

[Provisional Translation Only]

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Ichigo Inc. (Tokyo Stock Exchange First Section, 2337)
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Hotel Operator Market Entry (Hakata Hotels)

Ichigo decided today to enter the hotel operator market by acquiring, via its wholly-owned subsidiary Hakata Hotels, the operating rights to multiple hotels in Kyushu and nearby Yamaguchi Prefecture in western Honshu. Acquired from a third-party Japanese hotel operator, the operating rights include that of Ichigo-owned design hotel Hotel Il Palazzo, the first building outside of the U.S. ever to win an American Institute of Architects Honor Award.

1. Market Entry Rationale

In becoming a hotel operator, Ichigo will leverage its extensive experience and know-how as a hotel owner and asset manager in driving growth and increasing hotel value.

Kyushu and Yamaguchi are seeing an increase in inbound demand from Asia, particularly South Korea. Tourism in the region is forecast to grow at a faster pace than the rest of Japan, with Fukuoka as a main point of entry. Ichigo also owns other hotels in the area, enabling it to deliver increased operational efficiencies through economies of scale.

Hakata Hotels will start operations on June 1 at three hotels with 192 guest rooms. The hotels also feature restaurants, wedding chapels, and banquet halls. It will add four hotels by August, making Hakata Hotels one of the largest hotel operators in the Kyushu and Yamaguchi region with 700 guest rooms.

2. Hakata Hotels Overview

Hakata Hotels will work to serve communities in Kyushu and Yamaguchi by providing a high level of service tailored to each guest.

Hakata Hotels' flagship is the Hotel Il Palazzo in central Fukuoka's Tenjin Nakasu commercial district along the Naka River. Built in 1989 by renowned architect Aldo Rossi, it was Japan's first design hotel and the first building outside the U.S. ever to win an American Institute of Architects Honor Award in 1991. More recently, Hotel Il Palazzo won the Rakuten Wedding Award for the best hotel for weddings in 2018 and the Rakuten Travel Award for the best hotel breakfast in 2017. (In addition to offering guest rooms, the hotel has a wedding venue limited to one couple per day.)

Hakata Hotels will operate a wide range of hotels, from full-service to casual, while developing its own brand in delivering a high level of professionalism that benefits from Ichigo's rich experience beyond the hotel industry.

As its most important priority, Hakata Hotels is focused on providing guests the highest level of *omotenashi*, Japan's tradition of hospitality and service. Hakata Hotels believes

that working with its employees to fully embody the spirit of *omotenashi* in all guest services will differentiate and strengthen the competitiveness of its hotels. Hakata Hotels expects to have 180 employees as of August 2019, and its training program will balance study of best practices with hands-on experience. Hakata Hotels will also work to increase its employee productivity via deploying IT in marketing, revenue management, and front desk operations, automating administrative tasks so that Hakata Hotels employees can focus on *omotenashi* for guests.

Hakata Hotels plans to carry out large-scale hotel renovations in cooperation with Ichigo. It will also deploy Propera, Ichigo's AI-based hotel revenue management system, which was completed last fall and is currently in test deployment. Hotel Il Palazzo will serve as a showcase for Propera's benefits in driving higher hotel profitability and support future sales of Propera to non-Ichigo hotel operators.

Hakata Hotels Overview

Name	Hakata Hotels Inc.
Address	3-13-1 Haruyoshi, Chuo-ku, Fukuoka
Representative	Minoru Ishihara, Representative Director & Chairman Takanobu Kitazaki, Representative Director & President
Main Business	<ul style="list-style-type: none"> • Development, operation, lease, and management of retail buildings, hotels and restaurants • Lease and management of real estate • Design and construction of buildings and interior designs • Consulting services related to retail buildings, retail facilities, and restaurants • Other businesses relating to the above businesses
Paid-In Capital	JPY 10 million
Establishment Date	March 2019
Main Shareholder & Shareholding in Company	Centro Co. Ltd. (100% Ichigo subsidiary) 100% shareholding
Relationship to Ichigo	The company does not have any additional capital, personnel, or transactional relationships with Ichigo requiring disclosure under Tokyo Stock Exchange rules.

Hakata Hotels Logo

The logo of Hakata Hotels features *hakata-ori* woven silk textiles that are a local Fukuoka craft, including the *koukou shima* weaving pattern in which a thick vertical line is surrounded by thin vertical lines. The thin lines represent children, and the thick lines parents, expressing the sense of care shown within families. The multiple colors reflect Ichigo's values of respect for diversity.

The values represented in the logo are also resonant with Ichigo's philosophy of *Ichigo Ichie*, literally meaning "One lifetime, one encounter." The phrase was first used by a 16th century master of the tea ceremony, Sen no Rikyu. He called upon his disciples to give total focus and sincerity to each act of the tea ceremony for every guest, because that particular moment will only exist once and must be fully lived and realized.



Synergies with Ichigo Subsidiary Centro

In support of Ichigo's growth, Ichigo wholly-owned subsidiary Centro is developing new businesses that embed new content into traditional real estate, including indoor self-storage equipped with the industry's leading security and air conditioning management systems and new-format laundromats. Centro will use its design experience and know-how to create innovative interior spaces at hotels operated by Hakata Hotels, along with developing other businesses in the vicinity of those hotels.

3. Transaction Date

Contract Date	May 21, 2019
Settlement Date	June 1, 2019

4. Earnings Outlook

Although the hotel operator market entry will have limited impact on Ichigo's FY20/2 consolidated earnings, Ichigo believes it will contribute to driving Ichigo's earnings growth.