Ichigo Preserves and Improves Real Estate

[Provisional Translation Only]
This English translation of the original Japanese document is provided solely for information purposes. Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

January 30, 2017

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 Investment Advisors Co., Ltd.
Representative: Wataru Orii, President
Inquiries: Hiroto Tajitsu, Head of Administration
Tel: +81-3-3502-4892

Earnings and Dividend Forecast Revision for the July 2017 Fiscal Period

Ichigo Hotel REIT has revised up its July 2017 earnings and dividend forecast that was announced in the September 14, 2016 release "Earnings and Dividend Forecast Revisions for the July 2017 Fiscal Period."

I. July 2017 Earnings and Dividend Forecast Revision

	Operating Revenue (million yen)	Operating Profit (million yen)	Recurring Profit (million yen)	Net Income (million yen)	Dividend per Share (yen)
Previous Announced Forecast (A)	1,638	909	732	731	2,838
Current Amended Forecast (B)	1,665	943	768	767	2,981
Difference (B)-(A)	+26	+34	+36	+36	+143
% Change	+1.6%	+3.7%	+5.0%	+5.0%	+5.0%
Reference: July 2016 Actual	774	472	392	391	2,825

Number of shares outstanding at the end of the July 2017 fiscal period: 257,584 shares

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

II. July 2017 Earnings and Dividend Forecast Revision Rationale

Ichigo Hotel REIT is revising up its July 2017 earnings and dividend forecast taking into consideration market trends and stronger-than-forecast January 2017 operating results. Specifically, rental income at eight of the twelve hotels with variable rents are exceeding the previous forecast, and the replacement of a retail tenant also contributed to an increase in rental income. As a result, operating revenue is forecast to increase by 26 million yen, operating expenses are forecast to decrease by 7 million yen, non-operating expenses are forecast to decrease by 2 million yen, and dividend per share is forecast to increase by 143 yen (+5.0%) compared to the previous forecast.

III. January 2017 Earnings and Dividend Forecast

The forecast is currently unchanged.

Preconditions for the July 2017 Earnings Forecast

<table>
<tr><th>Item</th><th>Preconditions</th></tr>
<tr><td>Period</td><td>• February 1, 2017 – July 31, 2017 (181 days)</td></tr>
<tr><td>Portfolio Assets</td><td>• 19 assets in total. The forecast assumes there will be no additional acquisitions or sales through July 2017.
• The number of assets may change due to acquisitions or sales.</td></tr>
<tr><td>Operating Revenue</td><td>Within operating revenue, rental income is forecast based on current lease contracts taking into consideration such factors as tenant trends and market conditions.[1]

<u>Forecast Operating Performance</u>

<u>Total Portfolio (19 Hotels)</u>

<table>
<tr><th></th><th>July 2017</th></tr>
<tr><td>Occupancy[2]</td><td>88.9 %</td></tr>
<tr><td>ADR[3]</td><td>8,142 yen</td></tr>
</table>

<u>Variable Rent Hotels (12 Hotels)</u>

<table>
<tr><th></th><th>July 2017</th></tr>
<tr><td>Occupancy[2]</td><td>92.8 %</td></tr>
<tr><td>ADR[3]</td><td>8,946 yen</td></tr>
</table>

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

Details of July 2017 Rental Income

(million yen)

Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total
Smile Hotel Kyoto Shijo	30	150	181
Hotel Vista Premio Kyoto	75	–	75
Nest Hotel Sapporo Ekimae	31	71	102
Chisun Inn Osaka Hommachi	36	32	69
Comfort Hotel Hamamatsu	55	0	55
Nest Hotel Sapporo Odori	23	61	84
Valie Hotel Tenjin	21	40	61
Nest Hotel Osaka Shinsaibashi	64	151	216
Comfort Hotel Central International Airport	151	–	151
Smile Hotel Tokyo Asagaya	30	66	96
Nest Hotel Naha	41	69	111
Smile Hotel Asakusa	15	43	59
Nest Hotel Matsuyama	35	49	84
Comfort Hotel Okayama	45	–	45
Comfort Hotel Kushiro	18	–	18
Comfort Hotel Suzuka	15	–	15
Other[1] (Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, and Hotel Livemax Nihombashi-Hakozaki)	150	23	173
Retail[2] (Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya)	62	–	62
Total	905	760	1,665

[1] Figures for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, and Hotel Livemax Nihombashi-Hakozaki are included in "Other," because the hotel operators did not provide consent to disclose hotel-specific data.

[2] Figures for retail tenants at Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya are included in "Retail."

Operating Expenses	• Depreciation: 279 million yen. Depreciation has been calculated using the straight-line method. • Property and city planning taxes: 97 million yen. • Building maintenance and repair expenses are based on what Ichigo Investment Advisors Co., Ltd., the asset management company of Ichigo Hotel REIT, estimates will be necessary for each asset during the period. However, actual expenses for the period may differ significantly from these forecast amounts for reasons including the variability of maintenance and repair expenses, one-time costs due to unexpected building damage, etc. • Rental expenses, Ichigo Hotel REIT's principal operating expense (other than depreciation, see above), are calculated based on historical data adjusted for anticipated expense variations. • Actual operating expenses may differ significantly from these assumptions due to unforeseeable factors.
Non-Operating Expenses	• Interest expenses and other borrowing-related expenses: 149 million yen. • Amortization of expenses related to the establishment of Ichigo Hotel REIT and to new share issuance: 25 million yen.
Borrowings	• Total borrowings: 19,500 million yen as of July 2017
Number of Shares	• 257,584 shares issued and outstanding as of January 30, 2017. The forecast assumes there will be no additional new issuance of shares through July 2017.
Dividend per Share	• The dividend forecast assumes that distributions will comply with the dividend distribution policy stipulated in Ichigo Hotel REIT's Articles of Incorporation. • The dividend per share is subject to change due to factors such as sales of portfolio assets, changes in rental income associated with tenant turnover, the occurrence of unexpected maintenance and repair costs, and fluctuations in interest rates.
Dividend in Excess of Earnings per Share	• Ichigo Hotel REIT does not plan on making any dividend distribution in excess of earnings per share or retained earnings.
Other	• This forecast assumes that there are no material revisions to laws and regulations, the tax system, accounting standards, listing rules of the Tokyo Stock Exchange, and rules of the Investment Trusts Association, Japan, and no material changes in the state of the economy and real estate market conditions.

The forecasts presented above are current figures based on certain preconditions. Accordingly, the actual operating revenue, operating income, recurring profit, net income, and dividend per share may vary due to changes in circumstances.