[Provisional Translation Only]
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Acquisition of Grandpark-Inn Yokohama

Ichigo Investment Advisors Co., Ltd. ("IIA"), the asset management company of Ichigo Hotel REIT, decided today to acquire Grandpark-Inn Yokohama.

I. Acquisition Summary

Hotel Name	Grandpark-Inn Yokohama
Hotel No.[1]	B-1 020
Hotel Type	Stay-Only
Date Built	December 1993
Form of Ownership	Trust beneficiary interest in real estate (*juekiken*)
Appraisal Value[2]	1,560,000,000 yen
Acquisition Price[3]	1,490,000,000 yen
Seller	Domestic operating company (Please see "Seller Profile" in Section IV.)
Contract Date	February 10, 2017
Closing Date	March 27, 2017
Financing Method	Cash-on-hand and borrowings[4]
Settlement Method	Lump-sum payment

[1] The initial letter "B" is Ichigo Hotel REIT's regional code for where the hotel is located, in this case the Kanto area that surrounds Tokyo.
[2] Appraisal value is as of January 1, 2017.
[3] Acquisition price excludes incidental expenses such as property, city planning, and consumption taxes.
[4] Financing details will be announced when determined.

II. Acquisition Rationale

Ichigo Hotel REIT is committed to maximizing shareholder value by executing on its growth plan and fully leveraging the value-add capabilities of its sponsor Ichigo. Taking advantage of Ichigo Investment Advisor's sourcing network, Ichigo Hotel REIT is acquiring the Grandpark-Inn Yokohama hotel, financing the acquisition with cash-on-hand and borrowings.

Grandpark-Inn Yokohama is a designer capsule hotel that is a 6-minute walk from Yokohama Station, one of the busiest stations in the Tokyo Metropolitan Area, serving over 2 million train and subway passengers a day. Yokohama Station provides easy access to both central Tokyo and tourist spots in Yokohama including the Red Brick Warehouse shopping district, Yokohama Chinatown, and Minatomirai harbor area. Located in a busy commercial district full of large retail facilities and office buildings, Grandpark-Inn Yokohama can capture both business and leisure demand.

The hotel began operation in December 2016 after being fully renovated with a "Library and Spa" theme that evokes the brick architecture and cruise ships that Yokohama is famous for. The hotel offers compelling value with rates that are lower than neighboring hotels while offering rooms that are outfitted with TVs and high-quality bedding and guest facilities that include a large communal bath, a sauna, a relaxation room, a library, and a restaurant. To broaden the range of guests beyond Japanese capsule hotels' traditionally male clientele, the hotel also has a female guest-only area with special amenities.

In recent years, prime-location, high-convenience capsule hotels have been increasing in popularity. The growing number of inbound tourists and their increasingly diversified needs requires that hotels cater to these changing tastes. Ichigo Hotel REIT will continue to acquire hotels that appeal to guests and build a differentiated portfolio with high occupancy, profitability, and earnings stability.

III. Hotel Details

Location and Features

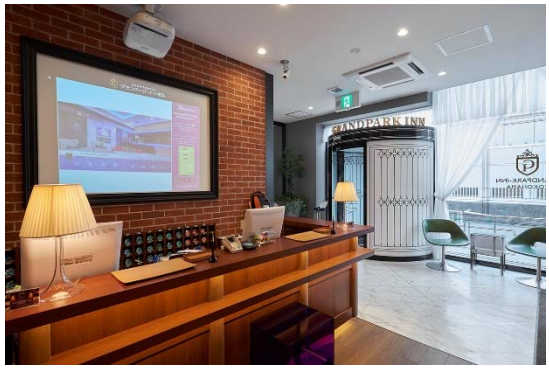
Located a 6-minute walk away from Yokohama Station, this building was renovated from a retail facility into a designer capsule hotel in December 2016.

Yokohama Station is surrounded by major commercial and shopping areas, and the hotel's convenient location should cater to both business and leisure demand, as well as servicing walk-in customers.

Equipped with a large communal bath, a sauna, and a restaurant, the hotel offers a clean, sophisticated, and comfortable experience that should appeal to a wide variety of guests.

Photos and Location Map









Hotel Overview						
Legal Form of Asset		Trust beneficiary interest in real estate (*juekiken*)				
Trustee		Mitsubishi UFJ Trust and Banking Corporation (Expected)				
Period of Trust Contract		March 27, 2017 – March 31, 2027 (Expected)				
Location		2-1-5 Kitasaiwai, Nishi-ku, Yokohama City, Kanagawa				
Land	Property Right	Freehold				
	Area	516.22m^2				
	Zoning	Commercial				
	Coverage Ratio Floor Area Ratio	80% 600%				
Building	Property Right	Freehold				
	Use	Hotel				
	Structure	Steel, 3 Floors				
	Total Floor Area	1,183.26m^2				
	Construction Date	December 9, 1993				
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.				
Appraisal Value		1,560,000,000 yen				
Appraisal Date		January 1, 2017				
Value by Direct Capitalization Method		1,620,000,000 yen				
Number of Guest Rooms		182				
Architect		Koyama Architectural Design Office				
Builder		Obayashi Corporation				
Inspection Agency		Yokohama City				
PML (Assessor)		7.25% (Sompo Risk Management & Health Care Inc.)				
Collateral		None (Expected)				
Lease Overview (as of January 31, 2017)						
Tenant Overview						
	Number of Tenants	1				
	Monthly Rental Income	Hotel operator did not provide consent to disclose.[1] Rental payments begin from April 1, 2017.				
	Deposit	Hotel operator did not provide consent to disclose.				
	Leasable Area	1,183.26m^2				
	Leased Area	1,183.26m^2				
	Occupancy	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016
		—	—	—	—	100%
Property Management Company		To be determined				
Master Lease Company		Ichigo Hotel REIT Investment Corporation (Expected)				
Master Lease Type		Pass-through (Expected)				
NOI yield		5.0%				
NOI yield (post-depreciation)		4.7%				

Special Items
None

[1] Grandpark-Inn Yokohama is a fixed rent hotel.

Notes:

1. Names of the architect, builder, and inspection agency are those as of when the building was built.
2. NOI yield = forecast NOI (net operating income) divided by the acquisition price, where NOI is taken from the real estate appraisal report and is derived using the Direct Capitalization Method (DCM).
3. NOI Yield (post-depreciation) = NOI plus depreciation divided by the acquisition price. Depreciation is an estimated value calculated by IIA using the straight-line method.
4. Building Structure refers to the structure mentioned in the real estate register. The following abbreviations are used with regards to structure: RC stands for reinforced concrete; and SRC for steel-reinforced concrete.

Appraisal Overview		
Hotel Name	Grandpark-Inn Yokohama	
Appraisal Value	1,560,000,000 yen	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	January 1, 2017	
	Amount	**Note**
Appraisal Value	1,560,000,000 yen	Valuation determined via both a direct capitalization valuation and DCF valuation
Value by Direct Capitalization Method	1,620,000,000 yen	
Income	82,080,000 yen	
Maximum Obtainable Rental Income	82,080,000 yen	
Vacancy Loss	–	
Expenses	7,691,877 yen	
Administrative and Maintenance Expenses	–	Borne by tenants
Utility Expenses	–	Borne by tenants
Repair Expenses	994,500 yen	Based on the average of the past 12 years of engineering reports
PM Fee	1,200,000 yen	Based on the level of similar assets and set at 100,000 yen per month
Leasing Brokerage Fees	–	
Taxes	4,930,977 yen	Based on FY2016 actual amounts (including depreciable property tax)
Insurance Premiums	156,000 yen	Based on insurance estimates, etc.
Other Expenses	410,400 yen	0.5% of Income calculated as variable expense
Net Operating Income (NOI)	74,388,123 yen	
Income on Investment of Deposits Received	547,200 yen	Based on 1.0% investment yield
Capital Expenditure	636,833 yen	Based on average renewal expense of the past 12 years in engineering reports
Net Profit	74,298,490 yen	
Cap Rate	4.6%	Based on transactions of similar assets and comprehensive assessment of the asset's location, its individual characteristics, property right, as well as recent decline of hotel cap rates
Value via DCF Method	1,540,000,000 yen	
Discount Rate	4.4%	Based on transactions of similar assets and the yields of financial assets with the asset's individual characteristics taken into account
Terminal Cap Rate	4.9%	Based upon risk-adjusted NOI

Value via Cost Approach		1,630,000,000 yen	
	Land	92.0%	
	Building	8.0%	Sum of building and FF&E prices divided by sum of building, FF&E, and land prices
Notes			
None			

IV. Seller Profile

The Seller, a domestic operating company, did not provide consent to disclose its name. The Seller does not have any capital, personnel, or business relationship of note with Ichigo Hotel REIT or its asset management company. In addition, the Seller is not a related party of Ichigo Hotel REIT or its asset management company as defined in the Act on Investment Trusts and Investment Corporations.

V. Broker Profile

N/A

VI. Forward Commitment[1]

Because the settlement date is March 27, 2017, one month and seventeen days from today, this acquisition (the "Acquisition Agreement") constitutes a forward commitment by Ichigo Hotel REIT as stipulated in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators" by the Financial Services Agency.

In the event that either Ichigo Hotel REIT or the seller violates a provision of this Acquisition Agreement and such violation cannot be resolved, the other party shall have the right to terminate the Acquisition Agreement and claim indemnity equivalent to 20% of the acquisition price.

[1] A forward commitment refers to a forward-dated agreement in which settlement and delivery occurs more than one month beyond contract date.

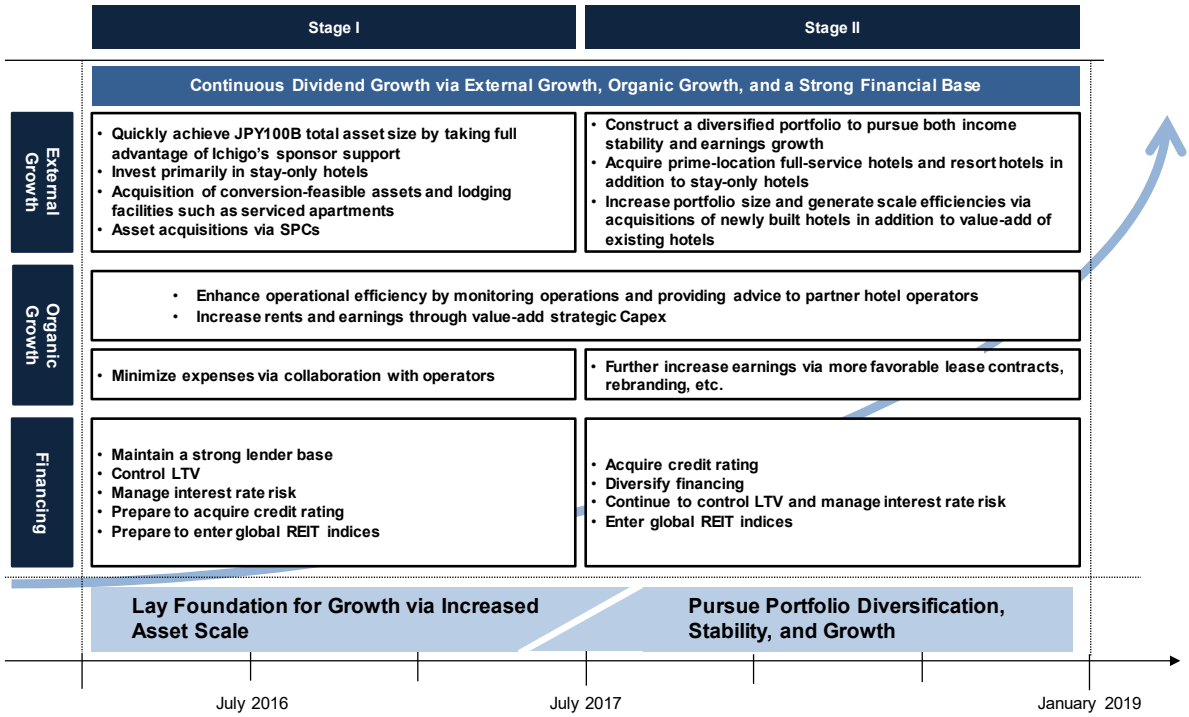
VII. Acquisition Schedule

Contract Date	February 10, 2017
Acquisition and Settlement Date	March 27, 2017 (Expected)

VIII. Earnings Outlook

Although this acquisition is expected to increase both ongoing earnings and contribute to a higher dividend, the impact on the current July 2017 Fiscal Period is minimal.

Appendix A: Ichigo Hotel REIT Growth Strategy Roadmap



Note: Ichigo Hotel REIT seeks to be strategic and cost-effective in its capex (capital expenditures), and its capex generally expected to be less than or equal to depreciation in each period.

Appendix B: Engineering Report Summary

Inspector Name	Shimizu Corporation
Inspection Date	January 2017
Short-Term Repair Expense[1]	–
Long-Term Repair Expense[2]	19,576,000 yen
Current Replacement Cost	312,000,000 yen

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

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

Appendix C: Post-Acquisition Portfolio

Hotel No.[1]	Name	Prefecture	Rent Terms	Acquisition Price[2] (million yen)	% of Portfolio[3]
A-1 004	Nest Hotel Sapporo Ekimae	Hokkaido	Variable	2,160	4.4
A-2 008	Nest Hotel Sapporo Odori	Hokkaido	Variable	1,450	3.0
A-3 018	Comfort Hotel Kushiro	Hokkaido	Fixed	300	0.6
B-1 020	Grandpark-Inn Yokohama	Kanagawa	Fixed	1,490	2.9
C-1 012	Smile Hotel Tokyo Asagaya	Tokyo	Variable	3,910	8.0
C-2 014	Smile Hotel Asakusa	Tokyo	Variable	1,920	3.9
C-3 016	Hotel Livemax Nihombashi-Hakozaki	Tokyo	Fixed	1,360	2.8
D-1 006	Comfort Hotel Hamamatsu	Shizuoka	Fixed	1,550	3.2
D-2 003	Hotel Wing International Nagoya	Aichi	Variable	2,670	5.4
D-3 011	Comfort Hotel Central International Airport	Aichi	Fixed	5,308	10.8
D-4 019	Comfort Hotel Suzuka	Mie	Fixed	300	0.6
E-1 001	Smile Hotel Kyoto Shijo	Kyoto	Variable	4,480	9.1
E-2 002	Hotel Vista Premio Kyoto	Kyoto	Variable	3,600	7.3
E-3 005	Chisun Inn Osaka Hommachi	Osaka	Variable	1,630	3.3
E-4 007	Hotel Suave Kobe Asuta	Hyogo	Fixed[4]	1,490	3.0
E-5 010	Nest Hotel Osaka Shinsaibashi	Osaka	Variable	7,600	15.5
F-1 017	Comfort Hotel Okayama	Okayama	Fixed	1,200	2.4
F-2 015	Nest Hotel Matsuyama	Ehime	Variable	1,610	3.3
G-1 009	Valie Hotel Tenjin	Fukuoka	Variable	1,380	2.8
G-2 013	Nest Hotel Naha	Okinawa	Variable	3,750	7.6
Total 20 Hotels				49,158	100.0

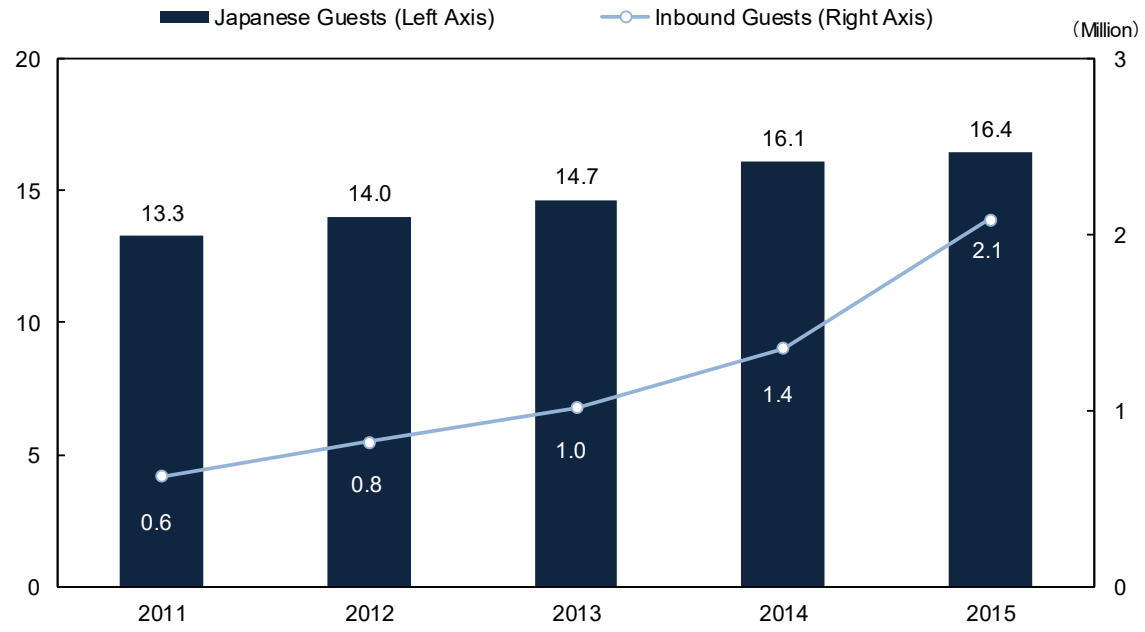
[1] The initial letter (A, B, etc.) is a regional code which identifies the area in which the hotel is located.

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, Ooita, Miyazaki, Kagoshima, Okinawa

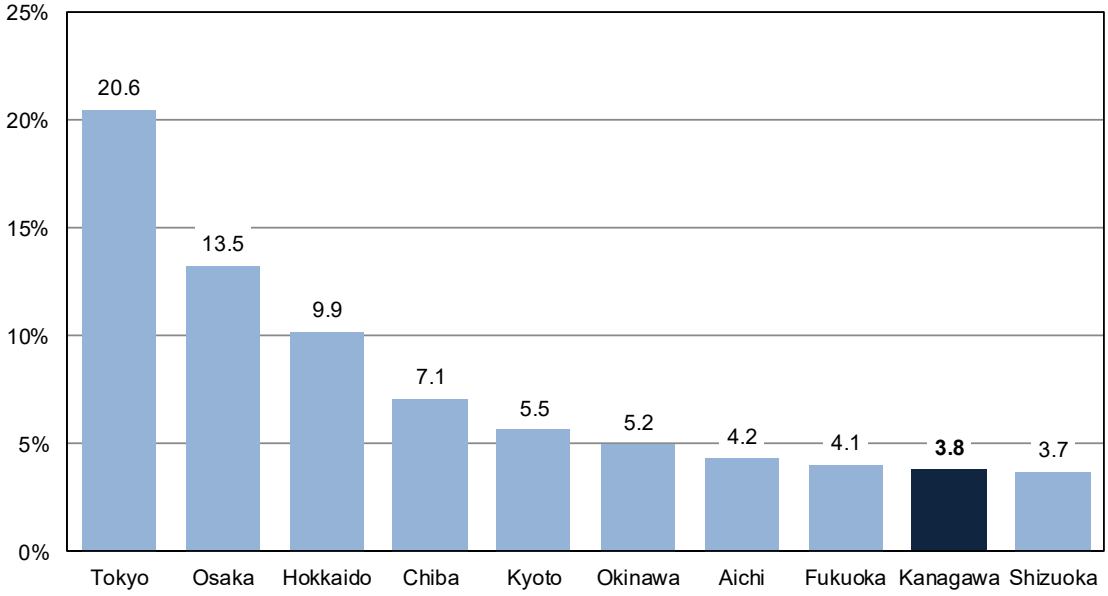
[2] Acquisition Price is the price as indicated in the purchase and sales agreement for the hotel (excluding fees and incidental expenses such as property, city planning, and consumption taxes).

[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.
[4] While Hotel Suave Kobe Asuta's lease contract includes a variable rent clause, it has never been triggered. Because Ichigo Hotel REIT does not anticipate receiving variable rent at this hotel, it has been classified as a fixed rent hotel.

Appendix D: Number of Guests Staying in Kanagawa



Appendix E: Inbound Tourist Share by Prefecture



Notes:

1. Data prepared by IIA based on Japan Tourism Agency's "Statistical Survey of Travelers."
2. The inbound tourist share in the above graph shows the percentage of inbound tourists staying at hotels in each prefecture divided by the total number of inbound tourists staying in Japan. Hotels include budget hotels.