Ichigo Preserves and Improves Real Estate

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

April 25, 2017

Issuer
Ichigo Hotel REIT Investment Corporation (3463)
1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative: Osamu Miyashita, Executive Director
www.ichigo-hotel.co.jp/english

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

Ichigo Hotel REIT Operating Results – March 2017

Portfolio Revenue, RevPAR, Occupancy, and ADR

Total (19 Hotels – excludes Grandpark-Inn Yokohama)

	March 2017 (A)	(Previous) March 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period February 2017 – March 2017		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	753.3	757.5	-4.2	-0.6%	1,436.8	+3.0	+0.2%
RevPAR (JPY)	7,166	7,219	-53	-0.7%	7,231	+127	+1.8%
Occupancy (%)	91.2	90.6	+0.6	+0.6%	90.4	+1.0	+1.1%
ADR (JPY)	7,860	7,969	-109	-1.4%	7,995	+52	+0.7%

Variable Rent Hotels (12 Hotels)

	March 2017 (A)	(Previous) March 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period February 2017 – March 2017		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	534.7	546.2	-11.5	-2.1%	1,023.1	-15.3	-1.5%
RevPAR (JPY)	8,138	8,314	-175	-2.1%	8,267	+33	+0.4%
Occupancy (%)	95.2	95.6	-0.4	-0.4%	95.0	+0.5	+0.5%
ADR (JPY)	8,552	8,698	-146	-1.7%	8,706	-8	-0.1%

Fixed Rent Hotels (7 Hotels – excludes Grandpark-Inn Yokohama)

	March 2017 (A)	(Previous) March 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period February 2017 – March 2017		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	218.6	211.3	+7.3	+3.5%	413.7	+18.2	+4.6%
RevPAR (JPY)	5,638	5,504	+133	+2.4%	5,600	+270	+5.1%
Occupancy (%)	84.9	82.8	+2.1	+2.6%	83.3	+1.9	+2.3%
ADR (JPY)	6,640	6,649	-9	-0.1%	6,720	+178	+2.7%

Revenue, RevPAR, Occupancy, and ADR by Hotel

Variable Rent Hotels (12 Hotels)

		March 2017 (A)	(Previous) March 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period February 2017 – March 2017		
						Cumulative	YOY Difference	YOY Change
Smile Hotel Kyoto Shijo	Revenue (JPY million)	51.5	59.7	-8.3	-13.9%	81.7	-11.7	-12.5%
	RevPAR (JPY)	11,348	13,403	-2,055	-15.3%	9,419	-1,323	-12.3%
	Occupancy (%)	99.9	100.2	-0.2	-0.2%	100.0	-0.2	-0.2%
	ADR (JPY)	11,356	13,381	-2,025	-15.1%	9,417	-1,304	-12.2%
Hotel Vista Premio Kyoto	Revenue (JPY million)	40.4	39.1	+1.3	+3.4%	65.3	+1.4	+2.3%
	RevPAR (JPY)	14,646	14,251	+394	+2.8%	12,431	+455	+3.8%
	Occupancy (%)	93.1	94.4	-1.3	-1.4%	91.4	-0.1	-0.2%
	ADR (JPY)	15,733	15,092	+642	+4.3%	13,603	+519	+4.0%
Hotel Wing International Nagoya	Revenue (JPY million)	46.0	48.0	-2.1	-4.3%	87.4	-1.2	-1.3%
	RevPAR (JPY)	6,008	6,236	-228	-3.7%	6,000	+113	+1.9%
	Occupancy (%)	88.7	100.1	-11.4	-11.4%	90.5	-8.4	-8.5%
	ADR (JPY)	6,773	6,230	+543	+8.7%	6,628	+674	+11.3%
Nest Hotel Sapporo Ekimae	Revenue (JPY million)	41.6	42.1	-0.4	-1.0%	99.3	+0.7	+0.7%
	RevPAR (JPY)	6,153	5,748	+404	+7.0%	8,564	+788	+10.1%
	Occupancy (%)	97.8	98.5	-0.8	-0.8%	97.2	-1.1	-1.1%
	ADR (JPY)	6,293	5,834	+459	+7.9%	8,814	+902	+11.4%
Chisun Inn Osaka Hommachi	Revenue (JPY million)	32.2	37.9	-5.7	-15.0%	58.8	–	-19.0%
	RevPAR (JPY)	7,986	9,400	-1,414	-15.0%	7,665	-1,640	-17.6%
	Occupancy (%)	95.2	94.8	+0.3	+0.4%	94.7	+1.7	+1.8%
	ADR (JPY)	8,392	9,915	-1,522	-15.4%	8,095	-1,914	-19.1%

		March 2017 (A)	(Previous) March 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period February 2017 – March 2017		
						Cumulative	YOY Difference	YOY Change
Nest Hotel Sapporo Odori	Revenue (JPY million)	29.1	28.3	+0.8	+3.0%	76.5	+4.5	+6.2%
	RevPAR (JPY)	6,721	6,462	+259	+4.0%	9,760	+694	+7.7%
	Occupancy (%)	95.5	96.9	-1.3	-1.4%	94.9	-2.0	-2.0%
	ADR (JPY)	7,034	6,672	+362	+5.4%	10,281	+924	+9.9%
Valie Hotel Tenjin	Revenue (JPY million)	22.7	22.3	+0.5	+2.0%	44.0	-0.3	-0.8%
	RevPAR (JPY)	8,781	8,652	+129	+1.5%	8,934	-28	-0.3%
	Occupancy (%)	92.3	91.1	+1.2	+1.3%	92.1	+1.1	+1.2%
	ADR (JPY)	9,514	9,500	+14	+0.2%	9,702	-150	-1.5%
Nest Hotel Osaka Shinsaibashi	Revenue (JPY million)	90.5	92.6	-2.2	-2.3%	170.3	-4.4	-2.5%
	RevPAR (JPY)	8,955	9,076	-121	-1.3%	8,754	-39	-0.4%
	Occupancy (%)	99.0	96.0	+3.0	+3.2%	99.1	+4.1	+4.3%
	ADR (JPY)	9,048	9,459	-411	-4.3%	8,837	-419	-4.5%
Smile Hotel Tokyo Asagaya	Revenue (JPY million)	30.4	32.6	-2.1	-6.5%	59.2	-3.5	-5.6%
	RevPAR (JPY)	8,648	9,104	-456	-5.0%	8,820	-237	-2.6%
	Occupancy (%)	98.6	98.6	–	–	98.7	-0.1	-0.1%
	ADR (JPY)	8,769	9,234	-465	-5.0%	8,934	-232	-2.5%
Nest Hotel Naha	Revenue (JPY million)	80.4	74.5	+5.8	+7.8%	151.8	+7.1	+4.9%
	RevPAR (JPY)	9,346	9,001	+345	+3.8%	9,613	+530	+5.8%
	Occupancy (%)	94.3	92.0	+2.3	+2.5%	95.2	+2.0	+2.2%
	ADR (JPY)	9,914	9,784	+130	+1.3%	10,101	+350	+3.6%
Smile Hotel Asakusa	Revenue (JPY million)	22.9	22.7	+0.2	+0.8%	42.7	-0.1	-0.2%
	RevPAR (JPY)	7,336	7,374	-38	-0.5%	7,204	+39	+0.5%
	Occupancy (%)	97.2	97.5	-0.3	-0.3%	96.8	-1.0	-1.0%
	ADR (JPY)	7,550	7,565	-16	-0.2%	7,446	+115	+1.6%
Nest Hotel Matsuyama	Revenue (JPY million)	47.0	46.4	+0.6	+1.2%	86.0	+6.0	+7.5%
	RevPAR (JPY)	5,383	4,943	+440	+8.9%	5,215	+581	+12.5%
	Occupancy (%)	90.6	86.9	+3.7	+4.2%	87.6	+6.9	+8.5%
	ADR (JPY)	5,944	5,687	+257	+4.5%	5,956	+214	+3.7%

Fixed Rent Hotels (7 Hotels)

		March 2017 (A)	(Previous) March 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period February 2017 – March 2017		
						Cumulative	YOY Difference	YOY Change
Comfort Hotel Hamamatsu	Revenue (JPY million)	35.8	33.7	+2.1	+6.4%	61.4	–	-0.5%
	RevPAR (JPY)	5,891	5,538	+353	+6.4%	5,308	+63	+1.2%
	Occupancy (%)	88.6	88.2	+0.3	+0.4%	82.0	-2.9	-3.4%
	ADR (JPY)	6,652	6,276	+377	+6.0%	6,471	+296	+4.8%
Comfort Hotel Central International Airport	Revenue (JPY million)	87.0	85.0	+2.1	+2.4%	175.7	+11.8	+7.2%
	RevPAR (JPY)	7,288	7,026	+262	+3.7%	7,722	+708	+10.1%
	Occupancy (%)	83.2	83.1	+0.1	+0.1%	86.4	+4.2	+5.1%
	ADR (JPY)	8,763	8,454	+309	+3.7%	8,942	+409	+4.8%
Comfort Hotel Okayama	Revenue (JPY million)	33.3	32.9	+0.4	+1.1%	63.5	+2.8	+4.6%
	RevPAR (JPY)	4,901	5,109	-208	-4.1%	4,883	+20	+0.4%
	Occupancy (%)	85.9	89.0	-3.1	-3.5%	86.2	-0.9	-1.0%
	ADR (JPY)	5,708	5,743	-35	-0.6%	5,664	+81	+1.4%
Comfort Hotel Kushiro	Revenue (JPY million)	13.2	11.6	+1.6	+13.6%	25.9	+1.5	+6.2%
	RevPAR (JPY)	3,118	2,745	+372	+13.6%	3,222	+230	+7.7%
	Occupancy (%)	72.7	65.2	+7.6	+11.6%	73.0	+3.1	+4.4%
	ADR (JPY)	4,286	4,211	+75	+1.8%	4,412	+133	+3.1%
Comfort Hotel Suzuka	Revenue (JPY million)	16.9	14.2	+2.7	+19.4%	28.1	+3.6	+14.7%
	RevPAR (JPY)	5,077	4,280	+797	+18.6%	4,407	+592	+15.5%
	Occupancy (%)	90.8	73.0	+17.8	+24.4%	81.6	+13.6	+20.1%
	ADR (JPY)	5,594	5,866	-272	-4.6%	5,400	-214	-3.8%
Other (Hotel Suave Kobe Asuta & Hotel Livemax Nihombashi-Hakozaki)	Revenue (JPY million)	32.4	33.9	-1.6	-4.6%	59.2	-1.2	-1.9%
	RevPAR (JPY)	5,134	5,644	-510	-9.0%	5,031	-218	-4.2%
	Occupancy (%)	88.3	87.1	+1.2	+1.3%	83.8	–	-2.3%
	ADR (JPY)	5,817	6,481	-664	-10.2%	6,002	-116	-1.9%

Notes:

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

3. RevPAR (Revenue Per Available Room) is calculated with the following formula:
   RevPAR = Total Revenue from accommodations (excluding restaurant charges and other service fees) / number of available guest rooms.
4. Occupancy is calculated with the following formula:
   Occupancy = Total number of guest rooms occupied during the period /
   (total number of guest rooms * number of days hotel was in operation during the period)
   Occupancy may exceed 100% in the following cases: 1) a guest had pre-paid for a guest room but checked out early, allowing the guest room to be occupied by a different guest; or 2) a guest room is occupied for less than one day by different guests.
5. ADR (Average Daily Rate) is calculated with the following formula:
   ADR = Total revenue from accommodations (excluding restaurant charges and other service fees) / number of guest rooms occupied during the period.
6. Data for 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.
7. 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.
8. Grandpark-Inn Yokohama acquired in March 2017 is excluded from the above data, because the hotel operator did not give consent to disclose hotel-specific data that would allow for year-on-year comparisons.

Explanation of Changes

While revenue and RevPAR decreased year-on-year in the portfolio and at variable rent hotels, they increased year-on-year at fixed rent hotels.

At variable rent hotels, which are a more significant contributor to Ichigo Hotel REIT's earnings, both revenue and RevPAR increased year-on-year at five hotels, including Hotel Vista Premio Kyoto, Nest Hotel Sapporo Odori, Valie Hotel Tenjin, Nest Hotel Naha, and Nest Hotel Matsuyama, but decreased year-on-year at other variable rent hotels, thus resulting in variable rent hotel revenue and RevPAR decreasing year-on-year. As part of its cost control initiative, Nest Hotel Sapporo Ekimae's revenue decreased despite its RevPAR increasing, because it switched its restaurant to breakfast time only, an effective cost control to increase its profitability.

Value-Add Actions

Ichigo Hotel REIT has installed advertising signage at Smile Hotel Tokyo Asagaya, which is adjacent to JR Asagaya Station and has high visibility from the station platform. Ichigo Hotel REIT will lease the space to advertisers, increasing earnings at Smile Hotel Tokyo Asagaya (forecast ROI 35.0%).

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

New Advertising Signage Facing JR Asagaya Station at Smile Hotel Tokyo Asagaya

