobu Line
Land Area	919.72 m^2
Total Floor Area	2,732.47 m^2
Zoning	Commercial
Structure	RC B1F/5F
Builder	Shin Kensetsu KK

Nest Hotel Naha

Location	1 Chome, Nishi, Naha City, Okinawa
Access	7-minute drive from Naha Airport and 5-minute walk from Asahibashi Station on the Okinawa City Monorail Line
Land Area	2,322.62 m^2
Total Floor Area	9,240.20 m^2
Zoning	Commercial
Structure	SRC 11F
Builder	Obayashi Corporation

Smile Hotel Asakusa

Location	6 Chome, Asakusa, Taito-ku, Tokyo
Access	10-minute walk from Asakusa Station on the Tokyo Metro Ginza Line
Land Area	361.38 m^2
Total Floor Area	1,793.43 m^2
Zoning	Commercial
Structure	SRC 10F
Builder	Shin Kensetsu KK

Nest Hotel Matsuyama

Location	1 Chome, Nibancho, Matsuyama City, Ehime
Access	25-minute drive from Matsuyama Airport and 3-minute walk from Katsuyamacho Station on the Iyo Railway Jonan Line
Land Area	1,692.01 m^2
Total Floor Area	6,671.94 m^2
Zoning	Commercial
Structure	RC 11F
Builder	Shimizu Corporation

Hotel Livemax Nihombashi-Hakozaki

Location	Nihonbashi Hakozakicho, Chuo-ku, Tokyo
Access	3-minute walk from Suitengumae Station on the Tokyo Metro Hanzomon Line
Land Area	123.54 m^2
Total Floor Area	853.00 m^2
Zoning	Commercial
Structure	Steel 11 F
Builder	Jukyo Kensetsu Co., Ltd.

Comfort Hotel Okayama

Location	1 Chome, Marunouchi, Kita-ku, Okayama City, Okayama
Access	15-minute walk from Okayama Station on the JR Line
Land Area	986.26 m^2
Total Floor Area	5,543.70 m^2
Zoning	Commercial
Structure	SRC 10F
Builder	Shimizu Corporation

Comfort Hotel Kushiro

Location	13 Chome, Kita Odori, Kushiro City, Hokkaido
Access	2-minute walk from Kushiro Station on the JR Nemuro Main Line
Land Area	895.05 m^2
Total Floor Area	3,180.58 m^2
Zoning	Commercial
Structure	RC 9F
Builder	Taisei Corporation

Comfort Hotel Suzuka

Location	Shiroko Ekimae, Suzuka City, Mie
Access	3-minute walk from Shirako Station on the Kintesu Nagoya Line
Land Area	553.26 m^2
Total Floor Area	2,186.65 m^2
Zoning	Commercial
Structure	Steel 6F
Builder	Takenaka Corporation

(Note) The name of the builder is that of when the building was built.

3. Buyer Overview

Name	Ichigo Hotel REIT Investment Corporation (3463)
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative	Osamu Miyashita, Executive Director
Asset Manager	Ichigo Real Estate Investment Advisors Co., Ltd.

4. Seller Overview

Company Name	GK Nishinihon Holdings TK
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
TK Operator	Nishinihon Holdings GK
Representative	Managing Member: Ippan Shadan Hojin VSL Manager: Hiroshi Sasaki
Business	Acquisition, holding, sale, lease, and management of trust beneficiary interest and real estate, and other ancillary services
Paid-In Capital	JPY 100,000
Establishment Date	October 23, 2015
Relationship to Parent Company	The TK does not have any capital, personnel, or business relationship of note to Ichigo.

Company Name	GK Shinsaibashi Jisho TK
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
TK Operator	Shinsaibashi Jisho GK
Representative	Managing Member: Ippan Shadan Hojin IES2 Manager: Takehisa Tei
Business	Acquisition, holding, and sale of trust beneficiary interest; Acquisition, development, holding, sale lease, and management of real estate; Acquisition, holding, and sale of shares related to the aforementioned; Other ancillary services
Paid-In Capital	JPY 100,000
Establishment Date	March 26, 2010
Relationship to Parent Company	The TK does not have any capital, personnel, or business relationship of note to Ichigo.

5. Sale Prices

Nishinihon Holdings TK	
Nest Hotel Osaka Shinsaibashi	JPY 7.60 billion
Shinsaibashi Jisho TK	
Comfort Hotel Central International Airport	JPY 5.30 billion
Smile Hotel Tokyo Asagaya	JPY 3.91 billion
Nest Hotel Naha	JPY 3.75 billion
Smile Hotel Asakusa	JPY 1.92 billion
Nest Hotel Matsuyama	JPY 1.61 billion
Hotel Livemax Nihombashi Hakozaki	JPY 1.36 billion
Comfort Hotel Okayama	JPY 1.20 billion
Comfort Hotel Kushiro	JPY 0.30 billion
Comfort Hotel Suzuka	JPY 0.30 billion
Sub-Total	JPY 19.65 billion
Total (10 assets)	JPY 27.25 billion

6. Schedule

Contract Date	July 22, 2016
Expected Settlement Date	August 17, 2016

7. Earnings Outlook

From today's asset sales, Ichigo expects to record FY17/2 consolidated revenues of JPY 28.1 billion, consolidated gross profits of JPY 6.6 billion, and net income of JPY 4.6 billion, amounts which have already been reflected in Ichigo's FY17/2 full-year consolidated forecast announced on April 19, 2016. Going forward, Ichigo will also receive asset management fees on these assets as the asset manager of Ichigo Hotel REIT.

8. Other

For further details, please refer to today's release from Ichigo Hotel REIT, "Acquisition of Ten Hotel Assets."