

[Provisional Translation Only]

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Ichigo Inc. (Tokyo Stock Exchange Prime, 2337)
Representative: Scott Callon, Chairman
Inquiries: Takanori Sakamatsu, Senior Statutory Executive Officer
Telephone: +81-3-3502-4818 www.ichigo.gr.jp/en

Sale of Five Hotel Assets to Ichigo Hotel

Ichigo decided today to sell five hotel assets, owned by its wholly-owned consolidated subsidiary, Ichigo Estate Co., Ltd. (“Ichigo Estate”), and its wholly-owned consolidated SPC, GK Shinsaibashi Jisho Tokumei Kumiai, to Ichigo Hotel (3463) in order to support its growth as its sponsor.

Following this transaction, GK Shinsaibashi Jisho Tokumei Kumiai will be deconsolidated as an Ichigo subsidiary.

1. Background and Sale Rationale

Ichigo decided today to sell five hotel assets to Ichigo Hotel in order to support its external growth strategy as its sponsor. Two of the five hotels being sold are Ichigo’s original THE KNOT brand boutique hotels, which carry the concept of fusing the hotels with the characteristics and histories of local communities. HOTEL THE KNOT YOKOHAMA was rebranded and reopened in August 2018 via an investment of JPY 1.3 billion, and THE KNOT SAPPORO was newly developed and opened in August 2020. Today’s sale will generate c. JPY 1.9 billion of profits against Ichigo’s total investments in the five hotels.

Ichigo has set a clear policy to further strengthen its asset management business as a means to achieving one of its Ichigo 2030 vision goals of increasing its stock earnings ratio. In line with this policy, Ichigo will enhance its support to Ichigo Hotel, Ichigo Office, and Ichigo Green (collectively, the “Investment Corporations”) that are managed by its wholly-owned subsidiary, Ichigo Investment Advisors Co., Ltd.

Of the assets that Ichigo acquires, for those that qualify to be owned by the Investment Corporations, Ichigo will work to expedite the provision of such assets after ensuring they can deliver stable earnings and by leveraging bridge funds. The Investment Corporations will leverage Ichigo’s value-add capabilities to drive organic growth that contributes towards long-term dividend growth.

As the growth of its Investment Corporations is an important factor in increasing value for Ichigo shareholders, the sale of these assets to Ichigo Hotel will contribute towards driving growth of both its AUM (assets under management) and its dividends. As the sponsor of the only J-REITs implementing a no fixed fee, performance-fee only structure that fully aligns with value creation for shareholders, Ichigo believes today’s sales will contribute to increased shareholder value for both Ichigo and Ichigo Hotel shareholders.

2. Details of Hotel Assets Being Sold

Ichigo Shinsaibashi Building (Comfort Hotel Osaka Shinsaibashi)

Location	1-15-15 Higashi Shinsaibashi, Chuo-ku, Osaka
Land Area / Total Floor Area	1,276.87m ² / 6,114.29m ²
Form of Ownership	Freehold
Hotel Operator	Greens Co., Ltd.

HOTEL THE KNOT YOKOHAMA

Location	2-16-28 Minami-Saiwai, Nishi-ku, Yokohama, Kanagawa
Land Area / Total Floor Area	854.06m ² / 5,794.75m ²
Form of Ownership	Freehold
Hotel Operator	K.K. Hospitality Operations

Quintessa Hotel Ise Shima

Location	1210-1, Ugata, Agocho, Ise City, Mie
Land Area / Total Floor Area	4,341.37m ² / 11,523.25m ²
Form of Ownership	Freehold
Hotel Operator	Core Global Management Co., Ltd.

Quintessa Hotel Ogaki

Location	1-13 Miyamachi, Ogaki City, Gifu
Land Area / Total Floor Area	2,284.18m ² / 7,883.29m ² (Parking Lot 84.51m ²)
Form of Ownership	Freehold
Hotel Operator	Core Global Management Co., Ltd

THE KNOT SAPPORO

Location	3-16-2, Minami Sanjo Nishi 3, Chuo-ku, Sapporo, Hokkaido
Land Area / Total Floor Area	609.26m ² / 5,153.60m ²
Form of Ownership	Land: Freehold / Leasehold, Building: Freehold
Hotel Operator	Hakata Hotels Inc. ¹

¹ Hakata Hotels Inc., a subsidiary of Ichigo, will change its name to OneFive Hotels Inc. starting on May 31, 2023.

3. Buyer Overview

Name	Ichigo Hotel REIT Investment Corporation
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative	Executive Director, Eriko Ishii
Asset Management Company	Ichigo Investment Advisors Co., Ltd. (wholly-owned subsidiary of Ichigo)

4. Deconsolidated Subsidiary Details

Following the sale of assets, GK Shinsaibashi Jisho Tokumei Kumiai will be deconsolidated as an Ichigo subsidiary. (Ichigo's TK investment: JPY 2.7 billion)

Name	GK Shinsaibashi Jisho Tokumei Kumiai		
Address (Operator)	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo		
Operator	GK Shinsaibashi Jisho		
Representative	Managing Member: Ippan Shadan Hojin IES2 Representative of Managing Member: Takehisa Tei		
Business (Operator)	<ol style="list-style-type: none"> 1. Investment in trust beneficiary interests (juekiken) 2. Acquisition, development, ownership, disposition, leasing, and management of real estate 3. Acquisition and disposition of shares and equity interests of businesses relating to the aforementioned businesses 4. Other businesses relating to the aforementioned businesses 		
Paid-In Capital (Operator)	JPY 100,000		
Establishment Date (Operator)	March 26, 2010		
Relationship with Ichigo	The operator does not have any material capital, personnel, or transactional relationship with Ichigo. The SPC receives asset management advice from Ichigo's wholly-owned subsidiary and is therefore treated as an Ichigo subsidiary.		
Past Three Year Financials & Results	FY20/3 (JPY million)	FY21/3 (JPY million)	FY22/3 (JPY million)
Net Assets	2,799	2,795	2,794
Total Assets	3,034	3,001	3,005
Revenue	266	215	221
Operating Profit	70	44	42
Recurring Profit	70	44	43
Net Income	70	44	43

5. Seller Details

Seller of Ichigo Shinsaibashi Building

Name	GK Shinsaibashi Jisho
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative	Managing Member: Ippan Shadan Hojin IES2 Representative of Managing Member: Takehisa Tei
Business	1. Investment in trust beneficiary interests (juekiken) 2. Acquisition, development, ownership, disposition, leasing, and management of real estate 3. Acquisition and disposition of shares and equity interests of businesses relating to the aforementioned businesses 4. Other businesses relating to the aforementioned businesses
Paid-In Capital	JPY 100,000
Establishment Date	March 26, 2010

Seller of HOTEL THE KNOT YOKOHAMA, Quintessa Hotel Ise Shima, Quintessa Hotel Ogaki, and THE KNOT SAPPORO

Name	Ichigo Estate Co., Ltd.
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative	President & Representative Director, Yasuhide Hosono
Business	Preserving and improving existing real estate via value-add
Paid-In Capital	JPY 500 million (as of February 28, 2022)
Establishment Date	November 10, 2005

6. Sale Prices

Comfort Hotel Osaka Shinsaibashi	JPY 3,700 million
HOTEL THE KNOT YOKOHAMA	JPY 4,800 million
Quintessa Hotel Ise Shima	JPY 610 million
Quintessa Hotel Ogaki	JPY 1,070 million
THE KNOT SAPPORO	JPY 4,900 million

7. Transaction Schedule

Contract Date	March 16, 2023
Settlement Date	April 3, 2023 (expected)

Note: The settlement date may be delayed if there is a delay in the pricing date of the new share issuance and secondary share offering announced in today's Ichigo Hotel release, "Issuance of New Shares and Secondary Share Offering".

8. Earnings Impact

The impact of today's sale will be reflected in Ichigo's FY24/2 consolidated earnings forecast to be announced on April 19, 2023. Today's sale will contribute to the growth of Ichigo Hotel's earnings and Ichigo Investment Advisor's fee income, and will drive Ichigo's long-term stock earnings.