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Earnings and Dividend Forecast Revision for the January 2017 Fiscal Period

Ichigo Hotel REIT is revising up its January 2017 earnings and dividend forecast that was announced in the September 14, 2016 release "Financial Report for the July 2016 Fiscal Period."

1. January 2017 Earnings and Dividend Forecast Revision

	Operating Revenue (JPY million)	Operating Profit (JPY million)	Recurring Profit (JPY million)	Net Income (JPY million)	Dividend per Share (JPY)
Previous Announced Forecast (A)	1,547	933	759	758	2,917
Current Amended Forecast (B)	1,560	978	809	808	3,137
Difference (B) - (A)	+12	+45	+49	+49	+220
% Change	+0.7%	+4.8%	+6.4%	+6.4%	+7.5%
Reference: July 2016 Actual	774	472	392	391	2,825

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

The forecast presented above is based on certain preconditions set out below in "Preconditions for the January 2017 Earnings Forecast."

2. January 2017 Earnings and Dividend Forecast Revision Rationale

Ichigo Hotel REIT is revising up its forecast for operating profit and net income to JPY 978 million and JPY 808 million, respectively, to reflect better than expected operating results, as detailed below. It is thus also revising up its dividend forecast by JPY 220 per share.

a. Higher Rents at Variable Rent Hotels

Seven hotels with variable rents are generating higher rental income than forecast. Operating revenue is thus expected to increase by JPY 12 million relative to the previous forecast.

b. Lower Operating and Non-Operating Expenses

Ichigo Hotel REIT's actions to control and optimize expenses have decreased expected operating and non-operating expenses by JPY 36 million relative to the previous forecast, mainly attributable to a decrease in the cost of repairs.

3. July 2017 Earnings and Dividend Forecast

The forecast is currently unchanged.

Preconditions for the January 2017 Earnings Forecast

Item	Preconditions
Period	August 1, 2016 to January 31, 2017 (184 days)
Portfolio Assets	19 assets (N.B. for the ten assets acquired on August 17, 2016, the operating period is just 168 days).
Operating Revenue	Within operating revenue, rental income is calculated based on actual operating results for the August 2016 – January 2017 period (unaudited), and assumes that tenants will fully pay their contractual rents without delay or default. • Fixed rent/minimum guaranteed rent: JPY 823 million (excluding rent from retail tenants) • Variable rent: JPY 681 million • Other rent: JPY 54 million (includes rental income and utility expenses from retail tenants at Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya) • Total rental income: JPY 1,560 million
Operating Expenses	Within operating expenses, rental expenses are anticipated as follows: • Building maintenance and repair expenses: JPY 99 million (of which JPY 48 million is property and city planning taxes and JPY 9 million is repair expenses) • Depreciation: JPY 268 million • Other expenses: JPY 3 million • Total rental expenses: JPY 370 million Total operating expenses other than rental expenses: JPY 211 million (of which JPY 177 million is asset management fees)
Non-Operating Expenses	Anticipated non-operating expenses are as follows: • Interest expenses: JPY 83 million • Borrowing-related expenses: JPY 61 million • Expenses related to new share issuance: JPY 19 million • Expenses related to establishment of Ichigo Hotel REIT: JPY 5 million
Borrowings	Total borrowings: JPY 19.5 billion as of January 31, 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.
Dividend in Excess of Earnings per Share	Ichigo Hotel REIT does not plan on making any dividend distribution in excess of 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 profit, recurring profit, net income, and dividend per share may vary due to changes in circumstances.