Ichigo Preserves and Improves Real Estate

March 15, 2017

# Financial Report for the January 2017 Fiscal Period

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Submission of Financial Report (*Yuka Shoken Hokokusho*): April 27, 2017 (expected)
Dividend Payment: April 21, 2017 (expected)
Supplemental Material to Financial and Business Results: Yes (Corporate Presentation)
Financial and Business Results Briefing: Yes (for institutional investors and analysts)

## 1. Financial Results for the January 2017 Fiscal Period (August 1, 2016 to January 31, 2017)

### (1) Earnings

(JPY million; period-on-period change)

| | Operating Revenue | Change | Operating Profit | Change | Recurring Profit | Change | Net Income | Change |
|---|---|---|---|---|---|---|---|---|
| January 2017 | 1,560 | +101.4% | 978 | +107.1% | 809 | +106.3% | 808 | +106.5% |
| July 2016 | 774 | +291.5% | 472 | +360.2% | 392 | +492.4% | 391 | +499.5% |

| | Net Income per Share (JPY) | Ratio of Net Income to Equity | Ratio of Recurring Profit to Total Assets | Ratio of Recurring Profit to Operating Revenue |
|---|---|---|---|---|
| January 2017 | 3,267 | 3.4% | 2.1% | 51.8% |
| July 2016 | 2,825 | 2.7% | 1.7% | 50.6% |

(Note) Net Income per Share is based on the average number of outstanding shares.

### (2) Dividends

| | Dividend per Share (JPY) | Total Dividends (JPY million) | Dividend per Share in Excess of Earnings (JPY) | Total Dividends in Excess of Earnings (JPY million) | Payout Ratio | Ratio of Dividends to Net Assets |
|---|---|---|---|---|---|---|
| January 2017 | 3,137 | 808 | – | – | 99.9% | 2.7% |
| July 2016 | 2,825 | 391 | – | – | 99.9% | 2.7% |

### (3) Assets and Equity

| | Total Assets (JPY million) | Net Assets (JPY million) | Equity Ratio (%) | Net Assets per Share (JPY) |
|---|---|---|---|---|
| January 2017 | 53,331 | 32,705 | 61.3 | 126,971 |
| July 2016 | 23,486 | 14,537 | 61.9 | 104,962 |

(4) Cash Flow

| | Cash Flow from Operating Activities (JPY million) | Cash Flow from Investment Activities (JPY million) | Cash Flow from Financing Activities (JPY million) | Cash and Cash Equivalents at End of the Period (JPY million) |
|---|---|---|---|---|
| January 2017 | 158 | -27,333 | 28,309 | 3,625 |
| July 2016 | 1,091 | -61 | -65 | 2,490 |

2. Earnings Forecasts for the July 2017 Fiscal Period (February 1, 2017 to July 31, 2017) and the January 2018 Fiscal Period (August 1, 2017 to January 31, 2018)

(JPY million; period-on-period change)

| | Operating Revenue | Change | Operating Profit | Change | Recurring Profit | Change | Net Income | Change |
|---|---|---|---|---|---|---|---|---|
| July 2017 | 1,692 | +8.5% | 961 | -1.8% | 784 | -3.0% | 783 | -3.0% |
| January 2018 | 1,698 | +0.3% | 967 | +0.6% | 788 | +0.5% | 787 | +0.5% |

(JPY)

| | Dividend per Share | Dividend per Share in Excess of Earnings |
|---|---|---|
| July 2017 | 3,043 | – |
| January 2018 | 3,058 | – |

(Reference) Forecast EPS for July 2017 is JPY 3,043 and for January 2018 is JPY 3,058.

3. Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatements

(i) Changes Accompanying Amendments to Accounting Standards: None
(ii) Changes Not Listed in (i): None
(iii) Changes in Accounting Estimates: None
(iv) Retrospective Restatements: None

(2) Number of Shares Issued and Outstanding

The number of shares issued and outstanding (including treasury shares) was 138,500 shares as of July 31, 2016 and 257,584 shares as of January 31, 2017.

Completion Status of Auditing Procedures

This document is not subject to the auditing requirements set forth in the Financial Instruments and Exchange Law of Japan. The auditing procedures in accordance with those requirements have thus not been completed as of the date of the publication of this document.

Appropriate Use of Performance Forecasts and Other Matters of Special Note

The forecasts presented above are current figures based on certain preconditions. Accordingly, the actual operating results may vary due to changes in circumstances, and these forecasts should not be construed as a guarantee of such results.

For details on the preconditions, please refer to the "Preconditions for July 2017 Fiscal Period Earnings Forecast" on page 4 and "Preconditions for January 2018 Fiscal Period Earnings Forecast" on page 6.

This English version is a translation of the original Japanese document and is provided solely for informational purposes. Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

## Preconditions for July 2017 Fiscal Period Earnings Forecast

<table>
<tr><th>Item</th><th>Preconditions</th></tr>
<tr><td>Period</td><td>• February 1, 2017 to July 31, 2017 (181 days)</td></tr>
<tr><td>Portfolio Assets</td><td>• 20 hotels in total – 19 hotels as of March 15, 2017 and 1 hotel to be acquired on March 27, 2017<br>• The number of hotels 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]<br><br><u>Forecast Operating Performance[2]</u><br><br>
<table>
<tr><th></th><th>July 2017 Fiscal Period</th></tr>
<tr><td>Occupancy[3]</td><td>92.8%</td></tr>
<tr><td>ADR[4]</td><td>JPY 8,946</td></tr>
</table>
[1] The forecast rental income assumes tenants will fully pay their contractual rents without delay or default.<br>
[2] The 12 variable rent hotels are: Smile Hotel Kyoto Shijo, Hotel Vista Premio Kyoto, Nest Hotel Sapporo Ekimae, Chisun Inn Osaka Hommachi, Nest Hotel Sapporo Odori, Valie Hotel Tenjin, Nest Hotel Osaka Shinsaibashi, Smile Hotel Tokyo Asagaya, Nest Hotel Naha, Smile Hotel Asakusa, Nest Hotel Matsuyama, and Hotel Wing International Nagoya<br>
[3] Occupancy is calculated with the following formula:<br>
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)<br>
[4] ADR or Average Daily Rate is calculated with the following formula:<br>
ADR = Total sales from accommodation (excluding restaurant charges and other service fees) / number of guest rooms occupied during the period<br><br>
<u>Details of July 2017 Rental Income Forecast</u><br>
(JPY million)<br>
<table>
<tr><th>Hotel Name</th><th>Fixed Rent/ Minimum Guaranteed Rent</th><th>Variable Rent</th><th>Total</th></tr>
<tr><td>Smile Hotel Kyoto Shijo</td><td>30</td><td>150</td><td>181</td></tr>
<tr><td>Hotel Vista Premio Kyoto</td><td>75</td><td>–</td><td>75</td></tr>
<tr><td>Nest Hotel Sapporo Ekimae</td><td>31</td><td>71</td><td>102</td></tr>
<tr><td>Chisun Inn Osaka Hommachi</td><td>36</td><td>32</td><td>69</td></tr>
<tr><td>Comfort Hotel Hamamatsu</td><td>55</td><td>–</td><td>55</td></tr>
<tr><td>Nest Hotel Sapporo Odori</td><td>23</td><td>61</td><td>84</td></tr>
<tr><td>Valie Hotel Tenjin</td><td>21</td><td>40</td><td>61</td></tr>
<tr><td>Nest Hotel Osaka Shinsaibashi</td><td>64</td><td>151</td><td>216</td></tr>
<tr><td>Comfort Hotel Central International Airport</td><td>151</td><td>–</td><td>151</td></tr>
<tr><td>Smile Hotel Tokyo Asagaya</td><td>30</td><td>66</td><td>96</td></tr>
<tr><td>Nest Hotel Naha</td><td>41</td><td>69</td><td>111</td></tr>
<tr><td>Smile Hotel Asakusa</td><td>15</td><td>43</td><td>59</td></tr>
<tr><td>Nest Hotel Matsuyama</td><td>35</td><td>49</td><td>84</td></tr>
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<table>
<tr><td></td><td>
<table>
<tr><td>Comfort Hotel Okayama</td><td>45</td><td>–</td><td>45</td></tr>
<tr><td>Comfort Hotel Kushiro</td><td>18</td><td>–</td><td>18</td></tr>
<tr><td>Comfort Hotel Suzuka</td><td>15</td><td>–</td><td>15</td></tr>
<tr><td>Other[1] (Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, Hotel Livemax Nihombashi-Hakozaki, and Grandpark-Inn Yokohama)</td><td>177</td><td>23</td><td>201</td></tr>
<tr><td>Total</td><td>869</td><td>760</td><td>1,629</td></tr>
</table>
[1] Figures for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, Hotel Livemax Nihombashi-Hakozaki, and Grandpark-Inn Yokohama are included in “Other” because the hotel operators did not provide consent to disclose hotel-specific data.<br><br>
Retail: JPY 62 million of rental income from retail tenants at Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya.
</td></tr>
<tr><td>Operating Expenses</td><td>• Depreciation: JPY 281 million. Depreciation has been calculated using the straight-line method.<br>• Property and city planning taxes: JPY 97 million, which includes JPY 51 million for the ten hotels acquired on August 17, 2016.<br>• Building maintenance and repair expenses are based on what Ichigo Investment Advisors, the asset management company of Ichigo Hotel REIT, estimates will be necessary for each hotel during the period. However, actual expenses for the period could 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.<br>• 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.<br>• Actual operating expenses may differ significantly from these assumptions due to unforeseeable factors.</td></tr>
<tr><td>Non-Operating Expenses</td><td>• Interest expenses and other borrowing-related expenses: JPY 151 million<br>• Amortization of expenses related to the establishment of Ichigo Hotel REIT and to new share issuance: JPY 25 million</td></tr>
<tr><td>Borrowings</td><td>• Total borrowings: JPY 19.95 billion as of July 2017</td></tr>
<tr><td>Number of Shares</td><td>• 257,584 shares and outstanding as of March 15, 2017. The forecast assumes there will be no additional shares issued during this period.</td></tr>
<tr><td>Dividend per Share</td><td>• The dividend forecast assumes that distributions will comply with the dividend distribution policy stipulated in Ichigo Hotel REIT’s Articles of Incorporation.<br>• 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.</td></tr>
<tr><td>Dividend in Excess of Earnings per Share</td><td>• Ichigo Hotel REIT does not plan on making any dividend distribution in excess of earnings per share or retained earnings.</td></tr>
<tr><td>Other</td><td>• 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.</td></tr>
</table>

Preconditions for January 2018 Fiscal Period Earnings Forecast

<table>
<tr><th>Item</th><th>Preconditions</th></tr>
<tr><td>Period</td><td>• August 1, 2017 to January 31, 2018 (184 days)</td></tr>
<tr><td>Portfolio Assets</td><td>• 20 hotels in total – 19 hotels as of March 15, 2017 and 1 hotel to be acquired on March 27, 2017<br>• The number of hotels 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]<br><br><u>Forecast Operating Performance[2]</u><br><br>
<table>
<tr><th></th><th>January 2018 Fiscal Period</th></tr>
<tr><td>Occupancy[3]</td><td>92.4%</td></tr>
<tr><td>ADR[4]</td><td>JPY 8,868</td></tr>
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[1] The forecast rental income assumes tenants will fully pay their contractual rents without delay or default.<br>
[2] The 12 variable rent hotels are: Smile Hotel Kyoto Shijo, Hotel Vista Premio Kyoto, Nest Hotel Sapporo Ekimae, Chisun Inn Osaka Hommachi, Nest Hotel Sapporo Odori, Valie Hotel Tenjin, Nest Hotel Osaka Shinsaibashi, Smile Hotel Tokyo Asagaya, Nest Hotel Naha, Smile Hotel Asakusa, Nest Hotel Matsuyama, and Hotel Wing International Nagoya<br>
[3] Occupancy is calculated with the following formula:<br>
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)<br>
[4] ADR or Average Daily Rate is calculated with the following formula:<br>
ADR = Total sales from accommodation (excluding restaurant charges and other service fees) / number of guest rooms occupied during the period<br><br>
<u>Details of January 2018 Rental Income Forecast</u><br>
(JPY million)
<table>
<tr><th>Hotel Name</th><th>Fixed Rent/ Minimum Guaranteed Rent</th><th>Variable Rent</th><th>Total</th></tr>
<tr><td>Smile Hotel Kyoto Shijo</td><td>34</td><td>131</td><td>166</td></tr>
<tr><td>Hotel Vista Premio Kyoto</td><td>75</td><td>18</td><td>93</td></tr>
<tr><td>Nest Hotel Sapporo Ekimae</td><td>32</td><td>62</td><td>94</td></tr>
<tr><td>Chisun Inn Osaka Hommachi</td><td>37</td><td>–</td><td>37</td></tr>
<tr><td>Comfort Hotel Hamamatsu</td><td>55</td><td>–</td><td>55</td></tr>
<tr><td>Nest Hotel Sapporo Odori</td><td>23</td><td>60</td><td>83</td></tr>
<tr><td>Valie Hotel Tenjin</td><td>24</td><td>36</td><td>60</td></tr>
<tr><td>Nest Hotel Osaka Shinsaibashi</td><td>63</td><td>154</td><td>218</td></tr>
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<tr><td>Nest Hotel Naha</td><td>59</td><td>88</td><td>148</td></tr>
<tr><td>Smile Hotel Asakusa</td><td>15</td><td>45</td><td>61</td></tr>
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| | |
|---|---|
| | <table><tr><td>Nest Hotel Matsuyama</td><td>35</td><td>46</td><td>82</td></tr><tr><td>Comfort Hotel Okayama</td><td>45</td><td>–</td><td>45</td></tr><tr><td>Comfort Hotel Kushiro</td><td>18</td><td>–</td><td>18</td></tr><tr><td>Comfort Hotel Suzuka</td><td>15</td><td>–</td><td>15</td></tr><tr><td>Other[1](Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, Hotel Livemax Nihombashi-Hakozaki, and Grandpark-Inn Yokohama)</td><td>191</td><td>21</td><td>212</td></tr><tr><td>Total</td><td>908</td><td>725</td><td>1,633</td></tr></table><br>[1] Figures for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, Hotel Livemax Nihombashi-Hakozaki, and Grandpark-Inn Yokohama are included in "Other" because the hotel operators did not provide consent to disclose hotel-specific data.<br><br>Retail: JPY 65 million of rental income from retail tenants at Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya. |
| Operating Expenses | • Depreciation: JPY 287 million. Depreciation has been calculated using the straight-line method.<br>• Property and city planning taxes: JPY 97 million, which includes JPY 51 million for the ten hotels acquired on August 17, 2016.<br>• Building maintenance and repair expenses are based on what Ichigo Investment Advisors, the asset management company of Ichigo Hotel REIT, estimates will be necessary for each hotel during the period. However, actual expenses for the period could 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.<br>• 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.<br>• Actual operating expenses may differ significantly from these assumptions due to unforeseeable factors. |
| Non-Operating Expenses | • Interest expenses and other borrowing-related expenses: JPY 153 million<br>• Amortization of expenses related to the establishment of Ichigo Hotel REIT and to new share issuance: JPY 25 million |
| Borrowings | • Total borrowings: JPY 19.95 billion as of January 2018 |
| Number of Shares | • 257,584 shares issued and outstanding as of March 15, 2017. The forecast assumes there will be no additional new issuance of shares through January 31, 2018. |
| 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.<br>• 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. |

Financial Statements

(1) Balance Sheet

(JPY thousand)

| | July 2016 (as of July 31, 2016) | January 2017 (as of January 31, 2017) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 1,688,640 | 1,765,918 |
| Cash and cash equivalents in trust | 802,331 | 1,860,008 |
| Accounts receivable | 106,358 | 102,190 |
| Prepaid expenses | 49,207 | 125,113 |
| Consumption taxes receivable | – | 718,442 |
| Total current assets | 2,646,537 | 4,571,673 |
| Fixed assets | | |
| Property, plant, and equipment | | |
| Buildings | 6,218,644 | 15,247,894 |
| Accumulated depreciation | -150,008 | -415,620 |
| Buildings, net | 6,068,636 | 14,832,274 |
| Structures | 1,816 | 2,606 |
| Accumulated depreciation | -20 | -91 |
| Structures, net | 1,795 | 2,514 |
| Machinery and equipment | 2,220 | 11,721 |
| Accumulated depreciation | -163 | -480 |
| Machinery and equipment, net | 2,056 | 11,240 |
| Fixtures | 24,644 | 39,721 |
| Accumulated depreciation | -1,198 | -3,402 |
| Fixtures, net | 23,445 | 36,318 |
| Land | 14,515,032 | 33,322,504 |
| Total property, plant, and equipment | 20,610,966 | 48,204,852 |
| Investments and other assets | | |
| Tenant leasehold and security deposits | 10,000 | 10,000 |
| Long-term prepaid expenses | 123,552 | 424,105 |
| Total investments and other assets | 133,552 | 434,105 |
| Total fixed assets | 20,744,519 | 48,638,957 |
| Capitalized expenses | | |
| Expenses related to REIT establishment | 40,710 | 35,622 |
| Share issuance expenses | 54,752 | 85,696 |
| Total capitalized expenses | 95,463 | 121,319 |
| Total assets | 23,486,520 | 53,331,950 |

(JPY thousand)

| | July 2016 (as of July 31, 2016) | January 2017 (as of January 31, 2017) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 43,116 | 274,908 |
| Accounts payable – other | 79,730 | 182,302 |
| Accrued expenses | 634 | 476 |
| Income taxes payable, etc. | 903 | 954 |
| Consumption taxes payable, etc. | 44,449 | – |
| Advances received | 28,989 | 77,378 |
| Other | 292 | 2,463 |
| Total current liabilities | 198,116 | 538,484 |
| Noncurrent liabilities | | |
| Long-term loans payable | 8,500,000 | 19,500,000 |
| Tenant leasehold and security deposits | 251,111 | 587,635 |
| Total noncurrent liabilities | 8,751,111 | 20,087,635 |
| Total liabilities | 8,949,228 | 20,626,120 |
| Net assets | | |
| Shareholders' equity | | |
| Shareholders' capital | 14,145,932 | 31,897,545 |
| Surplus | | |
| Unappropriated retained earnings | 391,360 | 808,284 |
| Total surplus | 391,360 | 808,284 |
| Total shareholders' equity | 14,537,292 | 32,705,830 |
| Total net assets | 14,537,292 | 32,705,830 |
| Total liabilities and net assets | 23,486,520 | 53,331,950 |

(2) Income Statement

(JPY thousand)

| | July 2016 (February 1, 2016 to July 31, 2016) | January 2017 (August 1, 2016 to January 31, 2017) |
|---|---|---|
| Operating revenue | | |
| Rental income | 763,534 | 1,540,030 |
| Other rental income | 11,424 | 20,704 |
| Total operating revenue | 774,959 | 1,560,734 |
| Operating expenses | | |
| Rental expenses | 176,559 | 370,771 |
| Asset management fees | 89,977 | 177,943 |
| Asset custody fees | 1,730 | 1,761 |
| Administrative service fees | 5,445 | 5,011 |
| Directors' compensation | 4,200 | 4,200 |
| Other operating expenses | 24,271 | 22,120 |
| Total operating expenses | 302,184 | 581,807 |
| Operating profit | 472,774 | 978,927 |
| Non-operating income | | |
| Interest income | 93 | 10 |
| Interest on tax refund | 1,104 | – |
| Total non-operating income | 1,198 | 10 |
| Non-operating expenses | | |
| Interest expenses | 39,105 | 83,445 |
| Borrowing-related expenses | 25,675 | 61,409 |
| Amortization of expenses related to REIT establishment | 5,088 | 5,088 |
| Amortization of share issuance expenses | 11,867 | 19,849 |
| Miscellaneous loss | 1 | – |
| Total non-operating expenses | 81,738 | 169,794 |
| Recurring profit | 392,234 | 809,143 |
| Pre-tax income | 392,234 | 809,143 |
| Income taxes – current | 917 | 956 |
| Total income taxes | 917 | 956 |
| Net income | 391,316 | 808,186 |
| Retained earnings brought forward | 43 | 97 |
| Unappropriated retained earnings | 391,360 | 808,284 |

(3) Statement of Shareholders' Equity

Previous Period (July 2016)

(JPY thousand)

| | Shareholders' equity | | | | Net assets |
|---|---|---|---|---|---|
| | Shareholders' capital | Surplus | | Total shareholders' equity | |
| | | Unappropriated retained earnings | Total surplus | | |
| Balance at start of the period | 14,145,932 | 65,276 | 65,276 | 14,211,208 | 14,211,208 |
| Changes during the period | | | | | |
| Dividends | | -65,233 | -65,233 | -65,233 | -65,233 |
| Net income | | 391,316 | 391,316 | 391,316 | 391,316 |
| Total changes during the period | – | 326,083 | 326,083 | 326,083 | 326,083 |
| Balance at end of the period | 14,145,932 | 391,360 | 391,360 | 14,537,292 | 14,537,292 |

Current Period (January 2017)

(JPY thousand)

| | Shareholders' equity | | | | Net assets |
|---|---|---|---|---|---|
| | Shareholders' capital | Surplus | | Total shareholders' equity | |
| | | Unappropriated retained earnings | Total surplus | | |
| Balance at start of the period | 14,145,932 | 391,360 | 391,360 | 14,537,292 | 14,537,292 |
| Changes during the period | | | | | |
| Issuance of new shares | 17,751,613 | | | 17,751,613 | 17,751,613 |
| Dividends | | -391,262 | -391,262 | -391,262 | -391,262 |
| Net income | | 808,186 | 808,186 | 808,186 | 808,186 |
| Total changes during the period | 17,751,613 | 416,924 | 416,924 | 18,168,538 | 18,168,538 |
| Balance at end of the period | 31,897,545 | 808,284 | 808,284 | 32,705,830 | 32,705,830 |

(4) Cash Flow Statement

(JPY thousand)

| | July 2016 (February 1, 2016 to July 31, 2016) | January 2017 (August 1, 2016 to January 31, 2017) |
|---|---|---|
| Cash flows from operating activities | | |
| Pre-tax income | 392,234 | 809,143 |
| Depreciation expense | 101,315 | 268,204 |
| Amortization of expenses related to REIT establishment | 5,088 | 5,088 |
| Amortization of share issuance expenses | 11,867 | 19,849 |
| Interest income | -93 | -10 |
| Interest expenses | 39,105 | 83,445 |
| Decrease (increase) in accounts receivable – short-term | -63,925 | 4,167 |
| Decrease (increase) in consumption taxes receivable | 521,086 | -718,442 |
| Decrease (increase) in prepaid expenses | 8,593 | -7,387 |
| Decrease (increase) in long-term prepaid expenses | 23,675 | -369,071 |
| Increase (decrease) in accrued consumption taxes | 44,449 | -44,449 |
| Increase (decrease) in accounts payable – short-term | -6,150 | 39,586 |
| Increase (decrease) in accounts payable | 54,978 | 102,572 |
| Increase (decrease) in advances received | 732 | 48,389 |
| Other | 11,696 | 1,728 |
| Subtotal | 1,144,655 | 242,815 |
| Interest income received | 93 | 10 |
| Interest expenses paid | -52,581 | -83,603 |
| Income taxes paid | -951 | -905 |
| Net cash generated by (used in) operating activities | 1,091,215 | 158,317 |
| Cash flows from investment activities | | |
| Purchase of property, plant, and equipment | -61,074 | -27,669,885 |
| Increase in tenant leasehold and security deposits | – | 336,523 |
| Net cash generated by (used in) investment activities | -61,074 | -27,333,361 |
| Cash flows from financing activities | | |
| Increase in long-term borrowings | – | 11,000,000 |
| Dividends paid | -64,940 | -390,819 |
| Proceeds from share issuance | – | 17,751,613 |
| Expenses related to share issuance | -700 | -50,793 |
| Net cash generated by (used in) financing activities | -65,640 | 28,309,999 |
| Net increase (decrease) in cash and cash equivalents | 964,500 | 1,134,955 |
| Cash and cash equivalents at beginning of the period | 1,526,471 | 2,490,972 |
| Cash and cash equivalents at end of the period | 2,490,972 | 3,625,927 |

## Material Matters after Closing of the Fiscal Period

### 1. Asset Acquisition

The following hotel is being acquired in accordance with the guidelines specified in Ichigo Hotel REIT's Articles of Incorporation.

| Grandpark-Inn Yokohama | |
|---|---|
| Acquisition Price | JPY 1,490,000,000 |
| Location | 2-1-5 Kitasaiwai, Nishi-ku, Yokohama City, Kanagawa |
| Legal Form of Asset | Trust beneficiary interest in real estate (juekiken) |
| Contract Date | February 10, 2017 |
| Closing Date | March 27, 2017 |
| Seller | Domestic operating company |

(Note 1) Acquisition price is the transaction price of the trust beneficiary interest (juekiken) itself and does not include any fees or applicable property, city planning, and consumption taxes.

(Note 2) Because the settlement date is March 27, 2017, one month and seventeen days from the contract date, this acquisition (the "Acquisition Agreement") constitutes a forward commitment by Ichigo Hotel REIT as stipulated in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators" by the Financial Services Agency. In the event that either Ichigo Hotel REIT or the seller violates a provision of this Acquisition Agreement and such violation cannot be resolved, the other party shall have the right to terminate the Acquisition Agreement and claim indemnity equivalent to 20% of the acquisition price.

(Note 3) The Seller, a domestic operating company, did not provide consent to disclose its name.

## 2. Earnings Forecasts

Earnings Forecast for the July 2017 Fiscal Period (February 1, 2017 to July 31, 2017)

For details on preconditions, please refer to the "Preconditions for July 2017 Fiscal Period Earnings Forecast" on page 4.

Major factors of variation are as follows:

Increase in Operating Revenue
Increase in rental income from hotels acquired in August 2016

Increase in Operating Expenses
Increase in rental expenses from hotels acquired in August 2016

Increase in Non-Operating Expenses
Increase in interest expenses, borrowing-related expenses, and amortization of share issuance expenses from hotels acquired in August 2016 using funds procured via a public offering and new loans

July 2017 Fiscal Period (February 1, 2017 to July 31, 2017)

| | |
|---|---|
| Operating Revenue | JPY 1,692 million |
| Operating Profit | JPY 961 million |
| Recurring Profit | JPY 784 million |
| Net Income | JPY 783 million |
| Dividend per Share | JPY 3,043 |
| Dividends in excess of earnings | – |

(Note) The above forecast is based on the preconditions on page 4.

Earnings Forecast for the January 2018 Fiscal Period (August 1, 2017 to January 31, 2018)

For details on preconditions, please refer to the "Preconditions for January 2018 Fiscal Period Earnings Forecast" on page 6.

Major factors of variation are as follows:

Increase in Operating Revenue
Increase in variable rent due to seasonal trends

January 2018 Fiscal Period (August 1, 2017 to January 31, 2018)

| | |
|---|---|
| Operating Revenue | JPY 1,698 million |
| Operating Profit | JPY 967 million |
| Recurring Profit | JPY 788 million |
| Net Income | JPY 787 million |
| Dividend per Share | JPY 3,058 |
| Dividends in excess of earnings | – |

(Note) The above forecast is based on the preconditions on page 6.

Details of Rental Income

(JPY thousand)

| | | Previous Period February 1, 2016 – July 31, 2016 | Current Period August 1, 2016 – January 31, 2017 |
|---|---|---|---|
| A | Real Estate Rental Income | | |
| | Real Estate Rental Income | 763,534 | 1,540,030 |
| | Other Rental Income | | |
| | Utilities Income | 11,173 | 18,184 |
| | Other | 250 | 2,519 |
| | Total Other Rental Income | 11,424 | 20,704 |
| | Total Income | 774,959 | 1,560,734 |
| B | Real Estate Rental Expenses | | |
| | Rental Expenses | | |
| | Outsourcing Fees | 6,594 | 16,346 |
| | Utilities | 11,173 | 18,208 |
| | Trust Fees | 3,250 | 6,869 |
| | Depreciation expense | 101,315 | 268,204 |
| | Repair Expenses | 4,197 | 8,727 |
| | Property and City Planning Taxes | 48,189 | 48,325 |
| | Insurance | 1,113 | 2,438 |
| | Other Expenses | 723 | 1,650 |
| | Total Expenses | 176,559 | 370,771 |
| C | Net Rental Income (A) – (B) | 598,399 | 1,189,963 |

Notes to Derivative Transactions

1. Non-Hedge Accounting

N/A

2. Hedge Accounting

Previous Fiscal Period (July 2016)

(JPY thousand)

| Accounting Method | Transaction Type | Hedging Target | Contract Amount | | Market Value | Method of Marking to Market |
|---|---|---|---|---|---|---|
| | | | | >1 year | | |
| Special Treatment of Interest Rate Swap method | Interest rate swap (pay fixed, receive floating) | Long-term loan | 5,250,000 | 5,250,000 | Note | – |

Current Fiscal Period (January 2017)

(JPY thousand)

| Accounting Method | Transaction Type | Hedging Target | Contract Amount | | Market Value | Method of Marking to Market |
|---|---|---|---|---|---|---|
| | | | | >1 year | | |
| Special Treatment of Interest Rate Swap method | Interest rate swap (pay fixed, receive floating) | Long-term loan | 14,250,000 | 14,250,000 | Note | – |

(Note) Swaps accounted under the Special Treatment of Interest Rate Swap method are accounted together with the hedging target (in this case, a long-term loan), and therefore their market values are included in the balance sheet as part of Long-Term Loans.

Major Tenants (Hotel Operators)

Previous Fiscal Period (July 2016)

(JPY thousand)

| Name | Ichigo Hotel REIT Operating Revenue |
|---|---|
| K.K. Hospitality Operations | 179,248 |
| Nest Hotel Japan Corporation | 179,171 |
| Forbes Co., Ltd. | 77,352 |
| Vista Hotel Management Co., Ltd | 75,000 |

Current Fiscal Period (January 2017)

(JPY thousand)

| Name | Ichigo Hotel REIT Operating Revenue |
|---|---|
| Nest Hotel Japan Corporation | 589,002 |
| K.K. Hospitality Operations | 298,366 |
| Greens Co., Ltd. | 266,677 |

New Share Issuances

| Date | Method | Total Number of Shares | | Issue Amount (JPY million) | |
|---|---|---|---|---|---|
| | | Issued | Outstanding | Change | Total |
| July 22, 2015 | REIT Establishment[1] | 3,000 | 3,000 | 300 | 300 |
| November 27, 2015 | IPO[2] | 129,000 | 132,000 | 13,181 | 13,481 |
| December 22, 2015 | Third-Party Allotment to Underwriter (Greenshoe)[3] | 6,500 | 138,500 | 664 | 14,145 |
| August 16, 2016 | Public Offering[4] | 115,800 | 254,300 | 17,262 | 31,408 |
| September 13, 2016 | Third-Party Allotment to Underwriter (Greenshoe)[5] | 3,284 | 257,584 | 489 | 31,897 |

[1] Upon establishment of this REIT, new shares were issued at JPY 100,000 per share.
[2] New shares were issued via public offering at JPY 106,000 per share (proceeds to Ichigo Hotel REIT of JPY 102,184 per share) to procure funds for asset acquisitions.
[3] New shares were issued via third-party allotment to the underwriter (Greenshoe) at JPY 102,184 per share to procure funds to repay debt.
[4] New shares were issued via public offering at JPY 154,537 (proceeds to Ichigo Hotel REIT of JPY 149,068 per share) to procure funds for asset acquisitions.
[5] New shares were issued via third-party allotment to the underwriter (Greenshoe) at JPY 149,068 per share to procure funds to repay debt.

Portfolio Information

Portfolio Composition by Region (Book Value)

| | Region | January 2017 Fiscal Period | |
|---|---|---|---|
| | | Total (JPY million) | % of Total |
| Trust beneficiary interest in real estate (juekiken) | Hokkaido & Tohoku | 3,975 | 7.5 |
| | Tokyo | 7,238 | 13.6 |
| | Hokuriku & Tokai | 9,905 | 18.6 |
| | Kinki | 19,046 | 35.7 |
| | Chugoku & Shikoku | 2,850 | 5.3 |
| | Kyushu & Okinawa | 5,189 | 9.7 |
| Subtotal | | 48,204 | 90.4 |
| Deposits/Other Assets | | 5,127 | 9.6 |
| Total Assets | | 53,331 | 100.0 |

Regions are defined as follows:

| | |
|---|---|
| Hokkaido & Tohoku: | Hokkaido, Aomori, Iwate, Miyagi, Akita, Yamagata, and Fukushima Prefectures |
| Tokyo | Tokyo |
| Hokuriku & Tokai: | Toyama, Ishikawa, Fukui, Gifu, Shizuoka, Aichi, and Mie Prefectures |
| Kinki: | Osaka, Hyogo, Kyoto, Shiga, Nara, and Wakayama Prefectures |
| Chugoku & Shikoku | Tottori, Shimane, Okayama, Hiroshima, Yamaguchi, Kagawa, Tokushima, Kochi, and Ehime Prefectures |
| Kyushu & Okinawa: | Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, and Okinawa Prefectures |

Hotel Acquisition Price, Book Value, Appraisal Value, and Portfolio Weighting

(as of January 31, 2017)

| Hotel No. | Hotel Name | Acquisition Price (JPY million) | Book Value (JPY million) | Appraisal Value (JPY million) | Portfolio Weighting (%) | Collateralized |
|---|---|---|---|---|---|---|
| 001 | Smile Hotel Kyoto Shijo | 4,480 | 4,539 | 4,870 | 9.4 | No |
| 002 | Hotel Vista Premio Kyoto | 3,600 | 3,614 | 3,950 | 7.6 | No |
| 003 | Hotel Wing International Nagoya | 2,670 | 2,714 | 2,850 | 5.6 | No |
| 004 | Nest Hotel Sapporo Ekimae | 2,160 | 2,166 | 2,350 | 4.5 | No |
| 005 | Chisun Inn Osaka Hommachi | 1,630 | 1,645 | 1,840 | 3.4 | No |
| 006 | Comfort Hotel Hamamatsu | 1,550 | 1,535 | 1,690 | 3.3 | No |
| 007 | Hotel Suave Kobe Asuta | 1,490 | 1,481 | 1,640 | 3.1 | No |
| 008 | Nest Hotel Sapporo Odori | 1,450 | 1,502 | 1,620 | 3.0 | No |
| 009 | Valie Hotel Tenjin | 1,380 | 1,419 | 2,040 | 2.9 | No |
| 010 | Nest Hotel Osaka Shinsaibashi | 7,600 | 7,766 | 7,680 | 15.9 | No |
| 011 | Comfort Hotel Central International Airport | 5,308 | 5,350 | 5,880 | 11.1 | No |
| 012 | Smile Hotel Tokyo Asagaya | 3,910 | 3,936 | 4,030 | 8.2 | No |
| 013 | Nest Hotel Naha | 3,750 | 3,769 | 3,970 | 7.9 | No |
| 014 | Smile Hotel Asakusa | 1,920 | 1,931 | 2,090 | 4.0 | No |
| 015 | Nest Hotel Matsuyama | 1,610 | 1,639 | 1,670 | 3.4 | No |
| 016 | Hotel Livemax Nihombashi-Hakozaki | 1,360 | 1,369 | 1,440 | 2.9 | No |
| 017 | Comfort Hotel Okayama | 1,200 | 1,210 | 1,240 | 2.5 | No |
| 018 | Comfort Hotel Kushiro | 300 | 305 | 421 | 0.6 | No |
| 019 | Comfort Hotel Suzuka | 300 | 305 | 376 | 0.6 | No |
| Total | | 47,668 | 48,204 | 51,647 | 100.0 | |

## Hotel Location, Rent, Occupancy, and Structural Details

(as of January 31, 2017)

| Hotel Type | Hotel No. | Hotel Name | Location | Land Area ($m^2$) | Total Floor Area ($m^2$) | Construction Date | Fixed Rent p.a. (JPY million) | Total Leased Area ($m^2$) | Total Leasable Area ($m^2$) | Occupancy (%) | No. of Tenants | Total No. of Guest Rooms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Stay -Only | 001 | Smile Hotel Kyoto Shijo | Kyoto | 662.83 | 4,891.84 | Jan 1991 | 64 | 4,891.84 | 4,891.84 | 100.0 | 1 | 138 |
| | 002 | Hotel Vista Premio Kyoto | Kyoto | 1,004.91 | 3,867.66 | Jun 2008 | 150 | 3,867.66 | 3,867.66 | 100.0 | 3 | 84 |
| | 003 | Hotel Wing International Nagoya | Nagoya | 603.37 | 5,255.66 | Oct 1984 | Not Disclosed | 5,255.66 | 5,255.66 | 100.0 | 1 | 220 |
| | 004 | Nest Hotel Sapporo Ekimae | Sapporo | 897.96 | 5,734.93 | Jun 1984 | 63 | 5,734.93 | 5,734.93 | 100.0 | 1 | 162 |
| | 005 | Chisun Inn Osaka Hommachi | Osaka | 596.21 | 3,568.32 | Oct 1982 | 72 | 3,690.00 | 3,690.00 | 100.0 | 2 | 130 |
| | 006 | Comfort Hotel Hamamatsu | Hamamatsu, Shizuoka | 835.12 | 4,173.92 | Sep 2009 | 110 | 4,173.92 | 4,173.92 | 100.0 | 1 | 196 |
| | 007 | Hotel Suave Kobe Asuta | Kobe | 838.88 | 4,540.90 | Jan 2008 | Not Disclosed | 4,633.16 | 4,633.16 | 100.0 | 1 | 133 |
| | 008 | Nest Hotel Sapporo Odori | Sapporo | 811.69 | 5,634.88 | Aug 1992 | 47 | 5,638.78 | 5,638.78 | 100.0 | 1 | 119 |
| | 009 | Valie Hotel Tenjin | Fukuoka | 788.62 | 1,910.94 | Mar 1994 | 46 | 1,910.94 | 1,910.94 | 100.0 | 1 | 77 |
| | 010 | Nest Hotel Osaka Shinsaibashi | Osaka | 1,072.78 | 7,968.49 | Aug 1984 | 128 | 8,057.26 | 8,057.26 | 100.0 | 1 | 302 |
| | 011 | Comfort Hotel Central International Airport | Tokoname, Aichi | 6,637.11 | 11,599.63 | Nov 2004 Jun 2006 | 302 | 11,599.63 | 11,599.63 | 100.0 | 1 | 346 |
| | 012 | Smile Hotel Tokyo Asagaya | Tokyo | 919.72 | 2,732.47 | Jan 1993 | 58 | 2,721.70 | 2,721.70 | 100.0 | 8 | 112 |
| | 013 | Nest Hotel Naha | Naha, Okinawa | 2,322.62 | 9,240.20 | Feb 1975 | 100 | 9,240.20 | 9,240.20 | 100.0 | 1 | 193 |
| | 014 | Smile Hotel Asakusa | Tokyo | 361.38 | 1,793.43 | Sept 1992 | 31 | 1,793.43 | 1,793.43 | 100.0 | 1 | 96 |
| | 015 | Nest Hotel Matsuyama | Matsuyama, Ehime | 1,692.01 | 6,671.94 | Nov 1988 | 67 | 6,671.94 | 6,671.94 | 100.0 | 1 | 190 |
| | 016 | Hotel Livemax Nihombashi-Hakozaki | Tokyo | 123.54 | 853.00 | Feb 2015 | Not Disclosed | 853.00 | 853.00 | 100.0 | 1 | 48 |
| | 017 | Comfort Hotel Okayama | Okayama | 986.26 | 5,543.70 | Nov 1983 | 91 | 5,543.70 | 5,543.70 | 100.0 | 1 | 208 |
| | 018 | Comfort Hotel Kushiro | Kushiro, Hokkaido | 895.05 | 3,180.58 | Aug 2009 | 36 | 3,180.58 | 3,180.58 | 100.0 | 1 | 126 |
| | 019 | Comfort Hotel Suzuka | Suzuka, Mie | 553.26 | 2,186.65 | Jul 2007 | 30 | 2,186.65 | 2,186.65 | 100.0 | 1 | 105 |
| Total/Average | | | — | 22,603.32 | 91,349.14 | — | 1,703 | 91,644.98 | 91,644.98 | 100.0 | 29 | 2,985 |

## Appraisal Data

(as of January 31, 2017)

| Hotel Type | Hotel No. | Hotel Name | Appraiser | Appraisal Value (JPY million) | Value via Cost Approach (JPY million) | Value (JPY million) | | | | | | Appraisal NOI yield (%) | Post-Depreciation NOI yield (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Value by Direct Capitalization Method | Cap Rate (%) | Value via DCF Method | Discount Rate (%) | Terminal Cap Rate (%) | Appraisal NOI (JPY thousand) | | |
| Stay-Only | 001 | Smile Hotel Kyoto Shijo | The Tanizawa Sogo Appraisal Co., Ltd. | 4,870 | 4,640 | 4,950 | 4.8 | 4,830 | 4.9 | 5.0 | 254,428 | 5.7 | 5.0 |
| | 002 | Hotel Vista Premio Kyoto | Daiwa Real Estate Appraisal Co., Ltd. | 3,950 | 3,470 | 3,990 | 4.4 | 3,930 | 4.2 | 4.6 | 180,468 | 5.0 | 4.3 |
| | 003 | Hotel Wing International Nagoya | Daiwa Real Estate Appraisal Co., Ltd. | 2,850 | 2,250 | 2,880 | 5.0 | 2,830 | 4.8 | 5.2 | 157,999 | 5.9 | 5.3 |
| | 004 | Nest Hotel Sapporo Ekimae | Daiwa Real Estate Appraisal Co., Ltd. | 2,350 | 1,050 | 2,350 | 5.5 | 2,350 | 5.3 | 5.7 | 151,801 | 7.0 | 5.9 |
| | 005 | Chisun Inn Osaka Hommachi | Daiwa Real Estate Appraisal Co., Ltd. | 1,840 | 1,300 | 1,860 | 4.5 | 1,830 | 4.3 | 4.7 | 91,812 | 5.6 | 5.1 |
| | 006 | Comfort Hotel Hamamatsu | The Tanizawa Sogo Appraisal Co., Ltd. | 1,690 | 1,520 | 1,690 | 5.6 | 1,690 | 5.6 | 5.8 | 98,845 | 6.4 | 4.5 |
| | 007 | Hotel Suave Kobe Asuta | The Tanizawa Sogo Appraisal Co., Ltd. | 1,640 | 1,550 | 1,670 | 5.1 | 1,620 | 5.0 (1st-2nd year) 5.2 (3rd year on) | 5.3 | 90,707 | 6.1 | 4.4 |
| | 008 | Nest Hotel Sapporo Odori | Daiwa Real Estate Appraisal Co., Ltd. | 1,620 | 1,240 | 1,610 | 5.4 | 1,630 | 5.2 | 5.6 | 104,555 | 7.2 | 4.9 |
| | 009 | Valie Hotel Tenjin | Japan Real Estate Institute | 2,040 | 1,180 | 2,060 | 4.5 | 2,010 | 4.3 | 4.7 | 100,854 | 7.3 | 6.1 |
| | 010 | Nest Hotel Osaka Shinsaibashi | Daiwa Real Estate Appraisal Co., Ltd. | 7,680 | 2,410 | 7,750 | 4.5 | 7,650 | 4.3 | 4.7 | 398,474 | 5.2 | 4.5 |
| | 011 | Comfort Hotel Central International Airport | Daiwa Real Estate Appraisal Co., Ltd. | 5,880 | 5,750 | 5,950 | 4.0 | 5,850 | 3.8 | 4.2 | 265,999 | 5.0 | 3.9 |
| | 012 | Smile Hotel Tokyo Asagaya | Daiwa Real Estate Appraisal Co., Ltd. | 4,030 | 1,090 | 4,080 | 4.4 | 4,010 | 4.2 | 4.6 | 196,581 | 5.0 | 4.0 |
| | 013 | Nest Hotel Naha | Daiwa Real Estate Appraisal Co., Ltd. | 3,970 | 1,280 | 4,000 | 5.3 | 3,950 | 5.1 | 5.5 | 237,778 | 6.3 | 4.8 |
| | 014 | Smile Hotel Asakusa | Daiwa Real Estate Appraisal Co., Ltd. | 2,090 | 555 | 2,110 | 4.1 | 2,080 | 3.9 | 4.3 | 97,695 | 5.1 | 3.7 |
| | 015 | Nest Hotel Matsuyama | Daiwa Real Estate Appraisal Co., Ltd. | 1,670 | 1,140 | 1,660 | 5.7 | 1,680 | 5.5 | 5.9 | 119,891 | 7.4 | 5.4 |
| | 016 | Hotel Livemax Nihombashi-Hakozaki | Daiwa Real Estate Appraisal Co., Ltd. | 1,440 | 602 | 1,460 | 4.5 | 1,430 | 4.3 | 4.7 | 66,219 | 4.9 | 3.5 |
| | 017 | Comfort Hotel Okayama | Daiwa Real Estate Appraisal Co., Ltd. | 1,240 | 556 | 1,230 | 5.3 | 1,250 | 5.1 | 5.5 | 79,301 | 6.6 | 4.7 |
| | 018 | Comfort Hotel Kushiro | Daiwa Real Estate Appraisal Co., Ltd. | 421 | 850 | 417 | 5.5 | 422 | 5.3 | 5.7 | 23,175 | 7.7 | 4.8 |
| | 019 | Comfort Hotel Suzuka | Daiwa Real Estate Appraisal Co., Ltd. | 376 | 430 | 375 | 5.0 | 377 | 4.8 | 5.2 | 23,015 | 7.7 | 5.0 |
| Total/Average | | | | 51,647 | 32,863 | 52,092 | – | 51,419 | – | – | 2,739,604 | 5.7 | 4.6 |

Major Tenant Data (Hotel Operators)

| Name | Industry | Hotel | Fixed Rent in Jan 2017 Fiscal Period | | Total Leased Area | |
|---|---|---|---|---|---|---|
| | | | (JPY million) | Ratio (%) | ($m^2$) | Ratio (%) |
| Nest Hotel Japan Corporation | Hotel Operation | Nest Hotel Sapporo Ekimae<br>Nest Hotel Sapporo Odori<br>Nest Hotel Osaka Shinsaibashi<br>Nest Hotel Naha<br>Nest Hotel Matsuyama | 200 | 24.3 | 35,343.11 | 38.6 |
| Greens Co., Ltd. | Hotel Operation | Comfort Hotel Hamamatsu<br>Comfort Hotel Central International Airport<br>Comfort Hotel Okayama<br>Comfort Hotel Kushiro<br>Comfort Hotel Suzuka | 266 | 32.4 | 26,684.48 | 29.1 |

(Note) Covers tenants occupying more than 10% of total leasable area.

Individual Hotel Financials

(JPY thousand)

| Hotel No. | Total | 001 | 002 | 004 | 005 | 006 | 008 |
|---|---|---|---|---|---|---|---|
| Hotel | | Smile Hotel Kyoto Shijo | Hotel Vista Premio Kyoto | Nest Hotel Sapporo Ekimae | Chisun Inn Osaka Hommachi | Comfort Hotel Hamamatsu | Nest Hotel Sapporo Odori |
| (A) Rental Income | 1,560,734 | 168,614 | 91,672 | 102,665 | 36,000 | 55,361 | 83,367 |
| Fixed Rent | 823,979 | 34,644 | 75,000 | 32,392 | 36,000 | 55,361 | 23,385 |
| Variable Rent | 681,959 | 133,970 | 16,672 | 70,273 | – | – | 59,982 |
| Other Rent | 54,795 | – | – | – | – | – | – |
| (B) Rental Expenses | 102,566 | 7,850 | 9,347 | 8,013 | 5,078 | 5,547 | 10,629 |
| Outsourcing Fees | 16,346 | 600 | 1,475 | 600 | 870 | 600 | 600 |
| Insurance | 2,438 | 161 | 106 | 154 | 105 | 100 | 163 |
| Repair Expenses | 8,727 | 1,921 | 476 | 1,275 | 588 | 120 | 783 |
| Taxes | 48,325 | 4,803 | 6,874 | 5,113 | 3,130 | 4,456 | 8,298 |
| Other Expenses | 26,728 | 365 | 415 | 870 | 383 | 271 | 784 |
| (C) NOI (A) - (B) | 1,458,168 | 160,763 | 82,324 | 94,652 | 30,921 | 49,814 | 72,738 |
| (D) Depreciation | 268,204 | 15,848 | 12,485 | 12,181 | 4,266 | 14,320 | 16,424 |
| (E) Net Rental Income (C) - (D) | 1,189,963 | 144,915 | 69,839 | 82,470 | 26,655 | 35,493 | 56,313 |

(JPY thousand)

| Hotel No. | 009 | 010 | 011 | 012 | 013 | 014 | 015 |
|---|---|---|---|---|---|---|---|
| Hotel Name | Valie Hotel Tenjin | Nest Hotel Osaka Shinsaibashi | Comfort Hotel Central International Airport | Smile Hotel Tokyo Asagaya | Nest Hotel Naha | Smile Hotel Asakusa | Nest Hotel Matsuyama |
| (A) Rental Income | 60,905 | 196,564 | 138,414 | 80,031 | 130,130 | 49,719 | 76,276 |
| Fixed Rent | 24,752 | 57,565 | 138,414 | 25,650 | 55,461 | 14,064 | 31,481 |
| Variable Rent | 36,153 | 138,999 | – | 54,380 | 74,668 | 35,655 | 44,792 |
| Other Rent | – | – | – | – | – | – | 1 |
| (B) Rental Expenses | 4,216 | 2,654 | 1,416 | 3,245 | 2,952 | 1,141 | 2,079 |
| Outsourcing Fees | 600 | 1,246 | 580 | 2,189 | 1,087 | 698 | 1,087 |
| Insurance | 57 | 231 | 265 | 81 | 223 | 52 | 187 |
| Repair Expenses | – | 756 | 160 | 524 | 1,123 | 9 | 363 |
| Taxes | 3,192 | 40 | – | 29 | – | – | – |
| Other Expenses | 365 | 380 | 410 | 420 | 518 | 381 | 441 |
| (C) NOI (A) - (B) | 56,689 | 193,910 | 136,997 | 76,786 | 127,177 | 48,577 | 74,196 |
| (D) Depreciation | 8,114 | 28,390 | 28,306 | 20,799 | 28,281 | 12,921 | 16,103 |
| (E) Net Rental Income (C) - (D) | 48,575 | 165,519 | 108,691 | 55,987 | 98,896 | 35,656 | 58,093 |

(JPY thousand)

| Hotel No. | 017 | 018 | 019 | |
|---|---|---|---|---|
| Hotel Name | Comfort Hotel Okayama | Comfort Hotel Kushiro | Comfort Hotel Suzuka | Other |
| (A) Rental Income | 41,951 | 16,835 | 14,114 | 218,108 |
| Fixed Rent | 41,951 | 16,835 | 14,114 | 146,903 |
| Variable Rent | – | – | – | 16,411 |
| Other Rent | – | – | – | 54,793 |
| (B) Rental Expenses | 1,460 | 1,438 | 1,269 | 34,224 |
| Outsourcing Fees | 922 | 922 | 553 | 1,713 |
| Insurance | 133 | 78 | 45 | 289 |
| Repair Expenses | – | 57 | 290 | 280 |
| Taxes | – | – | – | 12,386 |
| Other Expenses | 404 | 380 | 380 | 19,555 |
| (C) NOI (A) - (B) | 40,491 | 15,396 | 12,844 | 183,883 |
| (D) Depreciation | 11,569 | 4,428 | 3,940 | 29,823 |
| (E) Net Rental Income (C) - (D) | 28,921 | 10,968 | 8,904 | 154,060 |

(Note) Hotel operator rents for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, and Hotel Livemax Nihombashi-Hakozaki, and retail rents for Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya are included in Other, as the tenants did not provide consent to disclose the data. Hotel Wing International Nagoya NOI and depreciation are JPY 68,895 thousand and JPY 8,023 thousand, respectively. Hotel Suave Kobe Asuta NOI and depreciation are JPY 46,608 thousand and JPY 12,693 thousand, respectively. Hotel Livemax Nihombashi-Hakozaki NOI and depreciation are JPY 32,025 thousand and JPY 9,106 thousand, respectively.

## Individual Hotel Operating Results

ADR = Average Daily Rate
RevPAR = Revenue per Available Room
GOP = Gross Operating Profit

### 001 Smile Hotel Kyoto Shijo

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 100.2 | 100.2 | 100.0 | 100.1 | 100.1 | 100.0 | 100.0 | 100.1 | 100.1 | 100.0 | 100.0 | 97.7 | 99.9 |
| ADR (JPY) | 7,879 | 13,381 | 18,178 | 11,838 | 8,793 | 9,906 | 9,401 | 9,328 | 13,018 | 17,955 | 9,779 | 7,159 | 11,388 |
| RevPAR (JPY) | 7,898 | 13,403 | 18,187 | 11,849 | 8,799 | 9,908 | 9,403 | 9,341 | 13,030 | 17,950 | 9,775 | 6,995 | 11,373 |
| Revenue (JPY million) | 34 | 60 | 78 | 53 | 39 | 45 | 43 | 41 | 58 | 77 | 47 | 32 | 605 |
| GOP (JPY million) | 18 | 42 | 58 | 37 | 22 | 30 | 27 | 24 | 40 | 58 | 31 | 15 | 400 |

### 002 Hotel Vista Premio Kyoto

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 88.4 | 94.4 | 93.8 | 93.4 | 88.4 | 87.6 | 94.0 | 91.3 | 93.5 | 94.9 | 84.6 | 82.1 | 90.5 |
| ADR (JPY) | 10,793 | 15,092 | 17,500 | 13,696 | 10,745 | 12,969 | 12,974 | 11,601 | 15,290 | 20,237 | 13,572 | 11,833 | 13,933 |
| RevPAR (JPY) | 9,544 | 14,251 | 16,410 | 12,786 | 9,500 | 11,365 | 12,201 | 10,588 | 14,297 | 19,201 | 11,477 | 9,720 | 12,614 |
| Revenue (JPY million) | 25 | 39 | 44 | 36 | 26 | 32 | 35 | 29 | 40 | 51 | 31 | 27 | 414 |
| GOP (JPY million) | – | – | – | – | – | – | – | – | – | – | – | – | – |

(Note) The tenant did not give consent to disclose information on GOP.

### 003 Hotel Wing International Nagoya

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 97.6 | 100.1 | 98.2 | 90.2 | 76.6 | 78.1 | 79.7 | 77.2 | 91.5 | 96.0 | 84.7 | 80.5 | 87.5 |
| ADR (JPY) | 5,650 | 6,230 | 6,069 | 6,116 | 5,451 | 5,817 | 5,882 | 5,522 | 6,505 | 6,415 | 6,611 | 5,799 | 6,027 |
| RevPAR (JPY) | 5,514 | 6,236 | 5,962 | 5,519 | 4,175 | 4,544 | 4,690 | 4,264 | 5,955 | 6,155 | 5,600 | 4,669 | 5,274 |
| Revenue (JPY million) | 41 | 48 | 45 | 42 | 32 | 35 | 37 | 32 | 46 | 46 | 43 | 36 | 482 |
| GOP (JPY million) | – | – | – | – | – | – | – | – | – | – | – | – | – |

(Note) The tenant did not give consent to disclose information on GOP.

### 004 Nest Hotel Sapporo Ekimae

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 98.0 | 98.5 | 98.3 | 98.6 | 98.2 | 97.9 | 98.5 | 98.2 | 97.7 | 96.4 | 94.7 | 94.8 | 97.5 |
| ADR (JPY) | 10,144 | 5,834 | 5,174 | 7,552 | 10,242 | 12,594 | 11,494 | 11,474 | 8,777 | 6,270 | 6,803 | 6,497 | 8,579 |
| RevPAR (JPY) | 9,943 | 5,748 | 5,086 | 7,445 | 10,061 | 12,336 | 11,320 | 11,271 | 8,571 | 6,046 | 6,445 | 6,157 | 8,363 |
| Revenue (JPY million) | 57 | 42 | 37 | 48 | 59 | 74 | 67 | 67 | 54 | 40 | 45 | 38 | 627 |
| GOP (JPY million) | 25 | 12 | 10 | 20 | 31 | 42 | 36 | 37 | 25 | 13 | 18 | 13 | 281 |

005 Chisun Inn Osaka Hommachi

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 91.0 | 94.8 | 89.3 | 80.4 | 88.3 | 90.9 | 89.9 | 89.2 | 91.1 | 85.2 | 80.6 | 82.1 | 87.7 |
| ADR (JPY) | 10,115 | 9,915 | 10,783 | 9,416 | 8,816 | 9,420 | 9,458 | 8,488 | 8,706 | 8,658 | 8,582 | 7,572 | 9,176 |
| RevPAR (JPY) | 9,203 | 9,400 | 9,633 | 7,568 | 7,785 | 8,562 | 8,501 | 7,567 | 7,934 | 7,372 | 6,916 | 6,219 | 8,048 |
| Revenue (JPY million) | 35 | 38 | 38 | 30 | 30 | 35 | 34 | 30 | 32 | 29 | 28 | 25 | 383 |
| GOP (JPY million) | – | – | – | – | – | – | – | – | – | – | – | – | – |

(Note) The tenant did not give consent to disclose information on GOP.

006 Comfort Hotel Hamamatsu

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 81.4 | 88.2 | 82.3 | 77.4 | 79.8 | 78.5 | 85.7 | 83.3 | 84.9 | 84.9 | 78.9 | 65.7 | 80.9 |
| ADR (JPY) | 6,057 | 6,276 | 6,266 | 6,444 | 5,937 | 6,325 | 6,620 | 6,772 | 6,379 | 6,213 | 6,019 | 5,751 | 6,267 |
| RevPAR (JPY) | 4,931 | 5,538 | 5,156 | 4,990 | 4,739 | 4,967 | 5,673 | 5,638 | 5,416 | 5,273 | 4,749 | 3,779 | 5,070 |
| Revenue (JPY million) | 28 | 34 | 30 | 30 | 28 | 30 | 34 | 33 | 33 | 31 | 29 | 23 | 364 |
| GOP (JPY million) | – | – | – | – | – | – | – | – | – | – | – | – | – |

(Note) The tenant did not give consent to disclose information on GOP.

007 Hotel Suave Kobe Asuta

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| ADR (JPY) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| RevPAR (JPY) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Revenue (JPY million) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| GOP (JPY million) | – | – | – | – | – | – | – | – | – | – | – | – | – |

(Note) The tenant did not give consent to disclose information on past operating results.

008 Nest Hotel Sapporo Odori

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 96.9 | 96.9 | 88.5 | 97.7 | 95.2 | 98.1 | 97.1 | 98.0 | 97.9 | 97.6 | 92.8 | 93.1 | 95.8 |
| ADR (JPY) | 12,228 | 6,672 | 6,093 | 8,656 | 11,456 | 15,685 | 13,986 | 14,170 | 10,537 | 7,718 | 7,989 | 7,771 | 10,293 |
| RevPAR (JPY) | 11,849 | 6,462 | 5,392 | 8,460 | 10,901 | 15,387 | 13,576 | 13,888 | 10,314 | 7,530 | 7,413 | 7,236 | 9,862 |
| Revenue (JPY million) | 44 | 28 | 23 | 35 | 42 | 60 | 55 | 54 | 42 | 31 | 30 | 30 | 473 |
| GOP (JPY million) | 23 | 9 | 6 | 16 | 23 | 37 | 32 | 32 | 22 | 12 | 13 | 11 | 235 |

009 Valie Hotel Tenjin

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 90.8 | 91.1 | 85.2 | 71.1 | 78.7 | 88.1 | 85.7 | 84.7 | 85.9 | 88.9 | 86.1 | 83.0 | 84.9 |
| ADR (JPY) | 10,231 | 9,500 | 9,191 | 10,619 | 8,757 | 9,756 | 10,363 | 9,148 | 9,926 | 9,949 | 10,194 | 9,132 | 9,731 |
| RevPAR (JPY) | 9,291 | 8,652 | 7,827 | 7,554 | 6,896 | 8,596 | 8,878 | 7,746 | 8,529 | 8,846 | 8,776 | 7,582 | 8,264 |
| Revenue (JPY million) | 22 | 22 | 20 | 20 | 17 | 22 | 23 | 19 | 22 | 22 | 23 | 20 | 252 |
| GOP (JPY million) | 13 | 13 | 11 | 11 | 9 | 12 | 13 | 10 | 11 | 12 | 12 | 9 | 136 |

010 Nest Hotel Osaka Shinsaibashi

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 94.0 | 96.0 | 83.4 | 56.8 | 52.3 | 86.5 | 93.8 | 93.3 | 96.5 | 94.7 | 91.3 | 94.3 | 86.1 |
| ADR (JPY) | 9,033 | 9,459 | 9,464 | 9,001 | 8,720 | 9,337 | 9,128 | 8,533 | 9,418 | 9,054 | 9,056 | 8,012 | 9,026 |
| RevPAR (JPY) | 8,491 | 9,076 | 7,888 | 5,112 | 4,559 | 8,075 | 8,566 | 7,958 | 9,090 | 8,576 | 8,268 | 7,558 | 7,770 |
| Revenue (JPY million) | 82 | 93 | 79 | 54 | 47 | 83 | 88 | 79 | 93 | 86 | 85 | 78 | 945 |
| GOP (JPY million) | 46 | 56 | 46 | 27 | 21 | 46 | 55 | 46 | 57 | 51 | 55 | 44 | 550 |

011 Comfort Hotel Central International Airport

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 81.2 | 83.1 | 91.8 | 83.7 | 86.1 | 88.5 | 91.9 | 80.5 | 82.0 | 82.1 | 80.9 | 87.2 | 84.9 |
| ADR (JPY) | 8,620 | 8,454 | 8,577 | 8,442 | 8,560 | 8,902 | 8,967 | 8,603 | 8,787 | 8,668 | 8,778 | 8,974 | 8,699 |
| RevPAR (JPY) | 7,001 | 7,026 | 7,877 | 7,064 | 7,372 | 7,879 | 8,239 | 6,928 | 7,207 | 7,116 | 7,101 | 7,828 | 7,389 |
| Revenue (JPY million) | 79 | 85 | 92 | 85 | 86 | 94 | 99 | 80 | 87 | 83 | 86 | 94 | 1,048 |
| GOP (JPY million) | – | – | – | – | – | – | – | – | – | – | – | – | – |

(Note) The tenant did not give consent to disclose information on GOP.

012 Smile Hotel Tokyo Asagaya

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 99.1 | 98.6 | 72.1 | 71.5 | 67.3 | 80.0 | 98.7 | 98.9 | 98.4 | 97.9 | 99.3 | 97.8 | 90.0 |
| ADR (JPY) | 9,092 | 9,234 | 9,787 | 8,155 | 8,085 | 8,452 | 7,976 | 7,630 | 8,614 | 8,696 | 8,279 | 7,423 | 8,433 |
| RevPAR (JPY) | 9,008 | 9,104 | 7,052 | 5,827 | 5,441 | 6,763 | 7,873 | 7,544 | 8,480 | 8,515 | 8,217 | 7,259 | 7,587 |
| Revenue (JPY million) | 30 | 33 | 24 | 21 | 19 | 24 | 28 | 26 | 30 | 30 | 30 | 26 | 321 |
| GOP (JPY million) | 19 | 21 | 15 | 12 | 10 | 13 | 17 | 15 | 19 | 19 | 16 | 14 | 190 |

013 Nest Hotel Naha

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 94.4 | 92.0 | 89.8 | 85.1 | 89.4 | 93.4 | 95.5 | 93.9 | 91.3 | 84.5 | 85.8 | 82.1 | 89.7 |
| ADR (JPY) | 9,716 | 9,784 | 8,291 | 8,600 | 8,106 | 10,155 | 11,840 | 9,567 | 9,888 | 10,458 | 9,457 | 8,540 | 9,561 |
| RevPAR (JPY) | 9,171 | 9,001 | 7,443 | 7,322 | 7,244 | 9,488 | 11,308 | 8,982 | 9,023 | 8,840 | 8,118 | 7,013 | 8,581 |
| Revenue (JPY million) | 70 | 75 | 66 | 63 | 62 | 75 | 86 | 69 | 80 | 77 | 80 | 63 | 867 |
| GOP (JPY million) | 27 | 28 | 22 | 20 | 18 | 30 | 39 | 25 | 30 | 29 | 33 | 22 | 324 |

014 Smile Hotel Asakusa

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 98.0 | 97.5 | 94.2 | 93.0 | 92.2 | 92.8 | 93.0 | 95.5 | 96.1 | 96.6 | 96.3 | 95.2 | 95.0 |
| ADR (JPY) | 7,082 | 7,565 | 7,644 | 7,251 | 6,993 | 7,489 | 7,235 | 6,886 | 7,404 | 7,182 | 7,474 | 6,237 | 7,205 |
| RevPAR (JPY) | 6,942 | 7,374 | 7,201 | 6,744 | 6,449 | 6,953 | 6,727 | 6,573 | 7,118 | 6,941 | 7,197 | 5,937 | 6,846 |
| Revenue (JPY million) | 20 | 23 | 22 | 21 | 19 | 21 | 21 | 20 | 22 | 21 | 22 | 19 | 250 |
| GOP (JPY million) | 9 | 12 | 11 | 10 | 8 | 11 | 10 | 10 | 12 | 11 | 12 | 8 | 124 |

015 Nest Hotel Matsuyama

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 74.1 | 86.9 | 81.2 | 77.8 | 80.7 | 84.3 | 84.4 | 84.7 | 82.8 | 86.1 | 84.7 | 76.5 | 82.0 |
| ADR (JPY) | 5,809 | 5,687 | 5,598 | 6,292 | 5,395 | 5,792 | 6,132 | 5,938 | 6,343 | 6,618 | 5,365 | 5,533 | 5,879 |
| RevPAR (JPY) | 4,303 | 4,943 | 4,543 | 4,898 | 4,353 | 4,883 | 5,174 | 5,030 | 5,253 | 5,699 | 4,545 | 4,233 | 4,823 |
| Revenue (JPY million) | 34 | 46 | 40 | 43 | 40 | 46 | 43 | 41 | 43 | 44 | 48 | 39 | 507 |
| GOP (JPY million) | 11 | 19 | 16 | 17 | 15 | 19 | 17 | 16 | 17 | 19 | 19 | 14 | 199 |

016 Hotel Livemax Nihombashi-Hakozaki

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| ADR (JPY) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| RevPAR (JPY) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Revenue (JPY million) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| GOP (JPY million) | – | – | – | – | – | – | – | – | – | – | – | – | – |

(Note) The tenant did not give consent to disclose information on past operating results.

017 Comfort Hotel Okayama

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 85.1 | 89.0 | 88.1 | 86.1 | 83.7 | 83.1 | 90.6 | 84.2 | 89.2 | 89.0 | 85.9 | 82.9 | 86.4 |
| ADR (JPY) | 5,404 | 5,743 | 6,000 | 5,796 | 5,195 | 6,221 | 7,404 | 6,241 | 6,643 | 6,155 | 5,389 | 5,171 | 5,962 |
| RevPAR (JPY) | 4,600 | 5,109 | 5,286 | 4,991 | 4,349 | 5,173 | 6,705 | 5,254 | 5,926 | 5,480 | 4,629 | 4,286 | 5,153 |
| Revenue (JPY million) | 28 | 33 | 33 | 32 | 29 | 35 | 45 | 34 | 40 | 36 | 32 | 29 | 405 |
| GOP (JPY million) | – | – | – | – | – | – | – | – | – | – | – | – | – |

(Note) The tenant did not give consent to disclose information on GOP.

018 Comfort Hotel Kushiro

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 75.0 | 65.2 | 58.5 | 72.8 | 88.3 | 90.8 | 89.2 | 87.8 | 80.6 | 72.8 | 68.0 | 63.4 | 76.0 |
| ADR (JPY) | 4,342 | 4,211 | 4,174 | 4,687 | 4,867 | 5,708 | 6,611 | 6,172 | 5,393 | 4,302 | 4,160 | 4,451 | 5,022 |
| RevPAR (JPY) | 3,256 | 2,745 | 2,442 | 3,411 | 4,295 | 5,185 | 5,900 | 5,418 | 4,347 | 3,130 | 2,829 | 2,824 | 3,818 |
| Revenue (JPY million) | 13 | 12 | 10 | 14 | 17 | 22 | 24 | 22 | 18 | 13 | 12 | 12 | 189 |
| GOP (JPY million) | – | – | – | – | – | – | – | – | – | – | – | – | – |

(Note) The tenant did not give consent to disclose information on GOP.

019 Comfort Hotel Suzuka

| | 2016 | | | | | | | | | | | 2017 | Cumulative |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | |
| Occupancy (%) | 62.6 | 73.0 | 73.8 | 78.6 | 61.9 | 78.5 | 89.5 | 67.5 | 82.5 | 79.6 | 73.7 | 61.9 | 73.7 |
| ADR (JPY) | 5,298 | 5,866 | 5,930 | 5,789 | 5,909 | 6,417 | 6,748 | 5,721 | 6,890 | 6,002 | 5,247 | 5,039 | 5,956 |
| RevPAR (JPY) | 3,318 | 4,280 | 4,375 | 4,553 | 3,660 | 5,039 | 6,037 | 3,863 | 5,681 | 4,775 | 3,869 | 3,121 | 4,389 |
| Revenue (JPY million) | 10 | 14 | 14 | 15 | 12 | 17 | 20 | 13 | 19 | 15 | 13 | 10 | 172 |
| GOP (JPY million) | – | – | – | – | – | – | – | – | – | – | – | – | – |

(Note) The tenant did not give consent to disclose information on GOP.

The above operating results provide disclosure for each Ichigo Hotel REIT hotel for the full past year. Thus, for Nest Hotel Osaka Shinsaibashi, Comfort Hotel Central International Airport, Smile Hotel Tokyo Asagaya, Nest Hotel Naha, Smile Hotel Asakusa, Nest Hotel Matsuyama, Hotel Livemax Nihombashi-Hakozaki, Comfort Hotel Okayama, Comfort Hotel Kushiro, and Comfort Hotel Suzuka, which were acquired on August 17, 2016, they include operating results previous to acquisition. Also, certain historical operating results for Hotel Suave Kobe Asuta and Hotel Livemax Nihombashi-Hakozaki are not included, because the hotel operators did not give consent to disclose the data for these periods.

## Hotel NOI and Portfolio Weighting by Region

| Region | Number of Hotels | Acquisition Price (JPY million) | Portfolio Weighting (%) | Average Appraisal NOI Yield (%) |
|---|---|---|---|---|
| Hokkaido & Tohoku | 3 | 3,910 | 8.2 | 7.1 |
| Tokyo | 3 | 7,190 | 15.1 | 5.0 |
| Hokuriku & Tokai | 4 | 9,828 | 20.6 | 5.6 |
| Kinki | 5 | 18,800 | 39.4 | 5.4 |
| Chugoku & Shikoku | 2 | 2,810 | 5.9 | 7.1 |
| Kyushu & Okinawa | 2 | 5,130 | 10.8 | 6.6 |
| Total | 19 | 47,668 | 100.0 | 5.7 |

Major Capital Expenditures

a. Major Capital Expenditures Planned for July 2017 and January 2018 Fiscal Periods

| Hotel Name | Location | Purpose | Timing | Expenditure (JPY million) | | |
|---|---|---|---|---|---|---|
| | | | | Total | Amount Paid in January Fiscal Period | Total Amount Already Paid |
| Nest Hotel Osaka Shinsaibashi | Osaka | Renovate Exterior | Oct-Dec 2017 | 66 | – | – |
| Smile Hotel Tokyo Asagaya | Tokyo | Renovate Guest Rooms | Nov 2017-Jan 2018 | 50 | – | – |
| Nest Hotel Naha | Naha, Okinawa | Increase Guest Rooms | May-Jun 2017 | 40 | – | – |
| Smile Hotel Tokyo Asagaya | Tokyo | Renovate Guest Rooms | Jun 2017 | 32 | – | – |
| Valie Hotel Tenjin | Fukuoka | Renovate Exterior | Nov-Dec 2017 | 25 | – | – |

b. Major Capital Expenditures during the Current Fiscal Period (January 2017)

| Hotel Name | Location | Purpose | Timing | Expenditure (JPY million) | | |
|---|---|---|---|---|---|---|
| | | | | Total | Amount Paid in January Fiscal Period | Total Amount Already Paid |
| Nest Hotel Osaka Shinsaibashi | Osaka | Replace Air Conditioning Units | Nov 2016-Jan 2017 | 83 | – | – |
| Nest Hotel Sapporo Odori | Sapporo | Renovate Guest Rooms | Nov 2016-Jan 2017 | 24 | – | – |