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.

February 27, 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

Ichigo Hotel REIT Operating Results – January 2017

Portfolio Revenue, RevPAR, Occupancy, and ADR

Total (19 Hotels)

	January 2017 (A)	(Previous) January 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2016 – January 2017		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	627.4	610.1	+17.2	+2.8%	4,418.2	-58.3	-1.3%
RevPAR (JPY)	5,939	5,790	+150	+2.6%	7,095	-119	-1.6%
Occupancy (%)	83.4	83.1	+0.3	+0.3%	87.6	-1.3	-1.5%
ADR (JPY)	7,121	6,966	+156	+2.2%	8,096	-12	-0.1%

Variable Rent Hotels (12 Hotels)

	January 2017 (A)	(Previous) January 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2016 – January 2017		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	431.5	425.3	+6.2	+1.4%	3,123.7	+6.7	+0.2%
RevPAR (JPY)	6,518	6,395	+124	+1.9%	8,022	+19	+0.2%
Occupancy (%)	88.1	87.7	+0.4	+0.5%	91.3	-0.4	-0.4%
ADR (JPY)	7,401	7,294	+107	+1.5%	8,784	+57	+0.6%

Fixed Rent Hotels (7 Hotels)

	January 2017 (A)	(Previous) January 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2016 – January 2017		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	195.9	184.8	+11.1	+6.0%	1,294.5	-65.0	-4.8%
RevPAR (JPY)	5,030	4,842	+188	+3.9%	5,641	-336	-5.6%
Occupancy (%)	76.1	76.0	+0.1	+0.1%	81.8	-2.9	-3.4%
ADR (JPY)	6,613	6,373	+241	+3.8%	6,893	-165	-2.3%

Revenue, RevPAR, Occupancy, and ADR by Hotel

Variable Rent Hotels (12 Hotels)

		January 2017 (A)	(Previous) January 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2016 – January 2017		
						Cumulative	YOY Difference	YOY Change
Smile Hotel Kyoto Shijo	Revenue (JPY million)	31.6	30.3	+1.3	+4.4%	297.6	-32.9	-9.9%
	RevPAR (JPY)	6,995	6,606	+389	+5.9%	11,055	-1,391	-11.2%
	Occupancy (%)	97.7	100.0	-2.3	-2.3%	99.6	-0.5	-0.5%
	ADR (JPY)	7,159	6,604	+555	+8.4%	11,094	-1,333	-10.7%
Hotel Vista Premio Kyoto	Revenue (JPY million)	26.8	23.3	+3.6	+15.3%	212.7	+14.4	+7.2%
	RevPAR (JPY)	9,720	8,405	+1,316	+15.7%	12,893	+824	+6.8%
	Occupancy (%)	82.1	80.1	+2.0	+2.5%	90.0	–	–
	ADR (JPY)	11,833	10,487	+1,347	+12.8%	14,319	+919	+6.9%
Hotel Wing International Nagoya	Revenue (JPY million)	36.0	35.7	+0.2	+0.6%	239.2		
	RevPAR (JPY)	4,669	4,549	+120	+2.6%	5,222		
	Occupancy (%)	80.5	87.1	-6.6	-7.6%	84.9		
	ADR (JPY)	5,799	5,222	+577	+11.0%	6,149		
Nest Hotel Sapporo Ekimae	Revenue (JPY million)	38.0	34.2	+3.8	+11.1%	310.5	+25.5	+8.9%
	RevPAR (JPY)	6,157	4,799	+1,358	+28.3%	8,298	+1,012	+13.9%
	Occupancy (%)	94.8	86.3	+8.5	+9.9%	96.7	+7.2	+8.1%
	ADR (JPY)	6,497	5,563	+933	+16.8%	8,580	+437	+5.4%
Chisun Inn Osaka Hommachi	Revenue (JPY million)	25.1	32.4	-7.3	-22.6%	177.4	-20.1	-10.2%
	RevPAR (JPY)	6,219	8,031	-1,812	-22.6%	7,418	-839	-10.2%
	Occupancy (%)	82.1	91.2	-9.1	-9.9%	86.3	-4.4	-4.9%
	ADR (JPY)	7,572	8,806	-1,235	-14.0%	8,592	-503	-5.5%

		January 2017 (A)	(Previous) January 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2016 – January 2017		
						Cumulative	YOY Difference	YOY Change
Nest Hotel Sapporo Odori	Revenue (JPY million)	30.0	27.2	+2.8	+10.3%	241.4	+14.6	+6.4%
	RevPAR (JPY)	7,236	6,367	+869	+13.6%	10,013	+614	+6.5%
	Occupancy (%)	93.1	95.0	-1.9	-2.0%	96.3	+2.9	+3.1%
	ADR (JPY)	7,771	6,704	+1,067	+15.9%	10,395	+335	+3.3%
Valie Hotel Tenjin	Revenue (JPY million)	19.8	18.3	+1.5	+8.1%	129.0	+7.2	+5.9%
	RevPAR (JPY)	7,582	7,173	+410	+5.7%	8,394	+302	+3.7%
	Occupancy (%)	83.0	85.0	-2.0	-2.4%	85.7	-4.1	-4.6%
	ADR (JPY)	9,132	8,434	+698	+8.3%	9,794	+784	+8.7%
Nest Hotel Osaka Shinsaibashi	Revenue (JPY million)	78.0	81.3	-3.3	-4.1%	508.4	-19.2	-3.6%
	RevPAR (JPY)	7,558	7,909	-351	-4.4%	8,337	-280	-3.2%
	Occupancy (%)	94.3	91.5	+2.8	+3.1%	94.0	-1.0	-1.1%
	ADR (JPY)	8,012	8,642	-630	-7.3%	8,870	-199	-2.2%
Smile Hotel Tokyo Asagaya	Revenue (JPY million)	26.1	27.5	-1.4	-5.1%	170.2	-6.9	-3.9%
	RevPAR (JPY)	7,259	7,688	-429	-5.6%	7,981	-330	-4.0%
	Occupancy (%)	97.8	99.1	-1.4	-1.4%	98.5	-1.1	-1.1%
	ADR (JPY)	7,423	7,755	-331	-4.3%	8,102	-238	-2.9%
Nest Hotel Naha	Revenue (JPY million)	62.9	62.8	+0.2	+0.3%	455.9	+23.9	+5.5%
	RevPAR (JPY)	7,013	7,090	-77	-1.1%	8,880	+501	+6.0%
	Occupancy (%)	82.1	86.4	-4.3	-5.0%	88.9	-1.2	-1.4%
	ADR (JPY)	8,540	8,202	+338	+4.1%	9,994	+692	+7.4%
Smile Hotel Asakusa	Revenue (JPY million)	18.6	20.0	-1.4	-7.2%	124.2	-0.5	-0.4%
	RevPAR (JPY)	5,937	6,468	-531	-8.2%	6,749	-21	-0.3%
	Occupancy (%)	95.2	93.0	+2.2	+2.4%	95.4	-1.0	-1.1%
	ADR (JPY)	6,237	6,957	-720	-10.3%	7,071	+55	+0.8%
Nest Hotel Matsuyama	Revenue (JPY million)	38.6	32.3	+6.2	+19.3%	257.1	+19.9	+8.4%
	RevPAR (JPY)	4,233	3,520	+713	+20.3%	4,985	+615	+14.1%
	Occupancy (%)	76.5	63.8	+12.8	+20.0%	83.2	+9.5	+12.9%
	ADR (JPY)	5,533	5,521	+12	+0.2%	5,993	+61	+1.0%

Fixed Rent Hotels (7 Hotels)

		January 2017 (A)	(Previous) January 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2016 – January 2017		
						Cumulative	YOY Difference	YOY Change
Comfort Hotel Hamamatsu	Revenue (JPY million)	23.0	24.7	-1.7	-6.9%	183.4		
	RevPAR (JPY)	3,779	4,061	-281	-6.9%	5,084		
	Occupancy (%)	65.7	69.8	-4.1	-5.8%	80.5		
	ADR (JPY)	5,751	5,817	-67	-1.1%	6,314		
Comfort Hotel Central International Airport	Revenue (JPY million)	94.0	85.3	+8.7	+10.2%	528.2	-23.5	-4.3%
	RevPAR (JPY)	7,828	7,172	+656	+9.1%	7,400	-329	-4.3%
	Occupancy (%)	87.2	82.1	+5.1	+6.2%	84.1	-3.1	-3.6%
	ADR (JPY)	8,974	8,731	+242	+2.8%	8,804	-61	-0.7%
Comfort Hotel Okayama	Revenue (JPY million)	29.4	27.5	+1.9	+6.8%	215.7	+21.2	+10.9%
	RevPAR (JPY)	4,286	4,267	+19	+0.4%	5,380	+296	+5.8%
	Occupancy (%)	82.9	81.5	+1.4	+1.7%	87.0	-0.2	-0.2%
	ADR (JPY)	5,171	5,236	-64	-1.2%	6,186	+352	+6.0%
Comfort Hotel Kushiro	Revenue (JPY million)	11.9	11.0	+0.8	+7.6%	101.2	+1.9	+1.9%
	RevPAR (JPY)	2,824	2,614	+209	+8.0%	4,072	+62	+1.5%
	Occupancy (%)	63.4	61.7	+1.7	+2.8%	76.9	+0.7	+0.9%
	ADR (JPY)	4,451	4,237	+213	+5.0%	5,293	+31	+0.6%
Comfort Hotel Suzuka	Revenue (JPY million)	10.5	11.6	-1.1	-9.8%	90.3	-3.9	-4.1%
	RevPAR (JPY)	3,121	3,491	-371	-10.6%	4,560	-228	-4.8%
	Occupancy (%)	61.9	68.6	-6.7	-9.8%	75.8	-4.8	-6.0%
	ADR (JPY)	5,039	5,087	-49	-1.0%	6,016	+78	+1.3%
Other (Hotel Suave Kobe Asuta & Hotel Livemax Nihombashi-Hakozaki)	Revenue (JPY million)	27.3	24.8	+2.5	+10.2%	175.7	-55.0	-23.8%
	RevPAR (JPY)	4,536	4,217	+319	+7.6%	4,897	-1,610	-24.7%
	Occupancy (%)	75.0	78.7	-3.7	-4.7%	80.1	-8.5	-9.6%
	ADR (JPY)	6,044	5,356	+688	+12.9%	6,116	-1,232	-16.8%

Notes:

1. The above data are as provided by the hotel operators or as calculated by Ichigo Investment Advisors based on information provided by the hotel operators. The data have not been audited and thus its accuracy cannot be guaranteed and may not match data disclosed in future Financial Reports.
2. Revenue is revenue from accommodations and related services only. Rent from retail tenants at Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya is not included.

3. RevPAR (Revenue Per Available Room) is calculated with the following formula:
   RevPAR = Total Revenue from accommodations (excluding restaurant charges and other service fees) / number of available guest rooms.
4. Occupancy is calculated with the following formula:
   Occupancy = Total number of guest rooms occupied during the period /
   (total number of guest rooms * number of days hotel was in operation during the period)
   Occupancy may exceed 100% in the following cases: 1) a guest had pre-paid for a guest room but checked out early, allowing the guest room to be occupied by a different guest; or 2) a guest room is occupied for less than one day by different guests.
5. ADR (Average Daily Rate) is calculated with the following formula:
   ADR = Total revenue from accommodations (excluding restaurant charges and other service fees) / number of guest rooms occupied during the period.
6. Data for Hotel Wing International Nagoya up through November 2015 and data for Comfort Hotel Hamamatsu up through December 2015 are not included above, as the hotel operators have not given consent to disclose the data.
7. Data for two hotels, Hotel Suave Kobe Asuta and Hotel Livemax Nihombashi-Hakozaki, are consolidated under Other, because the hotel operators did not provide consent to disclose hotel-specific data.
8. While Hotel Suave Kobe Asuta's lease contract includes a variable rent clause, it has never been triggered. Because Ichigo Hotel REIT does not anticipate receiving variable rent at this hotel, it has been classified as a fixed rent hotel.

Explanation of Changes

Revenue, RevPAR, Occupancy, and ADR increased year-on-year across all of variable rent hotels, fixed rent hotels, and the entire portfolio.

At variable rent hotels, which are a more significant contributor to Ichigo Hotel REIT's earnings, RevPAR decreased year-on-year at five hotels including Nest Hotel Osaka Shinsaibashi and Nest Hotel Naha, but increased year-on-year at the other seven variable rent hotels including Smile Hotel Kyoto Shijo, Hotel Wing International Nagoya, and Nest Hotel Sapporo Ekimae, resulting in total variable rent hotel RevPAR increasing year-on-year.

Value-Add Actions

Ichigo Hotel REIT completed its refurbishment of Smile Hotel Kyoto Shijo, converting storage space into two additional guest rooms. With the hotel's annual occupancy already at 100%, the goal was to convert non-revenue-generating storage space into revenue-generating guest rooms (forecast ROI of 33.1%). The two new rooms, a twin-bed room and a triple-bed room, are designed to accommodate the needs of both Japanese and international guests.

Ichigo Hotel REIT will continue to work closely with its hotel operator partners in carrying out value-add capex that increases guest satisfaction and drives higher earnings.

New Guest Rooms (Post-Renovation)

Twin-Bed Room



Triple-Bed Room

