Ichigo Preserves and Improves Real Estate

[Provisional Translation Only]

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Earnings and Dividend Forecast Revisions for the January 2017 Fiscal Period and Earnings and Dividend Forecast for the July 2017 Fiscal Period

Ichigo Hotel REIT has revised up its January 2017 earnings and dividend forecast announced in the March 16, 2016 release "Earnings and Dividend Forecast Revisions for the July 2016 and January 2017 Fiscal Periods." Ichigo Hotel REIT is also announcing its earnings and dividend forecast for the July 2017 fiscal period.

1. January 2017 Earnings and Dividend Forecast Revision

	Operating Revenue (million yen)	Operating Profit (million yen)	Recurring Profit (million yen)	Net Income (million yen)	Dividend per Share (yen)
Previous Announced Forecast (A)	755	444	361	360	2,606
Current Amended Forecast (B)	1,547	933	759	758	2,917
Difference (B-A)	+792	+489	+398	+398	+311
% Change	+104.9%	+110.1%	+110.2%	+110.5%	+11.9%
Reference: January 2016 Actual	197	102	66	65	471

Forecast number of shares outstanding at the end of the fiscal period: 260,100 shares, which is the sum of 138,500 shares issued and outstanding as of today, plus 115,800 shares to be issued via public offering and a maximum of 5,800 shares through an underwriter new share allotment (should the over-allotment option be exercised). For details, please refer to today's release "Issuance of New Shares and Secondary Share Offering."

The forecasts presented above are based on certain preconditions set forth in "Preconditions for the January 2017 Earnings Forecast" below. The actual operating revenue, operating profit, recurring profit,

net income, and dividend per share may vary due to changes in circumstances such as asset acquisitions and dispositions, tenant turnover, unexpected maintenance and repair costs and other expenses, changes in interest rates, the issuance of new shares, and the offering price. These forecasts should not be construed as a guarantee of such performance or results. Ichigo Hotel REIT will make a forecast revision should there be a substantial discrepancy between the forecast and actual operating results.

2. January 2017 Earnings and Dividend Forecast Revision Rationale

Ichigo Hotel REIT is raising its earnings and dividend forecast due to issuance of new shares and acquisition of ten assets as announced in today's releases "Issuance of New Shares and Secondary Share Offering" and "Acquisition of Ten Hotel Assets," and changes in the preconditions for January 2017 earnings forecast announced on March 16, 2016.

With today's asset acquisitions, Ichigo Hotel REIT is newly announcing its earnings and dividend forecast for the July 2017 fiscal period.

3. July 2017 Earnings and Dividend Forecast Revision

	Operating Revenue (million yen)	Operating Profit (million yen)	Recurring Profit (million yen)	Net Income (million yen)	Dividend per Share (yen)
July 2017 Forecast	1,566	855	679	678	2,609

Forecast number of shares outstanding at the end of the fiscal period: 260,100 shares, which is the sum of 138,500 shares issued and outstanding as of today, plus 115,800 shares to be issued via public offering and a maximum of 5,800 shares through an underwriter new share allotment (should the over-allotment option be exercised). For details, please refer to today's release "Issuance of New Shares and Secondary Share Offering."

The forecasts presented above are based on certain preconditions set forth in "Preconditions for the July 2017 Earnings Forecast" below. The actual operating revenue, operating profit, recurring profit, net income, and dividend per share may vary due to changes in circumstances such as asset acquisitions and dispositions, tenant turnover, unexpected maintenance and repair costs and other expenses, changes in interest rates, the issuance of new shares, and the offering price. These forecasts should not be construed as a guarantee of such performance or results. Ichigo Hotel REIT will make a forecast revision should there be a substantial discrepancy between the forecast and actual operating results.

Preconditions for the January 2017 Earnings Forecast

<table>
<tr><th></th><th>Preconditions</th></tr>
<tr><td>Period</td><td>January 2017 Fiscal Period: August 1, 2016 – January 31, 2017 (184 days)</td></tr>
<tr><td>Portfolio Assets</td><td>• 19 assets, which is the total of 9 assets currently owned plus 10 newly acquired assets (financed by funds raised via public offering, new bank loans, and cash-on-hand), as announced in today's release "Acquisition of Ten Hotel Assets."
• The forecast assumes there will be no additional acquisitions or sales through January 2017.
• The number of assets may change due to acquisitions or sales.</td></tr>
<tr><td>Number of Shares</td><td>• 260,100 shares: the sum of 138,500 shares issued and outstanding as of today plus 115,800 shares to be issued from a public offering and a maximum of 5,800 shares to be issued from an underwriter new share allotment (should the over-allotment option be exercised).
• The forecast assumes there will be no additional new issuance through January 2017.</td></tr>
<tr><td>Operating Revenue</td><td>Within operating revenue, rental income is forecast based on current lease contracts taking into consideration such factors as tenant trends and market conditions.[1]

Forecast Operating Performance
<table><tr><th></th><th>January 2017</th></tr><tr><td>Occupancy[2]</td><td>89.1%</td></tr><tr><td>ADR[3]</td><td>8,339 yen</td></tr></table>[1] The forecast rental income assumes tenants will fully pay their contractual rents without delays or default.
[2] Occupancy is calculated from the following formula:
Occupancy = Total number of guest rooms occupied during the period/(total number of guest rooms x number of days hotel was in operation during the period)
[3] ADR or Average Daily Rate is calculated from the following formula:
ADR = Total sales from accommodation (excluding restaurant charges and other service fees) / number of guest rooms occupied during the period

Details of January 2017 Rental Income
(million yen)<table><tr><th>Asset Name</th><th>Fixed Rent/ Minimum Guaranteed Rent</th><th>Variable Rent</th><th>Total</th></tr><tr><td>Smile Hotel Kyoto Shijo</td><td>34</td><td>151</td><td>186</td></tr><tr><td>Hotel Vista Premio Kyoto</td><td>75</td><td>15</td><td>90</td></tr><tr><td>Nest Hotel Sapporo Ekimae</td><td>32</td><td>53</td><td>86</td></tr><tr><td>Chisun Inn Osaka Hommachi</td><td>36</td><td>0</td><td>36</td></tr><tr><td>Comfort Hotel Hamamatsu</td><td>55</td><td>0</td><td>55</td></tr><tr><td>Nest Hotel Sapporo Odori</td><td>23</td><td>49</td><td>72</td></tr><tr><td>Valie Hotel Tenjin</td><td>24</td><td>35</td><td>60</td></tr><tr><td>Nest Hotel Osaka Shinsaibashi</td><td>57</td><td>144</td><td>202</td></tr><tr><td>Comfort Hotel Central International Airport</td><td>138</td><td>0</td><td>138</td></tr><tr><td>Smile Hotel Tokyo Asagaya</td><td>25</td><td>59</td><td>85</td></tr><tr><td>Nest Hotel Naha</td><td>55</td><td>66</td><td>121</td></tr><tr><td>Smile Hotel Asakusa</td><td>14</td><td>34</td><td>48</td></tr><tr><td>Nest Hotel Matsuyama</td><td>31</td><td>31</td><td>62</td></tr></table></td></tr>
</table>

<table>
<tr><td>Operating Revenue</td><td>(million yen)
<table>
<tr><th>Asset Name</th><th>Fixed Rent/ Minimum Guaranteed Rent</th><th>Variable Rent</th><th>Total</th></tr>
<tr><td>Comfort Hotel Okayama</td><td>41</td><td>0</td><td>41</td></tr>
<tr><td>Comfort Hotel Kushiro</td><td>16</td><td>0</td><td>16</td></tr>
<tr><td>Comfort Hotel Suzuka</td><td>14</td><td>0</td><td>14</td></tr>
<tr><td>Other[1](Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, and Hotel Livemax Nihombashi-Hakozaki)</td><td>146</td><td>19</td><td>166</td></tr>
<tr><td>Retail[2] (Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya)</td><td>34</td><td>0</td><td>34</td></tr>
<tr><td>Total</td><td>858</td><td>663</td><td>1,521</td></tr>
</table>
[1] The data for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, and Hotel Livemax Nihombashi-Hakozaki are totaled under “Other,” because the hotel operators did not give consent to disclose hotel-specific data.
[2] The data for retail tenants at Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya are totaled under “Retail.”</td></tr>
<tr><td>Operating Expenses</td><td>• Depreciation: 268 million yen. Depreciation has been calculated using the straight-line method.
• Property and city planning taxes: 48 million yen. Property and city planning taxes for the 10 newly-acquired assets will be included in operating expenses from the July 2017 fiscal period.
• Building maintenance and repair expenses are based on what Ichigo Real Estate Investment Advisors Co., Ltd., the asset management company of Ichigo Hotel REIT, estimates will be necessary for each asset during the period. However, actual expenses for the period could differ significantly from these forecast amounts for reasons including the variability of maintenance and repair expenses, one-time costs due to unexpected building damage, etc.
• Rental expenses, Ichigo Hotel REIT’s principal operating expense (other than depreciation, see above), are calculated based on historical data adjusted for anticipated expense variations.
• Actual operating expenses may differ significantly from these assumptions due to unforeseeable factors.</td></tr>
<tr><td>Non-Operating Expenses</td><td>• Expenses related to the new share issuance: 9 million yen. Ichigo Hotel REIT plans to amortize the new share issuance and offering-related expenses for 36 months using the straight-line method.
• Interest expenses and other borrowing-related expenses: 147 million yen.
• Amortization of expenses related to the establishment of Ichigo Hotel REIT and to new share issuance: 26 million yen.</td></tr>
<tr><td>Borrowings</td><td>• Total borrowings: 19,500 million yen as of January 2017</td></tr>
<tr><td>Dividend per Share</td><td>• The dividend forecasts assume that distributions will comply with the dividend distribution policy stipulated in Ichigo Hotel REIT’s Articles of Incorporation.
• The dividend per share is subject to change due to factors such as sales of portfolio assets, changes in rental revenue associated with tenant turnover, the occurrence of unexpected maintenance and repair costs, and fluctuations in interest rates.</td></tr>
<tr><td>Dividend in Excess of Earnings per Share</td><td>• Ichigo Hotel REIT does not plan on making any dividend distribution in excess of earnings per share or retained earnings.</td></tr>
<tr><td>Other</td><td>• Performance forecasts are based on the assumption that no material revisions will be made to laws and ordinances, the tax system, accounting standards, listing rules of the Tokyo Stock Exchange, and rules of the Investment Trusts Association, Japan, etc.
• Performance forecasts are also based on the assumption that there will be no unexpected material change in general economic trends and real estate market conditions, etc.</td></tr>
</table>

Preconditions for the July 2017 Earnings Forecast

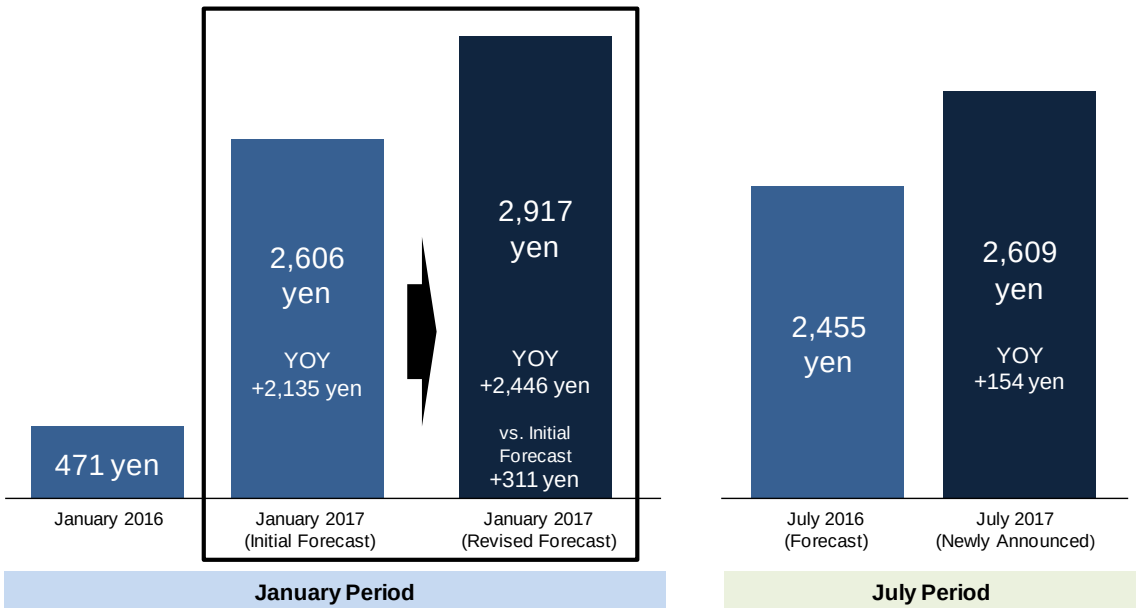
<table>
<tr><th></th><th>Preconditions</th></tr>
<tr><td>Period</td><td>July 2017 Fiscal Period: February 1, 2017 – July 31, 2017 (181 days)</td></tr>
<tr><td>Portfolio Assets</td><td>• 19 assets, which is the total of 9 assets currently owned plus 10 newly acquired assets (financed by funds raised via public offering, new bank loans, and cash-on-hand), as announced in today's release "Acquisition of Ten Hotel Assets."
• The forecast assumes there will be no additional acquisitions or sales through July 2017.
• The number of assets may change due to acquisitions or sales.</td></tr>
<tr><td>Number of Shares</td><td>• 260,100 shares: the sum of 138,500 shares issued and outstanding as of today plus 115,800 shares to be issued from a public offering and a maximum of 5,800 shares to be issued from an underwriter new share allotment (should the over-allotment option be exercised).
• The forecast assumes there will be no additional new issuance through July 2017.</td></tr>
<tr><td>Operating Revenue</td><td>Within operating revenue, rental income is forecast based on current lease contracts taking into consideration such factors as tenant trends and market conditions.[1]

Forecast Operating Performance
<table><tr><th></th><th>July 2017</th></tr><tr><td>Occupancy[2]</td><td>89.3%</td></tr><tr><td>ADR[3]</td><td>7,873 yen</td></tr></table>[1] The forecast rental income assumes tenants will fully pay their contractual rents without delays or default.
[2] Occupancy is calculated from the following formula:
Occupancy = Total number of guest rooms occupied during the period / (total number of guest rooms x number of days hotel was in operation during the period)
[3] ADR or Average Daily Rate is calculated from the following formula:
ADR = Total sales from accommodation (excluding restaurant charges and other service fees) / number of guest rooms occupied during the period

Details of July 2017 Rental Income
(million yen)<table><tr><th>Asset Name</th><th>Fixed Rent/ Minimum Guaranteed Rent</th><th>Variable Rent</th><th>Total</th></tr><tr><td>Smile Hotel Kyoto Shijo</td><td>30</td><td>131</td><td>161</td></tr><tr><td>Hotel Vista Premio Kyoto</td><td>75</td><td>0</td><td>75</td></tr><tr><td>Nest Hotel Sapporo Ekimae</td><td>31</td><td>56</td><td>87</td></tr><tr><td>Chisun Inn Osaka Hommachi</td><td>35</td><td>36</td><td>71</td></tr><tr><td>Comfort Hotel Hamamatsu</td><td>55</td><td>0</td><td>55</td></tr><tr><td>Nest Hotel Sapporo Odori</td><td>23</td><td>52</td><td>75</td></tr><tr><td>Valie Hotel Tenjin</td><td>21</td><td>29</td><td>51</td></tr><tr><td>Nest Hotel Osaka Shinsaibashi</td><td>64</td><td>140</td><td>204</td></tr><tr><td>Comfort Hotel Central International Airport</td><td>151</td><td>0</td><td>151</td></tr><tr><td>Smile Hotel Tokyo Asagaya</td><td>30</td><td>60</td><td>90</td></tr><tr><td>Nest Hotel Naha</td><td>41</td><td>64</td><td>105</td></tr><tr><td>Smile Hotel Asakusa</td><td>15</td><td>36</td><td>52</td></tr></table></td></tr>
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<tr><th>Asset Name</th><th>Fixed Rent/ Minimum Guaranteed Rent</th><th>Variable Rent</th><th>Total</th></tr>
<tr><td>Nest Hotel Matsuyama</td><td>35</td><td>37</td><td>72</td></tr>
<tr><td>Comfort Hotel Okayama</td><td>45</td><td>0</td><td>45</td></tr>
<tr><td>Comfort Hotel Kushiro</td><td>18</td><td>0</td><td>18</td></tr>
<tr><td>Comfort Hotel Suzuka</td><td>15</td><td>0</td><td>15</td></tr>
<tr><td>Other[1] (Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, and Hotel Livemax Nihombashi-Hakozaki)</td><td>150</td><td>20</td><td>170</td></tr>
<tr><td>Retail[2] (Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya)</td><td>32</td><td>0</td><td>32</td></tr>
<tr><td>Total</td><td>873</td><td>665</td><td>1,539</td></tr>
</table>
[1] The data for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, and Hotel Livemax Nihombashi-Hakozaki are totaled under “Other,” because the hotel operators did not give consent to disclose hotel-specific data.
[2] The data for retail tenants at Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya are totaled under “Retail.”
</td></tr>
<tr><td>Operating Expenses</td><td>• Depreciation: 278 million yen. Depreciation has been calculated using the straight-line method.
• Property and city planning taxes: 100 million yen
• Building maintenance and repair expenses are based on what Ichigo Real Estate Investment Advisors Co., Ltd., the asset management company of Ichigo Hotel REIT, estimates will be necessary for each asset during the period. However, actual expenses for the period could differ significantly from these forecast amounts for reasons including the variability of maintenance and repair expenses, one-time costs due to unexpected building damage, etc.
• Rental expenses, Ichigo Hotel REIT’s principal operating expense (other than depreciation, see below), are calculated based on historical data adjusted for anticipated expense variations.
• Actual operating expenses may differ significantly from these assumptions due to unforeseeable factors.</td></tr>
<tr><td>Non-Operating Expenses</td><td>• Expenses related to the new share issuance: 9 million yen Ichigo Hotel REIT plans to amortize the new share issuance and offering-related expenses for 36 months using the straight-line method.
• Interest expenses and other borrowing-related expenses: 149 million yen
• Amortization of expenses related to the establishment of Ichigo Hotel REIT and to new share issuance: 26 million yen</td></tr>
<tr><td>Borrowings</td><td>• Total borrowings: 19,500 million yen as of July 2017.</td></tr>
<tr><td>Dividend per Share</td><td>• The dividend forecasts assume that distributions will comply with the dividend distribution policy stipulated in Ichigo Hotel REIT’s Articles of Incorporation.
• The dividend per share is subject to change due to factors such as sales of portfolio assets, changes in rental revenue associated with tenant turnover, the occurrence of unexpected maintenance and repair costs, and fluctuations in interest rates.</td></tr>
<tr><td>Dividend in Excess of Earnings per Share</td><td>• Ichigo Hotel REIT does not plan on making any dividend distribution in excess of earnings per share or retained earnings.</td></tr>
<tr><td>Other</td><td>• Performance forecasts are based on the assumption that no material revisions will be made to laws and ordinances, the tax system, accounting standards, listing rules of the Tokyo Stock Exchange, and rules of the Investment Trusts Association, Japan, etc.
• Performance forecasts are also based on the assumption that there will be no unexpected material change in general economic trends and real estate market conditions, etc.</td></tr>
</table>

Reference: Revised Dividend Forecast



Notes: Number of days in the January 2016 period: 63 days (November 30, 2015 – January 31, 2016). Please refer to March 16, 2016 release "Earnings and Dividend Forecast Revisions for the July 2016 and January 2017 Fiscal Periods" for details on the dividend forecasts for the July 2016 and January 2017 periods. Property and city planning taxes for the 10 acquired assets will be recorded starting in the July 2017 period.