Ichigo Hotel REIT July 2016 Fiscal Period Corporate Presentation

September 14, 2016

Ichigo Hotel REIT Investment Corporation (3463)

Ichigo Investment Advisors Co., Ltd.

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Ichigo Preserves and Improves Real Estate

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July 2016 Financial Results

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Financial Highlights

		July 2016 Results	Drivers/Dividend Growth
Organic Growth	RevPAR	7,693 yen (+356 yen, +4.8% year-on-year)	• Higher variable rents
	NOI	699 million yen (+58 million yen, +9.0% vs. most recent forecast)	• Higher operating revenue and lower operating expenses
Dividend		2,825 yen (+370 yen, +15.1% vs. most recent forecast)	• +489 yen, +20.9% vs. forecast at IPO (2,336 yen) • +2,354 yen, 6X vs. Jan 16 dividend Jan (471 yen)

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Results Above Forecast

(JPY million)

	January 2016	July 2016	Forecast (as of March 2016)	Difference	Major Factors for Variation
Operating Revenue	**197**	**774**	**730**	**+44**	
Variable Rent	66	351	308	+43	Increase in variable rent: +43 (Smile Hotel Kyoto Shijo +20, Nest Hotel Sapporo Ekimae +10, Valie Hotel Tenjin +8, Nest Hotel Sapporo Odori +5)
Fixed Rent	119	387	387	0	
Other	11	35	34	+1	
Operating Expense	**95**	**302**	**307**	**-5**	Decrease in Rental expense: -14 Increase in asset management fee: +9
(Depreciation)	50	101	101	0	
Operating Profit	**102**	**472**	**423**	**+49**	
Non-operating revenue	0	1	0	+1	
Non-operating expense	36	81	82	-1	
Recurring Profit	**66**	**392**	**341**	**+51**	
Net Income	**65**	**391**	**340**	**+51**	
Dividend Per Share	**471 yen**	**2,825 yen**	**2,455 yen**	**+370 yen**	vs January 2016 fiscal period +2,354 yen vs initial forecast +370 yen
NOI	180	699	641	+58	
Post-Depreciation NOI	130	598	539	+59	
Total Assets	23,071	23,486	23,410	+76	
Interest-Bearing Debt	8,500	8,500	8,500	0	
LTV	36.8%	36.2%	36.3%	-0.1%	

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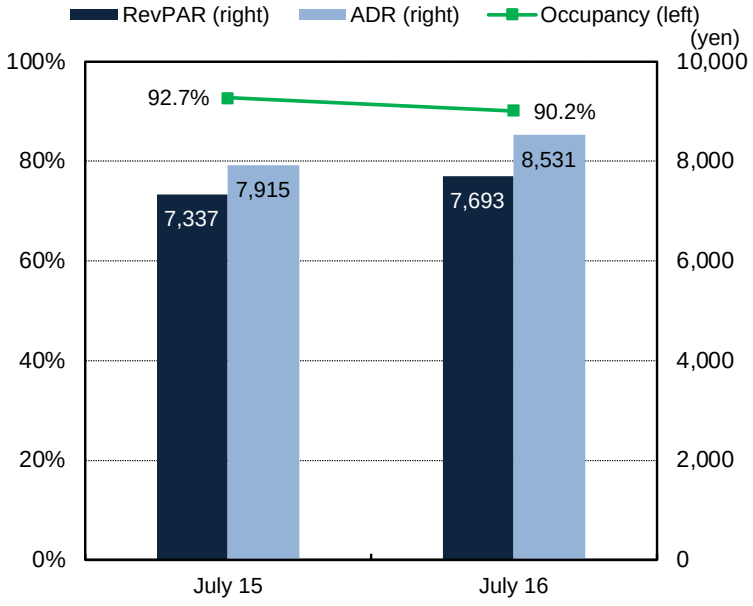
July 2016 Results (Feb-Jul, 6 Months)

RevPAR +4.8% and ADR +7.8% Year-on-Year

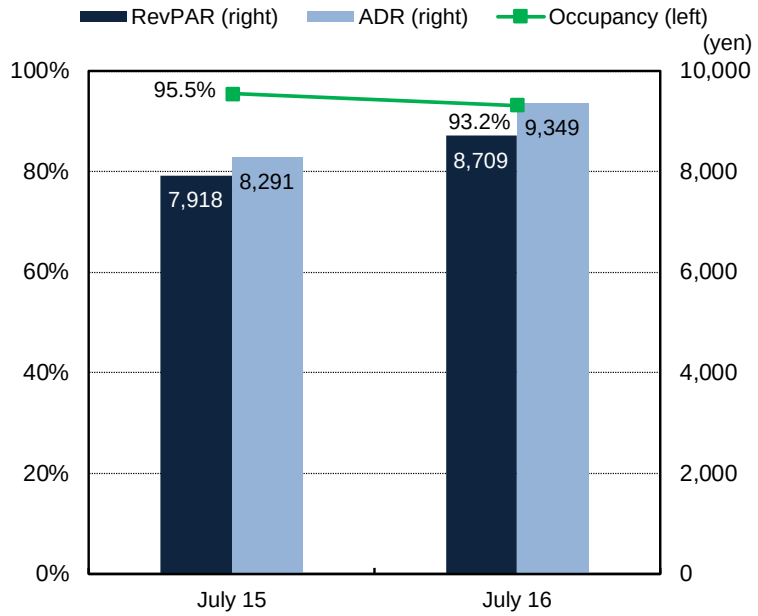
	Total Portfolio			7 Hotels with Variable Rents		
	July 15	July 16	YoY	July 15	July 16	YoY
RevPAR（yen）	7,337	7,693	+4.8%	7,918	8,709	+10.0%
ADR（yen）	7,915	8,531	+7.8%	8,291	9,349	+12.8%
Occupancy	92.7%	90.2%	-2.7%	95.5%	93.2%	-2.5%

(Note) Operating timeframe: July 15 is February 2015 to July 2015; July 16 is February 2016 to July 2016

Total Portfolio



7 Hotels with Variable Rents



(Note) 7 Hotels with Variable Rents excludes Comfort Hotel Hamamatsu and Hotel Suave Kobe Asuta because the hotel operators did not give provide consent to disclose hotel-specific data.

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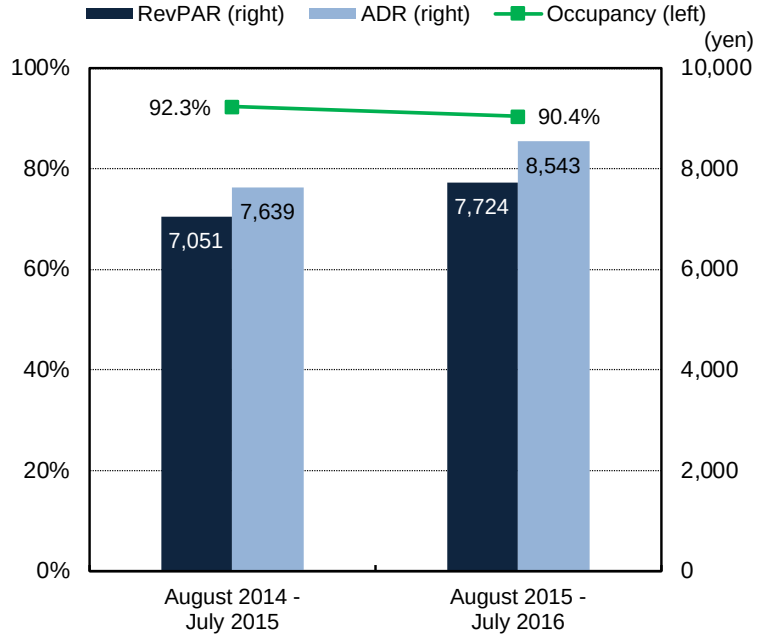
July 2016 Results (Aug-Jul, 12 Months)

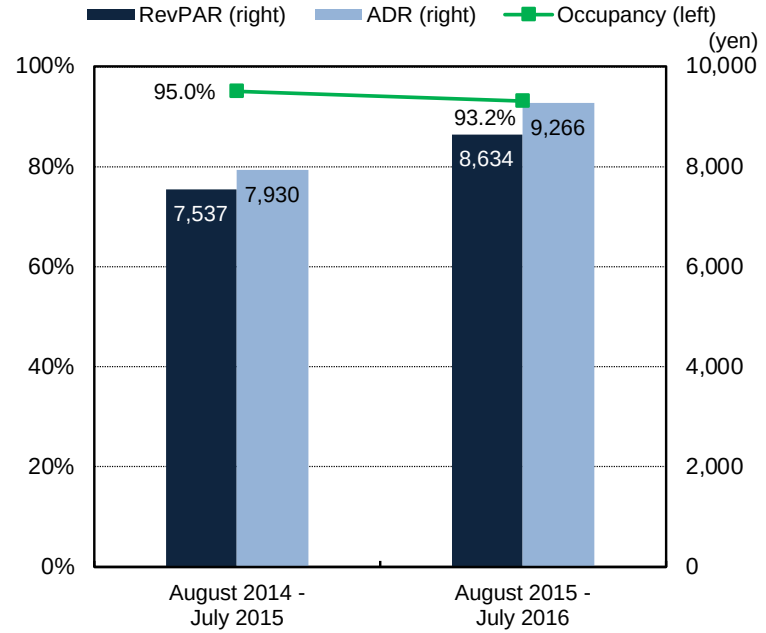
RevPAR +9.6% and ADR +11.8% Year-on-Year

	Total Portfolio			7 Hotels with Variable Rents		
	August 2014 - July 2015	August 2015 - July 2016	YoY	August 2014 - July 2015	August 2015 - July 2016	YoY
RevPAR（yen）	7,051	7,724	+9.6%	7,537	8,634	+14.6%
ADR（yen）	7,639	8,543	+11.8%	7,930	9,266	+16.8%
Occupancy	92.3%	90.4%	-2.0%	95.0%	93.2%	-2.0%

Total Portfolio



7 Hotels with Variable Rents



(Note) 7 Hotels with Variable Rents excludes Comfort Hotel Hamamatsu and Hotel Suave Kobe Asuta because the hotel operators did not give provide consent to disclose hotel-specific data.

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Strategic Value-Add Capex – Nest Hotel Sapporo Odori

Guest Room Renovations (JPY 16.6mm investment)

- ✓ Renovated 12 twin-bed rooms to be flexibly used as triple-bed rooms
- ✓ Brightened rooms and enhanced design
- ✓ Post-renovation performance (as of July 2016)

  RevPAR： 15,387 yen (+8.6% YoY)

  ADR: 15,685 yen (+7.1% YoY)
- ✓ Expected ROI

  - Annual GOP +JPY 7.8mm, Annual rent +JPY 3.9mm

Converted Non-Revenue-Generating Space into Guest Rooms (JPY 16.3mm investment)

- ✓ Renovated storage rooms to create two additional guest rooms (completed in July 2016)
- ✓ Caters to increased tourist demand
- ✓ Focus investments on driving higher revenues
- ✓ Expected ROI

  - Annual GOP +JPY 6.5mm, Annual rent +JPY 3.3mm

Twin / Triple-Bed Room



BEFORE (Storage Room)



AFTER (Twin / Triple-Bed Room)



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Loan Details

Loan Balance

	January 31, 2016	July 31, 2016	August 17, 2016
Outstanding Loan Balance	JPY 8.5B	JPY 8.5B	JPY 19.5B
Long-Term Loan Ratio	100.0%	100.0%	100.0%
Fixed-Rate Loan Ratio	61.8%	61.8%	73.1%
Average Borrowing Rate	0.96%	0.91%	0.89%
Average Remaining Term	4.2 years	3.6 years	5.0 years
LTV	36.8%	36.2%	37.7%

Note: LTV as of August 17, 2016 is derived by adding total assets (July 31, 2016), paid-in amount from issuance of new shares (August 16, 2016), and total amount of loans (August 17, 2016).

Strong Lender Group

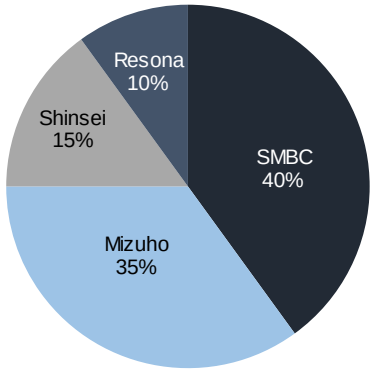
LTV Management

Interest Rate Risk Management

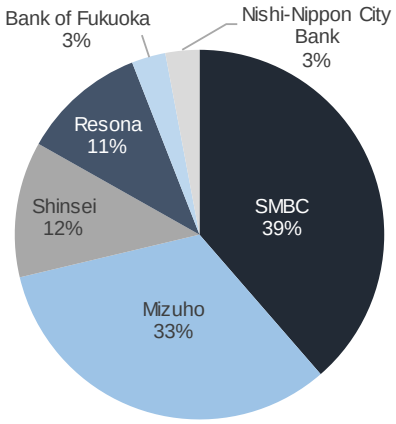
Stable Financial Base

Lender Composition

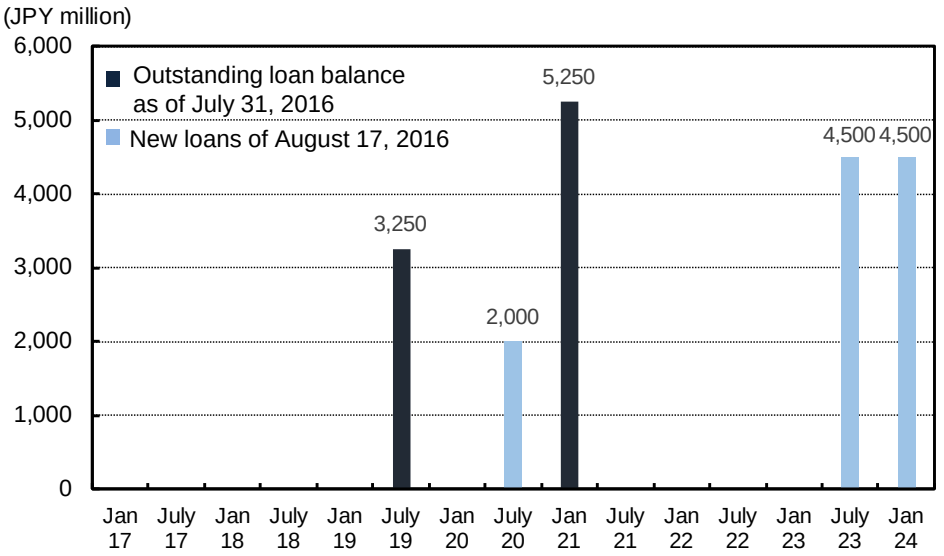
(as of July 31, 2016)



(as of August 17, 2016)



Distribution of Loan Maturities



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Portfolio Details

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Hotel-Specific Operating Results

July 2016 Period RevPAR: 7,693 yen (+1,453 yen YoY, +23.3%)

No.		Name	Location	No. of Guest Rooms	Acquisition Date	July 2016 (February 2016 - July 2016)			
						RevPAR (yen)	Occupancy (%)	ADR (yen)	Revenue (mm yen)
A-1	004	Nest Hotel Sapporo Ekimae	Sapporo	162	November 2015	8,430 (+52.7%)	98.3 (+8.9%)	8,578 (+38.8%)	316 (+236)
A-2	008	Nest Hotel Sapporo Odori	Sapporo	117	November 2015	9,736 (+41.5%)	95.6 (+1.7%)	10,188 (+39.0%)	232 (+174)
D-2	003	Hotel Wing International Nagoya	Nagoya	220	November 2015	5,326 (+6.3%)	90.1 (- 0.3%)	5,911 (+6.7%)	243 (+165)
E-1	001	Smile Hotel Kyoto Shijo	Kyoto	138	November 2015	11,696 (+41.6%)	100.1 (+0.0%)	11,683 (+41.5%)	307 (+232)
E-2	002	Hotel Vista Premio Kyoto	Kyoto	84	November 2015	12,333 (+29.3%)	91.0 (+8.3%)	13,548 (+17.4%)	202 (+149)
E-3	005	Chisun Inn Osaka Hommachi	Osaka	130	November 2015	8,686 (+7.5%)	89.1 (- 0.5%)	9,749 (+8.1%)	206 (+141)
G-1	009	Valie Hotel Tenjin	Fukuoka	77	November 2015	8,132 (+5.8%)	84.1 (- 1.3%)	9,666 (+7.4%)	123 (+84)
—	—	Other	Hamamatsu, Shizuoka Kobe, Hyogo	196 133	November 2015	4,826 (+8.9%)	81.8 (+6.3%)	5,903 (+0.5%)	300 (+206)
Total Assets (9 Assets)				**1,257**		**7,693** **(+23.3%)**	**90.2** **(+3.8%)**	**8,531** **(+18.8%)**	**1,928** **(+1,387)**

(Note) Comfort Hotel Hamamatsu and Hotel Suave Kobe Asuta results are included in Other, because the hotel operators did not provide consent to disclose hotel-specific data.

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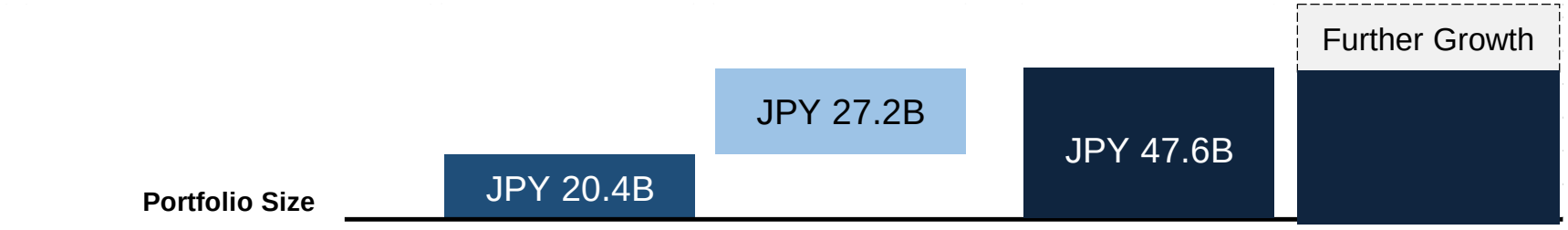
Significant Portfolio Growth via Ichigo Sponsor Support

- ✓ Grew Portfolio from JPY 20.4B to JPY 47.6B (2.3X)
- ✓ Increased Market Cap and Liquidity via Follow-On Share Offering



	Pre-Acquisition	July 22 Asset Acquisitions	Post-Acquisition
Total Assets	9 Assets	10 Assets	19 Assets
Total Guest Rooms	1,257 Rooms	1,726 Rooms	2,983 Rooms
Portfolio Size	JPY 20.4B	JPY 27.2B	JPY 47.6B
Total Appraisal Value[1]	JPY 20.6B	JPY 28.2B	JPY 49.5B
Average Appraisal NOI Yield[2]	5.9%	5.5%	5.7%
Post-Depreciation NOI Yield	5.0%	4.3%	4.6%

[1] Pre-Acquisition total appraisal value (9 assets) as of July 31, 2016. Total appraisal value as of May 1, 2016 for the 10 new assets. Post-acquisition total appraisal value as of January 31, 2016 for the existing 9 assets and as of May 31, 2016 for the 10 new assets.
[2] Pre-Acquisition Average NOI Yield (9 assets) is calculated as total NOI as of July 31, 2016 divided by total acquisition price. Average NOI Yield for the 10 new assets is calculated as total NOI as of May 31, 2016 divided by total acquisition price. Post-acquisition Average NOI Yield is calculated as the sum of total NOI (existing 9 assets) as of July 31, 2016 and total NOI (10 new assets) as of May 31, 2016, divided by the total combined acquisition price.

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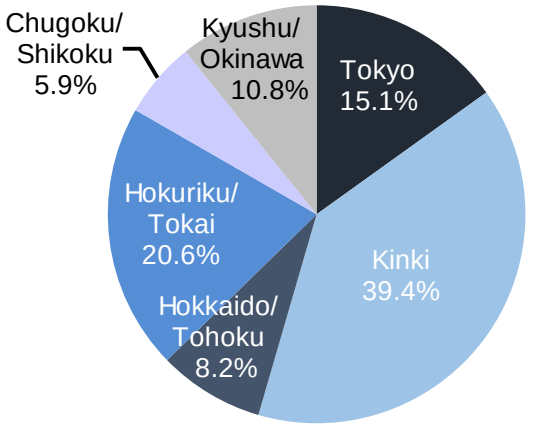
Increased Cash Flow Stability via Portfolio Diversification

Post-Acquisition Portfolio (Acquisition Price Basis)

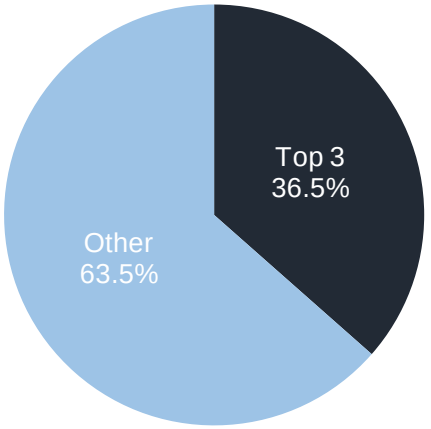
Location



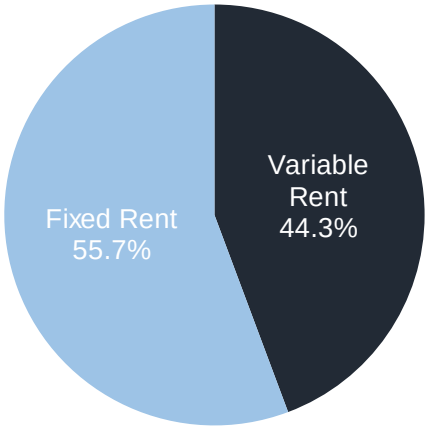
Hotel Type



Asset



Rent Type



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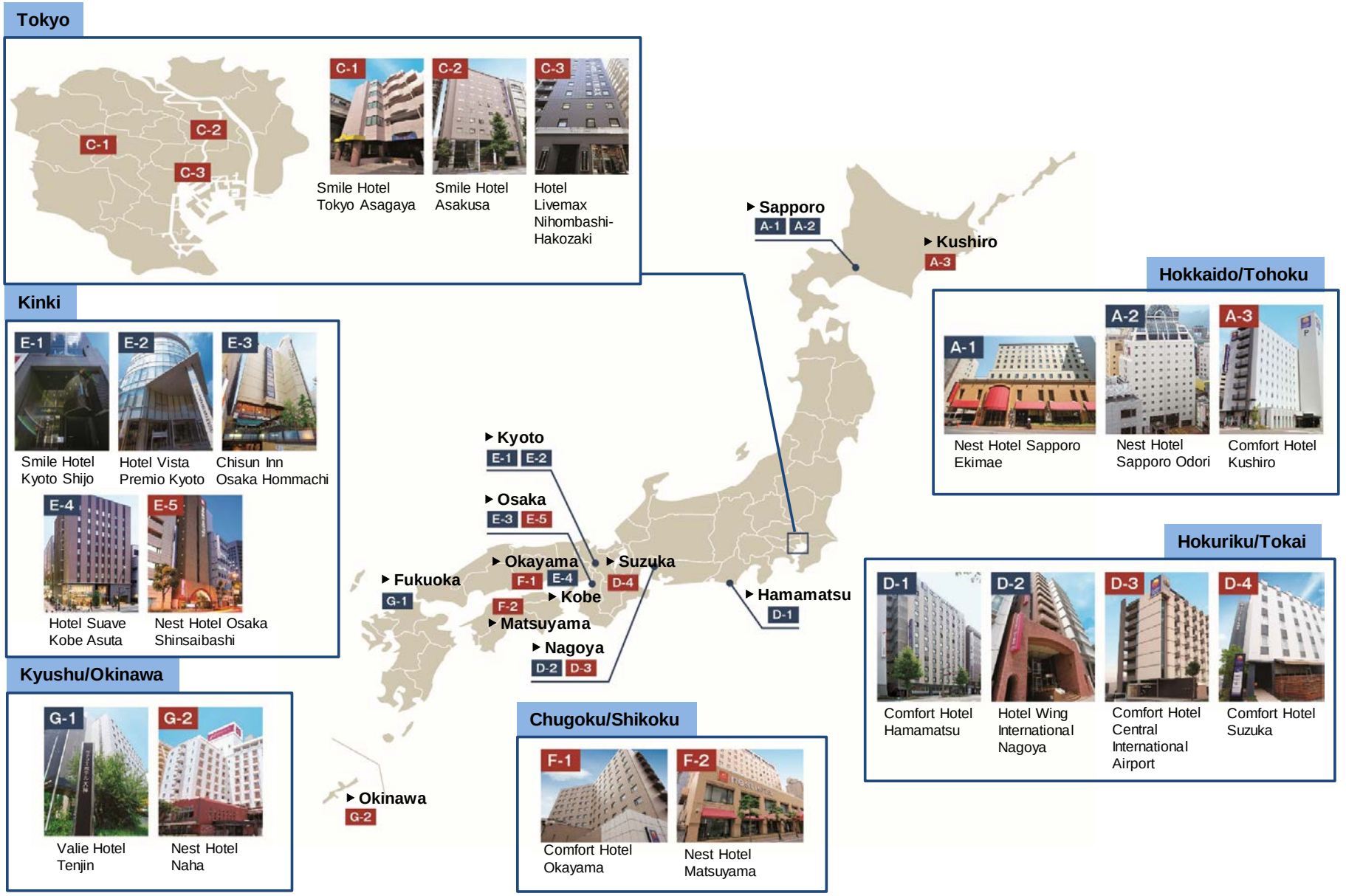
Post-Acquisition Portfolio (as of August 17, 2016)



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Growth Strategy

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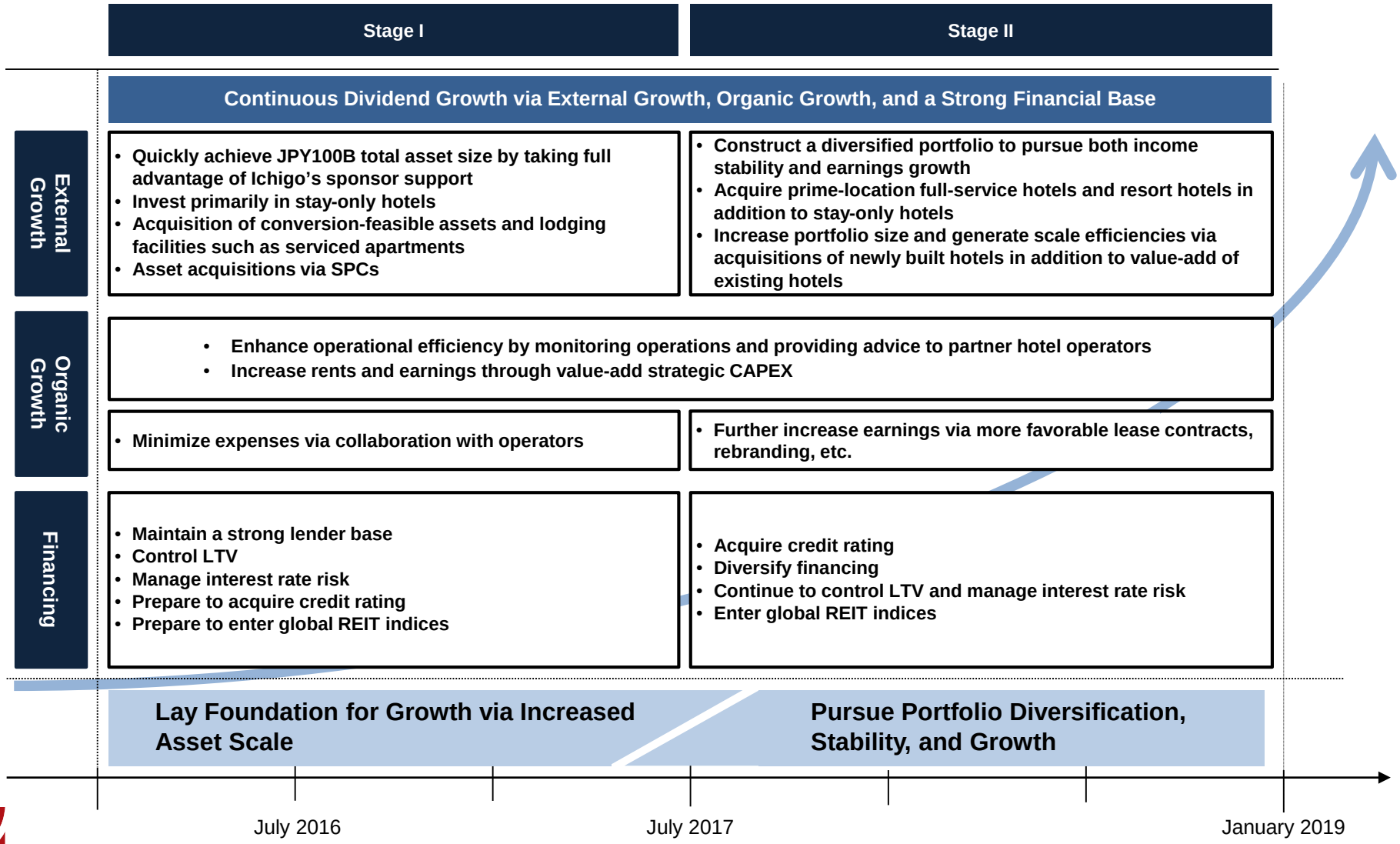
Growth Roadmap



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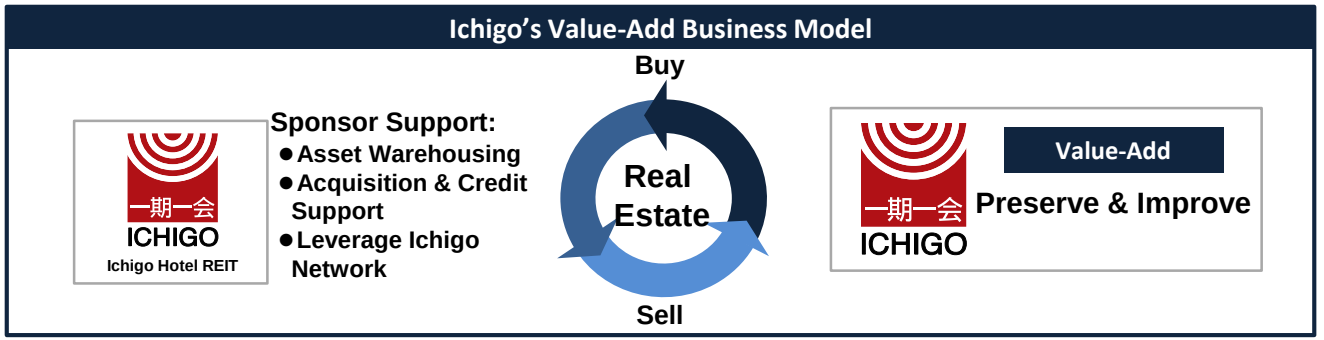
Ichigo Hotel REIT and Ichigo Sponsor Synergies

- ✓ Leverage Ichigo Group's proprietary sourcing network
- ✓ Increase asset value through Ichigo's real estate value-add capabilities
- ✓ Drive higher returns for Ichigo Hotel REIT shareholders



	Ichigo Sponsor Value-Add (Increases Asset Value)	Long-term Asset Management by Ichigo REIT (Grow Earnings and Distribute to Shareholders)
Hard	■ Rectify building code issues ■ Seismic and safety reinforcement of buildings ■ Large-scale structural and equipment renewal	■ Strategic capex ■ Long-term renovation and equipment renewal ■ Enhance hotel attractiveness & competitiveness
Soft	■ Upgrade hotel operator/brand ■ Improve contract terms ■ Improve hotel operations	■ Grow earnings via collaboration with hotel operators ■ Grow earnings via rebranding and improving contract terms ■ Grow earnings via smart cost control

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Portfolio Growth via Ichigo's Sponsor Support

13 Assets (JPY 30B) in Sponsor Pipeline as of July 31, 2016

- ✓ Locations: Major cities such as Yokohama, Osaka, Nagoya, Fukuoka, and Kumamoto
- ✓ Includes development projects to build new hotels
- ✓ Asset acquisitions via Ichigo's proprietary sourcing routes

Development Project 1
Tokyo

Development Project 2
Fukuoka


Fukuoka City


Fukuoka City


Naha City




Aomori City


Yokohama City


Utsunomiya City

Kumamoto City

Osaka City


Osaka City


Nagoya City

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Value-Add Capex Plan

Capex Focus on Driving Earnings Growth

- ✓ Capture tourist demand
- ✓ Increase guest satisfaction and ADRs
- ✓ Convert non-revenue-generating space into guest rooms at hotels with occupancy of >90%

Smart Renovations and Equipment Renewals

- ✓ Maintain asset value through smart, long-term repair plans
- ✓ Equipment renewals that lower operating expenses

Capex Plan from January 2017

Expected Completion Date	Hotel	Renovation Details	Purpose	Investment (JPY mm)	Expected Rental Income Increase (JPY mm per annum)	ROI
Oct 2016	Hotel Wing International Nagoya	Renovate all guest rooms including bathroom remodeling	Boost RevPAR and ADR by capturing higher tourist demand	20.9	4.9	23.4%
Nov 2016	Smile Hotel Kyoto Shijo	Convert storage rooms into two additional guest rooms	Convert non-revenue-generating space into guest rooms	23.0	7.1	30.9%
Jan 2017	Nest Hotel Sapporo Odori	Split up suite rooms	Optimal use of low-revenue-generating space	22.5	3.3	14.7%
Feb 2017	Nest Hotel Naha	Convert banquet rooms into four additional guest rooms	Optimal use of low-revenue-generating space	22.0	3.0	13.6%
Mar 2017	Smile Hotel Kyoto Shijo	Renovation of restaurant	Update and upgrade facilities	20.0	–	–
Mar 2017	Smile Hotel Tokyo Asagaya	Renovation of guest rooms and lobby	Boost RevPAR and ADR by capturing higher tourist demand	32.0	7.7	24.1%
			Total	**140.4**	**26.0**	**18.5%**

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Maximize Variable Rents & Increase NOI

- ✓ Maximize Variable Rents

  Advise and support hotel operators to grow revenues

  - — Drive tourist demand
  - — Monitor and enhance customer satisfaction
  - — Review sales strategy based on market and competition
  - — Optimization of operating expenses

- ✓ Review and adjust lease contracts based on operating results and market conditions
- ✓ Increase non-rent revenue by leveraging common spaces
- ✓ Lower operating expenses

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January 2017 and July 2017 Forecasts

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January 2017 Fiscal Period Forecast

- ✓ Dividend forecast: 2,917 yen
- ✓ 10 Newly-Acquired Assets Will Contribute to Operating Revenue Growth

(JPY million)

	July 2016 Actual (A)	January 2017 Forecast (B)	(B) - (A)	Major Factors for Variation
Operating Revenue	**774**	**1,547**	**+773**	Increase in rent due to 10 newly acquired assets
Variable Rent	351	663	+312	
Fixed Rent	387	823	+436	
Other	35	60	+25	
Operating Expense	**302**	**614**	**+312**	Increase in operating expense due to 10 newly acquired assets Increase in asset management fee: +76 Increase in repair and maintenance expense: +24 Increase in other rental expense: +28
(Depreciation)	101	268	+167	Increase in depreciation due to asset acquisitions
Operating Profit	**472**	**933**	**+461**	
Non-Operating Profit	1	0	-1	
Non-Operating Expense	81	173	+92	Increase in borrowing-related cost due to asset acquisitions
Recurring Profit	**392**	**759**	**+367**	
Net Income	**391**	**758**	**+367**	
Dividend Per Share	**2,825 yen**	**2,917 yen**	**+92 yen**	
NOI	699	1,405	+706	
Post-Depreciation NOI	598	1,136	+538	

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July 2017 Fiscal Period Forecast

- ✓ Dividend Forecast: 2,838 yen
- ✓ Reflects Higher Property and City Planning Taxes on 10 New Assets

(JPY million)

	July 2016 Actual (A)	July 2017 Forecast (B)	(B) - (A)	Major Factors for Variation
Operating Revenue	**1,547**	**1,638**	**+91**	
Variable Rent	663	738	+75	Increase in rental revenue due to seasonal volatility (Variable rent at Chisun Inn Osaka Hommachi: +39)
Fixed Rent	823	841	+18	0.5 month rental income increase due to asset acquisitions on August 17, 2016 during the January 2017 fiscal period
Other	60	58	-2	
Operating Expense	**614**	**729**	**+115**	Increase in rental expenses (Property and city planning taxes for newly-acquired assets): +50 Increase in asset management fee: +31 Increase in administrative service fee: +8
(Depreciation)	268	280	+12	
Operating Profit	**933**	**909**	**-24**	
Non-Operating Profit	0	0	0	
Non-Operating Expense	173	177	+4	
Recurring Profit	**759**	**732**	**-27**	
Net Income	**758**	**731**	**-27**	
Dividend Per Share	**2,917 yen**	**2,838 yen**	**-79 yen**	Impact of property and city planning taxes for newly-acquired assets on dividend: -200 yen
NOI	1,405	1,443	+38	
Post-Depreciation NOI	1,136	1,162	+26	

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July 2017 Forecast Upward Revision Details

Revised up forecast announced on July 2016 to reflect stronger operating performance of existing 9 assets and 10 newly-acquired assets

(JPY million)

	(Announced in July 2016) July 2017 Previous Forecast (A)	(Announced in Sep 2016) July 2017 Revised Forecast (B)	(B) - (A)	Major Factors for Variation
Operating Revenue	**1,566**	**1,638**	**+72**	
Variable Rent	665	738	+73	Increase in variable rental income based on actual operating performance of existing 9 assets for the July 2016 period: +51 Increase in variable rental income based on actual operating performance of the 10 newly-acquired assets: +21
Fixed Rent	841	841	0	
Other	58	58	0	
Operating Expense	**710**	**729**	**+19**	Increase in repair and maintenance expense: +5 Increase in asset management fee: +12
(Depreciation)	278	280	+2	
Operating Profit	**855**	**909**	**+54**	
Non-Operating Profit	0	0	0	
Non-Operating Expense	176	177	+1	
Recurring Profit	**679**	**732**	**+53**	
Net Income	**678**	**731**	**+53**	
Dividend Per Share	**2,609 yen**	**2,838 yen**	**+229 yen**	
NOI	1,374	1,443	+69	
Post-Depreciation NOI	1,096	1,162	+66	

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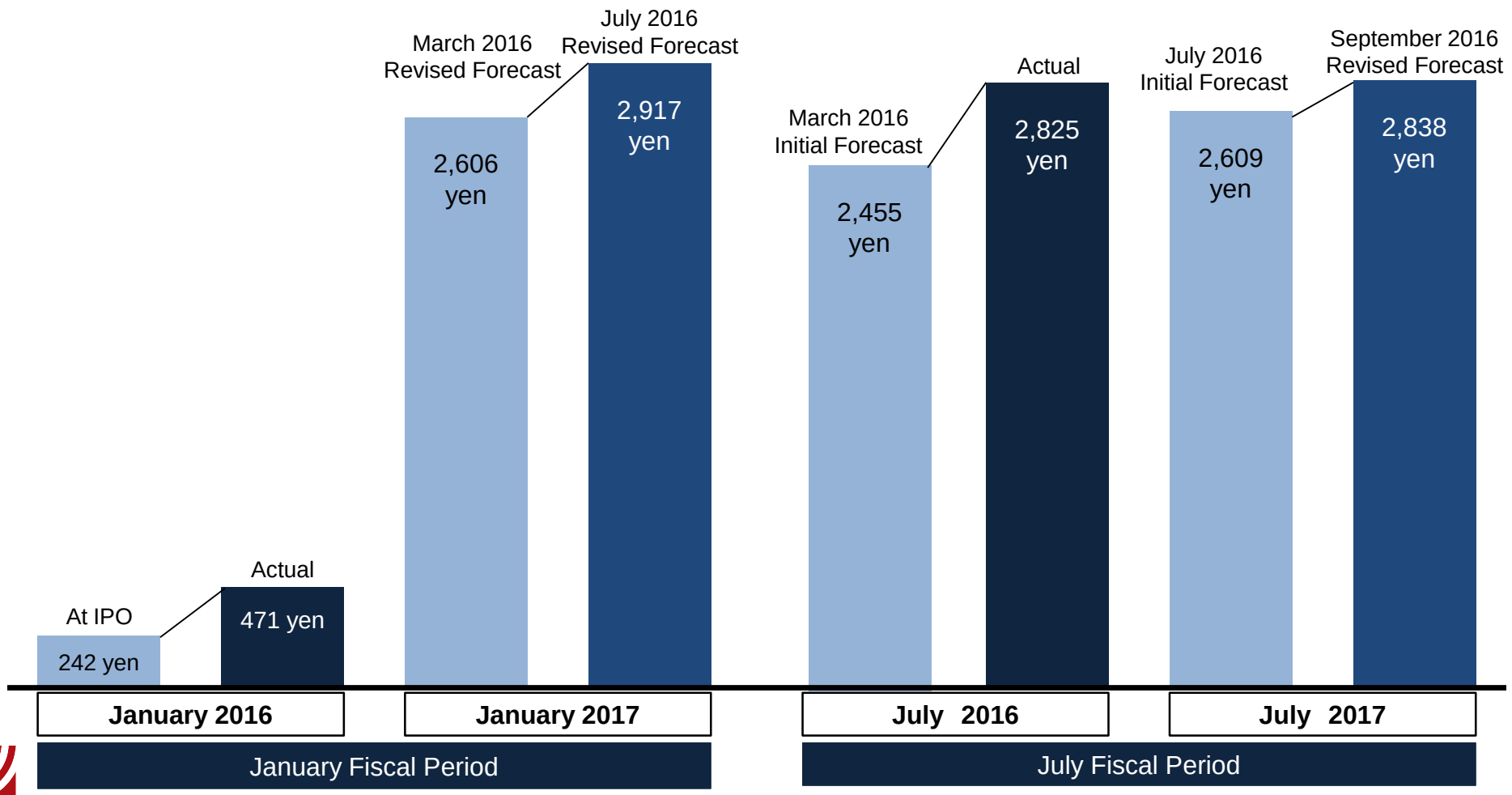
Continued Dividend Growth



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Appendices

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Hotel & Portfolio Data

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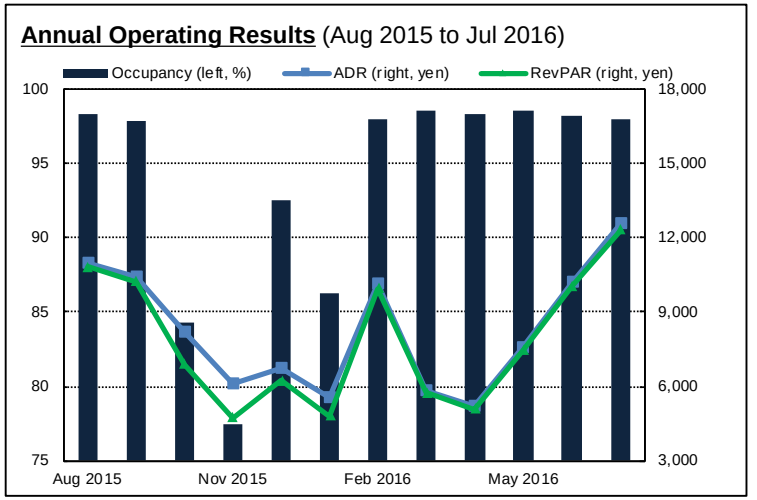
Hotel Details (Hokkaido & Tohoku Region)

A-1 Nest Hotel Sapporo Ekimae

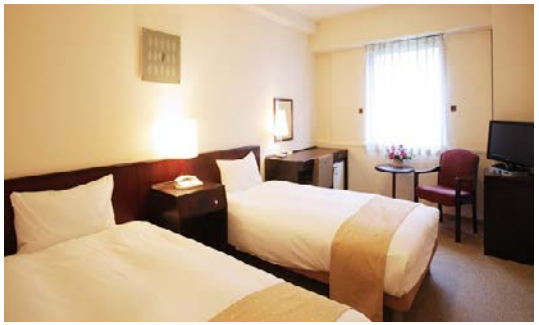






Converted 12 twin-bed rooms to a more flexible format that allows for triple-bed layouts in April 2016

Before **After**



Twin-Bed Room



Twin-Bed Layout



Triple-Bed Layout

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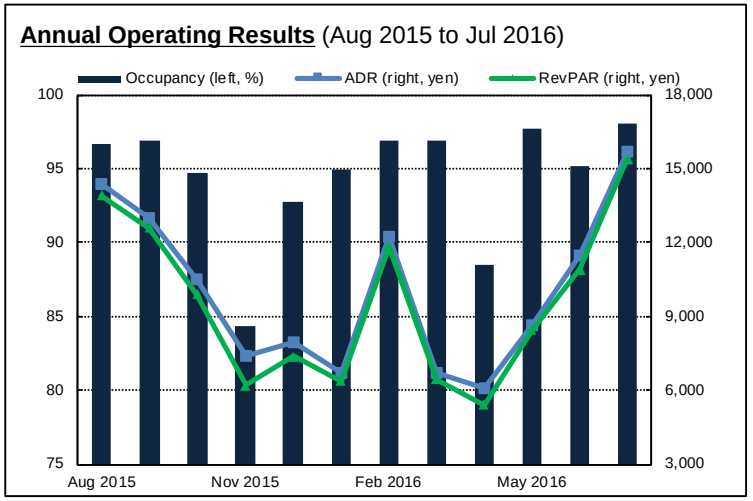
Hotel Details (Hokkaido & Tohoku Region)

A-2 Nest Hotel Sapporo Odori







Converted 12 twin-bed rooms to a more flexible format that allows for triple-bed layouts, and storage rooms into guest rooms in July 2016

Triple-Bed Room



New Guest Room (can be used in Triple-Bed Layout)



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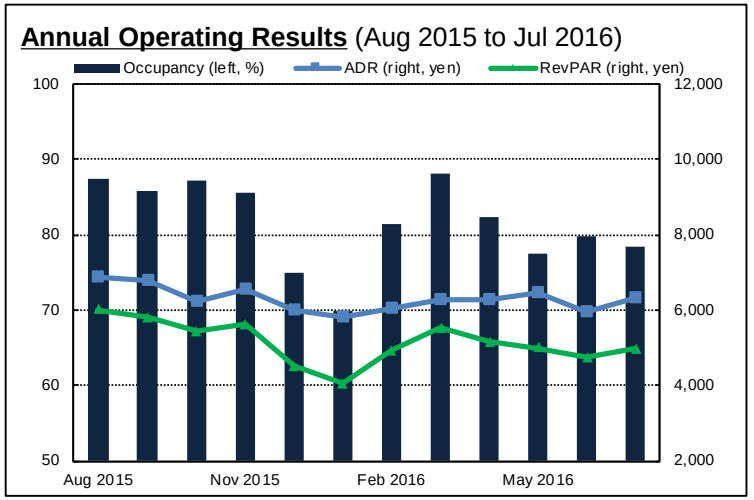
Hotel Details (Hokuriku & Tokai Region)

D-1 Comfort Hotel Hamamatsu



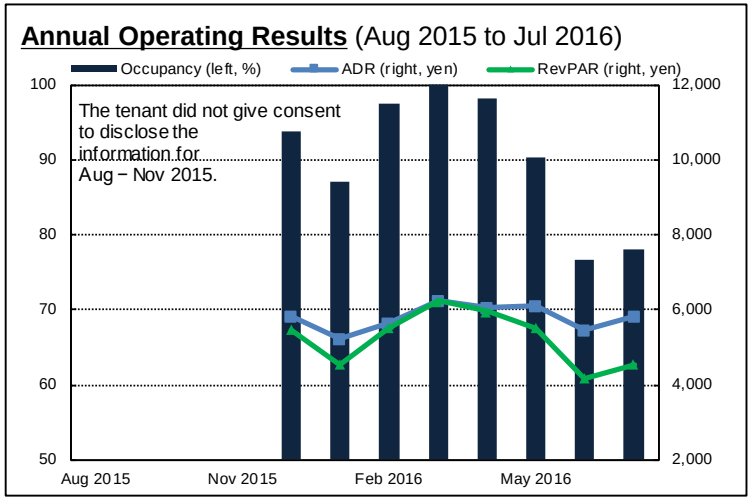




D-2 Hotel Wing International Nagoya







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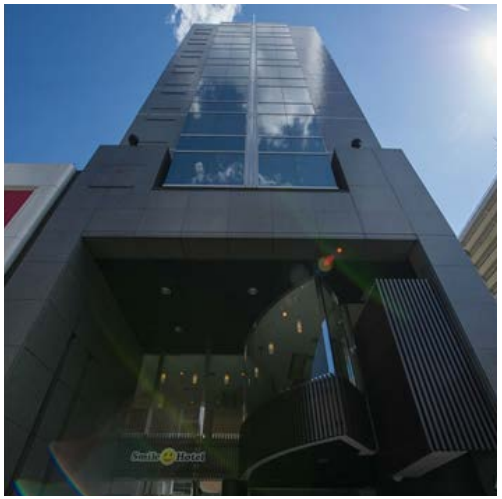
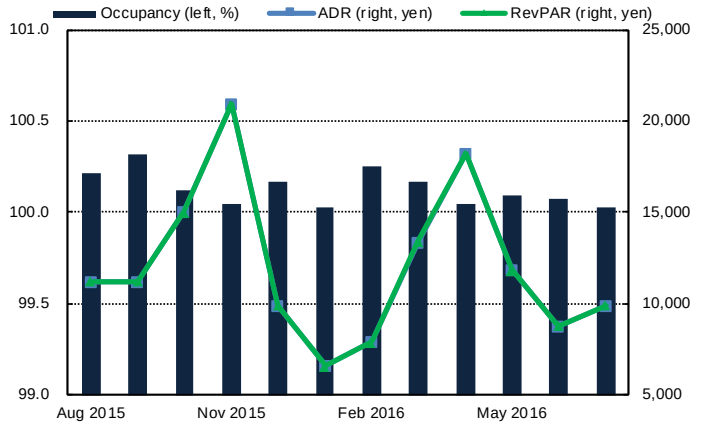
Hotel Details (Kinki Region)

E-1 Smile Hotel Kyoto Shijo





Annual Operating Results (Aug 2015 to Jul 2016)

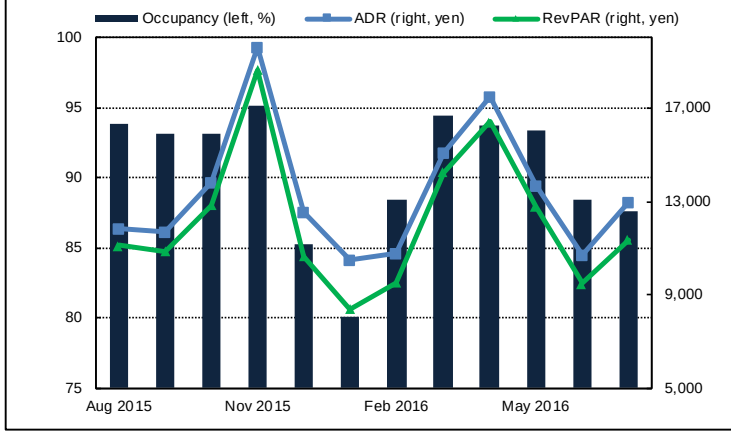


E-2 Hotel Vista Premio Kyoto





Annual Operating Results (Aug 2015 to Jul 2016)



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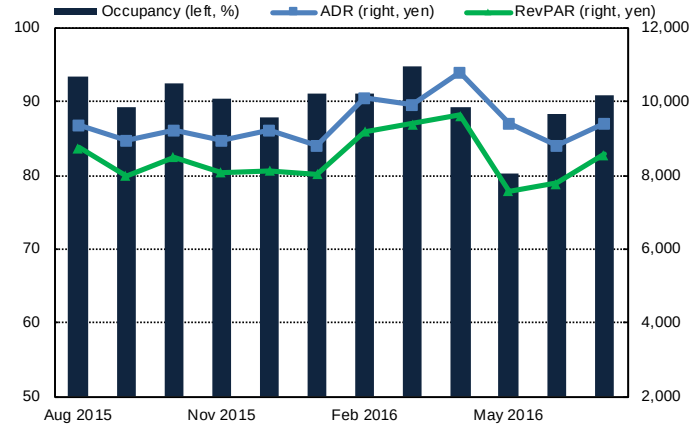
Hotel Details (Kinki Region)

E-3 Chisun Inn Osaka Hommachi





Annual Operating Results (Aug 2015 to Jul 2016)



E-4 Hotel Suave Kobe Asuta





Annual Operating Results (Aug 2015 to Jul 2016)

The tenant did not give consent to disclose the information.

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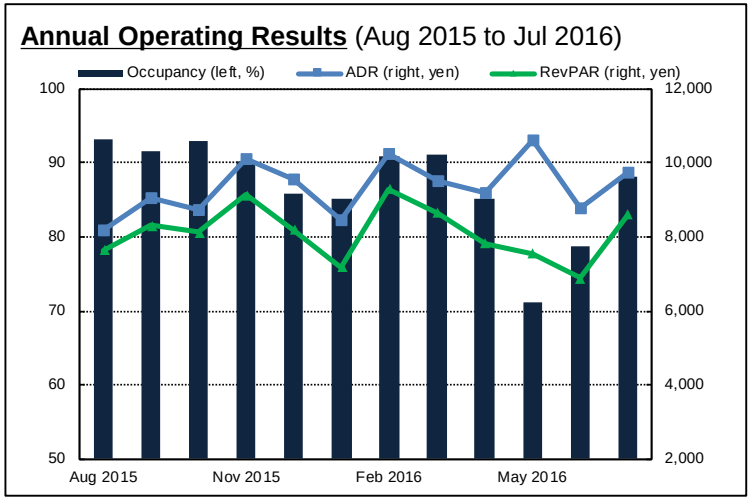
Hotel Details (Kyushu & Okinawa Region)

G-1 Valie Hotel Tenjin







Newly opened a restaurant and a lounge and began serving breakfast to guests in February 2016

Buffet Restaurant with 24 Seats



Lounge where guests can enjoy free coffee and Wi-Fi



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Hotel Details (Newly-Acquired Assets)

Hokkaido & Tohoku Region: A-3 Comfort Hotel Kushiro

Location	Kushiro, Hokkaido
Hotel Type	Stay-Only
Guest Rooms	126
Leasable Area	3,1805.58 m^2
Structure	RC, 9F
Contract	Fixed Rent
Acquisition Price	300 mm yen
Appraisal Value	413 mm yen
NOI Yield	4.8%







Tokyo Region: C-1 Smile Hotel Tokyo Asagaya

Location	Suginami-ku, Tokyo
Hotel Type	Stay-Only
Guest Rooms	112
Leasable Area	2,721.70 m^2
Structure	RC, B1/5F
Contract	Fixed + Variable Rent
Acquisition Price	3,910 mm yen
Appraisal Value	3,940 mm yen
NOI Yield	4.0%







(Note) RC = Reinforced Concrete

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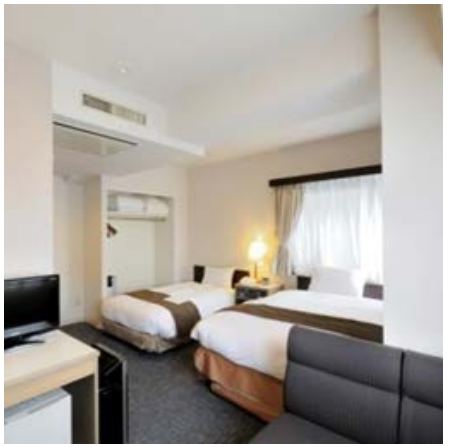
Hotel Details (Newly-Acquired Assets)

Tokyo Region: C-2 Smile Hotel Asakusa

Location	Taito-ku, Tokyo
Hotel Type	Stay-Only
Guest Rooms	96
Leasable Area	1,793.43 m^2
Structure	SRC, 10F
Contract	Fixed + Variable Rent
Acquisition Price	1,920 mm yen
Appraisal Value	2,020 mm yen
NOI Yield	3.7%



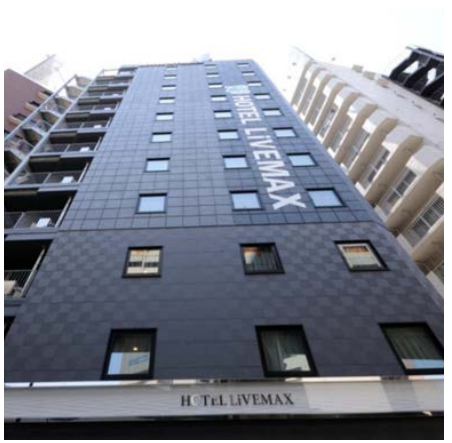




Tokyo Region: C-3 Hotel Livemax Nihonbashi-Hakozaki

Location	Chuo-ku, Tokyo
Hotel Type	Stay-Only
Guest Rooms	48
Leasable Area	853.00 m^2
Structure	Steel, 11F
Contract	Fixed Rent
Acquisition Price	1,360 mm yen
Appraisal Value	1,410 mm yen
NOI Yield	3.5%







(Note) SRC = Steel-Reinforced Concrete

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Hotel Details (Newly-Acquired Assets)

Hokuriku & Tokai Region: D-3 Comfort Hotel Central International Airport

Location	Tokoname, Aichi
Hotel Type	Stay-Only
Guest Rooms	346
Leasable Area	11,599.63 m^2
Structure	RC, 8F
Contract	Fixed Rent
Acquisition Price	5,308 mm yen
Appraisal Value	5,770 mm yen
NOI Yield	4.0%







Hokuriku & Tokai Region: D-4 Comfort Hotel Suzuka

Location	Suzuka, Mie
Hotel Type	Stay-Only
Guest Rooms	105
Leasable Area	2,186.65 m^2
Structure	Steel, 6F
Contract	Fixed Rent
Acquisition Price	300 mm yen
Appraisal Value	370 mm yen
NOI Yield	5.1%







(Note) RC = Reinforced Concrete

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Hotel Details (Newly-Acquired Assets)

Kinki Region: E-5 Nest Hotel Osaka Shinsaibashi

Location	Osaka, Osaka
Hotel Type	Stay-Only
Guest Rooms	302
Leasable Area	8,057.26 m^2
Structure	SRC, 13F
Contract	Fixed + Variable Rent
Acquisition Price	7,600 mm yen
Appraisal Value	7,660 mm yen
NOI Yield	4.6%







Chugoku & Shikoku Region: F-1 Comfort Hotel Okayama

Location	Okayama, Okayama
Hotel Type	Stay-Only
Guest Rooms	208
Leasable Area	5,543.70 m^2
Structure	SRC, 10F
Contract	Fixed Rent
Acquisition Price	1,200 mm yen
Appraisal Value	1,220 mm yen
NOI Yield	4.7%







(Note) SRC = Steel-Reinforced Concrete

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Hotel Details (Newly-Acquired Assets)

Chugoku & Shikoku Region: F-2 Nest Hotel Matsuyama

Location	Matsuyama, Ehime
Hotel Type	Stay-Only
Guest Rooms	190
Leasable Area	6,671.94 m^2
Structure	RC, 11F
Contract	Fixed + Variable Rent
Acquisition Price	1,610 mm yen
Appraisal Value	1,640 mm yen
NOI Yield	5.5%





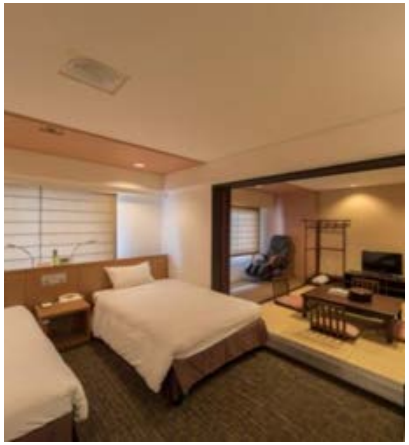


Kyushu & Okinawa Region: G-2 Nest Hotel Naha

Location	Naha, Okinawa
Hotel Type	Stay-Only
Guest Rooms	193
Leasable Area	9,242.20 m^2
Structure	SRC, 11F
Contract	Fixed + Variable Rent
Acquisition Price	3,750 mm yen
Appraisal Value	3,770 mm yen
NOI Yield	4.7%







(Note) RC = Reinforced Concrete ; SRC = Steel-Reinforced Concrete

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Portfolio Summary (as of July 31, 2016)

As of July 31, 2016

	No. by Region	No.	Asset	Region	Hotel Type	Contract	Location	Acquisition Price (mm yen)	Book Value (mm yen)	Leasable Area (m^2)	Occupancy (%)	Jul 2016 Appraisal	
												Value (mm yen)	Cap rate (%)
Hotel	A-1	004	Nest Hotel Sapporo Ekimae	Hokkaido & Tohoku	Stay-Only	Variable + Fixed Rent	Sapporo	2,160	2,176	5,734.93	100.0	2,260	5.6
	A-2	008	Nest Hotel Sapporo Odori	Hokkaido & Tohoku	Stay-Only	Variable + Fixed Rent	Sapporo	1,450	1,484	5,638.78	100.0	1,510	5.5
	D-1	006	Comfort Hotel Hamamatsu	Hokuriku & Tokai	Stay-Only	Fixed Rent	Hamamatsu, Shizuoka	1,550	1,549	4,173.92	100.0	1,670	5.7
	D-2	003	Hotel Wing International Nagoya	Hokuriku & Tokai	Stay-Only	Variable + Fixed Rent	Nagoya	2,670	2,692	5,255.66	100.0	2,810	5.1
	E-1	001	Smile Hotel Kyoto Shijo	Kinki	Stay-Only	Variable + Fixed Rent	Kyoto	4,480	4,513	4,891.84	100.0	4,760	4.9
	E-2	002	Hotel Vista Premio Kyoto	Kinki	Stay-Only	Variable + Fixed Rent	Kyoto	3,600	3,625	3,867.66	100.0	3,860	4.5
	E-3	005	Chisun Inn Osaka Hommachi	Kinki	Stay-Only	Variable + Fixed Rent	Osaka	1,630	1,648	3,690.00	100.0	1,780	4.6
	E-4	007	Hotel Suave Kobe Asuta	Kinki	Stay-Only	Variable + Fixed Rent	Kobe, Hyogo	1,490	1,494	4,633.16	100.0	1,620	5.2
	G-1	009	Valie Hotel Tenjin	Kyushu & Okinawa	Stay-Only	Variable + Fixed Rent	Fukuoka	1,380	1,425	1,910.94	100.0	1,900	4.6
							Subtotal	**20,410**	**20,610**	**39,796.89**	**100.0**	**22,170**	**5.0**

Below are the prefectures located in each “Region”:

A Hokkaido & Tohoku: Hokkaido, Aomori, Iwate, Miyagi, Akita, Yamagata, & Fukushima Prefectures
B Kanto Koshinetsu: Ibaraki, Tochigi, Gumma, Saitama, Chiba, Kanagawa, Yamanashi, Nagano, and Niigata Prefectures
C Tokyo: Tokyo
D Hokuriku & Tokai: Toyama, Ishikawa, Fukui, Gifu, Shizuoka, Aichi, and Mie Prefectures
E Kinki: Osaka, Hyogo, Kyoto, Shiga, Nara, and Wakayama Prefectures
F Chugoku & Shikoku: Tottori, Shimane, Okayama, Hiroshima, Yamaguchi, Kagawa, Tokushima, Kochi, and Ehime Prefectures
G Kyushu & Okinawa: Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, and Okinawa Prefectures

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Portfolio Summary (Newly-Acquired Assets)

As of August 17, 2016

	No. by Region	No.	Asset	Region	Hotel Type	Contract	Location	Acquisition Price (mm yen)	Acquisition Date	Leasable Area (m^2)	Occupancy (%)	Aug 2016 Appraisal	
												Value (mm yen)	Cap rate (%)
Hotel	A-3	018	Comfort Hotel Kushiro	Hokkaido & Tohoku	Stay-Only	Fixed Rent	Kushiro, Hokkaido	300	2016/8/17	3,180.58	100.0	413	5.6
	C-1	012	Smile Hotel Tokyo Asagaya	Tokyo	Stay-Only	Variable + Fixed Rent	Suginami-ku, Tokyo	3,910	2016/8/17	2,721.70	100.0	3,940	4.5
	C-2	014	Smile Hotel Asakusa	Tokyo	Stay-Only	Variable + Fixed Rent	Taito-ku, Tokyo	1,920	2016/8/17	1,793.43	100.0	2,020	4.2
	C-3	016	Hotel Livemax Nihombashi-Hakozaki	Tokyo	Stay-Only	Fixed Rent	Chuo-ku, Tokyo	1,360	2016/8/17	853.00	100.0	1,410	4.6
	D-3	011	Comfort Hotel Central International Airport	Hokuriku & Tokai	Stay-Only	Fixed Rent	Tokoname, Aichi	5,308	2016/8/17	11,599.63	100.0	5,770	4.1
	D-4	019	Comfort Hotel Suzuka	Hokuriku & Tokai	Stay-Only	Fixed Rent	Suzuka, Mie	300	2016/8/17	2,186.65	100.0	370	5.1
	E-5	010	Nest Hotel Osaka Shinsaibashi	Kinki	Stay-Only	Variable + Fixed Rent	Osaka	7,600	2016/8/17	8,057.26	100.0	7,660	4.6
	F-1	017	Comfort Hotel Okayama	Chugoku & Shikoku	Stay-Only	Fixed Rent	Okayama	1,200	2016/8/17	5,543.70	100.0	1,220	5.4
	F-2	015	Nest Hotel Matsuyama	Chugoku & Shikoku	Stay-Only	Variable + Fixed Rent	Matsuyama, Ehime	1,610	2016/8/17	6,671.94	100.0	1,640	5.8
	G-2	013	Nest Hotel Naha	Kyushu & Okinawa	Stay-Only	Variable + Fixed Rent	Naha, Okinawa	3,750	2016/8/17	9,240.20	100.0	3,770	5.4
					Subtotal: 10 Newly-Acquired Assets			**27,258**		**51,848.09**	**100.0**	**28,213**	**4.7**
							Total of 19 Assets: 9 Portfolio Assets as of July 31, 2016＋10 Newly-Acquired Assets	**47,668**		**91,644.98**	**100.0**	**50,383**	**4.8**

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Individual Hotel Financials

(thousand yen)

No.		Total	A-1	A-2	D-1	E-1	E-2	E-3	G-1	Other
Property			Nest Hotel Sapporo Ekimae	Nest Hotel Sapporo Odori	Comfort Hotel Hamamatsu	Smile Hotel Kyoto Shijo	Hotel Vista Premio Kyoto	Chisun Inn Osaka Hommachi	Valie Hotel Tenjin	
(A)	Real Estate Management Revenue	774,959	99,628	79,993	55,571	179,248	75,000	57,787	61,227	166,503
	Fixed Rent	387,253	31,129	23,766	55,361	30,331	75,000	36,000	21,664	114,000
	Variable Rent	351,895	68,498	55,776	0	148,916	0	21,787	39,563	17,352
	Other Rent	35,810	0	450	209	0	0	0	0	35,150
(B)	Real Estate Management Expenses	75,243	7,640	11,081	5,526	6,420	9,536	4,632	4,513	25,891
	Outsourcing Fees	6,594	600	600	600	600	1,475	915	600	1,204
	Taxes	48,189	5,113	8,308	4,362	4,783	6,875	3,131	3,212	12,403
	Insurance	1,113	155	164	101	159	107	105	56	263
	Repair Expenses & Equipment	4,749	1,348	1,582	200	510	661	112	276	60
	Other Expenses	14,595	423	426	263	367	418	368	368	11,960
(C)	NOI (A)-(B)	699,715	91,987	68,911	50,044	172,827	65,463	53,155	56,713	140,611
(D)	Depreciation	101,315	11,951	15,135	14,298	15,288	12,337	4,184	7,774	20,345
(E)	Net Rental Income (C)-(D)	598,399	80,036	53,776	35,746	157,539	53,126	48,970	48,938	120,266

Rents for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, and retail rents are included in “Other,” as the tenants did not provide consent to disclose the data.

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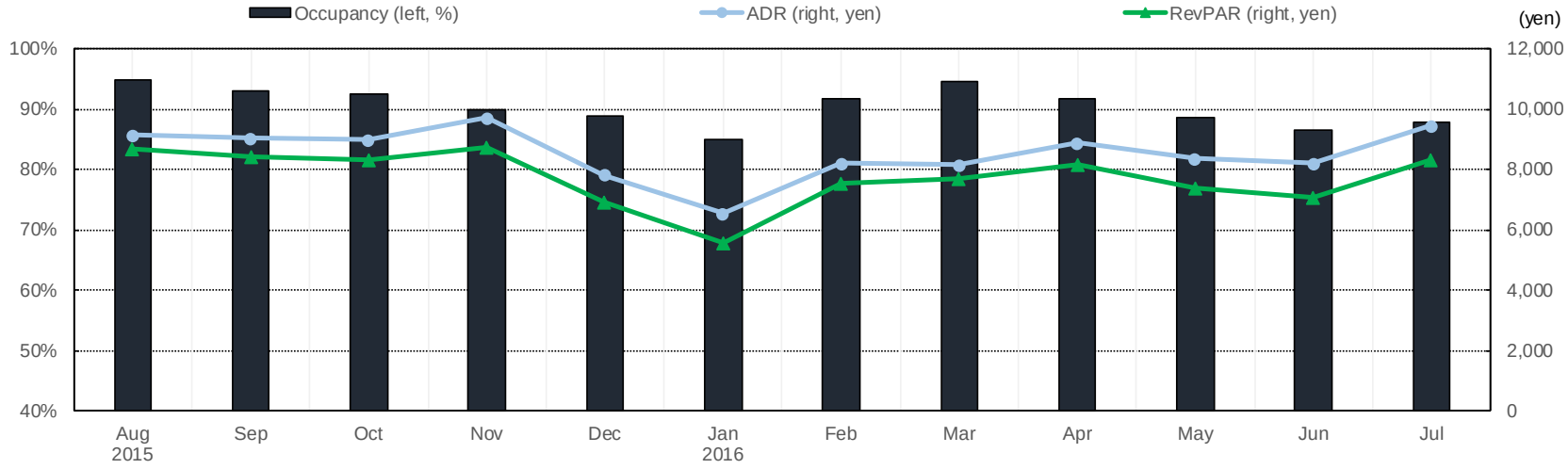
Contractual Terms and RevPAR, ADR, & Occupancy Trends

Contractual Terms

(thousand yen)

	January 2016		July 2016	
	Revenue	Ratio	Revenue	Ratio
Fixed Rent	131,079	66.2%	423,063	54.6%
Fixed Rent from Each Tenant	119,616	60.4%	387,253	50.0%
Other (Rent from Retail Tenants)	11,463	5.8%	35,810	4.6%
Variable Rent	66,870	33.8%	351,895	45.4%
Total	**197,950**	**100.0%**	**774,959**	**100.0%**

Operating Results (Aug. 2015 - Jul. 2016)



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Hotel Market Environment

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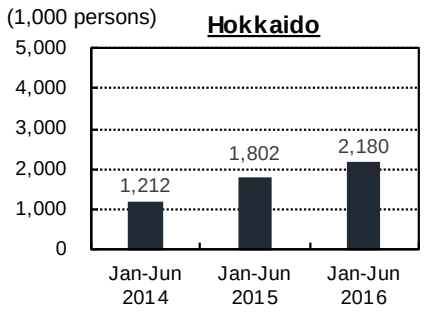
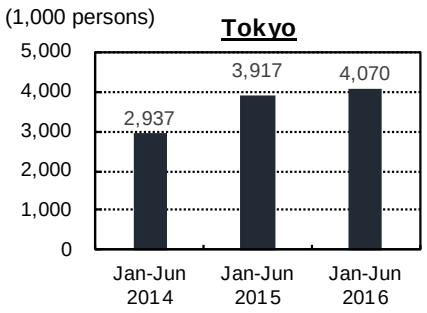
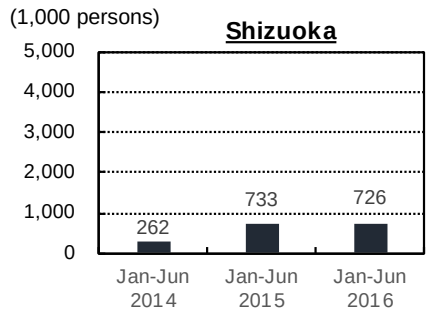
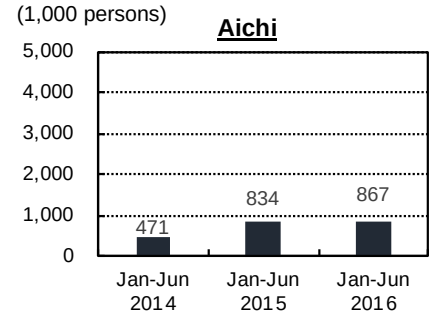
Hotel Market Environment (1)

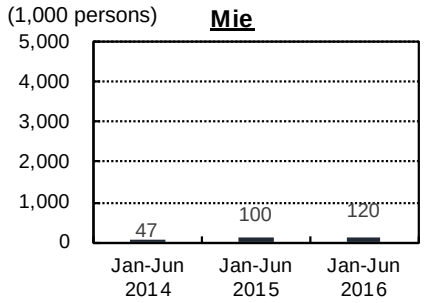
Trends in Number of Guests per Region of Portfolio Asset

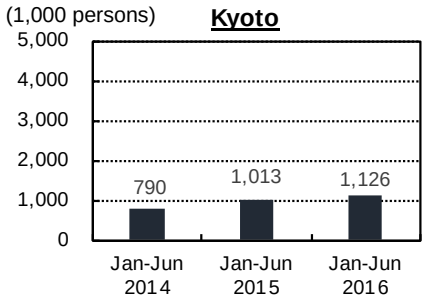


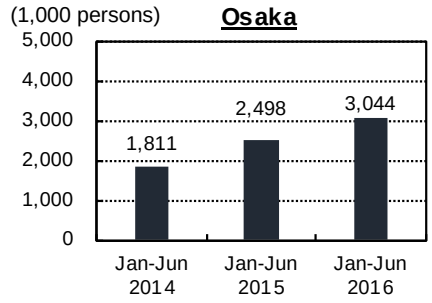


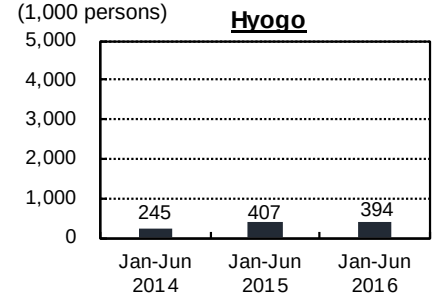


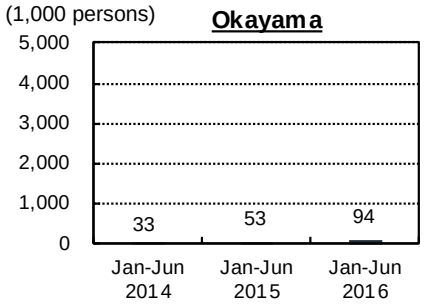


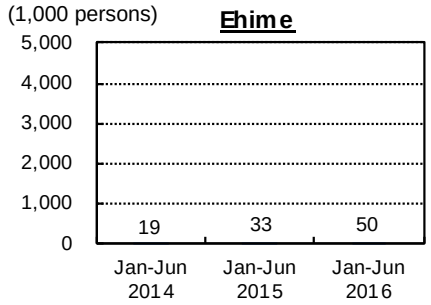


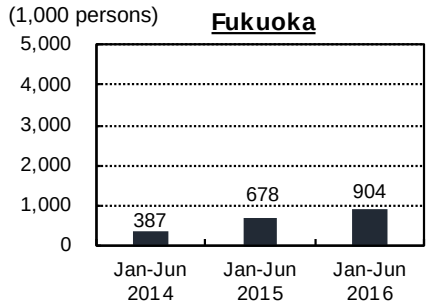


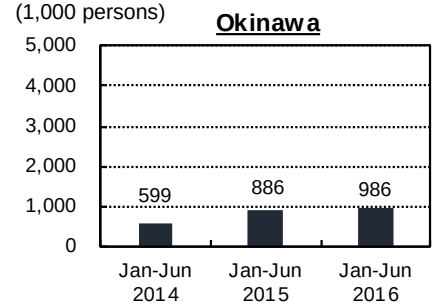












Note: Data prepared by Ichigo Investment Advisors based on Japan Tourism Agency's "Statistical Survey of Travelers" (lodging facilities with ten ore more employees)

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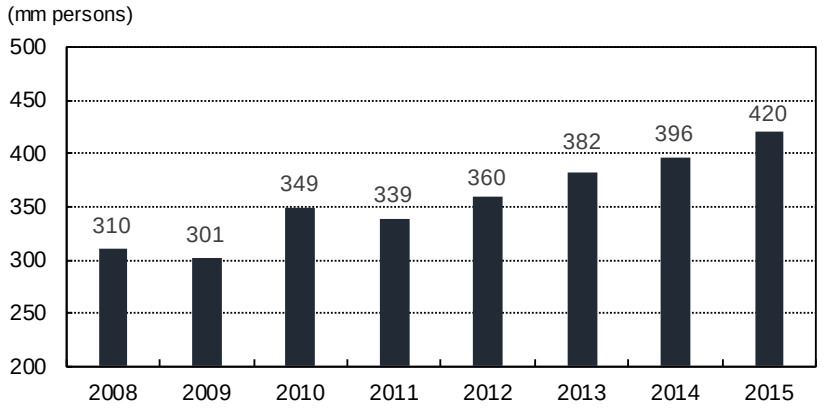
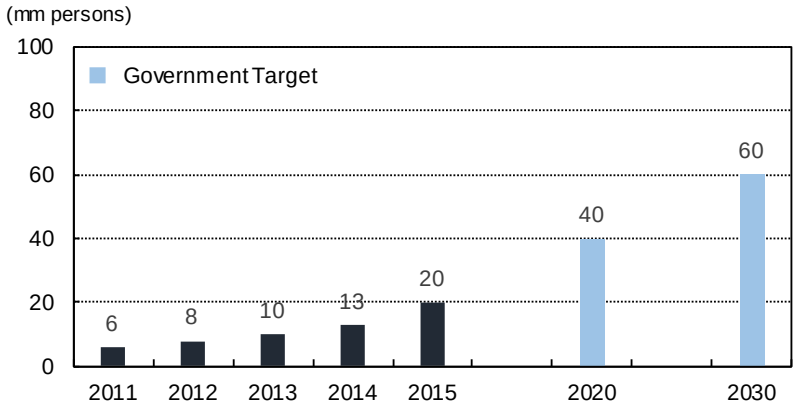
Hotel Market Environment (2)

Record-High 20mm Inbound Tourists Visited Japan in 2015, with 2016 Seeing Continued Growth

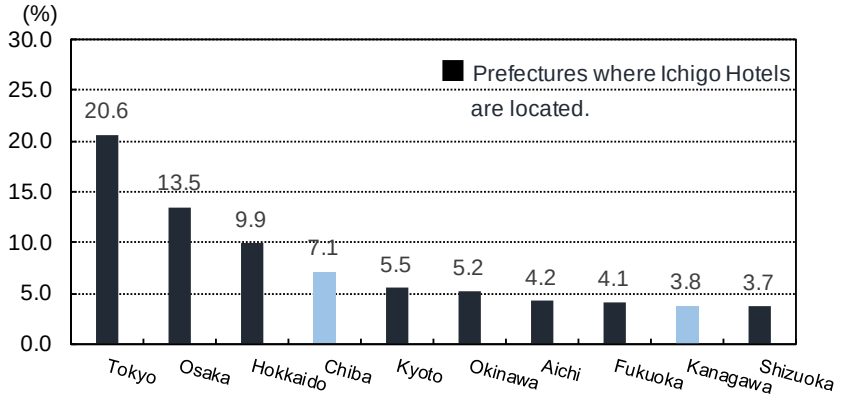
No. of Guests Staying at Domestic Hotels



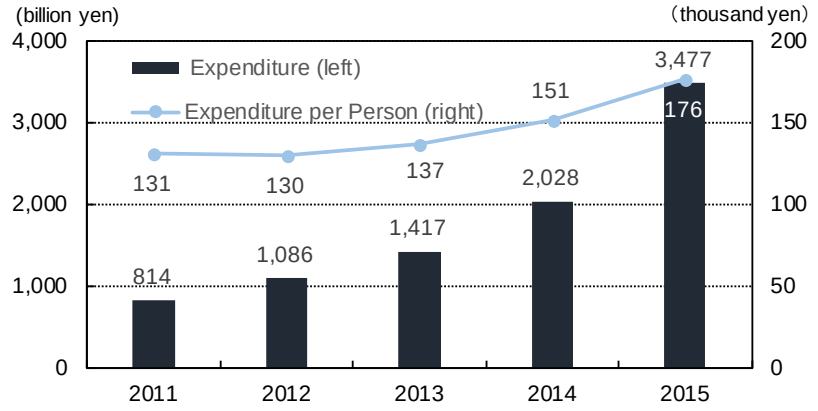
No. of Inbound Tourists



Inbound Tourist Ratio by Prefecture (2015)



Inbound Tourist Expenditure Trends



Note: Data prepared by Ichigo Investment Advisors based on Japan Tourism Agency's "Statistical Survey of Travelers" (lodging facilities with ten ore more employees)

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Additional Loan Details

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Loan Details (1)

As of July 31, 2016

Borrowing	Lender	Balance (mm yen)	Borrowing Rate	Drawdown Date	Maturity Date
Term Loan I	SMBC,Mizuho, Shinsei, Resona	**3,250**	**0.63182%**	November 30, 2015	November 30, 2018
Term Loan II	SMBC, Mizuho,Shinsei,Resona	**5,250**	**1.08000%**	November 30, 2015	November 30, 2020
Total		**8,500**	**Average 0.91%**		

As of August 17, 2016

Borrowing	Lender	Balance (mm yen)	Borrowing Rate	Drawdown Date	Maturity Date
Term Loan I	SMBC,Mizuho,Shinsei,Resona	**3,250**	**0.63182%**	November 30, 2015	November 30, 2018
Term Loan II	SMBC,Mizuho,Shinsei,Resona	**5,250**	**1.08000%**	November 30, 2015	November 30, 2020
Term Loan III	SMBC,Mizuho,Shinsei,Resona,Bank of Fukuoka, Nishi-Nippon City	**2,000**	**0.58182%**	August 17, 2016	February 29, 2020
Term Loan IV	SMBC,Mizuho,Shinsei,Resona,Bank of Fukuoka, Nishi-Nippon City	**4,500**	**0.90750%**	August 17, 2016	February 28, 2023
Term Loan V	SMBC, Mizuho,Shinsei,Resona,Bank of Fukuoka, Nishi-Nippon City	**4,500**	**0.98500%**	August 17, 2016	August 31, 2023
Total		**19,500**	**Average 0.89%**		

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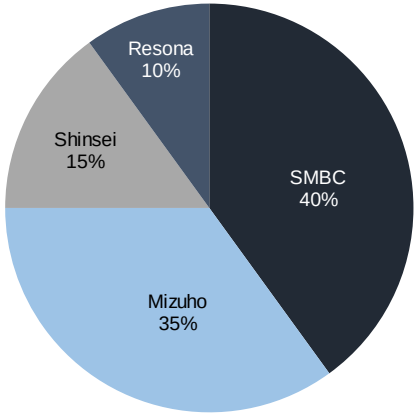
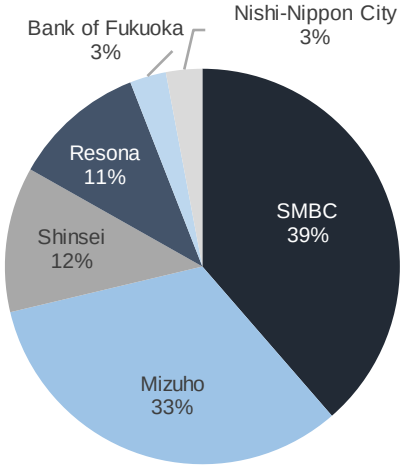
Loan Details (2)

Lender Formation

(As of July 31, 2016)

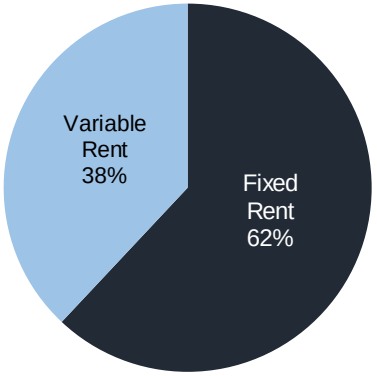


(As of August 17, 2016)

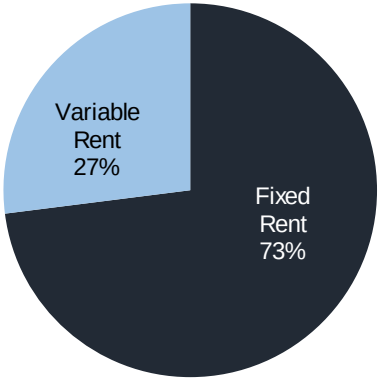


Contractual Terms

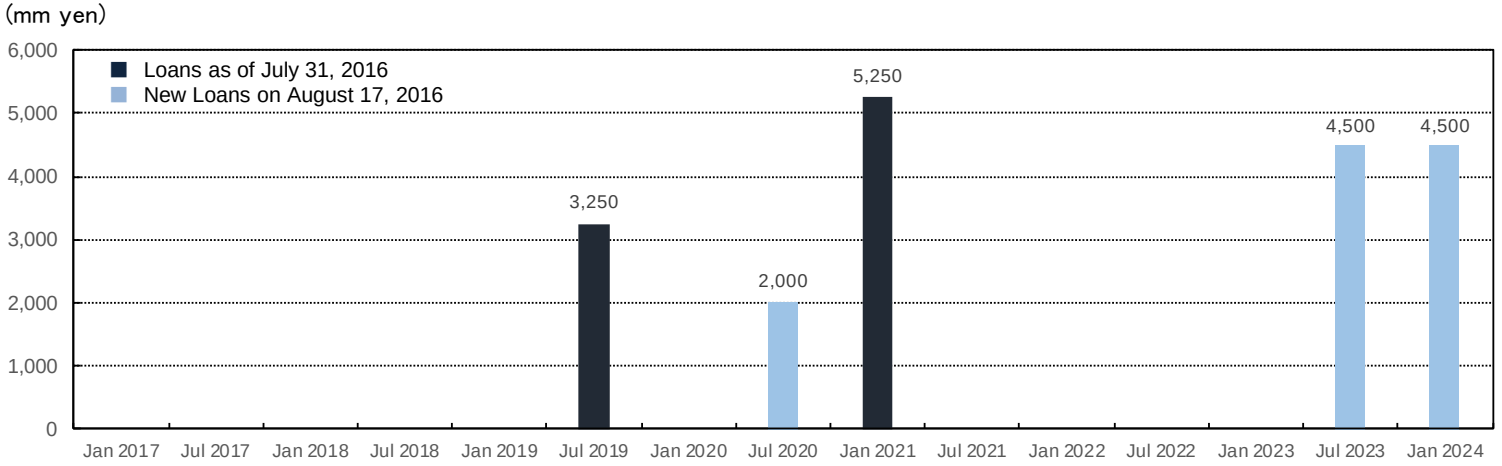
(As of July 31, 2016)



(As of August 17, 2016)



Distribution of Loan Maturity Dates



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Portfolio Strategy/Asset Acquisition/Shareholder Composition

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Ichigo Hotel REIT Portfolio Strategy

Initial Focus Primarily on Stay-Only Hotels that Deliver Both Earnings Stability and Income Growth

Growth Potential

Resort Hotels

Located in tourist destinations and/or near major tourist attractions, these are hotels with in-house restaurants, banquet halls, convention centers, sports facilities, and other such facilities

Other Options

Overnight options such as serviced apartments, Japanese-style inns (ryokan), capsule hotels, etc.

Full-Service Hotels

Located in or near train stations, tourist destinations, business centers, government offices, shopping districts, and other areas of high customer traffic, these hotels offer a full line of services and facilities such as in-house restaurants, bars, convention centers, business support centers, etc.

Stay-Only Hotels（Initial Focus)

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

Stable Revenue

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Hard/Soft Factors Considered in Asset Acquisitions

Hard	**Location**	**Location Competitiveness** Is the asset located near an airport, train station, business center, etc., and is it likely there will be sufficient regular customer traffic?
Hard	**Building**	**Physical Condition of Building** What is the physical condition of the asset and how well has it been maintained? Is the physical condition competitive when compared to other similar assets?
Hard	**Value-Add Opportunity**	**Opportunity to Benefit from Ichigo Value-Add Expertise** Will Ichigo be able to deploy its value-add capabilities to create a stable and/or growing revenue stream?
Soft	**Operator**	**Skill and Track Record of Operator** What are the likely capabilities of the operator and is the operator well-positioned to maintain stable income and/or increase revenue in the future?
Soft	**Cash Flow Analysis**	**Analysis of Cash Flows and Rental Terms** How will the amount and timing of expected cash flows from the asset affect the portfolio as a whole? Are the current rental terms optimal?

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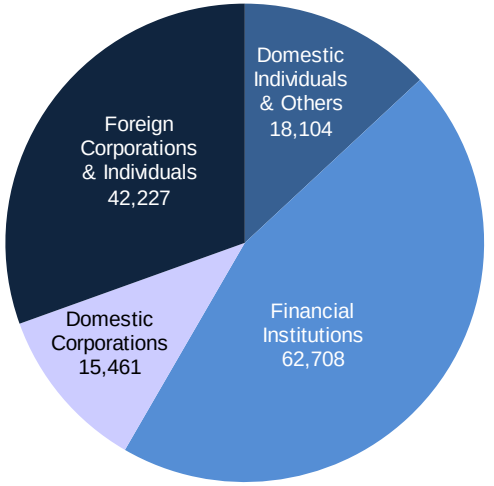
Shareholder Composition (as of July 31, 2016)

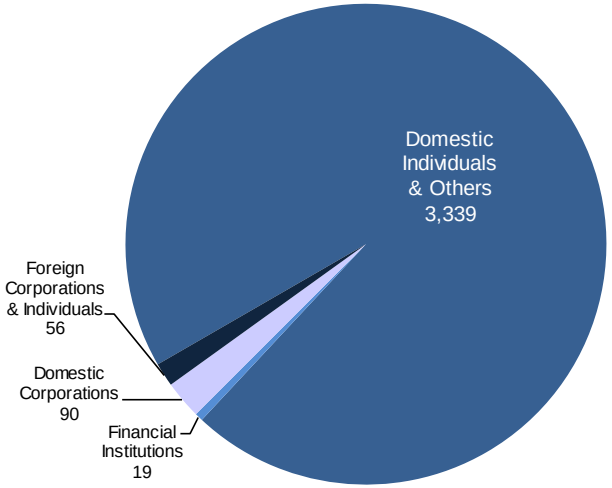
Major Shareholders

	Name	Shares	%
1	Japan Trustee Services Bank, Ltd., Trust Account	24,975	18%
2	Trust & Custody Service Bank, Ltd., Securities Investment Trust Account	18,054	13%
3	The Master Trust Bank of Japan, Trust Account	10,074	7%
4	Ichigo Inc. (Sponsor)	6,500	5%
5	Ichigo Trust Pte. Ltd.	6,424	5%
6	CREDITSUISSE SECURITIES (EUROPE) LIMITED MAIN ACCOUNT	5,934	4%
7	The Nomura Trust and Banking Co., Ltd., Investment Trust Account	4,299	3%
8	MSCO CUSTOMER SECURITIES	3,922	3%
9	CBLDN STANDARD LIFE INVESTMENT COMPANY II - GLOBAL REIT FUND	3,306	2%
10	Fukoku Mutual Life Insurance Company	2,800	2%
	Total	**86,288**	**62%**

Shares Held by Shareholder Type



Number of Shareholders



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Ichigo Hotel REIT Overview

Investment Corporation

Name	Ichigo Hotel REIT Investment Corporation
Securities Code	3463
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Executive Director	Osamu Miyashita
Fiscal Periods	January (August 1 - January 31) and July (February 1 - July 31)

Asset Management Company

Name	Ichigo Investment Advisors Co., Ltd.
President & Representative Statutory Executive Director	Wataru Orii

Ichigo Real Estate Investment Advisors changed its corporate name to Ichigo Investment Advisors Co., Ltd. on September 1, 2016.

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Ichigo Hotel REIT IR Desk
TEL：03-3502-4892　FAX：03-3502-4876
IR_Hotel@ichigo.gr.jp
www.ichigo-hotel.co.jp/english

Ichigo is Japan's first zero-carbon listed real estate company. We are taking responsibility for our environmental footprint by offsetting our carbon emissions and investing in low-carbon technologies such as solar energy.

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