

[Provisional Translation Only]

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REIT Issuer

Ichigo Hotel REIT Investment Corporation (“Ichigo Hotel,” 3463)

1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo

Representative: Osamu Miyashita, Executive Director

www.ichigo-hotel.co.jp/english

Asset Management Company

Ichigo Investment Advisors Co., Ltd.

Representative: Wataru Orii, President

Inquiries: Hiroto Tajitsu, Head of Administration

Tel: +81-3-3502-4892

Hotel Sale (Smile Hotel Asakusa)

Ichigo Investment Advisors (“IIA”), the asset management company of Ichigo Hotel, decided today to sell Smile Hotel Asakusa.

The sale price of Smile Hotel Asakusa is 1.4X book value and 1.3X appraisal value, generating gains on sale of c. JPY 690 million in the January 2019 fiscal period.

1. Sale Summary

| | |
|------------------------------|---|
| Hotel Name | Smile Hotel Asakusa |
| Hotel No. | C-2 014 |
| Hotel Type | Stay-Only |
| Date Built | September 22, 1992 |
| Form of Ownership | Trust beneficiary interest in real estate (<i>juekiken</i>) |
| Acquisition Date | August 17, 2016 |
| Appraisal Value ¹ | JPY 2,130 million |
| Sale Price ² | JPY 2,700 million |
| Book Value ³ | JPY 1,912 million |
| Gains on Sale ⁴ | c. JPY 690 million |
| Contract Date | April 20, 2018 |
| Transaction Date | August 1, 2018 |
| Closing Date | August 1, 2018 |
| Transaction Method | Sale of trust beneficiary interest in real estate |

¹ Appraisal Value is as calculated by Daiwa Real Estate Appraisal Co., Ltd. as of January 31, 2018, and is compliant with the appraisal guidelines of IIA as well as the rules of The Investment Trusts Association, Japan.

² Sale Price excludes incidental expenses such as fees and property, city planning, and consumption taxes.

³ Book Value is an estimate based on the most recent book value (January 2018 fiscal period-end), adjusted for expected capital expenditures and depreciation through the Transaction Date.

⁴ Gains on Sale is an estimate calculated as the Sale Price less Book Value and forecast sale expenses, and is subject to change.

2. Sale Rationale

Ichigo Hotel is committed to growing value for its shareholders, and consistent with this commitment was Japan's second J-REIT to conduct a share buyback in October 2017.

Since acquiring Smile Hotel Asakusa, Ichigo Hotel has worked in partnership with the hotel operator to increase the hotel's value. Having received an offer from a buyer that values the hotel at 1.4X book value and 1.3X appraisal value, Ichigo Hotel has decided that it is in the best interest of shareholders to sell the hotel and deploy the gains on sale towards future growth investments that will further grow shareholder value.

In negotiation with the buyer, the closing date has been set on August 1, 2018, which is 3.5 months from the contract date. The buyer has completed due diligence and will pay 10% of the sale price on the contract date, so there is minimal settlement risk. The August 1 closing date will provide time for Ichigo Hotel to transfer operational know-how to the buyer to ensure a smooth ownership transition and review potential growth investments to grow shareholder value using the sale proceeds.

As a result of today's sale, Ichigo Hotel's January 2019 fiscal period net income is forecast to increase by c. JPY 564 million (+70.0%).

3. Hotel Overview

| Hotel Overview | | | | | |
|------------------------------------|------------------------------------|--|----------|----------|----------|
| Hotel Name | | Smile Hotel Asakusa | | | |
| Form of Ownership | | Trust beneficiary interest in real estate (<i>juekiken</i>) | | | |
| Address | | 6-35-8 Asakusa, Taito-ku, Tokyo | | | |
| Land | Property Right | Freehold | | | |
| | Area | 361.38m ² | | | |
| | Zoning | Retail | | | |
| | Coverage Ratio Floor Area Ratio | 80% 500% | | | |
| Building | Property Right | Freehold | | | |
| | Use | Hotel, retail | | | |
| | Structure | SRC ² 10 Floors | | | |
| | Total Floor Area | 1,793.43m ² | | | |
| Date Built | | September 22, 1992 | | | |
| Number of Tenants | | 1 (as of January 31, 2018) | | | |
| Monthly Rental Income ¹ | | Minimum guaranteed rent: JPY 31,316,680 p.a. Variable rent: Monthly GOP – (Minimum guaranteed rent + percentage of monthly revenue + percentage of monthly GOP) | | | |
| Deposit | | No lease deposit, no guarantee deposit | | | |
| Leasable Area | | 1,793.43m ² | | | |
| Leased Area | | 1,793.43m ² | | | |
| Occupancy | | Oct 2017 | Nov 2017 | Dec 2017 | Jan 2018 |
| | | 100% | 100% | 100% | 100% |
| Acquisition Price | | JPY 1,920 million | | | |
| Appraisal | Appraiser | Daiwa Real Estate Appraisal Co., Ltd. | | | |
| | Date | January 31, 2018 | | | |
| | Value | JPY 2,130 million | | | |

¹ Minimum guaranteed rent is the annual minimum guaranteed rent covering the 12-month period from February 2017 to January 2018.

² SRC = Steel-Reinforced Concrete

| Appraisal Details | | |
|---|---------------------------------------|---|
| Hotel Name | Smile Hotel Asakusa | |
| Appraisal Value | JPY 2,130 million | |
| Appraiser | Daiwa Real Estate Appraisal Co., Ltd. | |
| Appraisal Date | January 31, 2018 | |
| | Amount (JPY) | Notes |
| Appraisal Value | 2,130,000,000 | Based on a DCF valuation, and verified using a direct capitalization valuation |
| Value by Direct Capitalization Method | 2,160,000,000 | |
| Income | 107,772,000 | |
| Maximum Obtainable Rental Income | 107,772,000 | |
| Vacancy Loss | — | |
| Expenses | 8,242,767 | |
| Administrative and Maintenance Expenses | — | Borne by tenant |
| Utility Expenses | — | Borne by tenant |
| Repair Expenses | 1,137,417 | Based on the average of past 12 years of engineering reports |
| PM Fees | 1,200,000 | Based on the contractual amount |
| Leasing Brokerage Fees | — | |
| Taxes | 4,714,600 | Based on FY2017 actual amounts (including depreciable asset tax) |
| Insurance Premiums | 113,030 | Based on the actual amounts |
| Other Expenses | 1,077,720 | 1.0% of rental income (accounted for as a variable expense) |
| Net Operating Income (NOI) | 99,529,233 | |
| Income on Investment of Deposits Received | — | None, pursuant to contractual terms |
| Capital Expenditures | 11,061,735 | Based on average renewal expense of the past 12 years in engineering reports |
| Net Profit | 88,467,498 | |
| Cap Rate | 4.1% | Based on transactions of similar assets and a comprehensive assessment of the asset's location, its individual characteristics, and market trends |
| Value via DCF Method | 2,120,000,000 | |
| Discount Rate | 3.9% | Based on transactions of similar assets and the yields of financial assets with the asset's individual characteristics taken into account |
| Terminal Cap Rate | 4.3% | Based on risk-adjusted NOI |

| | Amount (JPY) | Notes |
|-------------------------|--------------|--|
| Value via Cost Approach | 557,000,000 | |
| Land | 66.5% | |
| Building | 33.5% | Sum of building and Furniture, Fixtures, & Equipment (FF&E) values divided by sum of building, FF&E, and land values |
| Notes | | |
| None | | |

4. Buyer Profile

| | |
|---------------------------------------|--|
| Name | The buyer, a Japanese SPC, did not provide consent to disclose its name. |
| Relationship with Ichigo Hotel or IIA | The buyer does not have any capital, personnel, or business relationship of note with Ichigo Hotel or IIA. In addition, the buyer is not an interested party as defined in the Enforcement Ordinance of the Investment Trust and Investment Corporation Law or the internal rules of the Asset Management Company. |

5. Broker Profile

| | |
|---------------------------------------|--|
| Name | Tokyu Livable, Inc. |
| Address | 1-9-5 Dogenzaka, Shibuya-ku, Tokyo |
| Representative | Shinji Sakaki, President |
| Principal Businesses | Brokerage, sale, and consigned sale of real estate |
| Capital | JPY 1,396,300,000 |
| Establishment Date | March 10, 1972 |
| Relationship with Ichigo Hotel or IIA | The broker does not have any capital, personnel, or business relationship of note with Ichigo Hotel or IIA. In addition, the broker is not an interested party as defined in the Enforcement Ordinance of the Investment Trust and Investment Corporation Law or the internal rules of the Asset Management Company. |
| Brokerage Fee | The broker did not provide consent to disclose the fee. |

6. Forward Commitment

Because the Transaction Date is August 1, 2018, the sale of Smile Hotel Asakusa (the “Sale”) constitutes a “forward commitment”¹ by Ichigo Hotel as stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators” by the Financial Services Agency.

In the event of a violation of the provisions of the Sale by Ichigo Hotel or the buyer, the other party shall have the right to terminate the Sale and claim an amount equivalent to 20% of the purchase price as penalty.

Because Ichigo Hotel is the seller, it is highly unlikely that Ichigo Hotel will not be able to fulfill its obligations under the Sale.

¹ Refers to a post-dated purchase and sales agreement under which payment and property delivery shall be made at least 1 month after the conclusion of the agreement, or any other agreement similar thereto.

7. Settlement Method

JPY 270 million payment (10% of the sale price) on contract date with the remainder fully paid on closing date

8. Use of Sale Proceeds

Ichigo Hotel will retain the sale proceeds as cash-on-hand for future use, including asset acquisitions and value-add capex.

9. Earnings Outlook

The sale is forecast to generate gains on sale of c. JPY 690 million in the January 2019 fiscal period. Ichigo Hotel will distribute 100% of this January 2019 net income as a dividend to its shareholders, including all of the profits on this sale, and will continue to work to maximize shareholder value.

Because the closing date is August 1, 2018, the sale does not impact the July 2018 fiscal period earnings forecast. The impact of the sale on the January 2019 fiscal period is detailed in today’s announcement “Earnings Forecast Revision for the January 2019 Fiscal Period.”

Post-Sale Portfolio

| Hotel No. ¹ | Hotel Name | Prefecture | Lease Terms | Acquisition Price ² (JPY million) | % 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 | 3.0 |
| C-1 012 | Smile Hotel Tokyo Asagaya | Tokyo | Variable | 3,910 | 8.0 |
| 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 |
| F-3 021 | Urbain Hiroshima Executive | Hiroshima | Fixed | 1,800 | 3.7 |
| 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 | | | | 49,038 | 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, 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.

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