

[Provisional Translation Only]

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Issuer

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Asset Management Company

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Hotel Acquisition (Comfort Hotel Nagano)

Ichigo Hotel decided today to acquire the Comfort Hotel Nagano in Nagano Prefecture.

1. Acquisition Summary

Hotel Name	Comfort Hotel Nagano
Hotel Number ¹	B-2 027
Hotel Type	Lodging-focused
Date Built	August 1992
Form of Ownership	Trust beneficiary interest in real estate (<i>juekiken</i>)
Appraisal Value ²	JPY 700,000,000
Acquisition Price ³	JPY 670,000,000
Seller ⁴	MIRAI Corporation
Contract Date	May 25, 2022
Closing Date	May 31, 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 May 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 portfolio and drive shareholder value. As part of this strategy, Ichigo Hotel decided to acquire the Comfort Hotel Nagano, a lodging-focused hotel in Nagano City, an area with stable business and leisure demand.

The Comfort Hotel Nagano is a three-minute walk from Nagano Station on the JR Hokuriku Shinkansen, which originally connected Tokyo and Nagano, and was extended to Kanazawa in 2015. The area surrounding Nagano Station, Nagano Prefecture's largest rail hub, is an area with stable business demand as the home to government buildings such as the Nagano Prefectural Government Building and offices of large companies. Known as a temple town of Zenkoji Temple, Nagano City also has stable leisure demand, offering convenient access to popular tourist spots such as Kawanakajima Battleground and the Matsumoto and Ueda areas as well as sporting events within Nagano Prefecture.

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 further earnings growth and geographic diversification. Today's acquisition is forecast to drive earnings upside at contract renewals and increase Ichigo Hotel's annual NOI by JPY 43 million.

3. Description and Location of the Comfort Hotel Nagano

The Comfort Hotel Nagano is a lodging-focused hotel located within a three-minute walk from Nagano Station on the JR Hokuriku Shinkansen and Shinetsu Main Line.

The area near Nagano Station is home to government buildings and offices and offers convenient access to tourist spots such as Zenkoji Temple and sporting events, thus attracting both business and leisure demand.

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		June 30, 2017 – May 31, 2032 (Expected)				
Location		1-12-4 Minami Chitose, Nagano City, Nagano				
Land	Property Right	Freehold				
	Area	396.28m ²				
	Zoning	Commercial				
	Coverage Ratio Floor Area Ratio	80% 500%				
Building	Property Right	Freehold				
	Use	Hotel				
	Structure ¹	Steel 8F				
	Total Floor Area	1,921.45m ²				
	Date Built	August 14, 1992				
Appraiser		Tanizawa Sogo Appraisal Co., Ltd.				
Appraisal Value		JPY 700,000,000				
Appraisal Date		May 1, 2022				
Value by Direct Capitalization Method		JPY 728,000,000				
Number of Guest Rooms		76				
Architect ²		Archi Plan				
Builder ²		Moriya Shokai Co., Ltd.				
Structural Designer ²		Sekita Kozo Sekkei				
Inspection Agency ²		Nagano City				
PML (Assessor)		0.6% (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 14,093,273. No guarantee deposit.				
Leasable Area		1,921.45m ²				
Leased Area		1,921.45m ²				
Occupancy		December 2021	January 2022	February 2022	March 2022	April 2022
		100%	100%	100%	100%	100%

Property Management Company	Marimo Co., Ltd.
Master Lease Company	–
Master Lease Type	–
Appraisal NOI Yield ⁴	6.5%
Post-Depreciation NOI Yield ⁵	4.9%
Special Items	
<p>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.</p> <ol style="list-style-type: none"> 1. A ventilator fuse blockage in the eighth-floor elevator machine room is limiting ventilation. 2. The smoke exhaust window of the first-floor restaurant is ruptured. 3. A January 2022 fire equipment inspection report indicates the emergency broadcasting system has faulty emergency power supply, amp unit, and wiring. 	

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	Comfort Hotel Nagano	
Appraisal Value	JPY 700,000,000	
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.	
Appraisal Date	May 1, 2022	
	Amount	Note
Appraisal Value	JPY 700,000,000	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 728,000,000	
Income	JPY 49,884,456	Income based on income and expenditure forecast and reference to similar assets
Maximum Obtainable Rental Income	JPY 49,884,456	
Vacancy Loss	–	
Expenses	JPY 6,303,999	
Administrative & Maintenance Expenses	–	Borne by tenant
Utility Expenses	–	Borne by tenant
Repair Expenses	JPY 2,585,000	Based on engineering reports and reference to similar assets
PM Fee	JPY 960,000	Based on estimates
Leasing Brokerage Fees	–	
Taxes	JPY 2,533,300	Based on FY2021 actual amounts (including depreciable asset tax)
Insurance Premiums	JPY 125,930	Based on insurance estimates
Other Expenses	JPY 99,769	Based on reference to similar assets
Net Operating Income (NOI)	JPY 43,580,457	
Income on Investment of Deposits Received	–	
Capital Expenditure	JPY 5,640,000	Based on engineering reports and reference to similar assets
FF&E Reserve	JPY 2,280,000	Based on an analysis of repair expenses and capital expenditure
Net Profit	JPY 35,660,457	
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 688,000,000	
	Discount Rate	5.0%	Based on yields of similar assets and financial assets, while taking into account the asset's location and specific characteristics
	Terminal Cap Rate	5.1%	Cap rate adjusted for uncertainties
	Value via Cost Approach	JPY 625,000,000	
	Ratio of Land	68.4%	
	Ratio of Building	31.6%	Building value divided by the sum of building and land values
Notes			
None			

4. Seller Profile

Name	MIRAI Corporation		
Address	3-2-1 Nishi Kanda, Chiyoda-ku, Tokyo		
Representative	Executive Director Michio Suganuma		
Capital	JPY 73,516 million (as of October 31, 2021)		
Establishment Date	December 4, 2015		
Net Assets	JPY 75,308 million (as of October 31, 2021)		
Total Assets	JPY 161,226 million (as of October 31, 2021)		
Major Shareholder and Shareholding Ratio (as of October 31, 2021)	The Master Trust Bank of Japan, Ltd. (Trust Account)	13.4%	
	Custody Bank of Japan, Ltd. (Trust Account)	10.6%	
	The Nomura Trust and Banking Co., Ltd. (Trust Account)	4.4%	
	Custody Bank of Japan, Ltd. (Security Investment Trust Account)	3.8%	
	SMBC Nikko Securities Inc.	2.3%	
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 Comfort Hotel Nagano 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	May 25, 2022
Contract Date	May 25, 2022
Acquisition and Settlement Date	May 31, 2022 (Expected)

8. Earnings Impact

The impact of the acquisition of the Comfort Hotel Nagano on Ichigo Hotel's July 2022 and January 2023 earnings forecasts announced on March 17, 2022 is minimal, and therefore, the forecasts are unchanged. Should an earnings forecast revision become necessary, Ichigo Hotel will promptly disclose the details.

Appendix A: Engineering Report Summary

Inspector Name	Tokio Marine dR Co., Ltd.
Inspection Date	April 2022
Short-Term Repair Expenses ¹	–
Long-Term Repair Expenses ²	JPY 106,572,000
Current Replacement Cost	JPY 469,160,000

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	4.1
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	Capsule Plus Yokohama	Kanagawa	Variable Rent	1,490	2.8
B-2 027	Comfort Hotel Nagano	Nagano	Fixed Rent	670	1.3
C-1 012	Smile Hotel Tokyo Asagaya	Tokyo	Variable Rent	3,910	7.4
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	7.0
D-1 006	Comfort Hotel Hamamatsu	Shizuoka	Fixed Rent	1,550	2.9
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	10.1
D-4 019	Comfort Hotel Suzuka	Mie	Fixed Rent	300	0.6
E-1 001	Smile Hotel Kyoto Shijo	Kyoto	Variable Rent	4,480	8.5
E-3 005	The OneFive Osaka Sakaisuji	Osaka	Variable Rent	1,630	3.1
E-4 007	Hotel Wing International Kobe Shin Nagata Ekimae	Hyogo	Variable Rent	1,490	2.8
E-5 010	Nest Hotel Osaka Shinsaibashi	Osaka	Variable Rent	7,600	14.5
F-1 017	The OneFive Okayama	Okayama	Variable 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	3.4
F-4 022	The OneFive Garden 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	The OneFive Fukuoka Tenjin	Fukuoka	Variable Rent	1,380	2.6
G-3 023	Nest Hotel Kumamoto	Kumamoto	Variable Rent	2,220	4.2
Total 24 Hotels				52,583	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.