Ichigo Preserves and Improves Real Estate

[Provisional Translation Only]

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Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

July 22, 2016

REIT Issuer
Ichigo Hotel REIT Investment Corporation (3463)
1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative: Osamu Miyashita, Executive Director
www.ichigo-hotel.co.jp/english

Asset Management Company
Ichigo Real Estate Investment Advisors Co., Ltd.
Representative: Wataru Orii, President & Representative Statutory Executive Officer
Inquiries: Hiroto Tajitsu, Statutory Executive Officer, Head of Administration
Tel: +81-3-3502-4892

Acquisition of Ten Hotel Assets

Ichigo Real Estate Investment Advisors Co., Ltd. ("IRE"), the asset management company of Ichigo Hotel REIT, decided today to acquire ten hotel assets (total acquisition price: 27,258,000,000 yen) at Ichigo Hotel REIT.

I. Acquisition Summary

Total appraisal value: 28,213,000,000 yen, total acquisition price: 27,258,000,000 yen

Asset No. Asset Name	010 Nest Hotel Osaka Shinsaibashi	011 Comfort Hotel Central International Airport	012 Smile Hotel Tokyo Asagaya	013 Nest Hotel Naha	014 Smile Hotel Asakusa
Hotel Type	Stay-Only[1]				
Date Built	August 1984	November 2004	January 1993	February 1975*	September 1992
Form of Ownership	Trust beneficiary interest in real estate (*juekiken*)				
Appraisal Value[2]	7,660,000,000 yen	5,770,000,000 yen	3,940,000,000 yen	3,770,000,000 yen	2,020,000,000 yen
Acquisition Price[3]	7,600,000,000 yen	5,308,000,000 yen	3,910,000,000 yen	3,750,000,000 yen	1,920,000,000 yen
Seller	Nishi Nihon Holdings GK	Shinsaibashi Jisho GK			
Contract Date	July 22, 2016	July 22, 2016	July 22, 2016	July 22, 2016	July 22, 2016
Closing Date	August 17, 2016	August 17, 2016	August 17, 2016	August 17, 2016	August 17, 2016
Financing Method	New share issuance, borrowing, and cash-on-hand[4,5]				
Settlement Method	Lump-sum payment				

* Completed full seismic reinforcement to current standards in June 2015.

Asset No. Asset Name	015 Nest Hotel Matsuyama	016 Hotel Livemax Nihombashi- Hakozaki	017 Comfort Hotel Okayama	018 Comfort Hotel Kushiro	019 Comfort Hotel Suzuka
Hotel Type	Stay-Only[1]				
Date Built	November 1988	February 2015	November 1983	August 2009	July 2007
Form of Ownership	Trust beneficiary interest in real estate (*juekiken*)				
Appraisal Value[2]	1,640,000,000 yen	1,410,000,000 yen	1,220,000,000 yen	413,000,000 yen	370,000,000 yen
Acquisition Price[3]	1,610,000,000 yen	1,360,000,000 yen	1,200,000,000 yen	300,000,000 yen	300,000,000 yen
Seller	Shinsaibashi Jisho GK				
Contract Date	July 22, 2016	July 22, 2016	July 22, 2016	July 22, 2016	July 22, 2016
Closing Date	August 17, 2016	August 17, 2016	August 17, 2016	August 17, 2016	August 17, 2016
Financing Method	New share issuance, borrowing, and cash-on-hand[4,5]				
Settlement Method	Lump-sum payment				

[1] Stay-only hotels are located near train stations, airports, business centers, major thoroughfares, shopping centers, and other areas of high customer traffic, these hotels service travelers primarily as places to stay at very attractive rates, without extraneous banquet facilities, etc.

[2] Appraisal value is as of May 1, 2016.

[3] Acquisition price excludes incidental expenses such as property, city planning, and consumption taxes.

[4] For further details, please refer to today's release "Issuance of New Shares and Secondary Share Offering."

[5] Financing details will be announced when determined.

II. Acquisition Rationale

By taking full advantage of its sponsor Ichigo's deep value-add capabilities and executing upon Ichigo Hotel REIT's growth-driving action plans, Ichigo Hotel REIT is committed to maximizing shareholder value for Ichigo hotel REIT shareholders.

With today's ten hotel acquisitions, Ichigo Hotel REIT is more than doubling its portfolio size from JPY 20.4 billion to JPY 47.6 billion.[2] The acquisitions will be financed by the public-offering net proceeds, bank borrowing, and cash-on-hand. The growth in Ichigo Hotel REIT's market capitalization and shares outstanding via this public offering is expected to significantly improve Ichigo Hotel REIT's share liquidity.

Of the ten hotels, five have variable rent leases with the hotel operators (in which Ichigo Hotel REIT shareholders share in the upside/downside of higher/lower hotel rates) and five are fixed rent leases. The forecast average NOI yield of the acquired assets is 5.5% and the average post-depreciation NOI yield is 4.3%.[3]

Ichigo Hotel REIT believes that today's acquisitions will contribute both to Ichigo Hotel REIT's earnings stability via geographic and asset diversification and its ongoing earnings growth. The acquisitions of these ten stay-only hotels will also support the generation of core earnings stability for Ichigo Hotel REIT shareholders via fixed rent leases, while providing earnings upside via variable rent leases at hotels benefiting from overseas tourist demand and rising hotel rates in Tokyo, Osaka, Hokkaido, and Okinawa.

Ichigo Hotel REIT will continue to work to maximize shareholder value via the execution of its external and organic growth strategies and by leveraging Ichigo Group's strengths.

[1] Portfolio size is on an acquisition price basis. It does not include consumption tax or other expenses related to acquisitions (brokerage fees, taxes, and public charges).
[2] Average NOI = Total NOI (net operating income) of the ten assets divided by the total acquisition price of the ten assets, where NOI is the NOI derived from the Direct Capitalization Method (DCM) in the real estate appraisal report at acquisition.
[3] Average post-depreciation NOI Yield is calculated as NOI plus depreciation divided by the total acquisition price of the ten assets, where NOI is the NOI derived from the Direct Capitalization Method (DCM) in the real estate appraisal report at acquisition. Depreciation is an estimated value calculated by Ichigo Real Estate Investment Advisors using the straight-line method.

III. Hotel Lease Status

(1) Hotels

No.	Hotel Name	Lessee
010	Nest Hotel Osaka Shinsaibashi	Nest Hotel Japan
011	Comfort Hotel Central International Airport	Greens Co., Ltd.
012	Smile Hotel Tokyo Asagaya	K.K. Hospitality Operations
013	Nest Hotel Naha	Nest Hotel Japan
014	Smile Hotel Asakusa	K.K. Hospitality Operations
015	Nest Hotel Matsuyama	Nest Hotel Japan
016	Hotel Livemax Nihombashi-Hakozaki	Live Max Inc.
017	Comfort Hotel Okayama	Greens Co., Ltd.
018	Comfort Hotel Kushiro	Greens Co., Ltd.
019	Comfort Hotel Suzuka	Greens Co., Ltd.

(2) Date of lease contract change or succession: August 17, 2016 (Expected)

(3) For details about lease terms, please refer to "Rent Overview" in IV "Asset Details."

(4) Lessees meet Ichigo Hotel REIT's selection criteria set forth in the "Report on the Management Structure and System of the Issuer of Real Estate Investment Trust Units and Related Parties." (Note: If Ichigo Hotel REIT is the lessee under a master lease contract, then the tenant refers to the sub-lessee.)

IV. Asset Details

Details of the acquired assets follow.

Notes to the Asset Details:

1) The names of the architect, builder, structural engineer, and inspection agency are those of when the building was built.

2) Forecast NOI is the difference between the operating revenues and the operating expenses of the asset for the initial year. NOI yield is calculated by dividing NOI by Acquisition Price. Amounts less than a million are rounded off.

3) The average post-depreciation NOI Yield is calculated as NOI (net operating income) minus depreciation divided by the total acquisition price of the ten assets. Depreciation is an estimated value calculated by IRE using the straight-line method.

4) Structure of a building refers to the structure mentioned in the real estate register. The following abbreviations are used with regards to structure: RC stands for reinforced concrete; SRC for steel reinforced concrete; F for number of stories; and B for basement.

(1) Nest Hotel Osaka

(i) Location and Features

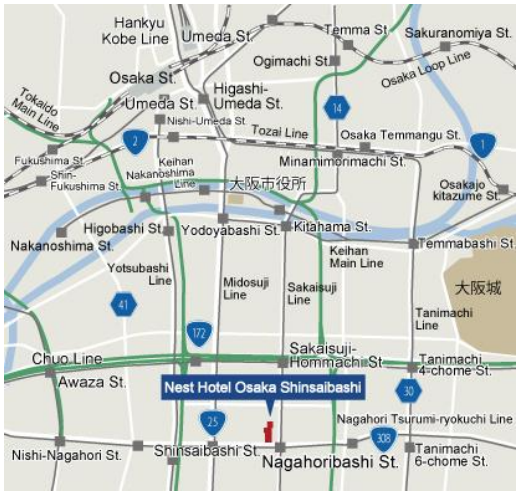
Rebranded as a Nest Hotel in 2014, this stay-only hotel is a 1-minute walk from Nagahoribashi Station on Osaka Municipal Subway's Sakaisuji Line and Nagahori Tsurumi-ryokuchi Line as well as a 6-minute walk from Shinsaibashi Station on Midosuji Line.

The hotel is situated in the Shinsaibashi district, one of Osaka's major commercial and shopping areas full of large commercial complexes and restaurants. It is conveniently located to meet business and leisure (domestic and inbound) demand, with easy access to tourist spots, such as Universal Studios Japan and Kyocera Dome Osaka.

(ii) Property Photos and Map







Asset Overview		
Legal Form of Asset		Trust beneficiary interest in real estate (*juekiken*)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Period of Trust Contract		January 30, 2004 - August 31, 2026 (Expected)
Location		2-4-10 Minamisenba, Chuo-ku, Osaka City, Osaka
Land	Property Right	Freehold
	Size	1,072.78 m^2
	Zoning	Commercial
	Coverage Ratio/Floor Area Ratio	80%/800%
Building	Property Right	Freehold
	Zoning	Hotel
	Structure	SRC 13F
	Total Floor Area	7,968.49m^2
	Construction Date	August 28, 1984
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Value		7,660,000,000 yen
Appraisal Date		May 1, 2016
Value by Direct Capitalization Method		7,740,000,000 yen
Number of Guest Rooms		302
Architect		The Zenitaka Corporation First-Class Registered Architects Office
Builder		The Zenitaka Corporation Osaka Office
Structural Engineer		The Zenitaka Corporation First-Class Registered Architects Office
Inspection Agency		Osaka City
PML (Assessor)		5.70% (Sompo Risk Management & Health Care Inc.)
Collateral		None (Expected)
Rent Overview (as of July 22, 2016)		
Number of Tenants		1
Monthly Rental Income		Minimum Guaranteed Rent: 128,555,633 yen p.a.[1] Variable Rent: GOP of the month – (Minimum Guaranteed Rent + a certain percentage of revenues of the month + a certain percentage of the GOP of the month)
Deposit		Lease deposit: 32,200,000 yen, No guarantee deposit
Leasable Space		8,057.26 m^2
Leased Space		8,057.26 m^2
Occupancy		100%
Property Management Company		Building Management & Strategy Inc.
Master Lease Company		Ichigo Hotel REIT Investment Corporation
Master Lease Type		Pass-through
Assumed NOI (NOI yield)		5.3%
Depreciation Ratio		4.6%
Special Items		
The hotel is equipped with a machine-operated, multi-level parking lot in accordance with a government ordinance concerning required parking facilities for buildings. However, the parking facility is currently out of operation for maintenance.		

[1] Minimum Guaranteed Rent is the annual minimum guaranteed rent covering the 12 months from August 2016 to July 2017.

Appraisal Overview		
Name	Nest Hotel Osaka Shinsaibashi	
Appraisal Value	7,660,000,000 yen	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	May 1, 2016	
	Amount	Note
Appraisal Value	7,660,000,000 yen	Valuation determined via both a direct capitalization valuation and DCF valuation
Value by Direct Capitalization Method	7,740,000,000 yen	
Income	438,096,000 yen	
Maximum Obtainable Rental Income	438,096,000 yen	
Vacancy Loss	0 yen	
Expenses	32,697,867 yen	
Administrative and Maintenance Expenses	0 yen	Borne by tenants
Utility Expenses	0 yen	Borne by tenants
Repair Expenses	2,825,667 yen	Based on the average of the past 12 years of engineering reports
PM Fee	2,400,000 yen	200,000 yen per month
Leasing Brokerage Fees	0 yen	
Taxes	24,770,200 yen	Based on FY2016 actual amounts (including depreciable property tax)
Insurance Premiums	511,520 yen	Based on insurance estimates
Other Expenses	2,190,480 yen	0.5% of Income calculated as variable expense
Net Operating Income (NOI)	405,398,133 yen	
Income on Investment of Deposits Received	644,000 yen	Based on 2.0% investment yield
Capital Expenditure	50,144,391 yen	Based on average renewal expense of the past 12 years in engineering reports and FF&E reserves
Net Profit	355,897,742 yen	
Cap Rate	4.6%	Based on transactions of similar assets and comprehensive assessment of the asset's location, its individual characteristics, property right, etc.
Value via DCF Method	7,620,000,000 yen	
Discount Rate	4.4%	Based on transactions of similar assets and the yields of financial assets with the asset's individual characteristics taken into account
Terminal Cap Rate	4.8%	Based upon risk-adjusted NOI
Value via Cost Approach	2,290,000,000 yen	
Land	77.5%	
Building	22.5%	Sum of building and FF&E prices divided by sum of building, FF&E, and land prices
Notes		
None		

(2) Comfort Hotel Central International Airport

(i) Location and Features

This stay-only hotel is a 5-minute walk from Central Japan International Airport and a 3-minute walk from the Central Japan International Airport Station of Nagoya Railroad. The hotel is connected to the airport and the station via a walkway.

The airport has seen a rise in arrivals and departures by low-cost carriers in recent years. Located close to such a growing international airport, the hotel can serve a variety of customers – business travelers, tourists, and airport and airline staffers.

The hotel is expected to meet rising inbound tourism demand as it is situated at the base of the so-called "dragon tourism route" spanning the Chubu and Hokuriku regions.

The hotel has relatively spacious guest rooms – single-bed rooms of 20 square meters, double-bed rooms of 25 square meters, and twin-bed rooms of 25 square meters – so that it can meet the demands of both tourists and business travelers. All the rooms command a nice view of the ocean or the airport.

(ii) Property Photos and Map







Asset Overview		
Legal Form of Asset		Trust beneficiary interest in real estate (*juekiken*)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Period of Trust Contract		December 27, 2012 - August 31, 2026 (Expected)
Location		4-2-3 Centrair, Tokoname City, Aichi
Land	Property Right	Freehold
	Size	(1) 3,314.30 m^2 (2) 3,322.81 m^2
	Zoning	Commercial
	Coverage Ratio/Floor Area Ratio	80%/500%
Building	Property Right	Freehold
	Zoning	Hotel
	Structure	RC 8F
	Total Floor Area	(1) 5,250.18 m^2 (2) 6,349.45 m^2
	Construction Date	(1) November 2, 2004 (2) June 29, 2006
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Value		5,770,000,000 yen
Appraisal Date		May 1, 2016
Value by Direct Capitalization Method		5,850,000,000 yen
Number of Guest Rooms		346
Architect		Takenaka Corporation First-Class Registered Architects Office
Builder		Takenaka Corporation Nagoya Office
Structural Engineer		Takenaka Corporation First-Class Registered Architects Office
Inspection Agency		Japan ERI Co., Ltd.
PML (Assessor)		13.57% (Sompo Risk Management & Health Care Inc.)
Collateral		None
Rent Overview (as of July 22, 2016)		
Number of Tenants		1
Monthly Rental Income		Fixed Rent: 25,240,333 yen / monthly, Variable Rent: None
Deposit		Lease deposit: 151,441,998 yen, No guarantee deposit
Leasable Space		11,599.63 m^2
Leased Space		11,599.63 m^2
Occupancy		100%
Property Management Company		Uniho Co., Ltd.
Master Lease Company		None
Master Lease Type		—
Assumed NOI (NOI yield)		5.0%
Depreciation Ratio		4.0%

Special Items
1. Smoke ventilation windows have been installed in some places but have yet to be put in place in others, according to the hotel building's application drawing. Therefore, the hotel's overall smoke ventilation area may be insufficient. The seller has agreed to rectify the issue at the seller's expense. 2. Smoke vents are installed within a two-meter radius from the hotel's exterior emergency stairs. The seller has agreed to rectify the issue at the seller's expense.

Appraisal Overview		
Name	Comfort Hotel Central International Airport	
Appraisal Value	5,770,000,000 yen	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	May 1, 2016	

	Amount	Note
Appraisal Value	5,770,000,000 yen	Valuation determined via both a direct capitalization valuation and DCF valuation
Value by Direct Capitalization Method	5,850,000,000 yen	
Income	302,883,996 yen	
Maximum Obtainable Rental Income	302,883,996 yen	
Vacancy Loss	0 yen	
Expenses	36,911,569 yen	
Administrative and Maintenance Expenses	0 yen	Borne by tenants
Utility Expenses	0 yen	Borne by tenants
Repair Expenses	8,657,333 yen	Based on the average of the past 12 years of engineering reports
PM Fee	1,140,000 yen	Based on outsourcing contract
Leasing Brokerage Fees	0 yen	
Taxes	25,259,300 yen	Based on FY2016 actual amounts (including depreciable property tax)
Insurance Premiums	594,600 yen	Based on insurance estimates
Other Expenses	1,260,336 yen	0.4% of Income calculated as variable expense, road occupancy fees, etc.
Net Operating Income (NOI)	265,972,427 yen	
Income on Investment of Deposits Received	3,028,840 yen	Based on 2.0% investment yield
Capital Expenditure	29,342,000 yen	Based on average renewal expense of the past 12 years in engineering reports
Net Profit	239,659,267 yen	
Cap Rate	4.1%	Based on transactions of similar assets and comprehensive assessment of the asset's location, its individual characteristics, property right, etc.
Value via DCF Method	5,730,000,000 yen	
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 upon risk-adjusted NOI
Value via Cost Approach	5,790,000,000 yen	
Land	70.5%	
Building	29.5%	

Notes
None

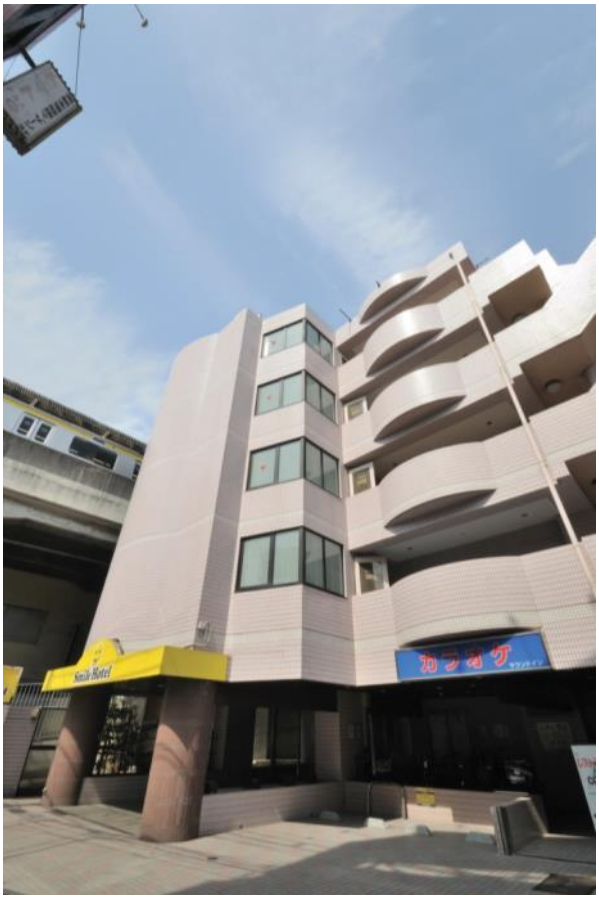
(3) Smile Hotel Tokyo Asagaya

(i) Location and Features

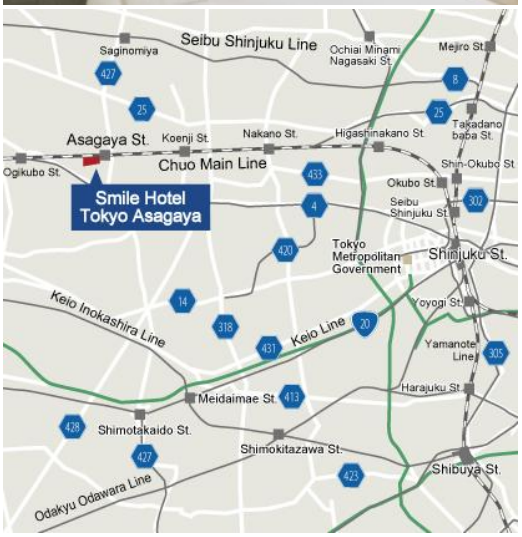
Rebranded as a Smile Hotel in 2010, this stay-only hotel is located a 1 minute-walk from Asagaya Station on the JR Chuo and Sobu Lines.

With only a 10-minute train ride to Shinjuku Station, one of the major terminal stations in Tokyo, the hotel has easy transportation access to central Tokyo. There are a number of old-style Japanese restaurants in the neighborhood, and the hotel can meet business and leisure demand.

(ii) Property Photos and Map







Asset Overview		
Legal Form of Asset		Trust beneficiary interest in real estate (*juekiken*)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Period of Trust Contract		June 30, 2010 - August 31, 2026 (Expected)
Location		3-37-11 Asagaya-minami, Suginami-ku, Tokyo
Land	Property Right	Freehold
	Size	919.72 m^2
	Zoning	Commercial
	Coverage Ratio/Floor Area Ratio	80%/500%
Building	Property Right	Freehold
	Zoning	Hotel, Retail
	Structure	RC B1F/5F
	Total Floor Area	2,732.47 m^2
	Construction Date	January 29, 1993
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Value		3,940,000,000 yen
Appraisal Date		May 1, 2016
Value by Direct Capitalization Method		4,000,000,000 yen
Number of Guest Rooms		112
Architect		Shin Kensetsu First-Class Registered Architects Office
Builder		Shin Kensetsu
Structural Engineer		Shin Kensetsu First-Class Registered Architects Office
Inspection Agency		Suginami Ward
PML (Assessor)		6.31% (Sompo Risk Management & Health Care Inc.)
Collateral		None
Rent Overview (as of July 22, 2016)		
Number of Tenants		8
Monthly Rental Income[1]		Minimum Guaranteed Rent: 58,413,994 yen p.a.[2] Variable Rent = GOP of the month - (Minimum Guaranteed Rent + a certain percentage of revenues of the month + a certain percentage of the GOP of the month)
Deposit		No lease deposit, No guarantee deposit
Leasable Space		2,721.70 m^2
Leased Space		2,721.70 m^2
Occupancy		100%
Property Management Company		Building Management & Strategy Inc.
Master Lease Company		Ichigo Hotel REIT Investment Corporation
Master Lease Type		Pass-through
Assumed NOI (NOI Yield)		5.0%
Depreciation Rate		4.0%

Special Items
1. Part of a building's concrete foundation in the north-side adjacent land cross over into the hotel's premises. There is no memorandum of understanding with the other building owner that covers this issue. 2. A construction inspection report indicates that certain emergency lighting should be repaired. The seller has agreed to rectify the issue at the seller's expense.

[1] Monthly Rental Income and Deposit indicated are of the hotel facility. A separate retail contract exists.

[2] Minimum Guaranteed Rent is the annual minimum guaranteed rent covering the 12 months from August 2016 to July 2017.

Appraisal Overview		
Name	Smile Hotel Tokyo Asagaya	
Appraisal Value	3,940,000,000 yen	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	May 1, 2016	
	Amount	Note
Appraisal Value	3,940,000,000 yen	Valuation determined via both a direct capitalization valuation and DCF valuation
Value by Direct Capitalization Method	4,000,000,000 yen	
Income	232,136,658 yen	
Maximum Obtainable Income	233,592,720 yen	
Vacancy Loss	1,456,062 yen	
Expenses	35,561,999 yen	
Administrative and Maintenance Expenses	0 yen	Offset by common fee and pass-through
Utility Expenses	24,186,000 yen	Based on past actual amounts
Repair Expenses	1,152,667 yen	Based on the average of the past 12 years of engineering reports
PM Fees	1,800,000 yen	150,000 yen per month
Leasing Brokerage Fees	188,419 yen	Based on the expected turnover rate and tenant acquisition costs for similar assets
Taxes	6,892,500 yen	Based on FY2016 actual amounts
Insurance Premiums	181,730 yen	Based on insurance estimates
Other Expenses	1,160,683 yen	0.5% of Income calculated as variable expense
Net Operating Income (NOI)	196,574,659 yen	
Income on Investment of Deposits Received	492,999 yen	Based on 2.0% investment yield.
Capital Expenditure	17,147,911 yen	Based on average renewal expense of the past 12 years in engineering reports and FF&E reserves
Net Profit	179,919,747 yen	
Cap Rate	4.5%	Based on transactions of similar assets and comprehensive assessment of the asset's location, its individual characteristics, market trends, etc.
Value via DCF Method	3,920,000,000 yen	
Discount Rate	4.3%	Based on transactions of similar assets and the yields of financial assets with the asset's individual characteristics taken into account
Terminal Cap Rate	4.7%	Based upon risk-adjusted NOI
Value via Cost Approach	1,080,000,000 yen	
Land	70.8%	
Property	29.2%	Sum of building and FF&E prices divided by sum of building, FF&E, and land prices
Notes		
None		

(4) Nest Hotel Naha

(i) Location and Features

Rebranded as a Nest Hotel in 2013, this stay-only hotel has good transportation access, and is 7 minutes from Naha Airport by car and a 5-minute walk from Asahibashi Station on the Okinawa Urban Monorail.

The hotel is also within a walking distance from the Kokusai-dori (International Street), the biggest shopping district full of shops and restaurants in Okinawa prefecture. The hotel can capture business and leisure (domestic and inbound) demand.

(ii) Property Photos and Map







Asset Overview		
Legal Form of Asset		Trust beneficiary interest in real estate (*juekiken*)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Period of Trust Contract		December 16, 2004 - August 31, 2026 (Expected)
Location		1-6-1 Nishi, Naha City, Okinawa
Land	Property Right	Freehold
	Size	2,322.62 m^2
	Zoning	Commercial
	Coverage Ratio/Floor Area Ratio	80%/400%
Building	Property Right	Freehold
	Zoning	Hotel
	Structure	SRC 11F
	Total Floor Area	9,240.20 m^2
	Construction Date	February 28, 1975
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Value		3,770,000,000 yen
Appraisal Date		May 1, 2016
Value by Direct Capitalization Method		3,800,000,000 yen
Number of Guest Rooms		193
Architect		Nissei Sekkei
Builder		Obayashi Corporation Tokyo Head Office
Structural Engineer		Nissei Sekkei
Inspection Agency		Naha City
PML (Assessor)		4.63% (Sompo Risk Management & Health Care Inc.)
Collateral		None
Rent Overview (as of July 22, 2016)		
Number of Tenants		1
Monthly Rental Income		Minimum Guaranteed Rent: 100,640,513 yen p.a.[1] Variable Rent = GOP of the month - (Minimum Guaranteed Rent + a certain percentage of revenues of the month + a certain percentage of the GOP of the month)
Deposit		Lease deposit: 25,200,000 yen, No guarantee deposit
Leasable Space		9,240.20 m^2
Leased Space		9,240.20 m^2
Occupancy		100%
Property Management Company		Nippon Kanzai Co., Ltd.
Master Lease Company		Ichigo Hotel REIT Investment Corporation
Master Lease Type		Pass-through
Assumed NOI (NOI Yield)		6.2%
Depreciation Rate		4.7%

Special Items
The hotel was designed and built in accordance with the former quake-resistance standards before the amendments in 1981, but full seismic reinforcement to meet current standards was completed in June 2015. The Naha City Mayor has approved the building's quake-resistance renovation plan in accordance with paragraph 3, Article 17 of the Act for Promotion of Renovation for Earthquake-Resistant Structures of Buildings, and has confirmed the completion of the construction.

[1] Minimum Guaranteed Rent is the annual minimum guaranteed rent covering the 12 months from August 2016 to July 2017.

Appraisal Overview		
Name	Nest Hotel Naha	
Appraisal Value	3,770,000,000 yen	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	May 1, 2016	
	Amount	Note
Appraisal Value	3,770,000,000 yen	Valuation determined via both a direct capitalization valuation and DCF valuation
Value by Direct Capitalization Method	3,800,000,000 yen	
Income	250,464,000 yen	
Maximum Obtainable Rental Income	250,464,000 yen	
Vacancy Loss	0 yen	
Expenses	19,685,862 yen	
Administrative and Maintenance Expenses	0 yen	Borne by tenants
Utility Expenses	0 yen	Borne by tenants
Repair Expenses	6,442,000 yen	Based on the average of the past 12 years of engineering reports
PM Fee	2,160,000 yen	180,000 yen per month
Leasing Brokerage Fees	0 yen	
Taxes	9,335,602 yen	Based on FY2016 actual amounts (including depreciable property tax)
Insurance Premiums	495,940 yen	Based on insurance estimates
Other Expenses	1,252,320 yen	0.5% of Income calculated as variable expense
Net Operating Income (NOI)	230,778,138 yen	
Income on Investment of Deposits Received	504,000 yen	Based on 2.0% investment yield
Capital Expenditure	25,949,641 yen	Based on average renewal expense of the past 12 years in engineering reports and FF&E reserves
Net Profit	205,332,497 yen	
Cap Rate	5.4%	Based on transactions of similar assets and comprehensive assessment of the asset's location, its individual characteristics, property right, etc.
Value via DCF Method	3,750,000,000 yen	
Discount Rate	5.2%	Based on transactions of similar assets and the yields of financial assets with the asset's individual characteristics taken into account
Terminal Cap Rate	5.6%	Based upon risk-adjusted NOI
Value via Cost Approach	1,250,000,000 yen	
Land	75.3%	
Building	24.7%	Sum of building and FF&E prices divided by sum of building, FF&E, and land prices
Notes		
None		

(5) Smile Hotel Asakusa

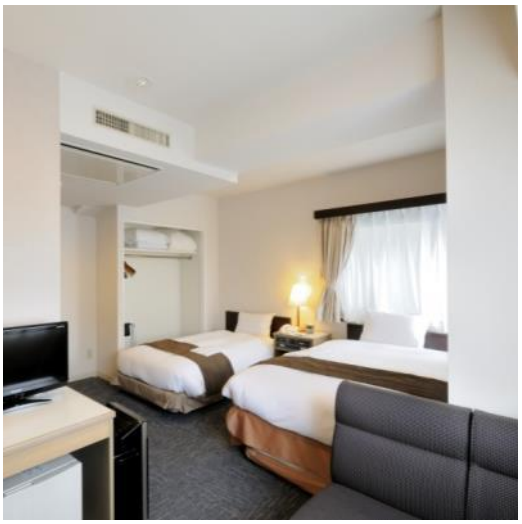
(i) Location and Features

Rebranded as a Smile Hotel in 2010, this stay-only hotel is within walking distance from Tokyo's major tourist destination Asakusa. It is also a 10-minute walk from Asakusa Station on the Tokyo Metro's Ginza Line, and is conveniently located to meet business and leisure demand.

The hotel's east-side rooms command an up-close view of the Tokyo Skytree, offering guests a great view of the tower.

(ii) Property Photos and Map







Asset Overview		
Legal Form of Asset		Trust beneficiary interest in real estate (*juekiken*)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Period of Trust Contract		June 30, 2010 - August 31, 2026 (Expected)
Location		6-35-8 Asakusa, Taito-ku, Tokyo
Land	Property Right	Freehold
	Size[1]	361.38 m^2
	Zoning	Commercial
	Coverage Ratio/Floor Area Ratio	80%/500%
Building	Property Right	Freehold
	Zoning	Hotel, Retail
	Structure	SRC 10F
	Total Floor Area	1,793.43 m^2
	Construction Date	September 22, 1992
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Value		2,020,000,000 yen
Appraisal Date		May 1, 2016
Value by Direct Capitalization Method		2,040,000,0000 yen
Number of Guest Rooms		96
Architect		Atelier Core
Builder		Shin Kensetsu
Structural Engineer		Atelier Core
Inspection Agency		Taito Ward
PML (Assessor)		3.92% (Sompo Risk Management & Health Care Inc.)
Collateral		None
Rent Overview (as of July 22, 2016)		
Number of Tenants		1
Monthly Rental Income		Minimum Guaranteed Rent: 31,316,680 yen p.a.[1] Variable Rent = GOP of the month - (Minimum Guaranteed Rent + a certain percentage of revenues of the month + a certain percentage of the GOP of the month)
Deposit		No lease deposit, No guarantee deposit
Leasable Space		1,793.43 m^2
Leased Space		1,793.43 m^2
Occupancy		100%
Property Management Company		Building Management & Strategy Inc.
Master Lease Company		Ichigo Hotel REIT Investment Corporation
Master Lease Type		Pass-through
Assumed NOI (NOI Yield)		5.0%
Depreciation Rate		3.7%

Special Items
The fire-fighting equipment and facility (special fire-fighting equipment and facility) inspection indicated that the automatic fire alarm system's detection suffers from malfunctions. The seller has agreed to rectify the issue at the seller's expense.

[1] Minimum Guaranteed Rent is the annual minimum guaranteed rent covering the 12 months from August 2016 to July 2017.

Appraisal Overview		
Name	Smile Hotel Asakusa	
Appraisal Value	2,020,000,000 yen	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	May 1, 2016	
	Amount	Note
Appraisal Value	2,020,000,000 yen	Valuation determined via both a direct capitalization valuation and DCF valuation
Value by Direct Capitalization Method	2,040,000,000 yen	
Income	105,144,000 yen	
Maximum Obtainable Rental Income	105,144,000 yen	
Vacancy Loss	0 yen	
Expenses	8,235,077 yen	
Administrative and Maintenance Expenses	0 yen	Borne by tenant
Utility Expenses	0 yen	Borne by tenant
Repair Expenses	1,137,417 yen	Based on the average of the past 12 years of engineering reports
PM Fee	1,200,000 yen	100,000 yen per month
Leasing Brokerage Fees	0 yen	
Taxes	4,729,700 yen	Based on FY2016 actual amounts
Insurance Premiums	116,520 yen	Based on insurance estimates
Other Expenses	1,051,440 yen	1.0% of Income calculated as variable expense
Net Operating Income (NOI)	96,908,923 yen	
Income on Investment of Deposits Received	0 yen	None, based on current contract
Capital Expenditure	11,061,735 yen	Based on average renewal expense of the past 12 years in engineering reports and FF&E reserves
Net Profit	85,847,188 yen	
Cap Rate	4.2%	Based on transactions of similar assets and comprehensive assessment of the asset's location, its individual characteristics, property right, etc.
Value via DCF Method	2,010,000,000 yen	
Discount Rate	4.0%	Based on transactions of similar assets and the yields of financial assets with the asset's individual characteristics taken into account
Terminal Cap Rate	4.4%	Based upon risk-adjusted NOI
Value via Cost Approach	544,000,000 yen	
Land	63.9%	
Building	36.1%	Sum of building and FF&E prices divided by sum of building, FF&E, and land prices
Notes		
None		

(6) Nest Hotel Matsuyama

(i) Location and Features

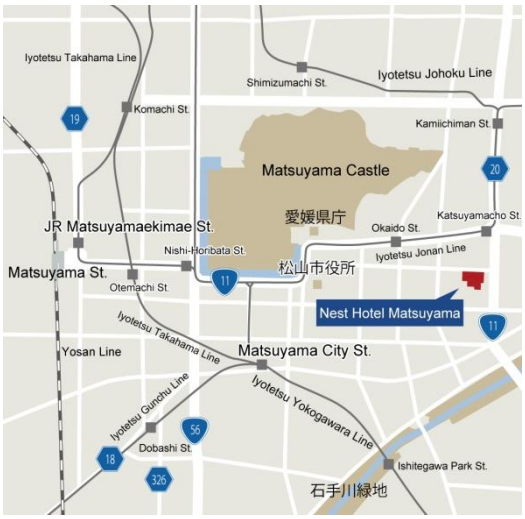
Rebranded as a Nest Hotel in 2015, this stay-only hotel is a 3-minute walk from Katsuyamacho Station on Iyo Railway's Intra-city Street Car Jonan Line and 25 minutes from Matsuyama Airport by car.

The hotel is situated in Matsuyama City's largest commercial and shopping area of Okaido/Nibancho, and can thus capture business and leisure demand. In addition, the hotel is within a walking distance from Matsuyama Castle and an adjacent park. Togo Onsen (hot spring) is a 10-minute ride from Katsuyamacho Station by street car.

(ii) Property Photos and Map







Asset Overview		
Legal Form of Asset		Trust beneficiary interest in real estate (juekiken)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Period of Trust Contract		March 29, 2005 - August 31, 2026 (Expected)
Location		1-7-1 Niban-cho, Matsuyama City, Ehime
Land	Property Right	Freehold
	Size	1,692.01 m^2
	Zoning	Commercial
	Coverage Ratio/Floor Area Ratio	80%/500%
Building	Property Right	Freehold
	Zoning	Hotel
	Structure	RC 11F
	Total Floor Area	6,671.94 m^2
	Construction Date	November 16, 1988
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Value		1,640,000,000 yen
Appraisal Date		May 1, 2016
Value by Direct Capitalization Method		1,640,000,000 yen
Number of Guest Rooms		190
Architect		Daiken Architects Associates
Builder		Shimizu Corporation Shikoku Office
Structural Engineer		Daiken Architects Associates
Inspection Agency		Matsuyama City
PML (Assessor)		5.68% (Sompo Risk Management & Health Care Inc.)
Collateral		None
Rent Overview (as of July 22, 2016)		
Number of Tenants		1
Monthly Rental Income		Minimum Guaranteed Rent: 69,494,400 yen p.a.[1] Variable Rent = GOP of the month - (Minimum Guaranteed Rent + a certain percentage of revenues of the month + a certain percentage of the GOP of the month)
Deposit		Lease deposit: 18,000,000 yen, No guarantee deposit
Leasable Space		6,671.94 m^2
Leased Space		6,671.94 m^2
Occupancy		100%
Property Management Company		Nippon Kanzai Co., Ltd.
Master Lease Company		Ichigo Hotel REIT Investment Corporation
Master Lease Type		Pass-through
Assumed NOI (NOI Yield)[2]		7.4%
Depreciation Rate[3]		5.5%

Special Items
1. Buttress-free concrete block walls, measuring over 1.2-meters high, are in place on the east, southwest, and southeast sides of the hotel premises. The engineering report indicates that the walls present no immediate problem. 2. The seller has agreed to rectify at the seller's expense the following issues described in the engineering report. A. An air-conditioning refrigerant pipe penetrates through a ventilation louver installed in an area that could catch fire in case of a fire nearby. Thus, the louver fails to meet fire-protection requirements.. B. Eaves of over one-meter width are in place, even though those eaves don't appear to be a temporary feature. C. A banquet room is divided into four sections by operable partitions, and the smoke ventilation is insufficient when the east-side banquet rooms are combined or all the four sections are put together. D. The fuel injection pump of the emergency power supply is defective.

[1] Minimum Guaranteed Rent is the annual minimum guaranteed rent covering the 12 months from August 2016 to July 2017.

Appraisal Overview		
Name	Nest Hotel Matsuyama	
Appraisal Value	1,640,000,000 yen	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	May 1, 2016	
	Amount	Note
Appraisal Value	1,640,000,000 yen	Valuation determined via both a direct capitalization valuation and DCF valuation
Value by Direct Capitalization Method	1,640,000,000 yen	
Income	138,000,000 yen	
Maximum Obtainable Rental Income	138,000,000 yen	
Vacancy Loss	0 yen	
Expenses	18,124,257 yen	
Administrative and Maintenance Expenses	0 yen	Borne by tenants
Utility Expenses	0 yen	Borne by tenants
Repair Expenses	3,761,417 yen	Based on the average of the past 12 years of engineering reports
PM Fee	2,160,000 yen	180,000 yen per month
Leasing Brokerage Fees	0 yen	
Taxes	10,801,400 yen	Based on FY2016 actual amounts
Insurance Premiums	417,840 yen	Based on insurance estimates
Other Expenses	983,600 yen	0.7 % of Income calculated as variable expense
Net Operating Income (NOI)	119,875,743 yen	
Income on Investment of Deposits Received	360,000 yen	Based on 2.0% investment yield
Capital Expenditure	25,390,131 yen	Based on average renewal expense of the past 12 years in engineering reports and FF&E reserves
Net Profit	93,845,612 yen	
Cap Rate	5.8%	Based on transactions of similar assets and comprehensive assessment of the asset's location, its individual characteristics, property right, etc.
Value via DCF Method	1,640,000,000 yen	
Discount Rate	5.6%	Based on transactions of similar assets and the yields of financial assets with the asset's individual characteristics taken into account
Terminal Cap Rate	6.0%	Based upon risk-adjusted NOI
Value via Cost Approach	1,180,000,000 yen	
Land	46.4%	
Building	53.6%	Sum of building and FF&E prices divided by sum of building, FF&E, and land prices
Notes		
None		

(7) Hotel Livemax Nihombashi-Hakozaki

(i) Location and Features

Built in February 2015, this new stay-only hotel is a 3-minute walk from Suitengumae Station on Tokyo Metro's Hanzomon Line.

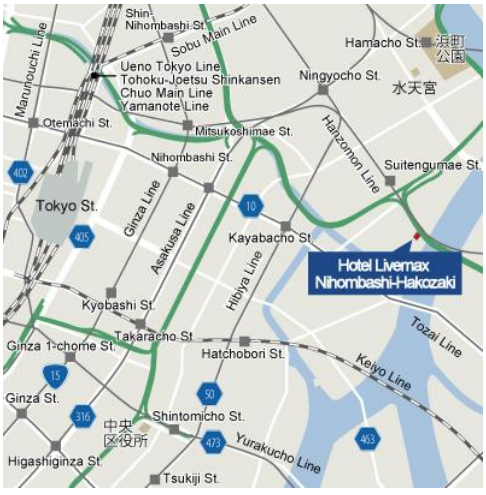
The hotel is well-located near central Tokyo with good access to the Tokyo Station area and the Nihombashi and Ginza districts. Moreover, it is within a 5-minute walking distance from the Tokyo City Air Terminal that is directly linked to Suitengumae Station. The hotel offers easy transportation access to both Haneda Airport and Narita Airport via limousine services.

Access to Tokyo's main tourist destinations, such as Tokyo Skytree, is convenient and the hotel is well-suited to meet both business and leisure demand.

(ii) Property Photos and Map







Asset Overview		
Legal Form of Asset		Trust beneficiary interest in real estate (juekiken)
Trustee		Mizuho Trust Bank, Limited
Period of Trust Contract		September 30, 2015 - August 31, 2026 (Expected)
Location		29-5 Nihombashi-Hakozakicho, Chuo-ku, Tokyo
Land	Property Right	Freehold
	Size	123.54 m^2
	Zoning	Commercial
	Coverage Ratio/Floor Area Ratio	80%/700%
Building	Property Right	Freehold
	Zoning	Hotel, Retail
	Structure	Steel 11F
	Total Floor Area	853.00 m^2
	Construction Date	February 17, 2015
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Value		1,410,000,000 yen
Appraisal Date		May 1, 2016
Value by Direct Capitalization Method		1,430,000,000 yen
Number of Guest Rooms		48
Architect		Jyukyo Kensetsu, Tokyo Office First-Class Registered Architects Office
Builder		Jyukyo Kensetsu
Structural Engineer		Jyukyo Kensetsu, Tokyo Office First-Class Registered Architects Office
Inspection Agency		Good-Eyes
PML (Assessor)		3.20% (Sompo Risk Management & Health Care Inc.)
Collateral		None
Rent Overview (as of July 22, 2016)		
Number of Tenants		1
Monthly Rental Income		The tenant has not consented to disclosure.[1]
Deposit		The tenant has not consented to disclosure.
Leasable Space		853.00 m^2
Leased Space		853.00 m^2
Occupancy		100%
Property Management Company		Uniho Co., Ltd.
Master Lease Company		Ichigo Hotel REIT Investment Corporation
Master Lease Type		Pass-through
Assumed NOI (NOI Yield)		4.9%
Depreciation Rate		3.5%
Special Items		
None		

[1] Fixed rent

Appraisal Overview		
Name	Hotel Livemax Nihombashi-Hakozaki	
Appraisal Value	1,410,000,000 yen	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	May 1, 2016	
	Amount	Note
Appraisal Value	1,410,000,000 yen	Valuation determined via both a direct capitalization valuation and DCF valuation
Value by Direct Capitalization Method	1,430,000,000 yen	
Income	72,000,000 yen	
Maximum Obtainable Rental Income	72,000,000 yen	
Vacancy Loss	0 yen	
Expenses	5,783,945 yen	
Administrative and Maintenance Expenses	0 yen	Borne by tenants
Utility Expenses	0 yen	Borne by tenants
Repair Expenses	609,417 yen	Based on the average of the past 12 years of engineering reports
PM Fee	1,080,000 yen	90,000 yen per month
Leasing Brokerage Fees	0 yen	
Taxes	3,812,608 yen	Based on FY2016 actual amounts
Insurance Premiums	65,920 yen	Based on insurance estimates
Other Expenses	216,000 yen	0.3% of Income calculated as variable expense
Net Operating Income (NOI)	66,216,055 yen	
Income on Investment of Deposits Received	360,000 yen	Based on 2.0% investment yield
Capital Expenditure	861,750 yen	Based on average renewal expense of the past 12 years in engineering reports
Net Profit	65,714,305 yen	
Cap Rate	4.6%	Based on transactions of similar assets and comprehensive assessment of the asset's location, its individual characteristics, property right, etc.
Value via DCF Method	1,400,000,000 yen	
Discount Rate	4.4%	Based on transactions of similar assets and the yields of financial assets with the asset's individual characteristics taken into account
Terminal Cap Rate	4.8%	Based upon risk-adjusted NOI
Value via Cost Approach	599,000,000 yen	
Land	51.2%	
Building	48.8%	
Notes		
None		

(8) Comfort Hotel Okayama

(i) Location and Features

This stay-only hotel is a 15-minute walk from Okayama Station, a major railway hub in the Chugoku and Shikoku regions where JR West's Sanyo Shinkansen high-speed train, Sanyo Main Line, Uno Line and other local trains converge. The station serves as a center of business and leisure activities in these regions.

The hotel is in the heart of Okayama City's downtown and within walking distance of the city's major tourist spots, Okayama Castle and one of Japan's three greatest gardens, Okayama Korakuen.

In addition, Kurashiki – a historic scenic town and a major sightseeing destination in Okayama Prefecture – is accessible by train in16 minutes from JR Okayama Station to JR Kurashiki Station.

(ii) Property Photos and Map







Asset Overview		
Legal Form of Asset		Trust beneficiary interest in real estate (juekiken)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Period of Trust Contract		December 21, 2010 - August 31, 2026 (Expected)
Location		1-1-13 Marunouchi, Kita-ku, Okayama City, Okayama
Land	Property Right	Freehold
	Size	986.26 m^2
	Zoning	Commercial
	Coverage Ratio/Floor Area Ratio	80%/400%, 600%
Building	Property Right	Freehold
	Zoning	Hotel
	Structure	SRC 10F
	Total Floor Area	5,543.70 m^2
	Construction Date	November 30, 1983
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Value		1,220,000,000 yen
Appraisal Date		May 1, 2016
Value by Direct Capitalization Method		1,210,000,000 yen
Number of Guest Rooms		208
Architect		Shimizu Corporation
Builder		Shimizu Corporation Hiroshima Office
Structural Engineer		Shimizu Corporation
Inspection Agency		Okayama City
PML (Assessor)		5.12% (Sompo Risk Management & Health Care Inc.)
Collateral		None (Expected)
Rent Overview (as of July 22, 2016)		
Number of Tenants		1
Monthly Rental Income		Fixed Rent: 7,650,000 yen / monthly, Variable Rent: None
Deposit		Lease deposit: 30,600,000 yen, No guarantee deposit
Leasable Space		5,543.70 m^2
Leased Space		5,543.70 m^2
Occupancy		100%
Property Management Company		Nippon Kanzai Co., Ltd.
Master Lease Company		None
Master Lease Type		—
Assumed NOI (NOI Yield)[2]		6.6%
Depreciation Rate[3]		4.7%

Special Items
The property does not have sufficient parking spaces to meet the requirements of Okayama City’s ordinance on parking facilities for public buildings. To meet this requirement, the hotel has contracted with the owners of nearby parking lots to use their parking facilities.

Appraisal Overview		
Name	Comfort Hotel Okayama	
Appraisal Value	1,220,000,000 yen	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	May 1, 2016	
	Amount	Note
Appraisal Value	1,220,000,000 yen	Valuation determined via both a direct capitalization valuation and DCF valuation
Value by Direct Capitalization Method	1,210,000,000 yen	
Income	91,800,000 yen	
Maximum Obtainable Rental Income	91,800,000 yen	
Vacancy Loss	0 yen	
Expenses	12,512,417 yen	
Administrative and Maintenance Expenses	0 yen	Borne by tenants
Utility Expenses	0 yen	Borne by tenants
Repair Expenses	1,911,167 yen	Based on the average of the past 12 years of engineering reports
PM Fee	1,800,000 yen	150,000 yen per month
Leasing Brokerage Fees	0 yen	
Taxes	8,191,400 yen	Based on FY2016 actual amounts
Insurance Premiums	299,450 yen	Based on insurance estimates
Other Expenses	310,400 yen	0.3% of Income calculated as variable expense and based on actual amounts for road occupancy fees
Net Operating Income (NOI)	79,287,583 yen	
Income on Investment of Deposits Received	612,000 yen	Based on 2.0% investment yield
Capital Expenditure	14,627,333 yen	Based on average renewal expense of the past 12 years in engineering reports
Net Profit	65,272,250 yen	
Cap Rate	5.4%	Based on transactions of similar assets and comprehensive assessment of the asset's location, its individual characteristics, property right, etc.
Value via DCF Method	1,220,000,000 yen	
Discount Rate	5.2%	Based on transactions of similar assets and the yields of financial assets with the asset's individual characteristics taken into account
Terminal Cap Rate	5.6%	Based upon risk-adjusted NOI
Value via Cost Approach	569,000,000 yen	
Land	47.9%	
Building	52.1%	
Notes		
None		

(9) Comfort Hotel Kushiro

(i) Location and Features

This stay-only hotel is a 2-minute walk from Kushiro Station on the JR Nemuro Main Line. It is located in a commercial district in front of the station and close to a limousine bus stop for Tancho Kushiro Airport. The hotel offers easy access to the airport, and can meet demand among business travelers and tourists visiting eastern Hokkaido.

Kushiro City was designated as a tourism-oriented model city in January 2016, and the municipal government has been promoting tourism with a campaign focused on the city's wealth of nature, which is expected to increase visits from overseas tourists.

(ii) Property Photos and Map







Asset Overview		
Legal Form of Asset		Trust beneficiary interest in real estate (juekiken)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Period of Trust Contract		December 27, 2012 - August 31, 2026 (Expected)
Location		13-1-1 Kita-odori, Kushiro City, Hokkaido
Land	Property Right	Freehold
	Size	895.05 m^2
	Zoning	Commercial
	Coverage Ratio/Floor Area Ratio	80%/600%
Building	Property Right	Freehold
	Zoning	Hotel
	Structure	RC 9F
	Total Floor Area	3,180.58 m^2
	Construction Date	August 7, 2009
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Value		413,000,000 yen
Appraisal Date		May 1, 2016
Value by Direct Capitalization Method		412,000,000 yen
Number of Guest Rooms		126
Architect		Taisei Corporation First-Class Registered Architects Office
Builder		Taisei Corporation Sapporo Office
Structural Engineer		Taisei Corporation First-Class Registered Architects Office
Inspection Agency		Kushiro City
PML (Assessor)		8.82% (Sompo Risk Management & Health Care Inc.)
Collateral		None
Rent Overview (as of July 22, 2016)		
Number of Tenants		1
Monthly Rental Income		Fixed Rent: 3,069,917 yen / monthly, Variable Rent: none
Deposit		Lease deposit: 18,419,502 yen, No guarantee deposit
Leasable Space		3,180.58 m^2
Leased Space		3,180.58 m^2
Occupancy		100%
Property Management Company		Nippon Kanzai Co., Ltd.
Master Lease Company		None
Master Lease Type		—
Assumed NOI (NOI Yield)		7.7%
Depreciation Rate		4.8%
Special Items		
None		

Appraisal Overview		
Name	Comfort Hotel Kushiro	
Appraisal Value	413,000,000 yen	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	May 1, 2016	

	Amount	Note
Appraisal Value	413,000,00 yen	Valuation determined via both a direct capitalization valuation and DCF valuation
Value by Direct Capitalization Method	412,000,000 yen	
Income	36,839,004 yen	
Maximum Obtainable Rental Income	36,839,004 yen	
Vacancy Loss	0 yen	
Expenses	13,671,795 yen	
Administrative and Maintenance Expenses	0 yen	Borne by tenants
Utility Expenses	0 yen	Borne by tenants
Repair Expenses	3,329,000 yen	Based on the average of the past 12 years of engineering reports
PM Fee	1,800,000 yen	150,000 per month
Leasing Brokerage Fees	0 yen	
Taxes	8,182,100 yen	Based on FY2016 actual amounts
Insurance Premiums	176,500 yen	Based on insurance estimates
Other Expenses	184,195 yen	0.5% of Income calculated as variable expense
Net Operating Income (NOI)	23,167,209 yen	
Income on Investment of Deposits Received	368,390 yen	Based on 2.0% investment yield
Capital Expenditure	445,917 yen	Based on average renewal expense of the past 12 years in engineering reports
Net Profit	23,089,682 yen	
Cap Rate	5.6%	Based on transactions of similar assets and comprehensive assessment of the asset's location, its individual characteristics, property right, etc.
Value via DCF Method	414,000,000 yen	
Discount Rate	5.4%	Based on transactions of similar assets and the yields of financial assets with the asset's individual characteristics taken into account
Terminal Cap Rate	5.8%	Based upon risk-adjusted NOI
Value via Cost Approach	850,000,000 yen	
Land	17.7%	
Building	82.3%	

Notes
None

(10) Comfort Hotel Suzuka

(i) Location and Features

This stay-only hotel is a 3-minute walk from Shiroko Station on the Kintetsu Nagoya Line of Kintetsu Railway. The hotel is 15 minutes by car from Suzuka Circuit, Japan's premiere motor racing course and a major event venue with an amusement park and sports facilities. Suzuka Circuit can accommodate as many as 160,000 spectators and hosts a number of big motor sports events throughout the year.

In addition, there are a lot of factories of major companies in the area. With easy access to these factory sites by car, the hotel is well-positioned to capture business demand.

(ii) Property Photos and Map







Asset Overview		
Legal Form of Asset		Trust beneficiary interest in real estate (juekiken)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Period of Trust Contract		December 27, 2012 - August 31, 2026 (Expected)
Location		14-26, Shiroko-Ekimae, Suzuka City, Mie
Land	Property Right	Freehold
	Size	553.26 m^2
	Zoning	Commercial
	Coverage Ratio/Floor Area Ratio	80%/400%
Building	Property Right	Freehold
	Zoning	Hotel
	Structure	Steel 6F
	Total Floor Area	2,186.65 m^2
	Construction Date	July 17, 2007
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Value		370,000,000 yen
Appraisal Date		May 1, 2016
Value by Direct Capitalization Method		371,000,000 yen
Number of Guest Rooms		105
Architect		Takenaka Corporation Nagoya Office First-Class Registered Architects Office
Builder		Takenaka Corporation Nagoya Office
Structural Engineer		Takenaka Corporation Nagoya Office First-Class Registered Architects Office
Inspection Agency		Bureau Veritas Japan
PML (Assessor)		7.39% (Sompo Risk Management & Health Care Inc.)
Collateral		None
Rent Overview (as of July 22, 2016)		
Number of Tenants		1
Monthly Rental Income		Fixed Rent: 2,573,833 yen/ monthly, Variable Rent: none
Deposit		Lease deposit: 15,442,998 yen, No guarantee deposit
Leasable Space		2,186.65 m^2
Leased Space		2,186.65 m^2
Occupancy		100%
Property Management Company		Uniho Co., Ltd.
Master Lease Company		None
Master Lease Type		—
Assumed NOI (NOI Yield)[2]		7.7%
Depreciation Rate[3]		5.1%
Special Items		
None		

Appraisal Overview		
Name	Comfort Hotel Suzuka	
Appraisal Value	370,000,000 yen	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	May 1, 2016	
	Amount	Note
Appraisal Value	370,000,000 yen	Valuation determined via both a direct capitalization valuation and DCF valuation
Value by Direct Capitalization Method	371,000,000 yen	
Income	30,885,996 yen	
Maximum Obtainable Rental Income	30,885,996 yen	
Vacancy Loss	0 yen	
Expenses	7,874,857 yen	
Administrative and Maintenance Expenses	0 yen	Borne by tenants
Utility Expenses	0 yen	Borne by tenants
Repair Expenses	2,794,167 yen	Based on the average of the past 12 years of engineering reports
PM Fee	1,080,000 yen	Based on outsourcing contract
Leasing Brokerage Fees	0 yen	
Taxes	3,648,100 yen	Based on FY2016 actual amounts
Insurance Premiums	102,590 yen	Based on insurance estimates
Other Expenses	250,000 yen	0.8% of Income calculated as variable expense
Net Operating Income (NOI)	23,011,139 yen	
Income on Investment of Deposits Received	308,860 yen	Based on 2.0% investment yield
Capital Expenditure	4,413,083 yen	Based on average renewal expense of the past 12 years in engineering reports
Net Profit	18,906,916 yen	
Cap Rate	5.1%	Based on transactions of similar assets and comprehensive assessment of the asset's location, its individual characteristics, property right, etc.
Value via DCF Method	370,000,000 yen	
Discount Rate	4.9%	Based on transactions of similar assets and the yields of financial assets with the asset's individual characteristics taken into account
Terminal Cap Rate	5.3%	Based upon risk-adjusted NOI
Value via Cost Approach	452,000,000 yen	
Land	22.3%	
Building	77.7%	Sum of building and FF&E prices divided by sum of building, FF&E, and land prices
Notes		
None		

V. Seller Profile

Name	Nishi Nihon Holdings GK
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative	Managing Member: Ippan Shadan Hojin VSL Manager: Hiroshi Sasaki
Principal Businesses	1. The acquisition, holding, and sale of trust beneficiary interest (*juekiken*) 2. The holding, management, and sale of real estate 3. Other businesses relating to the above
Capital	100,000 yen
Establishment Date	October 23, 2015
Equity Holder	Ippan Shadan Hojin VSL
Relationship with Ichigo Hotel REIT or Asset Manager[1]	While the Seller is not a related party as defined in the Act on Investment Trusts and Investment Corporations (the "Act"), the acquisition process has followed the internal rules of IRE vis-à-vis related party transactions for the following reasons. First, Ichigo Inc., the 100% owner of IRE, is a related party according to the Act, and Ichigo Inc. owns more than half of the equity of Nishi Nihon Holdings GK. Second, Ichigo Estate Co., Ltd., a related party as defined in the Act, has provided asset management advisory services to IRE.

Name	Shinsaibashi Jisho Holdings GK
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative	Managing Member: Ippan Shadan Hojin IES2 Manager: Takehisa Tei
Principal Businesses	1. The acquisition, holding, and sale of trust beneficiary interest (*juekiken*) 2. The holding, management, and sale of real estate 3. Acquisition, holding, and disposition of shares, equity, and specific investment regarding the above 4. Other businesses relating to the above
Capital	100,000 yen
Establishment Date	March 26, 2010
Equity Holder	Ippan Shadan Hojin IES2
Relationship with Ichigo Hotel REIT or Asset Manager[1]	While the Seller is not a related party as defined in the Act on Investment Trusts and Investment Corporations (the "Act"), the acquisition process has followed the internal rules of IRE vis-à-vis related party transactions for the following reasons. First, Ichigo Inc., the 100% owner of IRE, is a related party according to the Act, and Ichigo Inc. owns more than half of the equity of Shinsaibashi Jisho Holdings GK. Second, Ichigo Estate Co., Ltd., a related party as defined in the Act, has provided asset management advisory services to IRE.

[1] Ichigo Hotel REIT also followed strict related-party procedures to manage conflicts of interest, and obtained second opinions to assess the fairness of the transaction prices.

VI. Ownership History

Asset Name		Nest Hotel Osaka Shinsaibashi	
Overview		Current Owner	Previous Owner
	Name	Nishi Nihon Holdings GK	Unrelated Party
	Relationship to Ichigo Hotel REIT	Related Party as defined in the internal rules of IRE. Please see "Seller Profile" in Section V.	—
	Acquisition Rationale	Investment	—
	Acquisition Price[1]	4,935,603,687 yen	—
	Acquisition Date	December 2015	—

[1] The acquisition price exceeds the current owner's (sponsor Ichigo) acquisition price, but is below the hotel's most recent appraisal value. Given Ichigo's value-add actions after acquiring the hotel to increase NOI and lower operating costs, Ichigo Hotel REIT is confident that the transaction price is fair.

Asset Name		Comfort Hotel Central International Airport	
Overview		Current Owner	Previous Owner
	Name	Shinsaibashi Jisho GK	Unrelated Party
	Relationship to Ichigo Hotel REIT	Related Party as defined in the internal rules of IRE. Please see "Seller Profile" in Section V.	—
	Acquisition Rationale	Investment	—
	Acquisition Price	5,245,000,000 yen	—
	Acquisition Date	February 2016	—

[1] The acquisition price exceeds the current owner's (sponsor Ichigo) acquisition price, but is below the hotel's most recent appraisal value. Given Ichigo's value-add actions after acquiring the hotel to increase NOI and lower operating costs, Ichigo Hotel REIT is confident that the transaction price is fair.

Asset Name		Smile Hotel Tokyo Asagaya	
Overview		Current Owner	Previous Owner
	Name	Shinsaibashi Jisho GK	Unrelated Party
	Relationship to Ichigo Hotel REIT	Related Party as defined in the internal rules of IRE. Please see "Seller Profile" in Section V.	—
	Acquisition Rationale	Investment	—
	Acquisition Price[1]	2,850,000,000 yen	—
	Acquisition Date	December 2015	—

[1] The acquisition price exceeds the current owner's (sponsor Ichigo) acquisition price, but is below the hotel's most recent appraisal value. Given Ichigo's value-add actions after acquiring the hotel to increase NOI and lower operating costs, Ichigo Hotel REIT is confident that the transaction price is fair.

Asset Name		Nest Hotel Naha	
Overview		Current Owner	Previous Owner
	Name	Shinsaibashi Holdings GK	Unrelated Party
	Relationship to Ichigo Hotel REIT	Related Party as defined in the internal rules of IRE. Please see "Seller Profile" in Section V.	—
	Acquisition Rationale	Investment	—
	Acquisition Price	2,180,279,647 yen	—
	Acquisition Date	December 2015	—

[1] The acquisition price exceeds the current owner's (sponsor Ichigo) acquisition price, but is below the hotel's most recent appraisal value. Given Ichigo's value-add actions after acquiring the hotel to increase NOI and lower operating costs, Ichigo Hotel REIT is confident that the transaction price is fair.

Asset Name		Smile Hotel Asakusa	
Overview		Current Owner	Previous Owner
	Name	Shinsaibashi Jisho GK	Unrelated Party
	Relationship to Ichigo Hotel REIT	Related Party as defined in the internal rules of IRE. Please see "Seller Profile" in Section V.	—
	Acquisition Rationale	Investment	—
	Acquisition Price[1]	1,330,000,000 yen	—
	Acquisition Date	December 2015	—

[1] The acquisition price exceeds the current owner's (sponsor Ichigo) acquisition price, but is below the hotel's most recent appraisal value. Given Ichigo's value-add actions after acquiring the hotel to increase NOI and lower operating costs, Ichigo Hotel REIT is confident that the transaction price is fair.

Asset Name		Nest Hotel Matsuyama	
Overview		Current Owner	Previous Owner
	Name	Shinsaibashi Jisho GK	Unrelated Party
	Relationship to Ichigo Hotel REIT	Related Party as defined in the internal rules of IRE. Please see "Seller Profile" in Section V.	—
	Acquisition Rationale	Investment	—
	Acquisition Price[1]	1,170,653,492 yen	—
	Acquisition Date	December 2015	—

[1] The acquisition price exceeds the current owner's (sponsor Ichigo) acquisition price, but is below the hotel's most recent appraisal value. Given Ichigo's value-add actions after acquiring the hotel to increase NOI and lower operating costs, Ichigo Hotel REIT is confident that the transaction price is fair.

Asset Name		Hotel Livemax Nihombashi-Hakozaki	
Overview		Current Owner	Previous Owner
	Name	Shinsaibashi Jisho GK	Unrelated Party
	Relationship to Ichigo Hotel REIT	Related Party as defined in the internal rules of IRE. Please see "Seller Profile" in Section V.	—
	Acquisition Rationale	Investment	—
	Acquisition Price[1]	1,230,000,000 yen	—
	Acquisition Date	September 2015	—

[1] The acquisition price exceeds the current owner's (sponsor Ichigo) acquisition price, but is below the hotel's most recent appraisal value. Given Ichigo's value-add actions after acquiring the hotel to increase NOI and lower operating costs, Ichigo Hotel REIT is confident that the transaction price is fair.

Asset Name		Comfort Hotel Okayama	
Overview		Current Owner	Previous Owner
	Name	Shinsaibashi Jisho GK	Unrelated Party
	Relationship to Ichigo Hotel REIT	Related Party as defined in the internal rules of IRE. Please see "Seller Profile" in Section V.	—
	Acquisition Rationale	Investment	—
	Acquisition Price	990,000,000 yen	—
	Acquisition Date	December 2015	—

[1] The acquisition price exceeds the current owner's (sponsor Ichigo) acquisition price, but is below the hotel's most recent appraisal value. Given Ichigo's value-add actions after acquiring the hotel to increase NOI and lower operating costs, Ichigo Hotel REIT is confident that the transaction price is fair.

Asset Name		Comfort Hotel Kushiro	
Overview		Current Owner	Previous Owner
	Name	Shinsaibashi Jisho GK	Unrelated Party
	Relationship to Ichigo Hotel REIT	Related Party as defined in the internal rules of IRE. Please see "Seller Profile" in Section V.	—
	Acquisition Rationale	Investment	—
	Acquisition Price	350,000,000 yen	—
	Acquisition Date	February 2016	—

[1] The acquisition price is both below the current owner's (sponsor Ichigo) acquisition price and the hotel's most recent appraisal value. Given Ichigo's value-add actions after acquiring the hotel to increase NOI and lower operating costs, Ichigo Hotel REIT is confident that the transaction price is fair.

Asset Name		Comfort Hotel Suzuka	
Overview		Current Owner	Previous Owner
	Name	Shinsaibashi Jisho GK	Unrelated Party
	Relationship to Ichigo Hotel REIT	Related Party as defined in the internal rules of IRE. Please see "Seller Profile" in Section V.	—
	Acquisition Rationale	Investment	—
	Acquisition Price[1]	320,000,000 yen	—
	Acquisition Date	February 2016	—

[1] The acquisition price is both below the current owner's (sponsor Ichigo) acquisition price and the hotel's most recent appraisal value. Given Ichigo's value-add actions after acquiring the hotel to increase NOI and lower operating costs, Ichigo Hotel REIT is confident that the transaction price is fair.

VII. Broker Profile

N/A

VIII. Acquisition Schedule

Contract Date	July 22, 2016
Acquisition and Settlement Date	August 17, 2016 (Expected)

IX. Earnings Outlook

For the acquisition's earnings impact, please refer to today's release "Earnings and Dividend Forecast Revision for the January 2017 Fiscal Period and Earnings and Dividend Forecast for the July 2017 Fiscal Period ."

Portfolio Reference Information

I. Post-Acquisition Portfolio Assets

No.		Property	Area[1]	Acquisition Price[2] (mm yen)	% of Portfolio[3]
001	E-1	Smile Hotel Kyoto Shijo	Kinki	4,480	9.4%
002	E-2	Hotel Vista Premio	Kinki	3,600	7.6%
003	D-2	Hotel Wing International Nagoya	Hokuriku/Tokai	2,670	5.6%
004	A-1	Nest Hotel Sapporo Ekimae	Hokkaido/ Tohoku	2,160	4.5%
005	E-3	Chisun Inn Osaka Hommachi	Kinki	1,630	3.4%
006	D-1	Comfort Hotel Hamamatsu	Hokuriku/Tokai	1,550	3.3%
007	E-4	Hotel Suave Kobe Asuta	Kinki	1,490	3.1%
008	A-2	Nest Hotel Sapporo Odori	Hokkaido/ Tohoku	1,450	3.0%
009	G-1	Valie Hotel Tenjin	Kyushu/Okinawa	1,380	2.9%
010	E-5	Nest Hotel Osaka Shinsaibashi	Kinki	7,600	15.9%
011	D-3	Comfort Hotel Central Airport Hotel	Hokuriku/Tokai	5,308	11.1%
012	C-1	Smile Hotel Tokyo Asagaya	Tokyo	3,910	8.2%
013	G-4	Nest Hotel Naha	Kyushu/Okinawa	3,750	7.9%
014	C-2	Smile Hotel Asakusa	Tokyo	1,920	4.0%
015	F-2	Nest Hotel Matsuyama	Chugoku/Shikoku	1,610	3.4%
016	C-3	Hotel Livemax Nihombashi Hakozaki	Tokyo	1,360	2.9%
017	F-1	Comfort Hotel Okayama	Chugoku/Shikoku	1,200	2.5%
018	A-3	Comfort Hotel Kushiro	Hokkaido/ Tohoku	300	0.6%
019	D-4	Comfort Hotel Suzuka	Hokuriku/Tokai	300	0.6%
			Total 19 Properties	47,668	100.0%

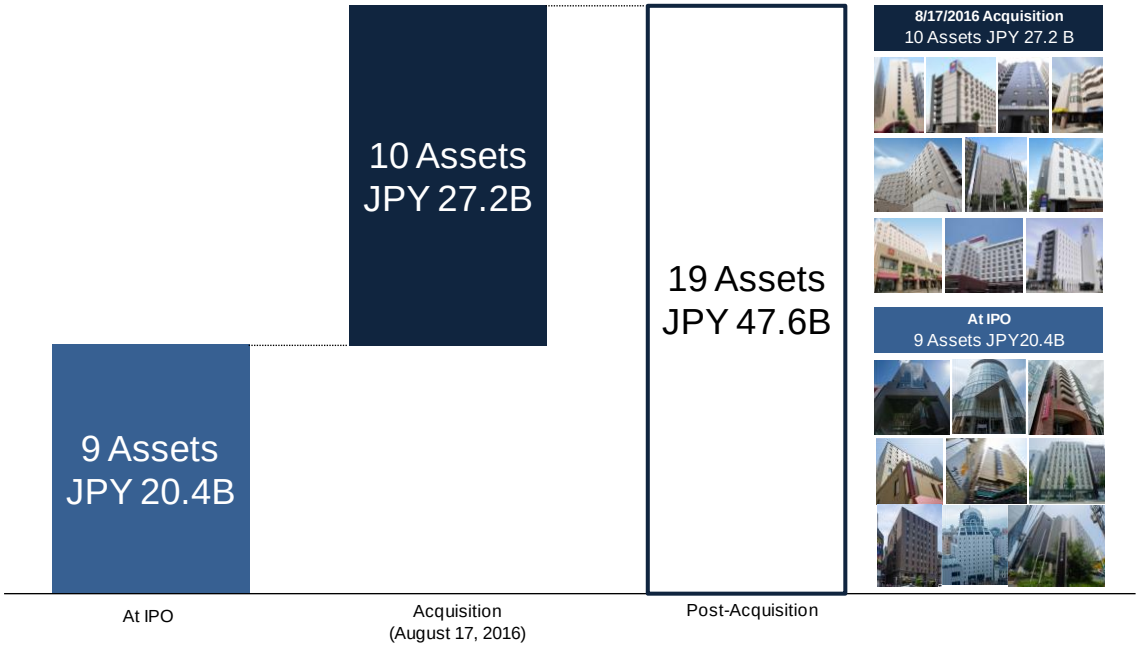
[1] The regional code identifies the area in which the asset is located.

Code	Region	Prefectures
A	Hokkaido/Tohoku	Hokkaido, Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima
B	Kanto	Ibaraki, 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, Miyazaki, Kagoshima, Okinawa

[2] Acquisition Price is the price as indicated in the purchase and sales agreement for the asset (excluding fees and incidental expenses such as property, city planning, and consumption taxes).

[3] % of Portfolio is the Acquisition Price as a percentage of the Total Acquisition Price and rounded to the nearest second decimal place.

II. Rapid Portfolio Growth via Ichigo's Sponsor Support



III. Acquisition Summary

10 Hotels, Total Acquisition Price JPY 27B, Average NOI Yield: 5.5%

No.	Name	Hotel Type	Location	Acquisition Price (million yen)	Appraisal Value (million yen)	NOI Yield	Rent Terms	No. of Guest Rooms
010	Nest Hotel Osaka Shinsaibashi	Stay-only	Osaka	7,600	7,660	5.3%	Fixed+Variable	302
011	Comfort Hotel Central International Airport	Stay-only	Aichi	5,308	5,770	5.0%	Fixed	346
012	Smile Hotel Tokyo Asagaya	Stay-only	Tokyo	3,910	3,940	5.0%	Fixed+Variable	112
013	Nest Hotel Naha	Stay-only	Okinawa	3,750	3,770	6.2%	Fixed+Variable	193
014	Smile Hotel Asakusa	Stay-only	Tokyo	1,920	2,020	5.0%	Fixed+Variable	96
015	Nest Hotel Matsuyama	Stay-only	Ehime	1,610	1,640	7.4%	Fixed+Variable	190
016	Hotel Livemax Nihombashi-Hakozaki	Stay-only	Tokyo	1,360	1,410	4.9%	Fixed	48
017	Comfort Hotel Okayama	Stay-only	Okayama	1,200	1,220	6.6%	Fixed	208
018	Comfort Hotel Kushiro	Stay-only	Hokkaido	300	413	7.7%	Fixed	126
019	Comfort Hotel Suzuka	Stay-only	Mie	300	370	7.7%	Fixed	105
		Total		**27,258**	**28,213**	**Average 5.5%**		**1,726 Rooms**