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Change in Hotel Operator

Ichigo Investment Advisors ("IIA"), the asset management company of Ichigo Hotel, decided today to appoint a new hotel operator for the Comfort Hotel Okayama.

1. Change Overview

As part of the hotel operator change, the Comfort Hotel Okayama will be rebranded as The OneFive Okayama (provisional name).

	New Operator	Former Operator
Operator	Hakata Hotels Inc.	Greens Co., Ltd.
Lease Contract	Variable rent	Fixed rent
Rent	Minimum guaranteed rent: JPY 133,461,448 p.a.[1] Variable rent: quarterly GOP (Gross Operating Profit) less the quarterly minimum guaranteed rent, a fixed percentage of quarterly revenue, and a fixed percentage of quarterly GOP	Fixed rent: JPY 91,800,000 p.a. Variable rent: None
Tenant Leasehold and Security Deposits	Tenant leasehold: None Security Deposit: None	Tenant leasehold: JPY 30,600,000 Security Deposit: None

[1] The minimum guaranteed rent period is February 2021 to January 2022.

2. Reason for Change

IIA is changing the hotel operator due to the upcoming expiration of the current fixed-term lease contract with Greens Co., Ltd. The new hotel operator will be Hakata Hotels Inc., a consolidated subsidiary of Ichigo, IIA's parent company. Hakata Hotels currently operates five hotels in the Hakata area and also the HOTEL EMIT SHIBUYA, which Ichigo Hotel acquired in February 2020.

Hakata Hotels was chosen from among several candidate operators based on its competitive price offering. Under the new contract, The OneFive Okayama's fixed rent (minimum guaranteed rent) will increase significantly, while the introduction of a variable rent component will increase the upside potential for revenue growth. As the new hotel operator, Hakata Hotels will deploy PROPERA, an AI-based revenue management system developed by Ichigo, to maximize earnings and increase guest satisfaction.

3. New Hotel Operator Profile

Name	Hakata Hotels Inc.
Address	3-13-1 Haruyoshi, Chuo-ku, Fukuoka
Representative	Minoru Ishihara, Representative Director & Chairman Takanobu Kitazaki, Representative Director & President
Capital	JPY 10 million
Date of Incorporation	March 11, 2019
Principal Business	1. Development, operation, lease, and management of retail buildings, hotels and restaurants 2. Lease and management of real estate 3. Design and construction of buildings and interior designs 4. Consulting services related to retail buildings, retail facilities, and restaurants
Relationship with Ichigo Hotel or its Asset Management Company	・The hotel operator is an operator of the HOTEL EMIT SHIBUYA, which is owned by Ichigo Hotel. ・The hotel operator is a related party as defined in the Enforcement Ordinance of the Investment Trust and Investment Corporation Law, and is a related party as defined in IIA's internal rules, given that the hotel operator is a consolidated subsidiary of Ichigo, IIA's 100% shareholder.

4. Date of Change

September 13, 2020 (expected)

5. Related-Party Transaction

Hakata Hotels is a consolidated subsidiary of Ichigo, IIA's parent company. Because Hakata Hotels is a related party as defined in the Ordinance of the Investment Trust and Investment Corporation Law and IIA's internal rules, Ichigo Hotel obtained prior approval for a lease contract as a related-party transaction from IIA's Board of Directors.

6. Earnings Outlook

The operator change is forecast to increase Ichigo Hotel's base NOI by JPY 71 million p.a.

Because the operator change will not occur until September 13, 2020, the change will not impact the July 2020 fiscal period earnings forecast presented in Ichigo Hotel's January 30, 2020 release "Earnings Forecast Revisions for the January 2020 and July 2020 Fiscal Periods."