

[Provisional Translation Only]

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Issuer

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**Proposed Amendments to Articles of Incorporation and Election of Directors
(First J-REIT to Implement No Fixed Fee, Performance Fee-Only Structure)**

Ichigo Hotel’s Board of Directors has decided to submit the following proposals to amend its Articles of Incorporation (AOI) and elect Directors at its October 27, 2018 Shareholder Meeting. The amended AOI and the election of Directors will become effective upon shareholder approval at the Shareholder Meeting.

1. Purpose of the Proposed Amendments

- a. Drive increased shareholder value by becoming the first J-REIT with a no fixed fee, performance-fee only asset management structure (effective date February 1, 2019, the beginning of Ichigo Hotel’s July 2019 fiscal period).
(Article 41 and Attachments).

Specifically, Ichigo Hotel proposes to:

- (1) Eliminate the “Asset Management Fee I” linked to Ichigo Hotel’s total assets under management (AUM)
- (2) Eliminate the “Asset Acquisition Fee” linked to Ichigo Hotel acquiring an asset
- (3) Eliminate the “Asset Sale Fee” linked to Ichigo Hotel selling an asset
- (4) In tandem with the above fee eliminations, increase the “Asset Management Fee II,” which is directly linked to shareholder value creation, from 0.002% to 0.0036%, and rename it the “NOI & Dividend Performance Fee” to clarify its meaning. Clarifying language has also been added to account for treasury shares or any stock splits or consolidations.
- (5) Introduce a “Gains on Sale Performance Fee” of 15% which is directly linked to shareholder value creation. (The fee has a high-water mark, such that it will only be paid if the cumulative sum of all of Ichigo Hotel’s Gains/Losses on Sales to-date are positive.)

The proposed new fee structure results in 15.4% lower fees on an actual to-date and forecast basis (i.e., the calculated cumulative sum of actual asset management fees since Ichigo Hotel’s listing, plus forecast asset management fees for the January and July 2019 fiscal periods).

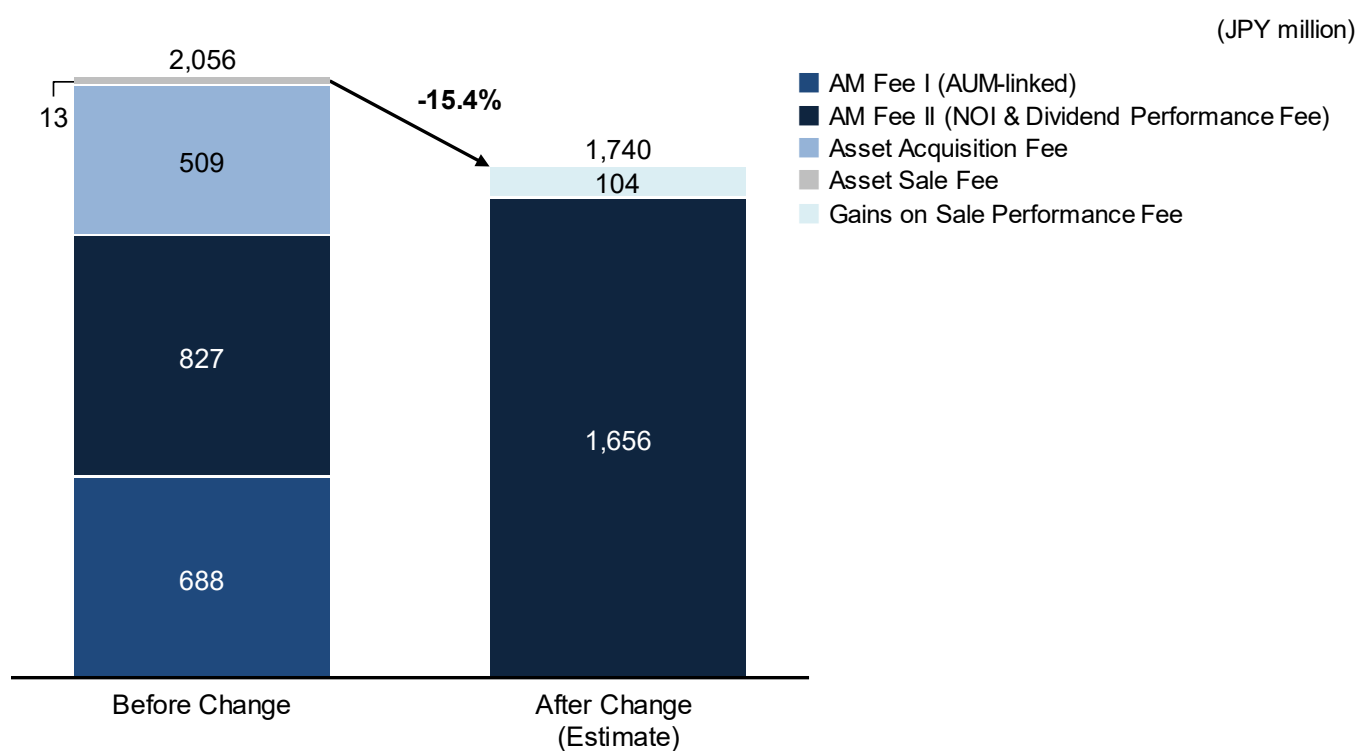
- b. Clarify and modify language (Article 9, Item 2, Article 30, Item 1)

Proposed Amendments to Asset Management Fee Structure

AM Fee Structure				Before Change (Until January 31, 2019)	After Change (From February 1, 2019)
Asset Size-Based	AM Fee I	Total Asset Value	X	0.4%	—
	Asset Acquisition Fee	Acquisition Price	X	1%	—
	Asset Sale Fee	Sale Price	X	0.5%	—
Earnings-Based	AM Fee II (NOI & Dividend Performance Fee)	NOI x Dividend	X	0.002%	0.0036%
	Gains on Sale Performance Fee	Gains on Sale	X	—	15%
					Eliminated
					Increased
					New

AM Fee Structure Comparison

Actual AM Fees (Jan 2016 – Jul 2018) + Forecast AM Fees (Jan 2019 – Jul 2019)



Proposed Amendments to Articles of Incorporation (AOI)

(Amended areas underlined)

Current	After Amendment
<p>Article 9 Shareholder Meeting Convocation</p> <p>1. (omitted)</p> <p>2. A Shareholder Meeting is to be called without delay on October 1, 2018 or thereafter, and thereafter bi-annually without delay on October 1 or thereafter.</p> <p>3. – 4. (omitted)</p> <p>Article 30 Investment Policy</p> <p>1. The Investment Corporation primarily invests in real estate (as defined by Article 31, Paragraph 2 of The Hotel Business Law, Act No. 138 of 1948, the same shall apply hereinafter) used as, and in real estate securities representing the ownership (as defined by Article 31, Paragraph 3, the same shall apply hereinafter) of lodging facilities and their incidental facilities and equipment (including swimming pools, meeting rooms, banquet halls, retail stores, and other leisure facilities) for running a lodging business, as defined by The Hotel Business Law (Act No. 138 of 1948, including amendments thereafter). In addition, the Investment Corporation also invests in real estate used as and in real estate securities representing the ownership of rental apartments or lodging facilities that are furnished and equipped with amenities for creating a comfortable living environment, and rental apartments or lodging facilities and their incidental facilities and equipment that provide reception and other services to lessees and guests.</p> <p>2. – 7. (no change)</p>	<p>Article 9 Shareholder Meeting Convocation</p> <p>1. (no change)</p> <p>2. (Note: A minor Japanese language change was made which is immaterial to the English translation.)</p> <p>3. – 4. (no change)</p> <p>Article 30 Investment Policy</p> <p>1. (Note: A minor change was made in the Japanese language that is immaterial to the English translation.)</p> <p>2. – 7. (no change)</p> <p><u>Article 41 AOI Amendment Effective Date</u> <u>The effective date of these AOI amendments is February 1, 2019.</u></p>

Current	After Amendment
<p>Attachments</p> <p>Asset Management Fee Structure</p> <p>The Investment Corporation shall pay the designated fees to the financial instruments dealer in which it entrusts the management of assets (the “Asset Management Company”), in accordance with the payment calculation method and timing specified below.</p> <p>The Investment Corporation shall pay the designated fees, corresponding consumption tax, and local consumption tax to the Asset Management Company. In cases where the calculated figure generates a fraction smaller than JPY 1, the fraction shall be rounded off.</p> <p><u>1. Asset Management Fee I</u></p> <p><u>Asset Management Fee I is incurred for management of assets during the period from the day following the end of the previous fiscal period until three months after the end of the relevant fiscal period (“Calculation Period I”) and for the period starting from the day following the end of Calculation Period I until the next fiscal period (“Calculation Period II”), and is calculated as follows: Multiplying the total assets of the Investment Corporation, the calculation of which is described below, by up to 0.4% annually, as agreed upon with the Asset Management Company, and then pro-rating this amount by the actual number of operating days in Calculation Period I or Calculation Period II divided by 365.* (Fractions smaller than JPY 1 shall be rounded off.)</u></p> <p><u>The Asset Management Fee I incurred during Calculation Period I shall be paid within three months from the last day of Calculation Period I, and the Asset Management Fee I incurred during Calculation Period II shall be paid within three months from the last day of Calculation Period II.</u></p> <p><u>*In cases when the first day of the relevant fiscal period falls upon a leap year, the denominator shall be 366.</u></p>	<p>Attachments</p> <p>Asset Management Fee Structure</p> <p>The Investment Corporation shall pay the designated <u>asset management</u> fees to the financial instruments dealer in which it entrusts the management of assets (the “Asset Management Company”), in accordance with the payment calculation method and timing specified below.</p> <p>The Investment Corporation shall pay the designated <u>asset management</u> fees, corresponding consumption tax, and local consumption tax to the Asset Management Company. In cases where the calculation generates <u>a negative figure, it shall be treated as a zero; when it generates</u> a fraction smaller than JPY 1, the fraction shall be rounded off.</p> <p>(deleted)</p>

Current	After Amendment
<p><u>The total assets of the Investment Corporation during Calculation Period I are the total assets figure recorded in the balance sheet of the fiscal period immediately prior to Calculation Period I (as approved at a board of directors meeting per the Investment Trust and Investment Corporation Act).</u></p> <p><u>The total assets of the Investment Corporation during Calculation Period II are the total assets recorded in the balance sheet of the fiscal period immediately prior to Calculation Period II, adding the acquisition price¹ of real estate-related assets acquired by the Investment Corporation during Calculation Period I, and deducting the book value² in the fiscal period immediately prior to Calculation Period I of real estate-related assets sold during Calculation Period I.</u></p> <p><u>¹The acquisition price recorded in the contract minus expenses related to the acquisition, consumption tax, and local consumption tax</u></p> <p><u>²The acquisition price in cases where the real estate-related asset is not recorded in the balance sheet during the relevant fiscal period</u></p>	

Current	After Amendment
<p data-bbox="196 241 560 275"><u>2. Asset Management Fee II</u></p> <p data-bbox="196 344 799 864">Asset Management Fee II is calculated by: 1) dividing the Investment Corporation's distributable earnings (before the deduction of <u>Asset Management Fee II</u>)³ in the relevant fiscal period by total shares outstanding in the same period to generate the Dividend per Share (DPS); 2) multiplying the DPS in (1) by Net Operating Income (NOI), calculated as total rental income minus total rent-related expenses (excluding depreciation and losses on disposal of fixed assets) of the relevant fiscal period; <u>and 3) multiplying the amount in (2) by up to 0.002%, as agreed upon with the Asset Management Company. (Fractions smaller than JPY 1 shall be rounded off.)</u></p> <p data-bbox="196 934 783 1137"><u>Asset Management Fee II = DPS (before the deduction of the Asset Management Fee II) * NOI * an amount up to 0.002%, as agreed upon with the Asset Management Company. (Fractions smaller than JPY 1 shall be rounded off.)</u></p> <p data-bbox="196 1173 799 1451">³ Distributable earnings (before the deduction of <u>Asset Management Fee II</u>) is pre-tax net income (before the deduction of <u>Asset Management Fee II</u> and applicable consumption taxes) calculated in compliance with generally accepted accounting standards, and with the addition of losses carried forward, if any.</p> <p data-bbox="196 1901 799 2002">Payment shall be made within three months of the end of the Investment Corporation's relevant fiscal period.</p>	<p data-bbox="823 241 1329 309"><u>1. NOI & Dividend Performance Fee (renamed Asset Management Fee II)</u></p> <p data-bbox="823 344 1426 831">The <u>NOI & Dividend Performance Fee</u> is calculated by: 1) dividing the Investment Corporation's distributable earnings³ (before the deduction of the <u>NOI & Dividend Performance Fee</u>) in the relevant fiscal period by total shares outstanding in the same period to generate the Dividend per Share (DPS); 2) multiplying the DPS in (1) by Net Operating Income (NOI), calculated as total rental income minus total rent-related expenses (excluding depreciation and losses on disposal of fixed assets) of the relevant fiscal period; and 3) multiplying the amount in (2) by <u>0.0036%</u>.</p> <p data-bbox="823 934 1426 1034"><u>NOI & Dividend Performance Fee = DPS (before the deduction of the NOI & Dividend Performance Fee) * NOI * 0.0036%</u></p> <p data-bbox="823 1173 1426 1451">³ Distributable earnings (before the deduction of the <u>NOI & Dividend Performance Fee</u>) is pre-tax net income (before the deduction of the <u>NOI & Dividend Performance Fee</u> and applicable consumption taxes) calculated in compliance with generally accepted accounting standards, and with the addition of losses carried forward, if any.</p> <p data-bbox="823 1487 1426 1834"><u>When the Investment Corporation holds treasury shares during the relevant fiscal period, the total number of shares outstanding shall be reduced by the number of treasury shares held; in the event that a stock split or a reverse stock split has been implemented, the total number of shares outstanding in subsequent periods shall be adjusted by the ratio of the stock split or of the reverse stock split.</u></p> <p data-bbox="823 1901 1426 2002">Payment shall be made within three months of the end of the Investment Corporation's relevant fiscal period.</p>

Current	After Amendment
<p><u>3. Asset Acquisition Fee</u> <u>When the Investment Corporation acquires a real estate-related asset, an Asset Acquisition Fee shall be calculated by multiplying the acquisition price by 1%, except in cases where the asset is acquired through a merger.</u></p> <p><u>The Asset Acquisition Fee payment date shall be within one month from the end of the month in which the asset was acquired (i.e., from when the transfer of property rights becomes effective).</u></p>	(deleted)
<p><u>4. Asset Sale Fee</u> <u>When the Investment Corporation sells a real estate-related asset, an Asset Sale Fee shall be calculated by multiplying the sale price by 0.5%.</u></p> <p><u>The Asset Sale Fee payment date shall be within one month from the end of the month in which the asset was sold (i.e., from when the transfer of property rights becomes effective).</u></p>	(deleted)
	<p><u>2. Gains on Sale Performance Fee</u> <u>When the Investment Corporation sells a real estate-related asset during the relevant fiscal period and Gains on Sale are generated, a Gains on Sale Performance Fee shall be calculated by multiplying the Gains on Sale (before the deduction of the Gains on Sale Performance Fee) by 15%.</u></p> <p><u>Gains on Sale Performance Fee = Gains on Sale of a real estate-related asset (before the deduction of the Gains on Sale Performance Fee) * 15%</u></p> <p><u>However, in cases where the Investment Corporation's cumulative sum of all Gains on Sale of real estate-related assets minus the sum of all losses on such sales through the relevant fiscal period is negative, the Gains on Sale Performance fee shall be zero.</u></p> <p><u>The Gains on Sale Performance Fee payment date shall be within three months of the relevant fiscal period.</u></p>

2. Election of Directors

Due to the expiration of the Directors' current terms of office as of this Shareholder Meeting, Ichigo Hotel's Board of Directors is proposing the re-election of Executive Director Osamu Miyashita and Supervisory Directors Masaru Iida and Satoko Suzuki.

To ensure the minimum number of Directors as required by law, Ichigo Hotel's Board of Directors is also proposing the election of a new Alternative Executive Director and a new Alternative Supervisory Director.

Career Summaries of Candidates

Title	Name (Birth Date)	Career Summary, Positions, Responsibilities, and Important Concurrent Positions	
Executive Director (Candidate)	Osamu Miyashita (June 13, 1949)	April 1974	Joined Imperial Hotel, Ltd.
		October 1991	Seconded to Imperial Hotel Enterprises (Tsudanuma Crest Hotel)
		December 1996	Tenant Affairs Manager, Imperial Hotel, Ltd.
		June 2000	Head of Real Estate Division, Imperial Hotel, Ltd.
		June 2005	Director, Head of Real Estate Division, Imperial Hotel, Ltd.
		April 2011	President and Representative Director, Imperial Hotel Hire K.K.
		June 2014	Representative, Miyashita Associates LLC (current)
		July 2014	Advisor, Endo Research Institute, Ltd. (current)
		July 2015	Executive Director, Ichigo Hotel (current)

Title	Name (Birth Date)	Career Summary, Positions, Responsibilities, and Important Concurrent Positions	
Supervisory Director (Candidate)	Masaru Iida (February 15, 1967)	<p>April 1989</p> <p>May 1993</p> <p>April 2001</p> <p>April 2006</p> <p>December 2009</p> <p>January 2010</p> <p>June 2011</p> <p>July 2011</p> <p>May 2013</p> <p>March 2015</p> <p>July 2015</p> <p>August 2015</p> <p>June 2016</p>	<p>Joined The Sumitomo Bank, Limited (Now Sumitomo Mitsui Banking Corporation)</p> <p>LL.M. degree, University of Pennsylvania Law School</p> <p>Vice President Planning Dept. Treasury Unit, Sumitomo Mitsui Banking Corporation</p> <p>J.D., Hitotsubashi University School of Law</p> <p>Qualified as Attorney at Law</p> <p>Joined Masuda & Partners Law Office</p> <p>External Corporate Auditor, DeNA Co., Ltd. (current)</p> <p>Founded Iida Business Law Office (current)</p> <p>External Director, Stats Investment Management Co., Ltd. (current)</p> <p>External Corporate Auditor, Archaea Energy Co., Ltd. (current)</p> <p>Supervisory Director, Ichigo Hotel (current)</p> <p>Corporate Auditor, Nishi-Tokyo Recycle Center Co., Ltd. (current)</p> <p>External Corporate Auditor, Medicare Life Insurance Co., Ltd. (current)</p>
Supervisory Director (Candidate)	Satoko Suzuki (November 22, 1973)	<p>October 1996</p> <p>September 2000</p> <p>August 2005</p> <p>July 2006</p> <p>September 2010</p> <p>September 2012</p> <p>July 2015</p>	<p>Joined Tohmatsu & Co. (Now Deloitte Touche Tohmatsu LLC)</p> <p>Director, Yurakusha Y.K.</p> <p>Representative, Suzuki Satoko CPA Office (current)</p> <p>Auditor, PlaNet Finance Japan, NPO (Now Positive Planet Japan) (current)</p> <p>Auditor, Machizukuri Information Center Kanagawa, NPO (current)</p> <p>Director, NPO Accounting & Tax Professional Network, NPO (current)</p> <p>Supervisory Director, Ichigo Hotel (current)</p>

Title	Name (Birth Date)	Career Summary, Positions, Responsibilities, and Important Concurrent Positions	
Alternative Executive Director (Candidate)	Hiromi Yamaguchi (March 6, 1954)	<p>April 1977</p> <p>April 1984</p> <p>April 1987</p> <p>September 1989</p> <p>May 1994</p> <p>April 1996</p> <p>January 2000</p> <p>July 2007</p> <p>October 2008</p> <p>July 2013</p>	<p>Tokyu Hotels International Corporation (Now Pan Pacific Hotels and Resorts)</p> <p>Head of Operations & Development Division, Tokyu Hotels International Corporation</p> <p>Seconded to Pan Pacific Properties Ltd. as Controller, Administration & Finance</p> <p>Vice President & Financial Controller, Alpha U.S.A. Inc.</p> <p>Assistant Controller, Westin Hotel Tokyo</p> <p>Director of Finance, Pan Pacific Yokohama</p> <p>Assistant General Manager, Finance, People Innovation/Education, and Facilities Development & Maintenance, Pan Pacific Yokohama</p> <p>Director, Archon Hospitality K.K. (Now Abilitas Hospitality Co., Ltd.)</p> <p>Chief Operating Officer, Archon Hospitality K.K.</p> <p>Representative Director, Hospitality Directions Co., Ltd. (current)</p>
Alternative Supervisory Director (Candidate)	Eriko Ishii (January 3, 1981)	<p>October 2004</p> <p>December 2007</p> <p>August 2010</p> <p>October 2010</p> <p>February 2011</p> <p>April 2016</p> <p>July 2016</p> <p>June 2018</p>	<p>Qualified as Attorney at Law Mori Hamada & Matsumoto LPC</p> <p>Seconded to Planning and Coordination Bureau, Corporate Accounting and Disclosure Division, Financial Services Agency</p> <p>LL.M. degree, Columbia Law School</p> <p>Seconded to Legal Department, Itochu Europe PLC (London)</p> <p>Admitted as lawyer in New York</p> <p>Visiting Lecturer, Keio University Law School (current)</p> <p>Partner, Shin Saiwai Law Office (current)</p> <p>Independent Director, Sophia Holdings Co., Ltd. (current)</p>

Note: The Director candidates are not related parties of Ichigo Hotel or its asset management company, and they hold no Ichigo Hotel shares.

3. Schedule

September 13, 2018	Board of Directors Resolution
October 5, 2018	Distribution of Shareholder Meeting Materials (expected)
October 27, 2018	Shareholder Meeting (expected)