Ichigo Hotel REIT
（3463）

# Ichigo Hotel REIT January 2017 Fiscal Period Corporate Presentation

March 15, 2017

**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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# January 2017 Results

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# Financial Highlights

| | | Jan 2017 Results | Drivers |
|---|---|---|---|
| Organic Growth | RevPAR | JPY 8,020 (Variable Rent Hotels)<br>+JPY 17 (+0.2%) year-on-year | Variable rent hotels = major driver of earnings due to Ichigo Hotel REIT participation in operating results |
| External Growth | NOI | JPY 1.46B<br>+JPY 759M (+108.4%) vs. previous period | 10 new assets driving higher NOI<br>Will fully contribute to earnings from next period |
| | Portfolio | JPY 47.6B (19 assets)<br>+JPY 27.2B (+133.6%) vs. previous period | Sponsor support for asset acquisitions |
| Financing | Share Issuance | 257,584 shares<br>+119,084 (+86.0%) vs. previous period | Follow-on share offering increased scale & liquidity |
| | LTV | 36.6%<br>+0.4% vs. previous period | Maintained LTV with new loan of JPY 11B |
| DPS | | JPY 3,137<br>+JPY 312 (+11.0%) vs. previous period | +JPY 220 (+7.5%) vs. initial forecast for the period<br>Dividend growth driven by higher variable rents & lower operating and non-operating expenses |

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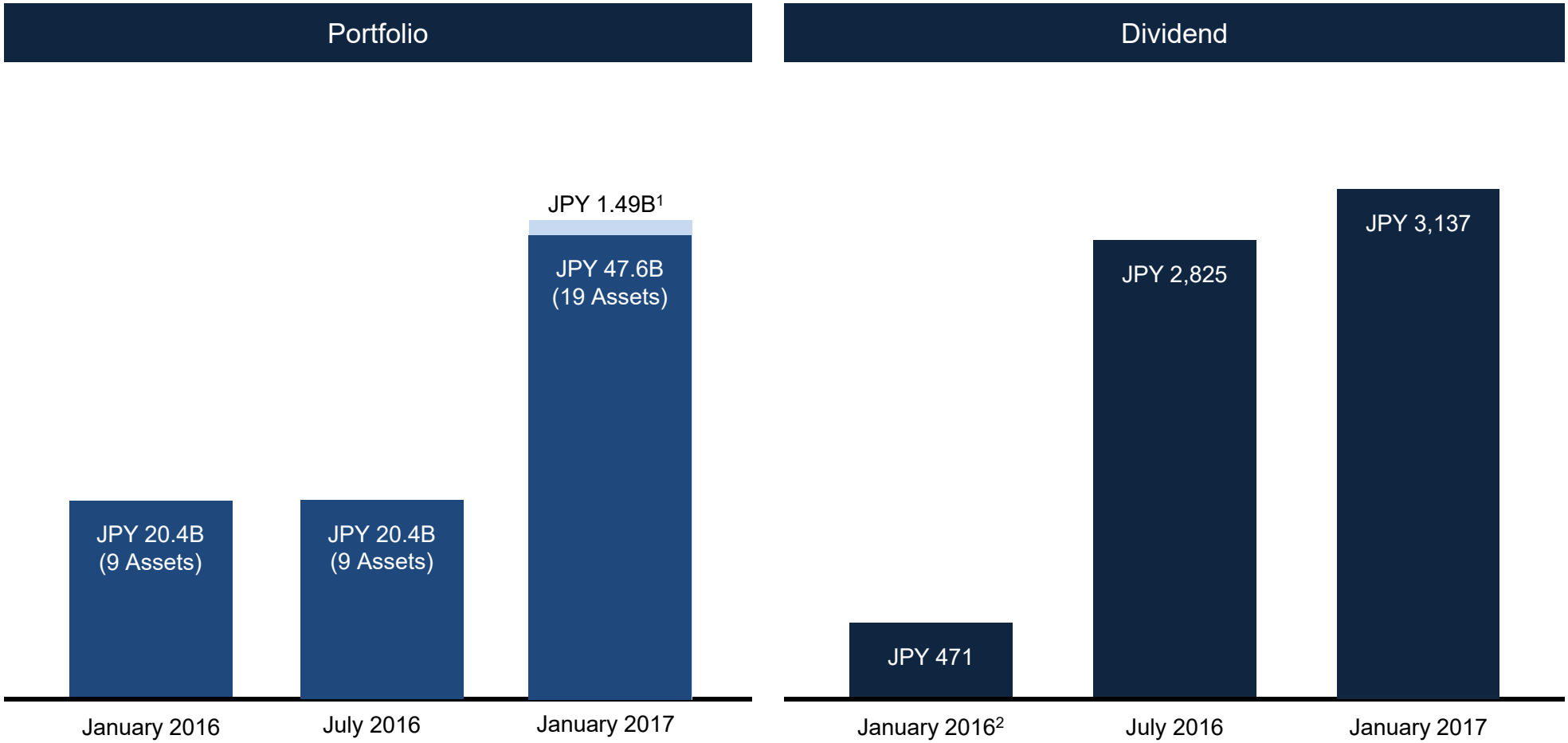
# Ichigo Hotel REIT Growth

- ✓ Portfolio Growth to JPY 47.6B vs. JPY 20.4B at IPO (+133.6%) via 10 Hotel Acquisitions in Aug 2016
- ✓ Value-Add Capex Supporting Higher Dividend




[1] Yokohama hotel acquisition scheduled to complete on March 27, 2017

[2] January 2016 was a shortened fiscal period that ran from Nov 30, 2015 to Jan 31, 2016.

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# January 2017 Earnings Breakdown

(JPY million)

| | July 2016 | Jan 2017 | Initial Forecast | vs. Initial Forecast | Major Variation Factors (vs. Forecast) |
|---|---|---|---|---|---|
| **Operating Revenue** | **774** | **1,560** | **1,547** | **+13** | |
| Variable Rent | 351 | 681 | 663 | +18 | Increase: 7 Hotels; Decrease: 4 Hotels |
| Fixed Rent | 387 | 823 | 823 | – | |
| Other | 35 | 54 | 60 | -6 | Decrease in Utilities Expenses: -6 |
| **Operating Expense** | **302** | **581** | **614** | **-33** | Decrease in Repair & Maintenance Expenses:-33<br>Decrease in Utilities Expense and Other Rental Expenses: -8<br>Decrease in SG&A: -3<br>Increase in Asset Management Fees: +11 |
| (Repair & Maintenance) | 4 | 8 | 42 | -33 | |
| (Depreciation) | 101 | 268 | 268 | – | |
| **Operating Profit** | **472** | **978** | **933** | **+45** | |
| Non-operating income | 1 | – | – | – | |
| Non-operating expense | 81 | 169 | 173 | -4 | |
| **Recurring Profit** | **392** | **809** | **759** | **+50** | |
| **Net Income** | **391** | **808** | **758** | **+50** | |
| **Dividend per Share** | **JPY 2,825** | **JPY 3,137** | **JPY 2,917** | **+220** | +7.5% vs. Initial Forecast<br>+11.0% (+JPY 312) vs. July 2016 Fiscal Period |
| **NOI** | 699 | 1,458 | 1,405 | +53 | |
| **Post-Depreciation NOI** | 598 | 1,189 | 1,136 | +53 | |
| **Capex** | 69 | 256 | 260 | -4 | |
| **Total Assets** | 23,486 | 53,331 | – | – | |
| **Interest-Bearing Debt** | 8,500 | 19,500 | 19,500 | – | |
| **LTV** | 36.2% | 36.6% | – | – | |

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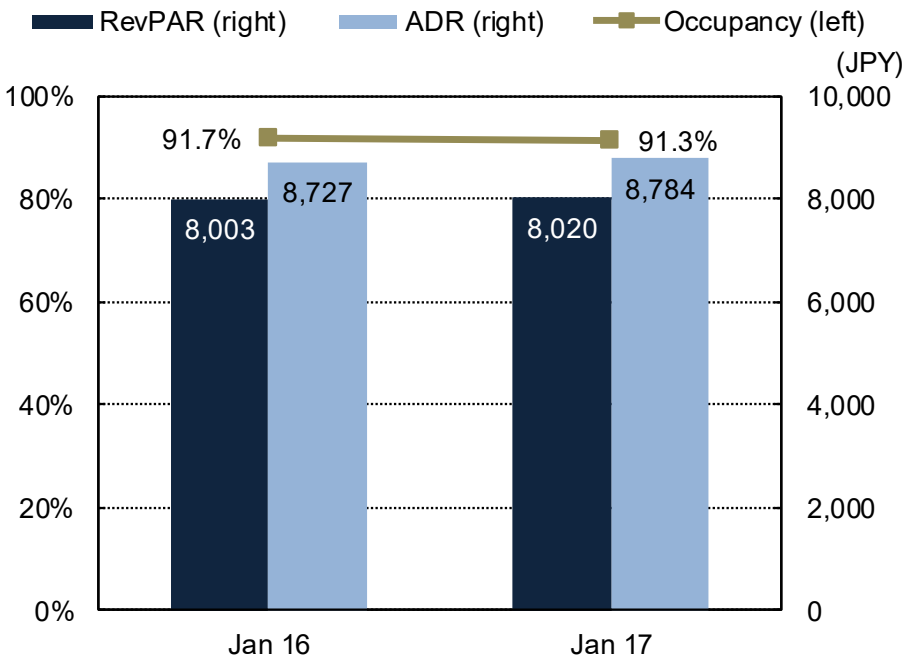
# January 2017 YOY (Aug-Jan, 6 Months)

## Variable Rent Hotel Revenue and RevPAR +0.2%

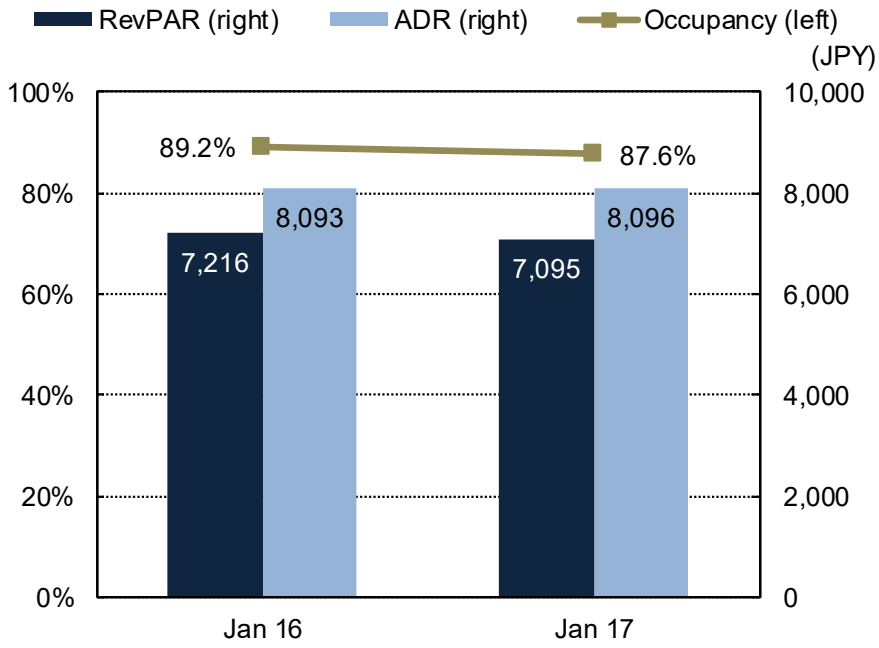
| | Variable Rent Hotels (12 Hotels) | | | Total Portfolio (19 Hotels) | | |
|---|---|---|---|---|---|---|
| | Jan 16 | Jan 17 | vs. Jan 16 | Jan 16 | Jan 17 | vs. Jan 16 |
| Revenue (JPY M) | 3,116 | 3,123 | +0.2% | 4,476 | 4,418 | -1.3% |
| RevPAR (JPY) | 8,003 | 8,020 | +0.2% | 7,216 | 7,095 | -1.7% |
| Occupancy | 91.7% | 91.3% | -0.4% | 89.2% | 87.6% | -1.7% |
| ADR (JPY) | 8,727 | 8,784 | +0.6% | 8,093 | 8,096 | – |

* 10 of the 19 Hotels were acquired on August 17, 2016. Operating results before the acquisition are based on data provided by previous owner.

Variable Rent Hotels (12 Hotels)




Total Portfolio (19 Hotels)

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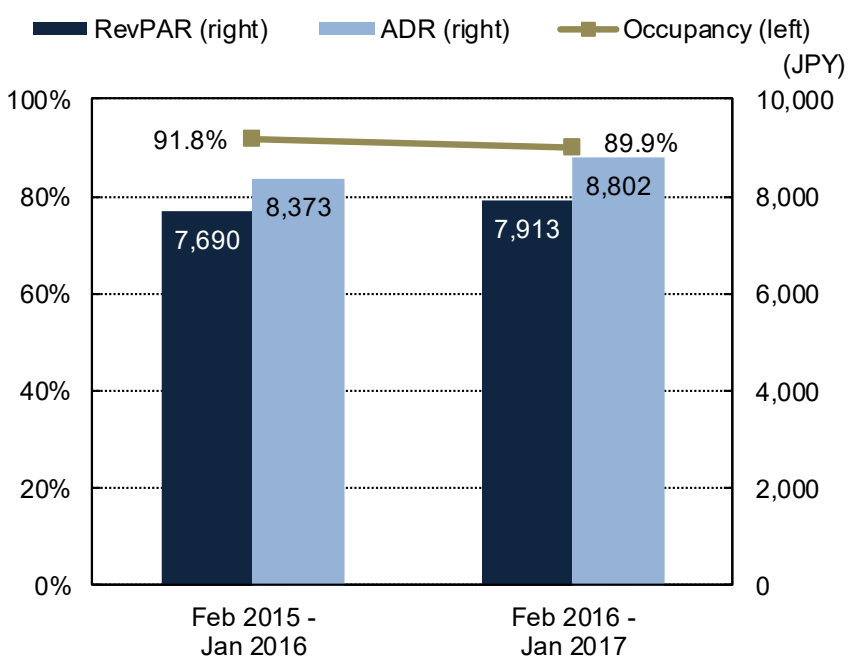
# January 2017 YOY (Feb-Jan, 12 Months)

## Variable Rent Hotel Revenue +6.2%

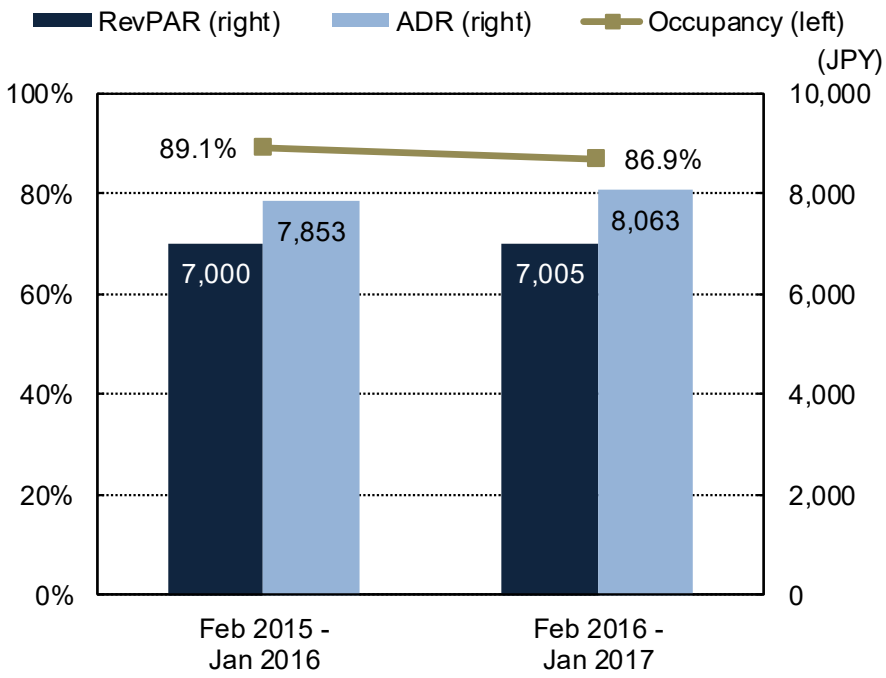
| | Variable Rent Hotels (12 Hotels) | | | Total Portfolio (19 Hotels) | | |
|---|---|---|---|---|---|---|
| | Feb 2015 - Jan 2016 | Feb 2016 - Jan 2017 | YOY | Feb 2015 - Jan 2016 | Feb 2016 - Jan 2017 | YOY |
| Revenue (JPY M) | 5,768 | 6,126 | +6.2% | 8,429 | 8,666 | +2.8% |
| RevPAR (JPY) | 7,690 | 7,913 | +2.9% | 7,000 | 7,005 | +0.1% |
| Occupancy | 91.8% | 89.9% | -2.1% | 89.1% | 86.9% | -2.5% |
| ADR (JPY) | 8,373 | 8,802 | +5.1% | 7,853 | 8,063 | +2.7% |

* 10 of the 19 hotels were acquired on August 17, 2016. Operating results before the acquisition are based on data provided by previous owner.

Variable Rent Hotels (12 Hotels)




Total Portfolio (19 Hotels)

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# Major Value-Add Capex

## Value-Add Capex Increasing Variable Rents & Hotel Competitiveness

Major Capex During Jan 2017 Period

| | Hotel Wing International Nagoya | Smile Hotel Kyoto Shijo | Nest Hotel Sapporo Odori |
|---|---|---|---|
| **Details** | Renovated all guest rooms, hallways, and lobby | Converted storage rooms into two additional guest rooms | Split up suite room into three guest rooms |
| **Purpose** | Update and upgrade to boost revenue | Convert non-revenue-generating space into guestrooms | Optimal use of low-revenue-generating space |
| **Timing** | May 2016 to Oct 2016 | Dec 2016 to Jan 2017 | Dec 2016 to Jan 2017 |
| **Investment** | JPY 20.6M* | JPY 22.0M | JPY 25.2M |
| **Expected Rental Income Increase** | JPY 4.9M | JPY 7.3M | JPY 4.3M |
| **ROI** | 23.8% | 33.2% | 17.1% |

* Displays only the amount invested by Ichigo Hotel REIT (renovation was conducted jointly with operator)

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# Value-Add Capex – Hotel Wing International Nagoya

## Renovated Guest Rooms, Hallways, and Lobby (JPY 20.6M)

- ✓ Renovation period: May 2016 to Oct 2016
- ✓ Post-renovation performance (all guest rooms, Nov 2016 to Jan 2017)
  ADR: JPY 6,287 (+9.5% vs. previous period)
- ✓ Forecast return: Annual Rent +JPY 4.9M, ROI 23.8%

Before





After









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# Value-Add Capex – Smile Hotel Kyoto Shijo

## Converted Storage Rooms Into Two Additional Guest Rooms (JPY 22.0M)

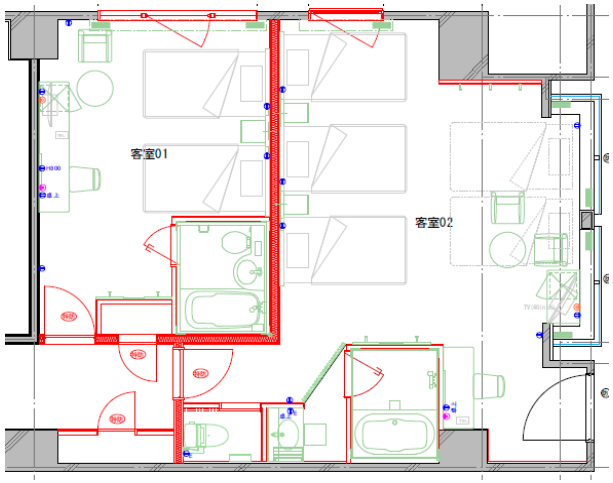
- ✓ Added twin-bed and triple-bed rooms to cater to increased tourist demand
- ✓ Renovation period: Dec 2016 to Jan 2017
- ✓ Forecast return: Annual Rent +JPY 7.3M, ROI 33.2%

**Before**



**After**

Converted to twin- and triple-bed rooms




Received zoning approval to add windows to brighten space for guests





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# Value-Add Capex – Nest Hotel Sapporo Odori

## Split Up Suite into Three Guest Rooms (JPY 25.2M)

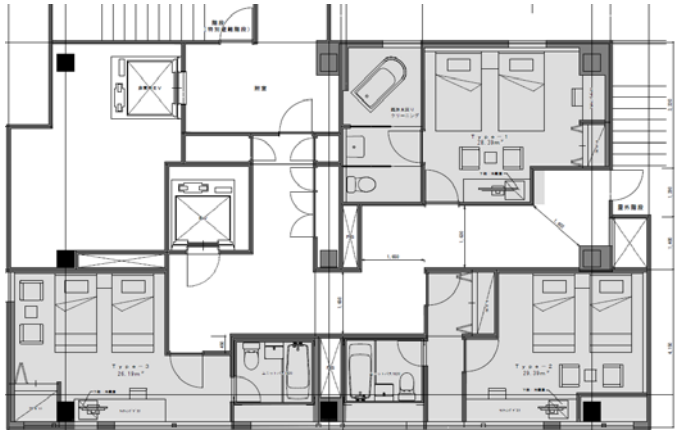
- ✓ Increased revenue by replacing low-occupancy suite
- ✓ Renovation period: Dec 2016 to Jan 2017
- ✓ Forecast return: Annual Rent +JPY 4.3M, ROI 17.1%

**Before**



**After**

Three twin bed-rooms







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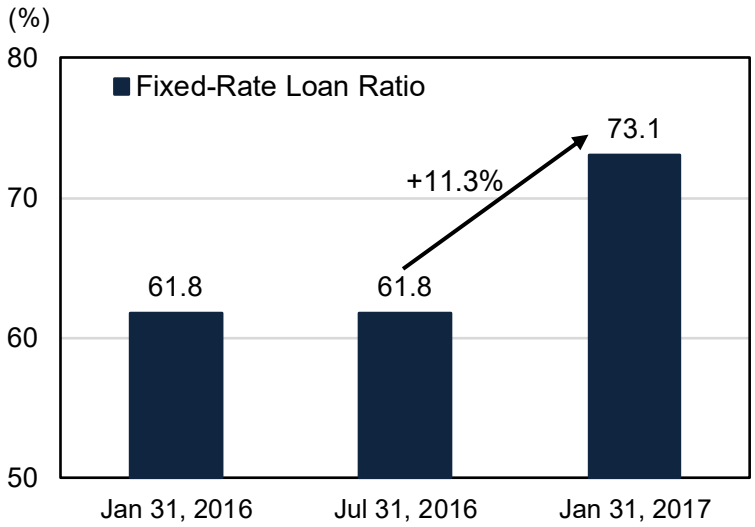
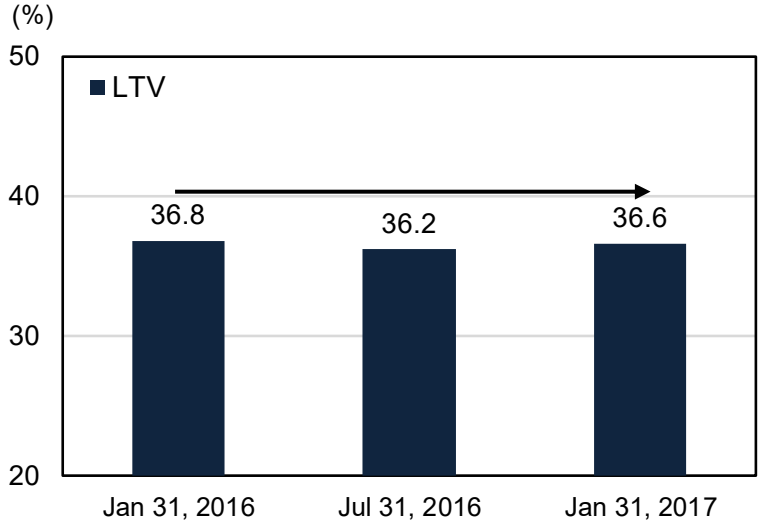
# Stable Financial Base

## Fixed-rate loans hedge interest rate risk




| | Jan 31, 2016 | Jul 31, 2016 | Jan 31, 2017 |
|---|---|---|---|
| Outstanding Balance | JPY 8.5B | JPY 8.5B | JPY 19.5B |
| Long-Term Loan Ratio | 100.0% | 100.0% | 100.0% |
| Average Interest Rate | 0.96% | 0.91% | 0.89% |
| Average Remaining Term | 4.2 years | 3.6 years | 4.5 years |

## Low LTV provides room to acquire more assets




**Strong Lender Group**

**LTV Management**

**Interest Rate Risk Management**

**Stable Financial Base**

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# Growth Strategy

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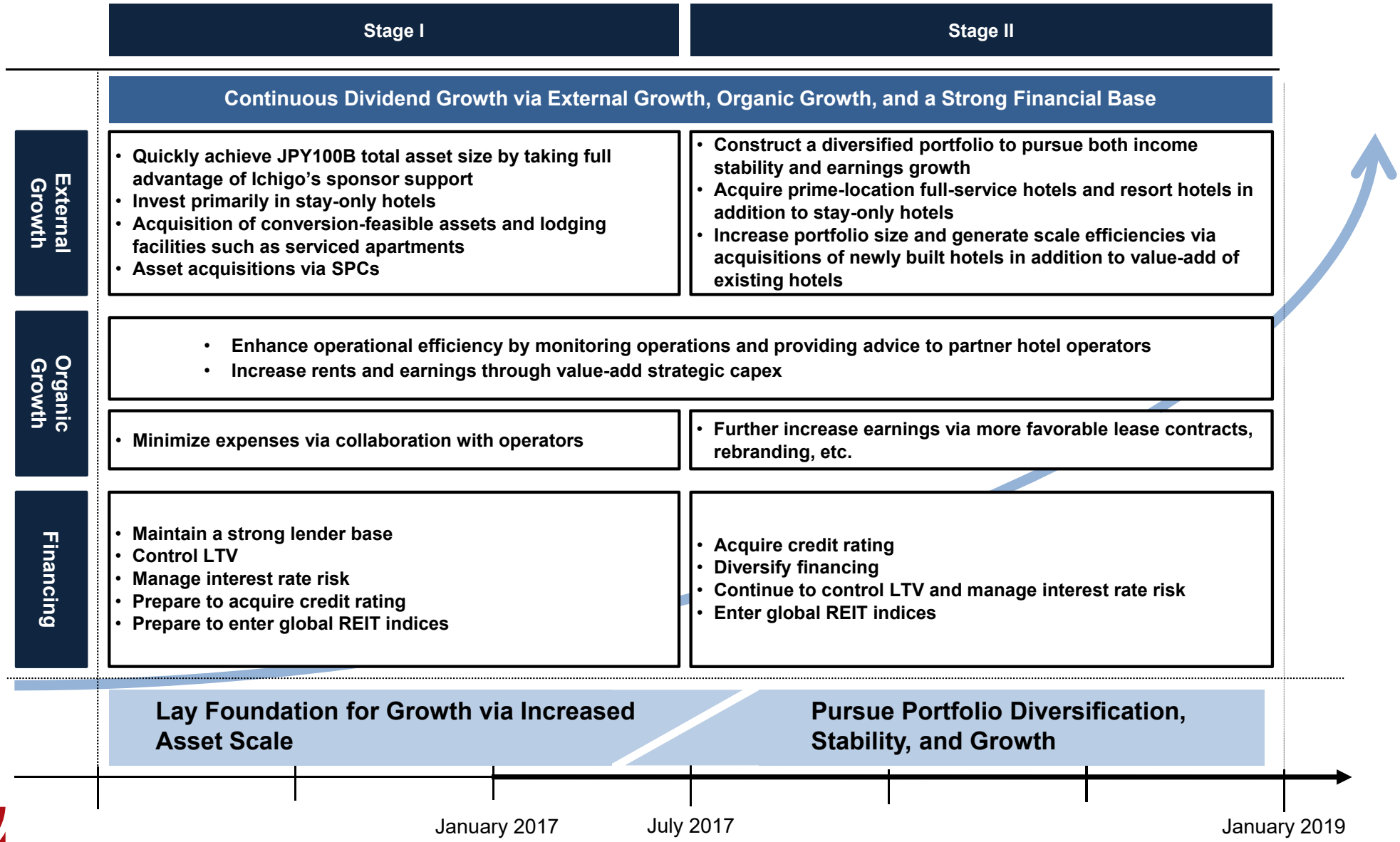
# Growth Roadmap

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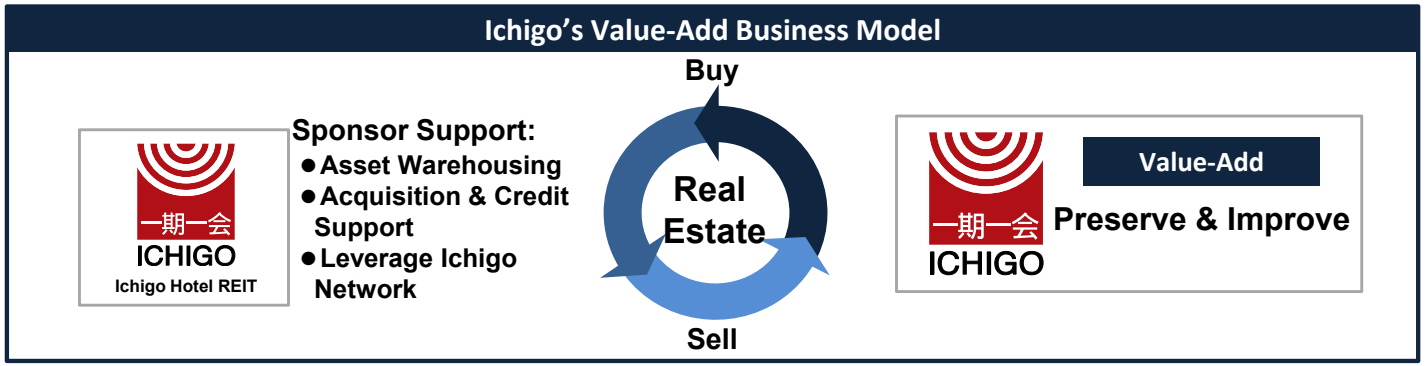
# Ichigo Hotel REIT and Ichigo Sponsor Synergies

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

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# Completed & Planned Value-Add Capex

## Value-Add Capex Driving Earnings Growth

- ✓ Increasing revenue and NOI
- ✓ Increasing hotel competitiveness and guest satisfaction

| Completion Date | Hotel | Renovation Details | Purpose | Investment (JPY M) | Expected Rental Income Increase (JPY M per annum) | ROI |
|---|---|---|---|---|---|---|
| Apr 2016 | Nest Hotel Sapporo Odori | Renovation of guest rooms | Boost revenue by capturing higher tourist demand | 16.6 | 3.9 | 23.5% |
| Jul 2016 | Nest Hotel Sapporo Odori | Convert storage rooms into two additional guest rooms | Convert non-revenue-generating space into guest rooms | 16.3 | 3.3 | 20.2% |
| Oct 2016 | Hotel Wing International Nagoya | Full renovation of guest rooms, hallways, and lobby | Boost revenue by updating/upgrading facilities and enhance hotel image | 20.6 | 4.9 | 23.8% |
| Dec 2016 | Nest Hotel Sapporo Ekimae | Build a dedicated smoking room in the banquet area | Enhance convenience for guests/visitors and increase customer satisfaction | 1.0 | – | – |
| Jan 2017 | Smile Hotel Kyoto Shijo | Convert storage rooms into two additional guest rooms | Convert non-revenue-generating space into guest rooms | 22.0 | 7.3 | 33.2% |
| Jan 2017 | Smile Hotel Kyoto Shijo | Renovation of entrance | Update and upgrade facilities for further convenience | 13.2 | – | – |
| Jan 2017 | Nest Hotel Sapporo Odori | Split up a suite room into three guest rooms | Improve revenue of low-occupancy guest rooms | 25.2 | 4.3 | 17.1% |
| Jan 2017 | Nest Hotel Osaka Shinsaibashi<br>Nest Hotel Matsuyama | Convert double-bed rooms into twin-bed rooms | Increase revenue by capturing guests of twosomes or more | 4.6 | 2.3 | 50.0% |
| Feb 2017 (expected) | Nest Hotel Naha | Convert banquet rooms into five additional guest rooms | Optimal use of low-revenue-generating space | 40.0 | 4.8 | 11.9% |
| Apr 2017 (expected) | Smile Hotel Tokyo Asagaya | Build rental billboard space | Optimal use of space | 4.0 | 1.4 | 35.0% |
| Jun 2017 (expected) | Smile Hotel Tokyo Asagaya | Renovation of guest rooms (first stage) and lobby | Boost revenue by updating/upgrading facilities | 32.0 | 9.9 | 30.9% |
| Jan 2018 (expected) | Smile Hotel Tokyo Asagaya | Renovation of guest rooms (second stage) | Boost revenue by updating/upgrading facilities | 50.4 | 19.8 | 39.3% |
| | | | **Total** | **245.9** | **61.9** | **25.2%** |

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# March 2017 Grandpark-Inn Yokohama Acquisition

- ✓ Designer capsule hotel located close to Yokohama Station, one of the busiest stations in the Tokyo Metropolitan area
- ✓ Fixed rent contract to support dividend stability
- ✓ Added a female guest-only area with special amenities to broaden the range of guests beyond capsule hotels' traditionally male clientele
- ✓ Acquired via Ichigo's sourcing network




| | |
|---|---|
| **Acquisition Price** | JPY 1.49B |
| **Appraisal Value (as of Jan 1, 2017)** | JPY 1.56B |
| **Post-depreciation NOI Yield** | 4.7% |




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# Portfolio Growth Potential via Ichigo Sponsor Support

## 21 Assets (JPY 48B) in Sponsor Pipeline as of Feb 2017

- ✓ Locations: Major cities such as Tokyo, Yokohama, Osaka, Nagoya, Fukuoka, Kumamoto, and Naha
- ✓ Includes new hotel developments

**Development Project 1**
Tokyo
Expected Completion Date: Jun 2017

**Development Project 2**
Fukuoka
Expected Completion Date: Apr 2017

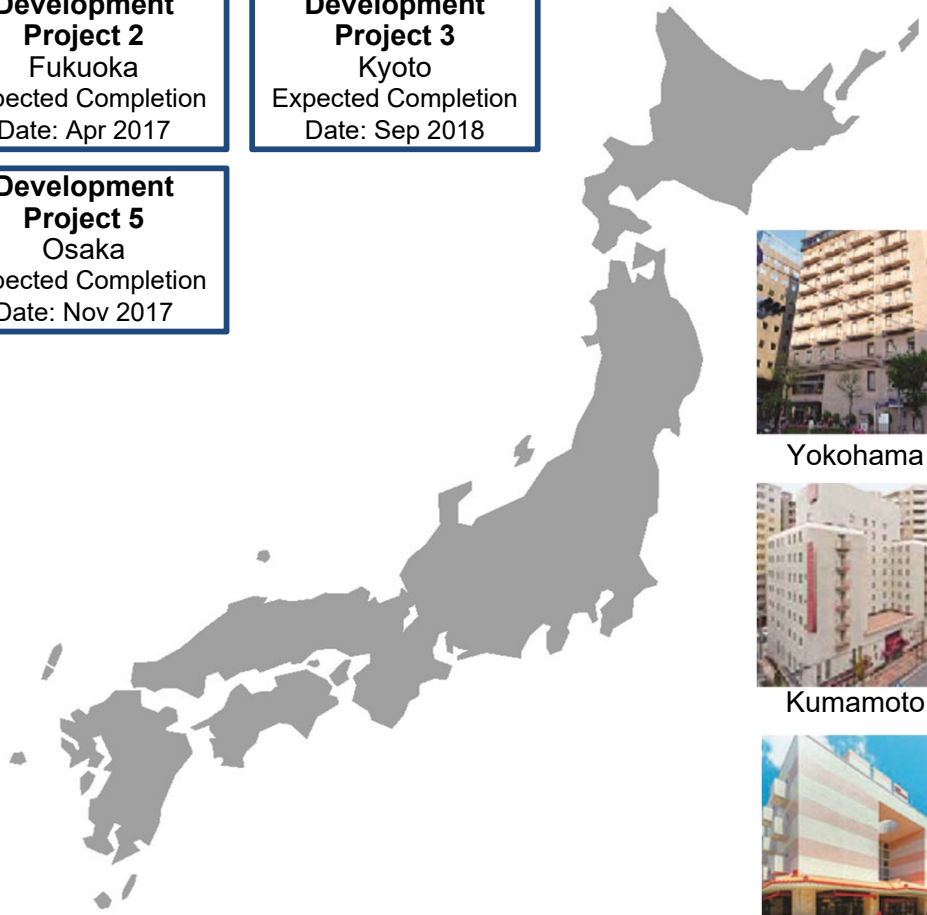
**Development Project 3**
Kyoto
Expected Completion Date: Sep 2018

**Development Project 4**
Kanazawa
Expected Completion Date: Nov 2017

**Development Project 5**
Osaka
Expected Completion Date: Nov 2017



Development Project Perspective Image





Asahikawa



Yokohama



Tokyo



Nagoya



Kumamoto



Yokohama



Osaka



Naha



Fukuoka



Fukuoka

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# July 2017 and January 2018 Forecasts

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# July 2017 Fiscal Period Forecast

✓ Dividend Forecast: JPY 3,043 +JPY 218 (+7.7%) vs. July 2016

(JPY million)

| | July 2016 Actual (A) | July 2017 Forecast (B) | (B) - (A) | Major Factors for Variation |
|---|---|---|---|---|
| **Operating Revenue** | **774** | **1,692** | **+918** | Expected RevPAR of Variable Rent Hotels: JPY 8,302 (+6.4% vs. July 2016) |
| Variable Rent | 351 | 760 | +409 | Increase in variable rent from newly acquired hotels: +380<br>Increase in variable rent from hotels acquired at IPO: +28 |
| Fixed Rent | 387 | 869 | +482 | Increase in fixed rent from 10 hotels acquired and 1 hotel to be acquired: +482 |
| Other | 35 | 62 | +27 | Increase in rent from retail tenants of newly acquired hotels: +27 |
| **Operating Expense** | **302** | **731** | **+429** | Addition of property and city planning taxes for newly acquired hotels: +51<br>Increase in expenses on 10 hotels acquired and 1 hotel to be acquired |
| (Repair & Maintenance) | 4 | 31 | +27 | Rental expenses (excluding maintenance fees): +29<br>Maintenance fees: +18 |
| (Depreciation) | 101 | 281 | +180 | Depreciation: +174<br>Asset management fees: +122 |
| **Operating Profit** | **472** | **961** | **+489** | |
| Non-operating income | 1 | – | -1 | |
| Non-operating expense | 81 | 176 | +95 | Increase in interest rate due to new loans in January 2017: +95 |
| **Recurring Profit** | **392** | **784** | **+392** | |
| **Net Income** | **391** | **783** | **+392** | |
| **Dividend per Share** | **JPY 2,825** | **JPY 3,043** | **+218** | |
| **NOI** | 699 | 1,511 | +812 | |
| **Post-Depreciation NOI** | 598 | 1,229 | +631 | |
| **Capex** | 69 | 272 | +203 | |

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# January 2018 Fiscal Period Forecast

- ✓ Dividend Forecast: JPY 3,058 -JPY 79 (-2.5%) vs. Jan 2017
- ✓ Higher NOI will help offset taxes on 10 newly-acquired hotels (Tax impact on Dividend: -JPY 200)

(JPY million)

| | January 2017 Actual (A) | January 2018 Forecast (B) | (B) - (A) | Major Factors for Variation |
|---|---|---|---|---|
| **Operating Revenue** | **1,560** | **1,698** | **+138** | Expected RevPAR of Variable Rent Hotels: JPY 8,193 (+2.2% vs. January 2017) |
| Variable Rent | 681 | 725 | +44 | Increase in variable rent from full operation of newly acquired hotels: +36<br>Increase in variable rent from RevPAR growth: +8 |
| Fixed Rent | 823 | 908 | +85 | Increase in fixed rent from 10 newly acquired hotels and 1 hotel to be acquired: +85 |
| Other | 54 | 65 | +11 | Increase in rent from retail tenants of newly acquired hotels: +11 |
| **Operating Expense** | **581** | **730** | **+149** | Increase in property and city planning taxes for newly acquired hotels: +51<br>Increase in expenses on newly acquired hotels and 1 hotel to be acquired |
| (Repair & Maintenance) | 9 | 22 | +13 | Other rental expenses: +16<br>Asset management fees: +36<br>Depreciation: +19 |
| (Depreciation) | 268 | 287 | +19 | |
| **Operating Profit** | **978** | **967** | **-11** | |
| Non-operating income | – | – | – | |
| Non-operating expense | 169 | 178 | +9 | Increase in interest cost over the entire period due to new loans in January 2017: +7 |
| **Recurring Profit** | **809** | **788** | **-21** | |
| **Net Income** | **808** | **787** | **-21** | |
| **Dividend per Share** | **JPY 3,137** | **JPY 3,058** | **-79** | |
| **NOI** | 1,458 | 1,523 | +65 | |
| **Post-Depreciation NOI** | 1,189 | 1,236 | +47 | |
| **Capex** | 256 | 285 | +29 | |

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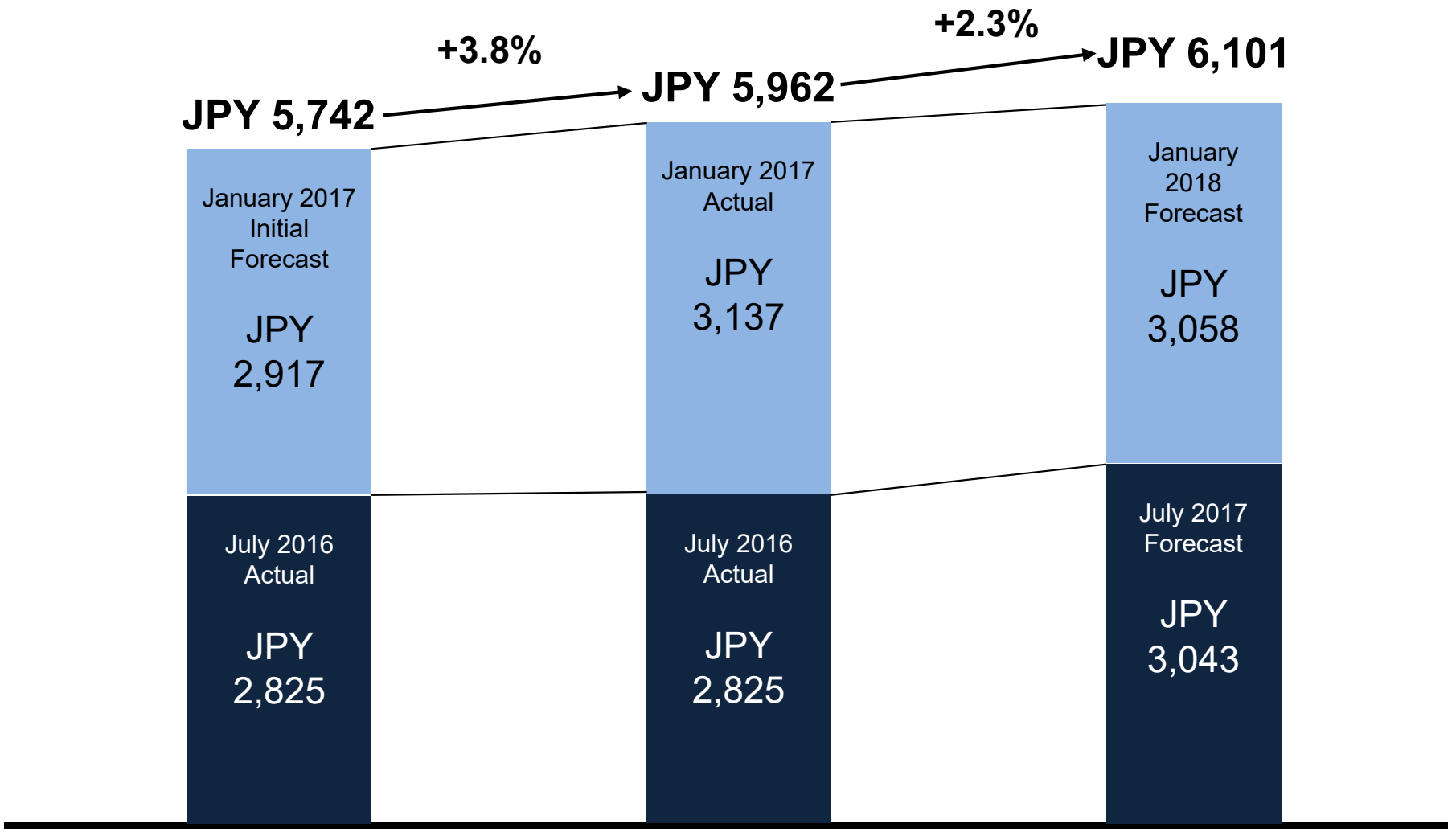
# Continued Dividend Growth

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# Portfolio Details

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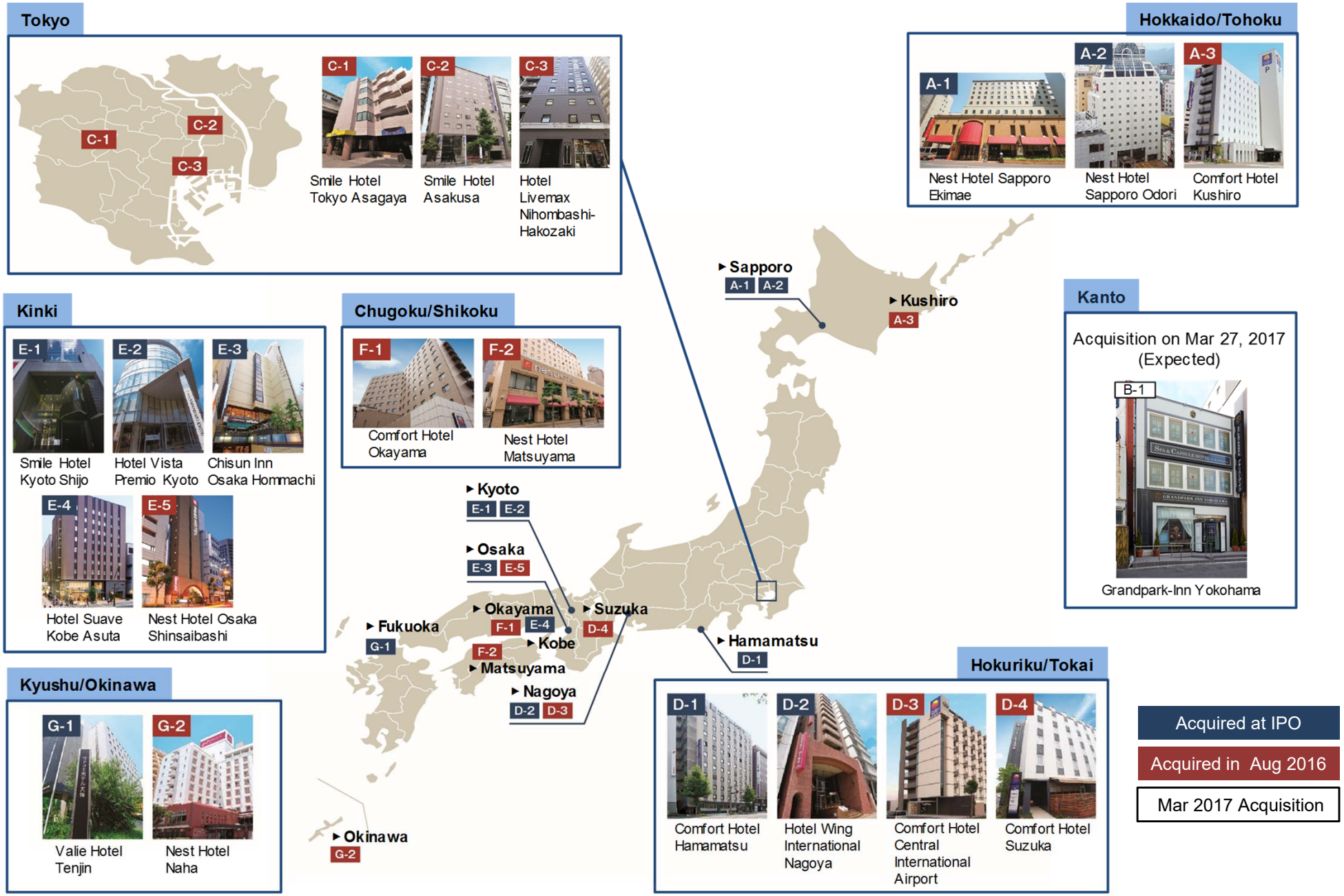
# Hotel Map

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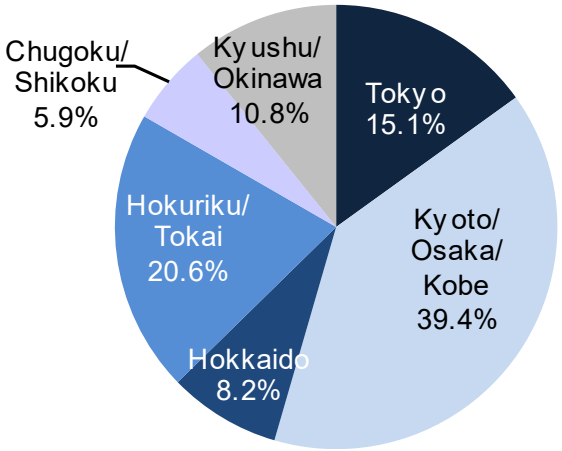
# Cash Flow Stability via Diversification

**Portfolio Characteristics**

(As of January 31, 2017)

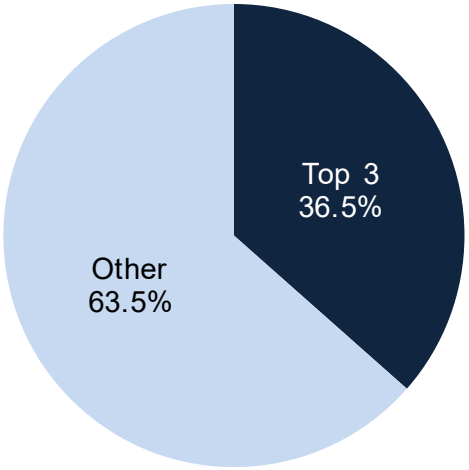
Location



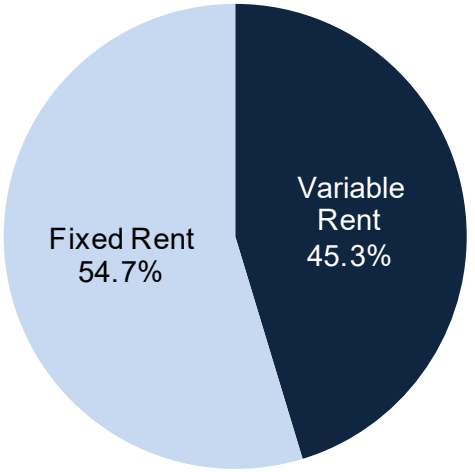

Hotel Type




Portfolio Concentration




Fixed vs. Variable Rent




* Location and Portfolio Concentration are based on Acquisition Price; Fixed vs. Variable Rent is based upon Jan 2017 period hotel revenues.

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# Hotel Summary (as of January 31, 2017)

| | Hotel No. | | Hotel Name | Contract | Location | Leasable Area ($m^2$) | Acquisition Price (JPY M) | Book Value (JPY M) (A) | Jan 2017 Appraisal | | Unrealized Gains (JPY M) (B)-(A) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Value (JPY M) (B) | Cap rate (%) | |
| Hotel | A-1 | 004 | Nest Hotel Sapporo Ekimae | Variable + Fixed Rent | Sapporo, Hokkaido | 5,734.93 | 2,160 | 2,166 | 2,350 | 5.5 | +183 |
| | A-2 | 008 | Nest Hotel Sapporo Odori | Variable + Fixed Rent | Sapporo, Hokkaido | 5,638.78 | 1,450 | 1,502 | 1,620 | 5.4 | +117 |
| | A-3 | 018 | Comfort Hotel Kushiro | Fixed Rent | Kushiro, Hokkaido | 3,180.58 | 300 | 305 | 421 | 5.5 | +115 |
| | C-1 | 012 | Smile Hotel Tokyo Asagaya | Variable + Fixed Rent | Tokyo | 2,721.70 | 3,910 | 3,936 | 4,030 | 4.4 | +93 |
| | C-2 | 014 | Smile Hotel Asakusa | Variable + Fixed Rent | Tokyo | 1,793.43 | 1,920 | 1,931 | 2,090 | 4.1 | +158 |
| | C-3 | 016 | Hotel Livemax Nihombashi-Hakozaki | Fixed Rent | Tokyo | 853.00 | 1,360 | 1,369 | 1,440 | 4.5 | +70 |
| | D-1 | 006 | Comfort Hotel Hamamatsu | Fixed Rent | Hamamatsu, Shizuoka | 4,173.92 | 1,550 | 1,535 | 1,690 | 5.6 | +154 |
| | D-2 | 003 | Hotel Wing International Nagoya | Variable + Fixed Rent | Nagoya, Aichi | 5,255.66 | 2,670 | 2,714 | 2,850 | 5.0 | +136 |
| | D-3 | 011 | Comfort Hotel Central International Airport | Fixed Rent | Tokoname, Aichi | 11,599.63 | 5,308 | 5,350 | 5,880 | 4.0 | +530 |
| | D-4 | 019 | Comfort Hotel Suzuka | Fixed Rent | Suzuka, Mie | 2,186.65 | 300 | 305 | 376 | 5.0 | +70 |
| | E-1 | 001 | Smile Hotel Kyoto Shijo | Variable + Fixed Rent | Kyoto | 4,891.84 | 4,480 | 4,539 | 4,870 | 4.8 | +331 |
| | E-2 | 002 | Hotel Vista Premio Kyoto | Fixed Rent | Kyoto | 3,867.66 | 3,600 | 3,614 | 3,950 | 4.4 | +336 |
| | E-3 | 005 | Chisun Inn Osaka Hommachi | Variable + Fixed Rent | Osaka | 3,690.00 | 1,630 | 1,645 | 1,840 | 4.5 | +195 |
| | E-4 | 007 | Hotel Suave Kobe Asuta | Variable + Fixed Rent | Kobe, Hyogo | 4,633.16 | 1,490 | 1,481 | 1,640 | 5.1 | +158 |
| | E-5 | 010 | Nest Hotel Osaka Shinsaibashi | Variable + Fixed Rent | Osaka | 8,057.26 | 7,600 | 7,766 | 7,680 | 4.5 | -86 |
| | F-1 | 017 | Comfort Hotel Okayama | Fixed Rent | Okayama | 5,543.70 | 1,200 | 1,210 | 1,240 | 5.3 | +29 |
| | F-2 | 015 | Nest Hotel Matsuyama | Variable + Fixed Rent | Matsuyama, Ehime | 6,671.94 | 1,610 | 1,639 | 1,670 | 5.7 | +31 |
| | G-1 | 009 | Valie Hotel Tenjin | Variable + Fixed Rent | Fukuoka | 1,910.94 | 1,380 | 1,419 | 2,040 | 4.5 | +621 |
| | G-2 | 013 | Nest Hotel Naha | Variable + Fixed Rent | Naha, Okinawa | 9,240.20 | 3,750 | 3,769 | 3,970 | 5.3 | +200 |
| | | | | | **Total of 19 Assets** | **91,644.98** | **47,668** | **48,204** | **51,647** | **4.7** | **+3,442** |

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# Hotel-Specific Operating Results

(vs. previous period in parentheses)

| Hotel No. | | Hotel Name | Location | No. of Guest Rooms | January 2017 (August 2016 - January 2017) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | RevPAR (JPY) | | Occupancy (%) | | ADR (JPY) | | Revenue (JPY M) | |
| A-1 | 004 | Nest Hotel Sapporo Ekimae | Hokkaido | 162 | 8,298 | (+13.9%) | 96.7 | (+8.1%) | 8,580 | (+5.4%) | 310.5 | (+8.9%) |
| A-2 | 008 | Nest Hotel Sapporo Odori | Hokkaido | 119 | 9,985 | (+6.2%) | 96.1 | (+2.8%) | 10,395 | (+3.3%) | 241.4 | (+6.4%) |
| A-3 | 018 | Comfort Hotel Kushiro | Hokkaido | 126 | 4,072 | (+1.5%) | 76.9 | (+0.9%) | 5,293 | (+0.6%) | 101.2 | (+1.9%) |
| C-1 | 012 | Smile Hotel Tokyo Asagaya | Tokyo | 112 | 7,981 | (-4.0%) | 98.5 | (-1.1%) | 8,102 | (-2.9%) | 170.2 | (-3.9%) |
| C-2 | 014 | Smile Hote Asakusa | Tokyo | 96 | 6,749 | (-0.3%) | 95.4 | (-1.1%) | 7,071 | (+0.8%) | 124.2 | (-0.4%) |
| D-1 | 006 | Comfort Hotel Hamamatsu | Shizuoka | 196 | 5,084 | – | 80.5 | – | 6,314 | – | 183.4 | – |
| D-2 | 003 | Hotel Wing International Nagoya | Aichi | 220 | 5,222 | – | 84.9 | – | 6,149 | – | 239.2 | – |
| D-3 | 011 | Comfort Hotel Central International Airport | Aichi | 346 | 7,407 | (-4.4%) | 84.1 | (-5.3%) | 8,804 | (+0.9%) | 528.2 | (-4.3%) |
| D-4 | 019 | Comfort Hotel Suzuka | Mie | 105 | 4,560 | (-4.8%) | 75.8 | (-6.0%) | 6,016 | (+1.3%) | 90.3 | (-4.1%) |
| E-1 | 001 | Smile Hotel Kyoto Shijo | Kyoto | 138 | 11,055 | (-11.2%) | 99.6 | (-0.5%) | 11,094 | (-10.7%) | 297.6 | (-9.9%) |
| E-2 | 002 | Hotel Vista Premio Kyoto | Kyoto | 84 | 12,893 | (+6.8%) | 90.0 | – | 14,319 | (+6.9%) | 212.7 | (+7.2%) |
| E-3 | 005 | Chisun Inn Osaka Hommachi | Osaka | 130 | 7,418 | (-10.2%) | 86.3 | (-4.9%) | 8,592 | (-5.5%) | 177.4 | (-10.2%) |
| E-5 | 010 | Nest Hotel Osaka Shinsaibashi | Osaka | 302 | 8,337 | (-3.2%) | 94.0 | (-1.1%) | 8,870 | (-2.2%) | 508.4 | (-3.6%) |
| F-1 | 017 | Comfort Hotel Okayama | Okayama | 208 | 5,380 | (+5.8%) | 87.0 | (-0.2%) | 6,186 | (+6.0%) | 215.7 | (+10.9%) |
| F-2 | 015 | Nest Hotel Matsuyama | Ehime | 190 | 4,985 | (+14.1%) | 83.2 | (+12.9%) | 5,993 | (+1.0%) | 257.1 | (+8.4%) |
| G-1 | 009 | Valie Hotel Tenjin | Fukuoka | 77 | 8,394 | (+3.7%) | 85.7 | (-4.6%) | 9,794 | (+8.7%) | 129.0 | (+5.9%) |
| G-2 | 013 | Nest Hotel Naha | Okinawa | 193 | 8,880 | (+6.0%) | 88.9 | (-1.4%) | 9,994 | (+7.4%) | 455.9 | (+5.5%) |
| Other | | | | 181 | 4,897 | (-24.7%) | 80.1 | (-9.6%) | 6,116 | (-16.8%) | 175.7 | (-23.8%) |
| Variable Rent Hotels (12 Hotels) | | | | 1,823 | 8,020 | (+0.2%) | 91.3 | (-0.4%) | 8,784 | (+0.6%) | 3,123.7 | (+0.2%) |
| Fixed Rent Hotels (7 Hotels) | | | | 1,162 | 5,643 | (-5.7%) | 81.9 | (-3.9%) | 6,893 | (-1.8%) | 1,294.5 | (-4.8%) |
| **Total (19 Hotels)** | | | | **2,985** | **7,095** | **(-1.7%)** | **87.6** | **(-1.7%)** | **8,096** | **–** | 4,418.2 | **(-1.3%)** |

* Data for Hotel Wing International Nagoya and Comfort Hotel Hamamatsu are not included above, as the hotel operators have not given consent to disclose the data. In addition, 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. 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.

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# Individual Hotel Financials

(JPY thousand)

| No. | | Total | A-1 | A-2 | A-3 | C-1 | C-2 | D-1 | D-3 | D-4 | E-1 | E-2 | E-3 | E-5 | F-1 | F-2 | G-1 | G-2 | Other |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Hotel Name | | | Nest Hotel Sapporo Ekimae | Nest Hotel Sapporo Odori | Comfort Hotel Kushiro | Smile Hotel Tokyo Asagaya | Smile Hotel Asakusa | Comfort Hotel Hamamatsu | Comfort Hotel Central International Airport | Comfort Hotel Suzuka | Smile Hotel Kyoto Shijo | Hotel Vista Premio Kyoto | Chisun Inn Osaka Hommachi | Nest Hotel Osaka Shinsaibashi | Comfort Hotel Okayama | Nest Hotel Matsuyama | Valie Hotel Tenjin | Nest Hotel Naha | |
| (A) | Real Estate Management Revenue | 1,560,734 | 102,665 | 83,367 | 16,835 | 80,031 | 49,719 | 55,361 | 138,414 | 14,114 | 168,614 | 91,672 | 36,000 | 196,564 | 41,951 | 76,276 | 60,905 | 130,130 | 218,108 |
| | Fixed Rent | 823,979 | 32,392 | 23,385 | 16,835 | 25,650 | 14,064 | 55,361 | 138,414 | 14,114 | 34,644 | 75,000 | 36,000 | 57,565 | 41,951 | 31,481 | 24,752 | 55,461 | 146,903 |
| | Variable Rent | 681,959 | 70,273 | 59,982 | – | 54,380 | 35,655 | – | – | – | 133,970 | 16,672 | – | 138,999 | – | 44,792 | 36,153 | 74,668 | 16,411 |
| | Other Rent | 54,795 | – | – | – | – | – | – | – | – | – | – | – | – | – | 1 | – | – | 54,793 |
| (B) | Real Estate Management Expenses | 102,566 | 8,013 | 10,629 | 1,438 | 3,245 | 1,141 | 5,547 | 1,416 | 1,269 | 7,850 | 9,347 | 5,078 | 2,654 | 1,460 | 2,079 | 4,216 | 2,952 | 34,224 |
| | Outsourcing Fees | 16,346 | 600 | 600 | 922 | 2,189 | 698 | 600 | 580 | 553 | 600 | 1,475 | 870 | 1,246 | 922 | 1,087 | 600 | 1,087 | 1,713 |
| | Insurance | 2,438 | 154 | 163 | 78 | 81 | 52 | 100 | 265 | 45 | 161 | 106 | 105 | 231 | 133 | 187 | 57 | 223 | 289 |
| | Repair Expenses & Equipment | 8,727 | 1,275 | 783 | 57 | 524 | 9 | 120 | 160 | 290 | 1,921 | 476 | 588 | 756 | – | 363 | – | 1,123 | 280 |
| | Taxes | 48,325 | 5,113 | 8,298 | – | 29 | – | 4,456 | – | – | 4,803 | 6,874 | 3,130 | 40 | – | – | 3,192 | – | 12,386 |
| | Other Expenses | 26,728 | 870 | 784 | 380 | 420 | 381 | 271 | 410 | 380 | 365 | 415 | 383 | 380 | 404 | 441 | 365 | 518 | 19,555 |
| (C) | NOI (A)-(B) | 1,458,168 | 94,652 | 72,738 | 15,396 | 76,786 | 48,577 | 49,814 | 136,997 | 12,844 | 160,763 | 82,324 | 30,921 | 193,910 | 40,491 | 74,196 | 56,689 | 127,177 | 183,883 |
| (D) | Depreciation | 268,204 | 12,181 | 16,424 | 4,428 | 20,799 | 12,921 | 14,320 | 28,306 | 3,940 | 15,848 | 12,485 | 4,266 | 28,390 | 11,569 | 16,103 | 8,114 | 28,281 | 29,823 |
| (E) | Net Rental Income (C)-(D) | 1,189,963 | 82,470 | 56,313 | 10,968 | 55,987 | 35,656 | 35,493 | 108,691 | 8,904 | 144,915 | 69,839 | 26,655 | 165,519 | 28,921 | 58,093 | 48,575 | 98,896 | 154,060 |

* Rents for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, Hotel Livemax Nihombashi-Hakozaki, and retail rents are included in “Other,” as the tenants did not provide consent to disclose the data. NOI for Other includes NOI for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, and Hotel Livemax Nihombashi-Hakozaki which are JPY 68.9 million, JPY 46.6 million, and JPY 32.0 million, respectively. Depreciation for Other includes depreciation for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, and Hotel Livemax Nihombashi-Hakozaki, which are JPY 8.0 million, JPY 12.7 million, and JPY 9.1 million, respectively.

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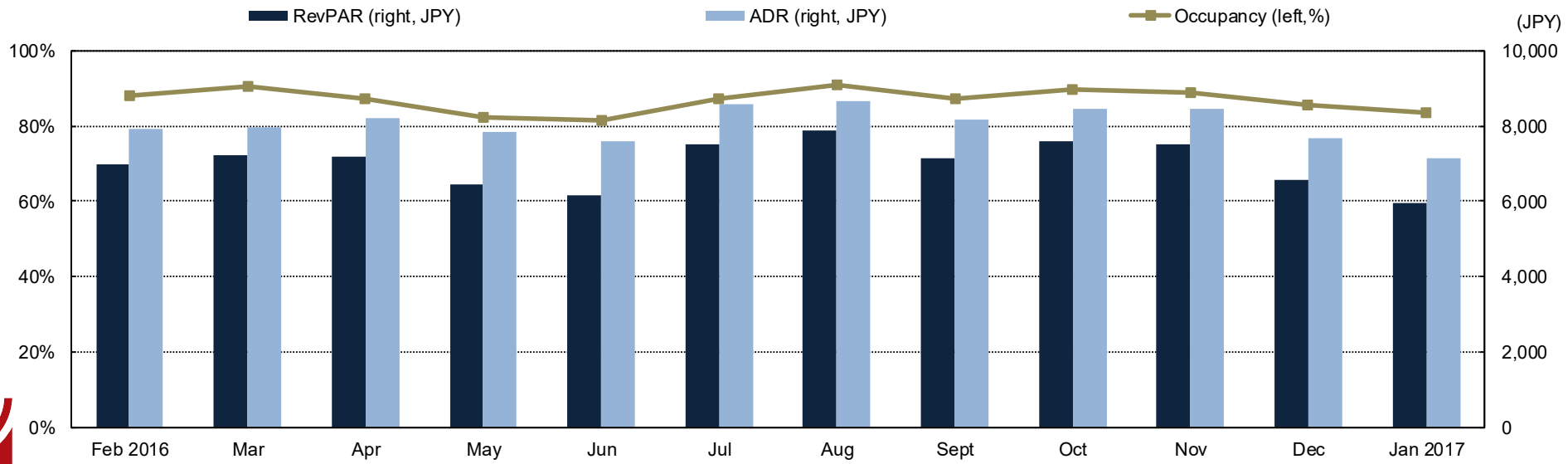
# Fixed/Variable Rent, RevPAR, ADR, & Occupancy Trends

Fixed/Variable Rent (Revenue Basis)

(JPY thousand)

| | Jan 2016 | | Jul 2016 | | Jan 2017 | |
|---|---|---|---|---|---|---|
| | Revenue | Ratio | Revenue | Ratio | Revenue | Ratio |
| Fixed Rent | 131,079 | 66.2% | 423,063 | 54.6% | 878,775 | 56.3% |
| Fixed Rent from Each Operator | 119,616 | 60.4% | 387,253 | 50.0% | 823,979 | 52.8% |
| Other (Rent from Retail Tenants) | 11,463 | 5.8% | 35,810 | 4.6% | 54,796 | 3.5% |
| Variable Rent | 66,870 | 33.8% | 351,895 | 45.4% | 681,959 | 43.7% |
| **Total** | **197,950** | **100.0%** | **774,959** | **100.0%** | **1,560,734** | **100.0%** |

Operating Results (Feb 2016 – Jan 2017)

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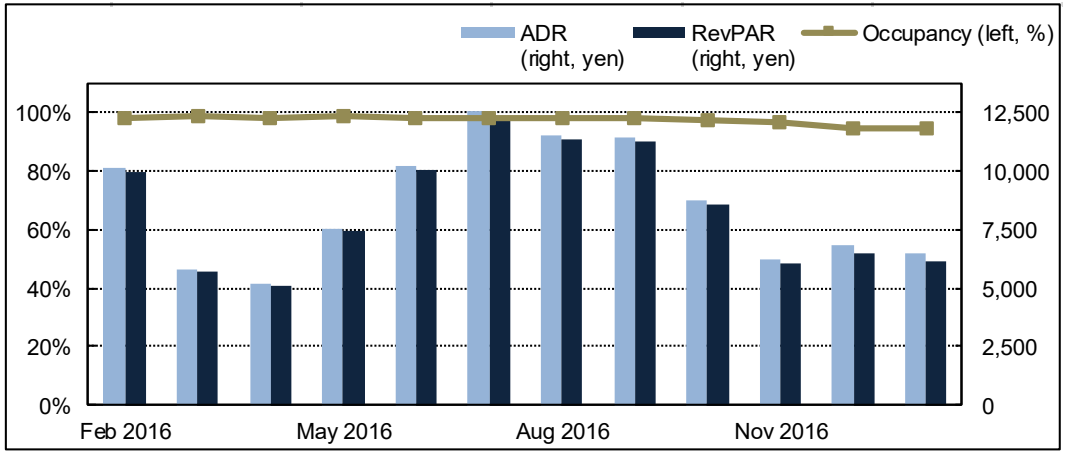
# Individual Hotel Details (Variable Rent Hotels)

## A-1 Nest Hotel Sapporo Ekimae

| | |
|---|---|
| **Location** | Sapporo City, Hokkaido |
| **Transportation** | 5-minute walk from Sapporo Station on Sapporo City Metro Namboku Line |
| **Operator** | Nest Hotel Japan Corporation |
| **Guest Rooms** | 162 |
| **Acquisition Price** | JPY 2.16B |

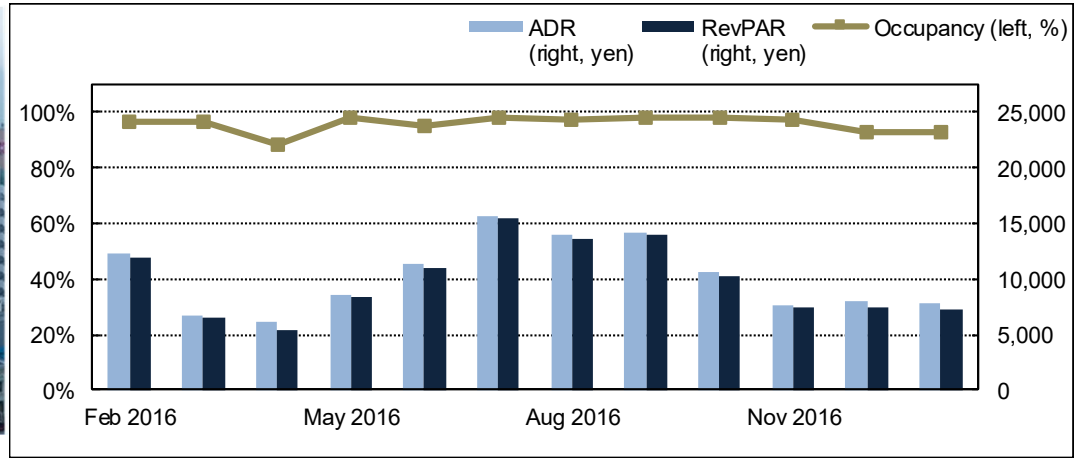





## A-2 Nest Hotel Sapporo Odori

| | |
|---|---|
| **Location** | Sapporo City, Hokkaido |
| **Transportation** | 4-minute walk from Odori Station on Sapporo City Metro Namboku Line |
| **Operator** | Nest Hotel Japan Corporation |
| **Guest Rooms** | 119 |
| **Acquisition Price** | JPY 1.45B |



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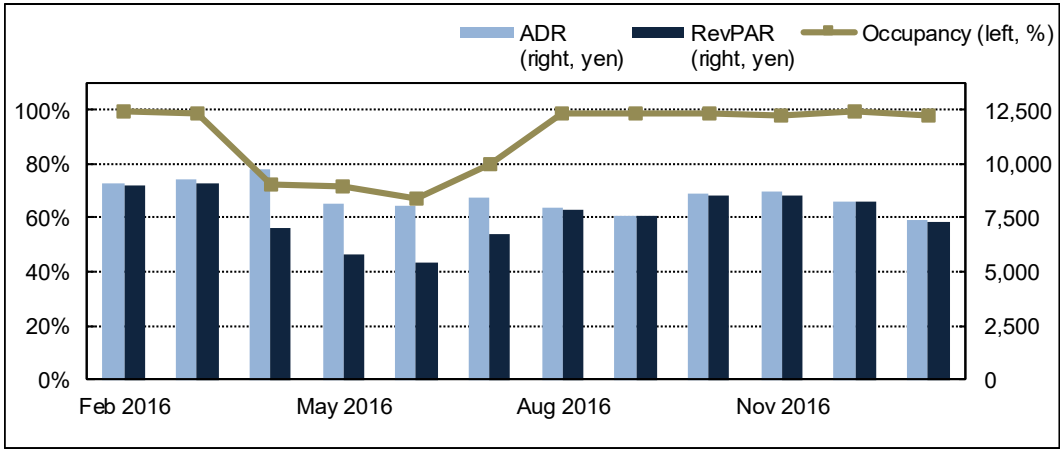
# Individual Hotel Details (Variable Rent Hotels)

## C-1 Smile Hotel Tokyo Asagaya

| | |
|---|---|
| **Location** | Suginami-ku, Tokyo |
| **Transportation** | 1-minute walk from Asagaya Station on JR Chuo/Sobu Line |
| **Operator** | K.K. Hospitality Operations |
| **Guest Rooms** | 112 |
| **Acquisition Price** | JPY 3.91B |

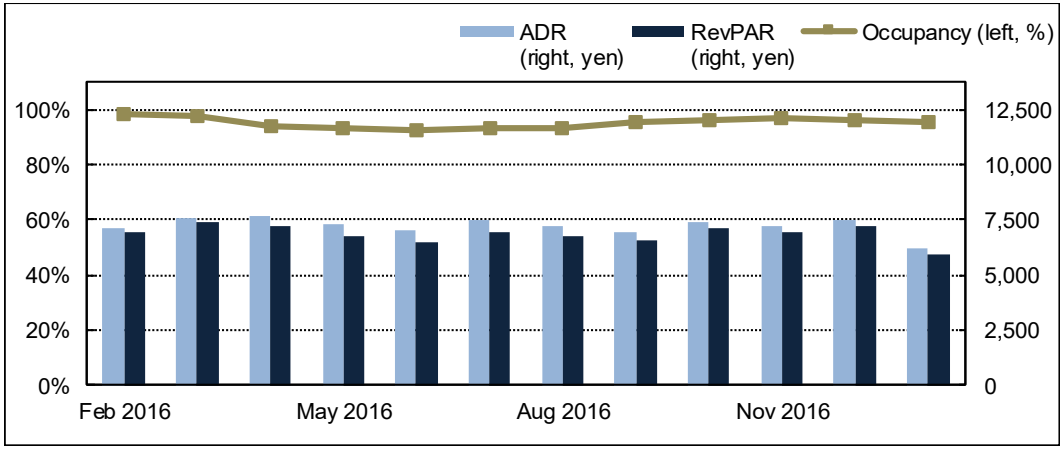





## C-2 Smile Hotel Asakusa

| | |
|---|---|
| **Location** | Taito-ku, Tokyo |
| **Transportation** | 11-minute walk from Asakusa Station on the Tokyo Metro Ginza Line |
| **Operator** | K.K. Hospitality Operations |
| **Guest Rooms** | 96 |
| **Acquisition Price** | JPY 1.92B |



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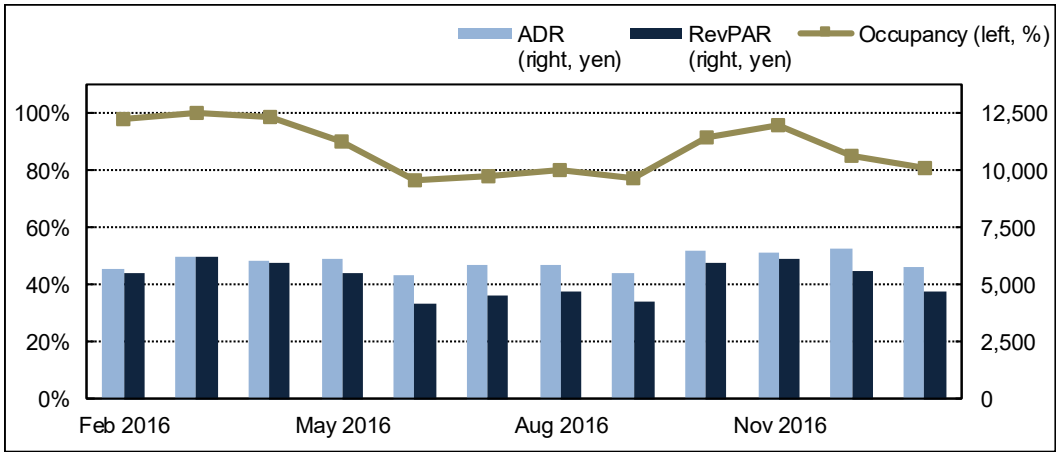
# Individual Hotel Details (Variable Rent Hotels)

## D-2 Hotel Wing International Nagoya

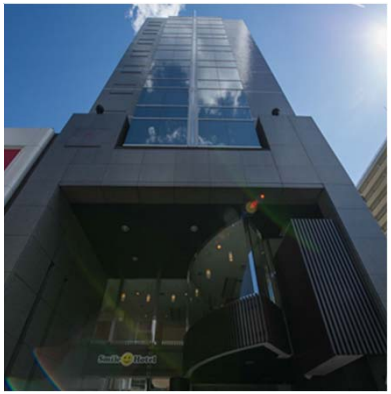
| | |
|---|---|
| **Location** | Nagoya City, Aichi |
| **Transportation** | 2-minute walk from Marunouchi Station on both Nagoya Subway Network Sakuradori Line and Tsurumai Line |
| **Operator** | Forbes Co., Ltd. |
| **Guest Rooms** | 220 |
| **Acquisition Price** | JPY 2.67B |

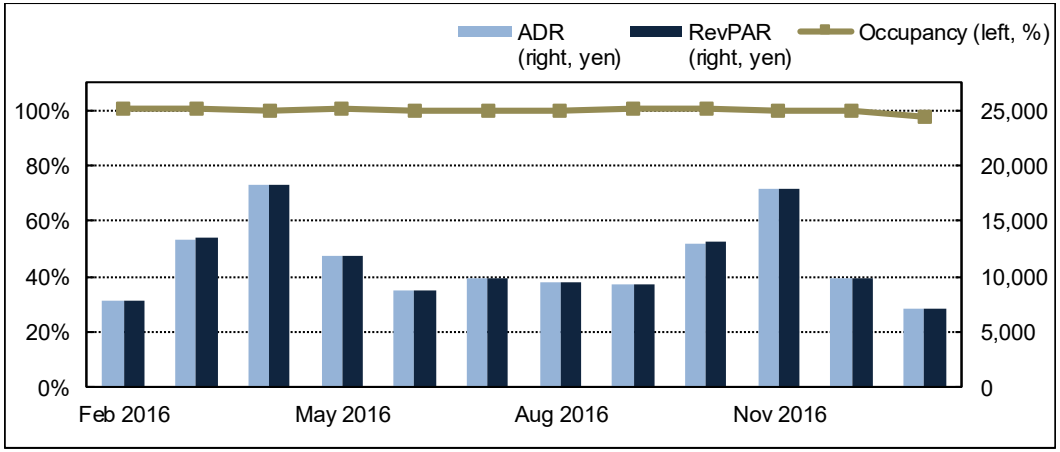



## E-1 Smile Hotel Kyoto Shijo

| | |
|---|---|
| **Location** | Kyoto City, Kyoto |
| **Transportation** | 5-minute walk from Shijo Station on Kyoto City Subway Karasuma Line and Karasuma Station on Hankyu Kyoto Main Line |
| **Operator** | K.K. Hospitality Operations |
| **Guest Rooms** | 138 |
| **Acquisition Price** | JPY 4.48B |



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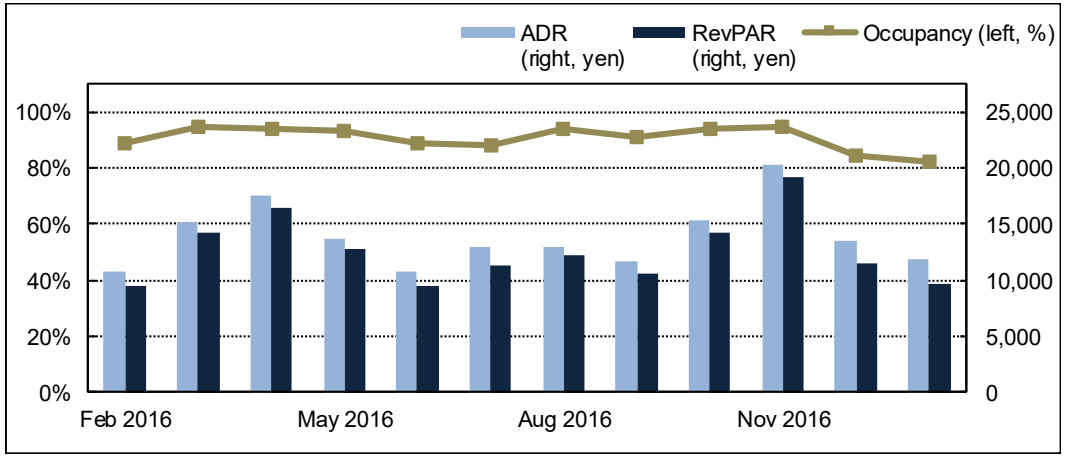
# Individual Hotel Details (Variable Rent Hotels)

## E-2 Hotel Vista Premio Kyoto

| | |
|---|---|
| **Location** | Kyoto City, Kyoto |
| **Transportation** | 5-minute walk from Kyoto Shiyakusho-mae Station on Kyoto City Subway Tozai Line |
| **Operator** | Vista Hotel Management Co., Ltd. |
| **Guest Rooms** | 84 |
| **Acquisition Price** | JPY 3.60B |

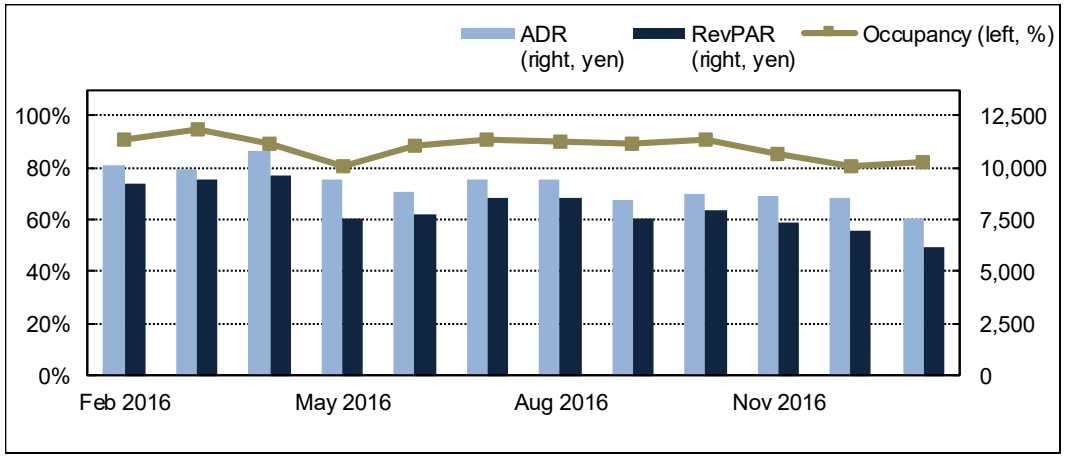





## E-3 Chisun Inn Osaka Hommachi

| | |
|---|---|
| **Location** | Osaka City, Osaka |
| **Transportation** | 5-minute walk from Sakaisuji-Hommachi Station on Osaka Municipal Subway Chuo Line |
| **Operator** | SHR Hotel Lease Co., Ltd. |
| **Guest Rooms** | 130 |
| **Acquisition Price** | JPY 1.63B |



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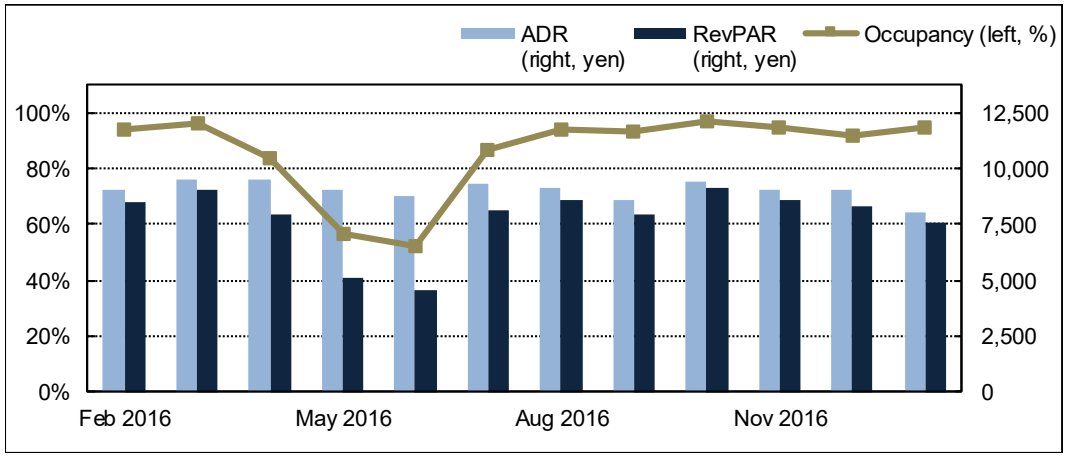
# Individual Hotel Details (Variable Rent Hotels)

## E-5 Nest Hotel Osaka Shinsaibashi

| | |
|---|---|
| **Location** | Osaka City, Osaka |
| **Transportation** | 1-minute walk from Nagahoribashi Station on Osaka Municipal Subway Sakaisuji Line and Nagahoritsurumi-Ryokuchi Line |
| **Operator** | Nest Hotel Japan Corporation |
| **Guest Rooms** | 302 |
| **Acquisition Price** | JPY 7.60B |

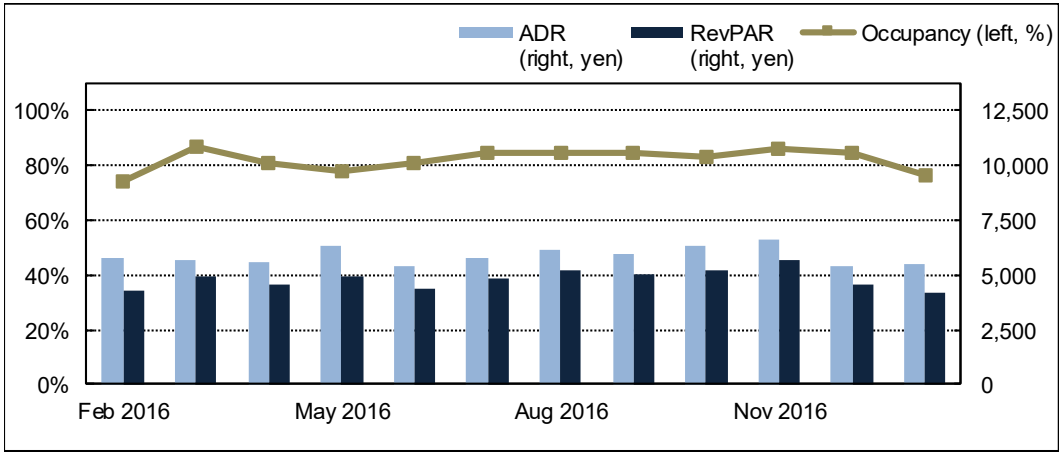



## F-2 Nest Hotel Matsuyama

| | |
|---|---|
| **Location** | Matsuyama City, Ehime |
| **Transportation** | 25-minute drive from Matsuyama Airport, 3-minute walk from Katsuyamacho Station on Iyo Railway Jonan Line |
| **Operator** | Nest Hotel Japan Corporation |
| **Guest Rooms** | 190 |
| **Acquisition Price** | JPY 1.61B |

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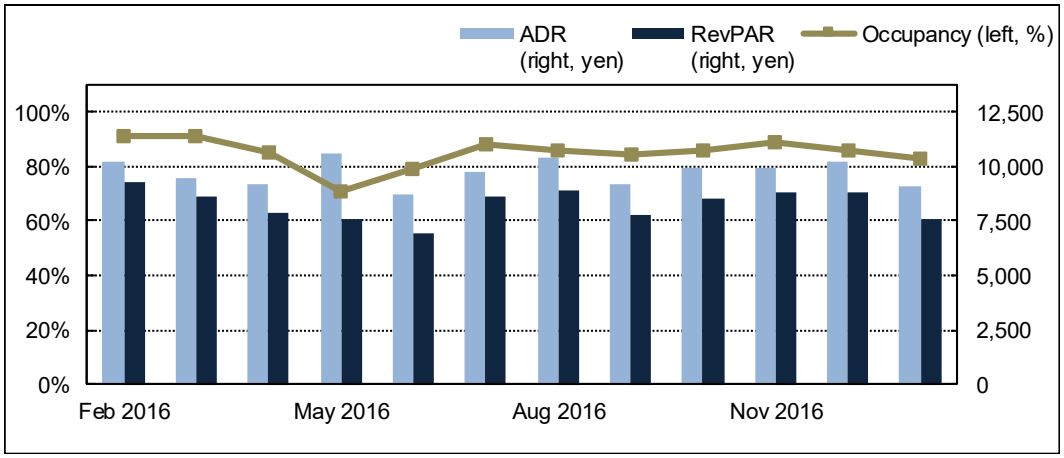
# Individual Hotel Details (Variable Rent Hotels)

## G-1 Valie Hotel Tenjin

| | |
|---|---|
| **Location** | Fukuoka City, Fukuoka |
| **Transportation** | 6-minute walk from Tenjin Station on Fukuoka City Subway Kuko Line |
| **Operator** | The Court Co., Ltd. |
| **Guest Rooms** | 77 |
| **Acquisition Price** | JPY 1.38B |

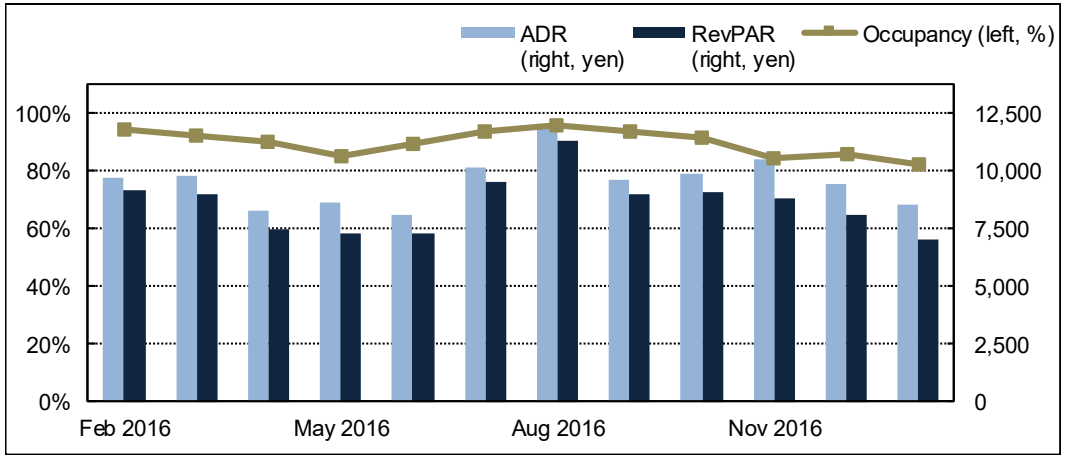



## G-2 Nest Hotel Naha

| | |
|---|---|
| **Location** | Naha City, Okinawa |
| **Transportation** | 7-minute drive from Naha Airport, 5-minute walk from Asahibashi Station on Okinawa Urban Monorail |
| **Operator** | Nest Hotel Japan Corporation |
| **Guest Rooms** | 193 |
| **Acquisition Price** | JPY 3.75B |



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# Individual Hotel Details (Fixed Rent Hotels)

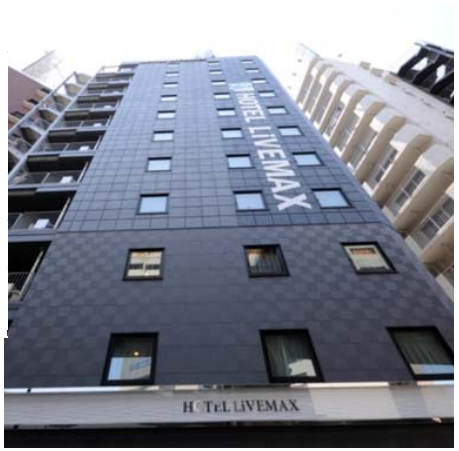
## A-3 Comfort Hotel Kushiro

| | |
|---|---|
| **Location** | Kushiro City, Hokkaido |
| **Transportation** | 2-minute walk from Kushiro Station on JR Nemuro Main Line |
| **Operator** | Greens Co., Ltd. |
| **Guest Rooms** | 126 |
| **Acquisition Price** | JPY 300M |



## C-3 Hotel Livemax Nihombashi-Hakozaki

| | |
|---|---|
| **Location** | Chuo-ku, Tokyo |
| **Transportation** | 3-minute walk from Suitengu Station on Tokyo Metro Hanzomon Line |
| **Operator** | Live Max Inc. |
| **Guest Rooms** | 48 |
| **Acquisition Price** | JPY 1.36B |




## D-1 Comfort Hotel Hamamatsu

| | |
|---|---|
| **Location** | Hamamatsu City, Shizuoka |
| **Transportation** | 2-minute walk from Hamamatsu Station on JR Tokaido Main Line, Tokaido Shinkansen |
| **Operator** | Greens Co., Ltd. |
| **Guest Rooms** | 196 |
| **Acquisition Price** | JPY 1.55B |



## D-3 Comfort Hotel Central International Airport

| | |
|---|---|
| **Location** | Tokoname City, Aichi |
| **Transportation** | 5-minute walk from Central International Airport, 3-minute walk from Central International Airport Station on Meitetsu Airport Line |
| **Operator** | Greens Co., Ltd. |
| **Guest Rooms** | 346 |
| **Acquisition Price** | JPY 5.31B |



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# Individual Hotel Details (Fixed Rent Hotels)

## D-4 Comfort Hotel Suzuka

| | |
|---|---|
| **Location** | Suzuka City, Mie |
| **Transportation** | 3-minute walk from Shirako Station on Kintetsu Nagoya Line |
| **Operator** | Greens Co., Ltd. |
| **Guest Rooms** | 105 |
| **Acquisition Price** | JPY 300M |



## E-4 Hotel Suave Kobe Asuta

| | |
|---|---|
| **Location** | Kobe City, Hyogo |
| **Transportation** | 2-minute walk from Shinnagata Station on JR Kobe Line (Sanyo Main Line) |
| **Operator** | Hotel Tetora |
| **Guest Rooms** | 133 |
| **Acquisition Price** | JPY 1.49B |



## F-1 Comfort Hotel Okayama

| | |
|---|---|
| **Location** | Okayama City, Okayama |
| **Transportation** | 15-minute walk from Okayama Station on Sanyo Shinkansen, Sanyo Main Line, Uno Line |
| **Operator** | Greens Co., Ltd |
| **Guest Rooms** | 208 |
| **Acquisition Price** | JPY 1.20B |



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# Hotel Market Environment

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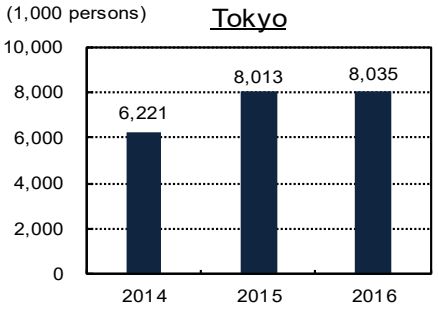
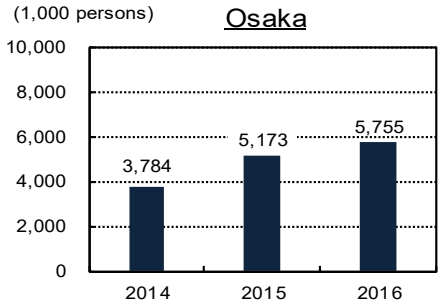
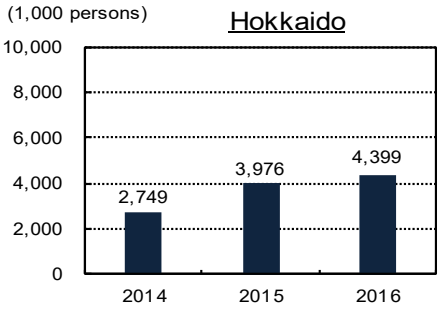
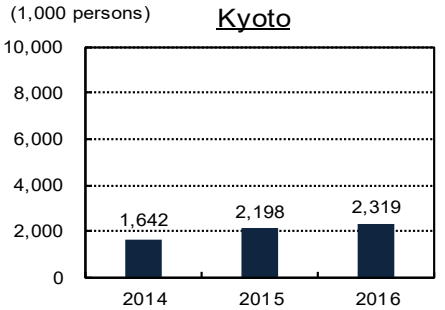
# Hotel Market Environment (1)

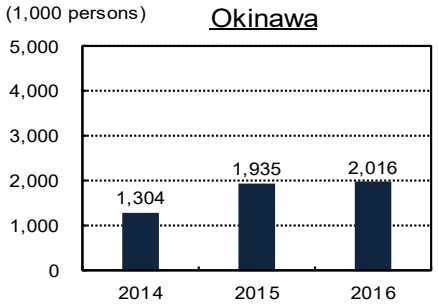
## Trends in Number of Inbound Guests per Region

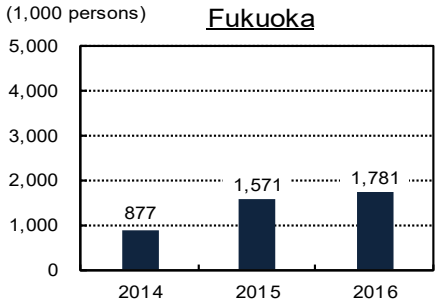


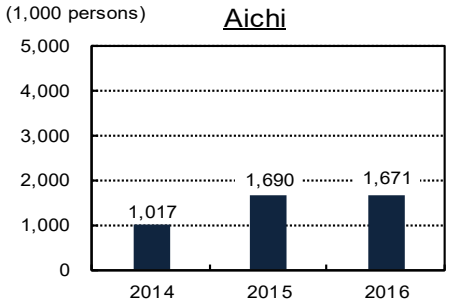



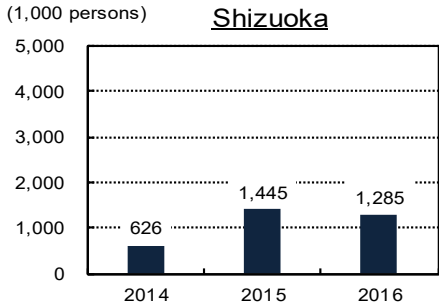



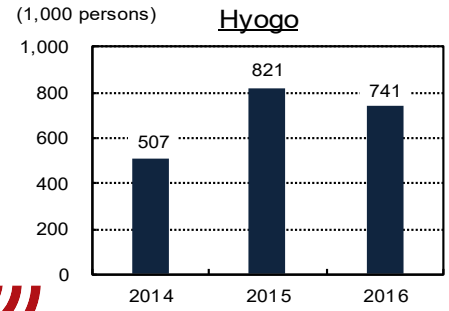



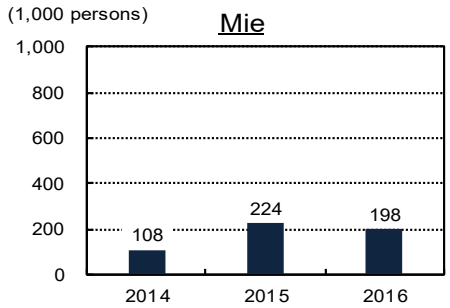



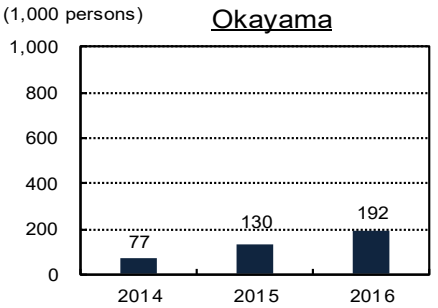



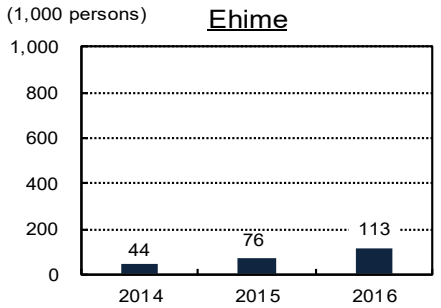




* Data prepared by Ichigo Investment Advisors based on the Japan Tourism Agency (JTA) “Statistical Survey of Travelers” (lodging facilities with ten or more employees).

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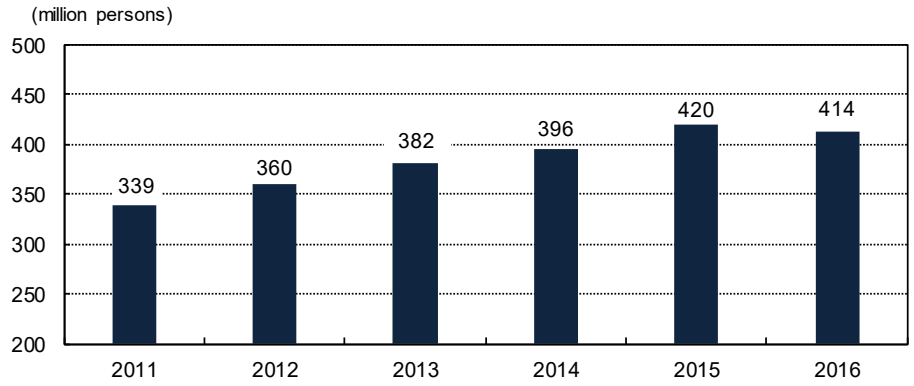
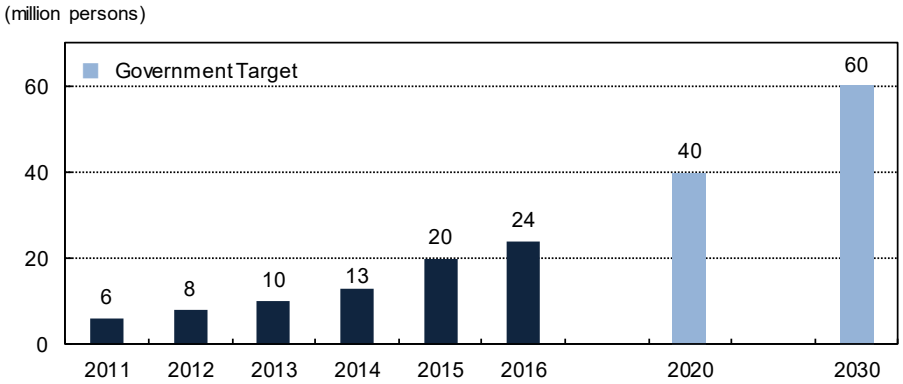
# Hotel Market Environment (2)

## Record 24M Inbound Tourists Visited Japan in 2016, +21.8% vs. 2015

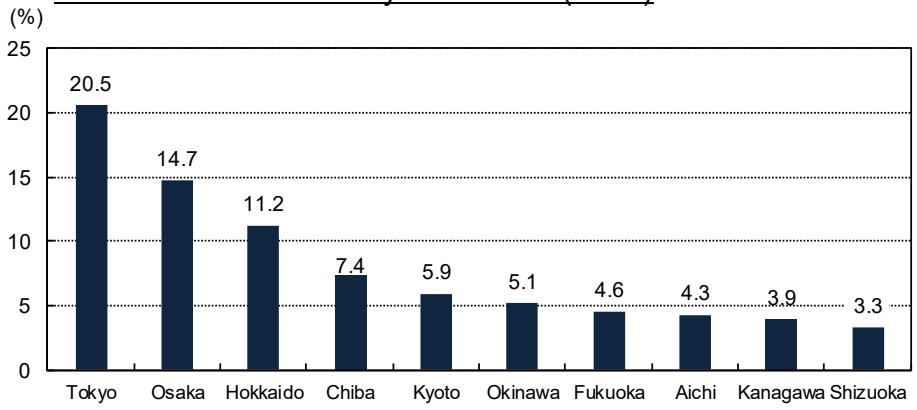
### No. of Guests Staying At Japanese Hotels



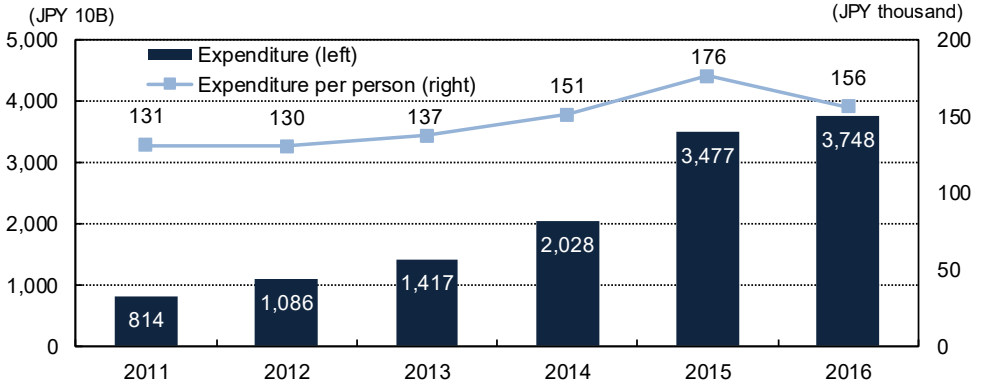

### No. of Inbound Tourists




### Inbound Tourist Ratio by Prefecture (2016)




### Inbound Tourist Expenditure Trends




* Data prepared by Ichigo Investment Advisors based on the Japan Tourism Agency (JTA) “Statistical Survey of Travelers” (lodging facilities with ten or more employees), with the exception of No. of Inbound Tourists, which is based on the Japan National Tourism Organization (JNTO) “Number of Inbound Tourists.”

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# Appendices

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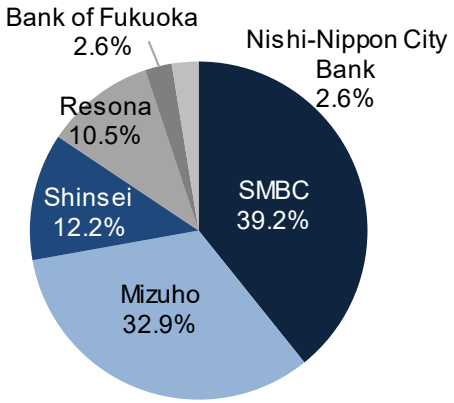
# Loan Details

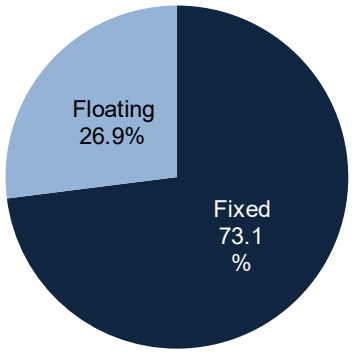
## Loan Balances

| Borrowing | Lenders | Balance (JPY B) | Borrowing Rate | Drawdown Date | Maturity Date |
|---|---|---|---|---|---|
| Term Loan I | SMBC, Mizuho, Shinsei, Resona | 3.25 | 0.63000% | November 30, 2015 | November 30, 2018 |
| Term Loan II | SMBC, Mizuho, Shinsei, Resona | 5.25 | 1.08000% | November 30, 2015 | November 30, 2020 |
| Term Loan III | SMBC, Mizuho, Shinsei, Resona, Fukuoka, Nishi-Nippon City | 2.00 | 0.58000% | August 17, 2016 | February 28, 2020 |
| Term Loan IV | SMBC, Mizuho, Shinsei, Resona, Fukuoka, Nishi-Nippon City | 4.50 | 0.90750% | August 17, 2016 | February 28, 2023 |
| Term Loan V | SMBC, Mizuho, Shinsei, Resona, Fukuoka, Nishi-Nippon City | 4.50 | 0.98500% | August 17, 2016 | August 31, 2023 |
| **Total** | | **19.50** | **Average 0.89%** | | **Average Remaining Term 4.5 yrs** |

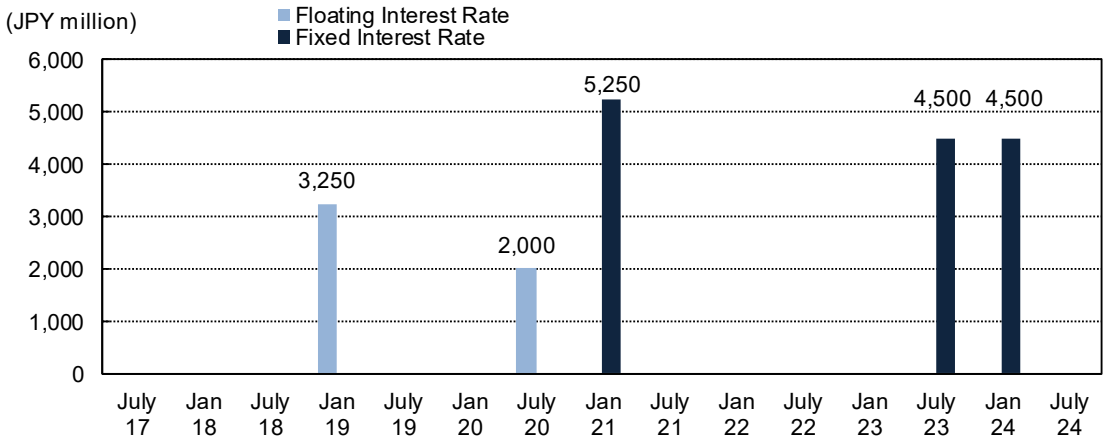
## Lender Composition




## Contractual Terms




## Distribution of Loan Maturities

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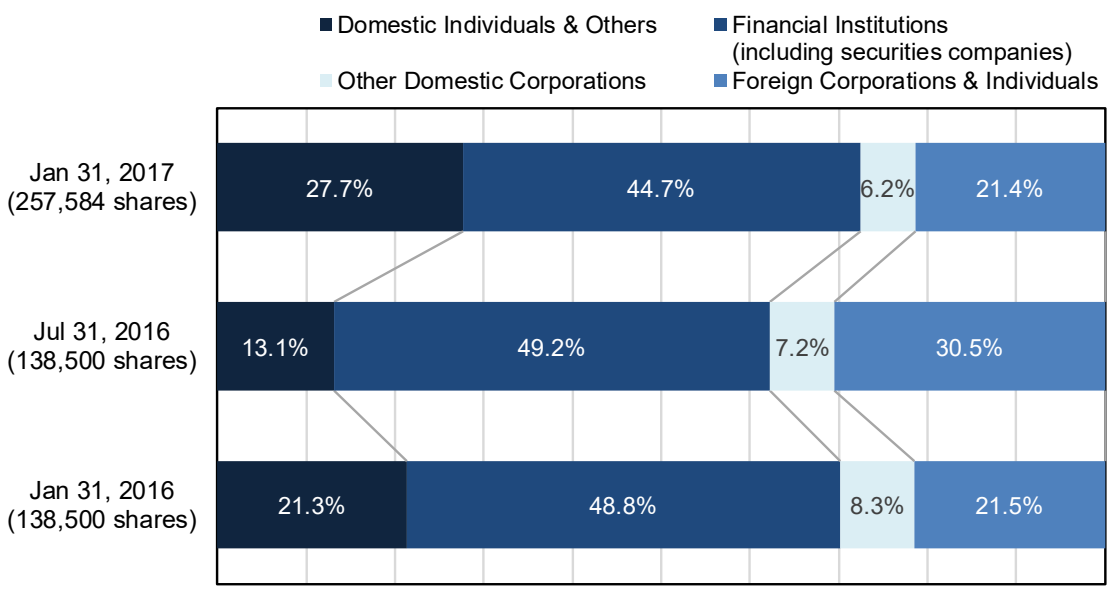
# Shareholder Composition (as of January 31, 2017)

## Major Shareholders

| | Name | Shares | % |
|---|---|---|---|
| 1 | Japan Trustee Services Bank, Ltd., Trust Account | 40,529 | 15.7% |
| 2 | Trust & Custody Service Bank, Ltd., Securities Investment Trust Account | 25,630 | 9.9% |
| 3 | The Master Trust Bank of Japan, Trust Account | 22,777 | 8.8% |
| 4 | SIX SIS LTD. | 11,177 | 4.3% |
| 5 | Morgan Stanley MUFG Securities | 7,526 | 2.9% |
| 6 | The Nomura Trust and Banking Co., Ltd., Investment Trust Account | 7,089 | 2.7% |
| 7 | Ichigo Inc. (Sponsor) | 6,500 | 2.5% |
| 8 | Ichigo Trust Pte. Ltd. | 6,424 | 2.4% |
| 9 | MSCO CUSTOMER SECURITIES | 6,062 | 2.3% |
| 10 | STATE STREET BANK AND TRUST COMPANY 505223 | 3,022 | 1.1% |
| | **Total** | **136,736** | **53.0%** |

## Number of Shares by Shareholder Type




## Number of Shareholders by Type

| | Jan 31, 2016 | Jul 31, 2016 | Jan 31, 2017 | |
|---|---|---|---|---|
| | Shareholders | Shareholders | Shareholders | Share |
| Domestic Individuals & Others | 4,198 | 3,339 | 9,656 | 97.1% |
| Financial Institutions (including securities companies) | 38 | 44 | 52 | 0.5% |
| City banks, trust banks | 5 | 4 | 5 | 0.1% |
| Regional banks | 3 | 4 | 3 | 0.0% |
| Other (including securities companies) | 30 | 36 | 44 | 0.4% |
| Other Domestic Corporations | 96 | 65 | 181 | 1.8% |
| Foreign Corporations & Individuals | 38 | 56 | 57 | 0.6% |
| Total | 4,370 | 3,504 | 9,946 | 100.0% |

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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** | Wataru Orii |

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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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