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.*

November 27, 2017

Issuer
**Ichigo Hotel REIT Investment Corporation ("Ichigo Hotel," 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 Operating Results – October 2017

## Portfolio Revenue, RevPAR, Occupancy, and ADR

Total (20 Hotels – excludes Grandpark-Inn Yokohama)

| | October 2017 (A) | (Previous) October 2016 (B) | Difference (A) - (B) | YOY Change | Current Fiscal Period August 2017 – October 2017 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Cumulative | YOY Difference | YOY Change |
| Revenue (JPY million) | 834.6 | 824.5 | +10.1 | +1.2% | 2,491.9 | +66.0 | +2.7% |
| RevPAR (JPY) | 7,663 | 7,510 | +152 | +2.0% | 7,723 | +232 | +3.1% |
| Occupancy (%) | 90.3 | 89.8 | +0.5 | +0.6% | 91.6 | +2.0 | +2.3% |
| ADR (JPY) | 8,487 | 8,364 | +123 | +1.5% | 8,428 | +66 | +0.8% |

Variable Rent Hotels (12 Hotels)

| | October 2017 (A) | (Previous) October 2016 (B) | Difference (A) - (B) | YOY Change | Current Fiscal Period August 2017 – October 2017 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Cumulative | YOY Difference | YOY Change |
| Revenue (JPY million) | 565.9 | 562.8 | +3.1 | +0.5% | 1,684.9 | +56.7 | +3.5% |
| RevPAR (JPY) | 8,739 | 8,629 | +109 | +1.3% | 8,806 | +327 | +3.9% |
| Occupancy (%) | 94.2 | 93.5 | +0.7 | +0.7% | 95.2 | +2.8 | +3.1% |
| ADR (JPY) | 9,276 | 9,227 | +49 | +0.5% | 9,249 | +69 | +0.7% |

Fixed Rent Hotels (8 Hotels – excludes Grandpark-Inn Yokohama)

| | October 2017 (A) | (Previous) October 2016 (B) | Difference (A) - (B) | YOY Change | Current Fiscal Period August 2017 – October 2017 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Cumulative | YOY Difference | YOY Change |
| Revenue (JPY million) | 268.7 | 261.7 | +7.0 | +2.7% | 807.0 | +9.4 | +1.2% |
| RevPAR (JPY) | 6,184 | 5,980 | +204 | +3.4% | 6,235 | +95 | +1.5% |
| Occupancy (%) | 84.9 | 84.7 | +0.2 | +0.2% | 86.7 | +0.9 | +1.1% |
| ADR (JPY) | 7,283 | 7,060 | +223 | +3.2% | 7,189 | +33 | +0.5% |

Revenue, RevPAR, Occupancy, and ADR by Hotel

Variable Rent Hotels (12 Hotels)

| | | October 2017 (A) | (Previous) October 2016 (B) | Difference (A) - (B) | YOY Change | Current Fiscal Period August 2017 – October 2017 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Cumulative | YOY Difference | YOY Change |
| Smile Hotel Kyoto Shijo | Revenue (JPY million) | 50.8 | 58.5 | -7.7 | -13.2% | 124.4 | -17.4 | -12.3% |
| | RevPAR (JPY) | 11,107 | 13,030 | -1,923 | -14.8% | 9,130 | -1,475 | -13.9% |
| | Occupancy (%) | 100.0 | 100.1 | – | – | 100.0 | -0.1 | -0.1% |
| | ADR (JPY) | 11,102 | 13,018 | -1,916 | -14.7% | 9,129 | -1,467 | -13.8% |
| Hotel Vista Premio Kyoto | Revenue (JPY million) | 41.0 | 40.4 | +0.6 | +1.6% | 103.5 | -0.2 | -0.2% |
| | RevPAR (JPY) | 14,535 | 14,297 | +238 | +1.7% | 12,323 | -58 | -0.5% |
| | Occupancy (%) | 93.7 | 93.5 | +0.2 | +0.2% | 91.3 | -1.6 | -1.8% |
| | ADR (JPY) | 15,518 | 15,290 | +229 | +1.5% | 13,495 | +176 | +1.3% |
| Hotel Wing International Nagoya | Revenue (JPY million) | 48.7 | 45.5 | +3.2 | +7.0% | 145.0 | +30.3 | +26.5% |
| | RevPAR (JPY) | 6,385 | 5,955 | +430 | +7.2% | 6,385 | +1,408 | +28.3% |
| | Occupancy (%) | 92.0 | 91.5 | +0.5 | +0.5% | 93.5 | +10.6 | +12.8% |
| | ADR (JPY) | 6,941 | 6,505 | +436 | +6.7% | 6,830 | +825 | +13.7% |
| Nest Hotel Sapporo Ekimae | Revenue (JPY million) | 48.2 | 53.6 | -5.4 | -10.2% | 175.8 | -11.4 | -6.1% |
| | RevPAR (JPY) | 7,898 | 8,571 | -673 | -7.9% | 10,230 | -148 | -1.4% |
| | Occupancy (%) | 96.4 | 97.7 | -1.3 | -1.3% | 97.5 | -0.7 | -0.7% |
| | ADR (JPY) | 8,197 | 8,777 | -581 | -6.6% | 10,497 | -79 | -0.8% |
| Chisun Inn Osaka Hommachi | Revenue (JPY million) | 29.4 | 32.0 | -2.6 | -8.1% | 88.9 | -6.9 | -7.2% |
| | RevPAR (JPY) | 7,291 | 7,934 | -643 | -8.1% | 7,430 | -575 | -7.2% |
| | Occupancy (%) | 91.6 | 91.1 | +0.5 | +0.5% | 92.6 | +2.6 | +2.8% |
| | ADR (JPY) | 7,956 | 8,706 | -749 | -8.6% | 8,023 | -866 | -9.7% |

| | | October 2017 (A) | (Previous) October 2016 (B) | Difference (A) - (B) | YOY Change | Current Fiscal Period August 2017 – October 2017 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Cumulative | YOY Difference | YOY Change |
| Nest Hotel Sapporo Odori | Revenue (JPY million) | 40.2 | 42.1 | -2.0 | -4.7% | 150.5 | -0.3 | -0.2% |
| | RevPAR (JPY) | 9,634 | 10,314 | -680 | -6.6% | 12,371 | -208 | -1.7% |
| | Occupancy (%) | 96.5 | 97.9 | -1.4 | -1.4% | 97.2 | -0.5 | -0.5% |
| | ADR (JPY) | 9,980 | 10,537 | -557 | -5.3% | 12,730 | -151 | -1.2% |
| Valie Hotel Tenjin | Revenue (JPY million) | 24.2 | 22.1 | +2.1 | +9.5% | 70.0 | +5.6 | +8.7% |
| | RevPAR (JPY) | 9,367 | 8,529 | +838 | +9.8% | 9,133 | +742 | +8.8% |
| | Occupancy (%) | 89.9 | 85.9 | +3.9 | +4.6% | 91.5 | +6.1 | +7.1% |
| | ADR (JPY) | 10,424 | 9,926 | +498 | +5.0% | 9,981 | +159 | +1.6% |
| Nest Hotel Osaka Shinsaibashi | Revenue (JPY million) | 89.3 | 92.8 | -3.5 | -3.8% | 264.9 | +5.1 | +2.0% |
| | RevPAR (JPY) | 8,855 | 9,090 | -235 | -2.6% | 8,813 | +269 | +3.1% |
| | Occupancy (%) | 97.7 | 96.5 | +1.2 | +1.2% | 98.0 | +3.5 | +3.7% |
| | ADR (JPY) | 9,064 | 9,418 | -354 | -3.8% | 8,991 | -46 | -0.5% |
| Smile Hotel Tokyo Asagaya | Revenue (JPY million) | 30.8 | 30.5 | +0.3 | +1.1% | 90.0 | +5.2 | +6.1% |
| | RevPAR (JPY) | 8,540 | 8,480 | +61 | +0.7% | 8,447 | +476 | +6.0% |
| | Occupancy (%) | 91.2 | 98.4 | -7.3 | -7.4% | 96.3 | -2.4 | -2.4% |
| | ADR (JPY) | 9,369 | 8,614 | +755 | +8.8% | 8,772 | +694 | +8.6% |
| Nest Hotel Naha | Revenue (JPY million) | 80.6 | 80.4 | +0.2 | +0.2% | 241.5 | +5.3 | +2.3% |
| | RevPAR (JPY) | 9,330 | 9,023 | +307 | +3.4% | 9,965 | +186 | +1.9% |
| | Occupancy (%) | 88.6 | 91.3 | -2.6 | -2.9% | 92.0 | -1.6 | -1.7% |
| | ADR (JPY) | 10,527 | 9,888 | +639 | +6.5% | 10,834 | +380 | +3.6% |
| Smile Hotel Asakusa | Revenue (JPY million) | 21.8 | 22.1 | -0.3 | -1.2% | 61.3 | -1.0 | -1.7% |
| | RevPAR (JPY) | 7,041 | 7,118 | -77 | -1.1% | 6,664 | -145 | -2.1% |
| | Occupancy (%) | 95.3 | 96.1 | -0.8 | -0.8% | 95.0 | +0.1 | +0.2% |
| | ADR (JPY) | 7,386 | 7,404 | -18 | -0.2% | 7,015 | -163 | -2.3% |
| Nest Hotel Matsuyama | Revenue (JPY million) | 60.9 | 42.8 | +18.1 | +42.3% | 169.3 | +42.3 | +33.3% |
| | RevPAR (JPY) | 8,212 | 5,253 | +2,959 | +56.3% | 7,211 | +2,057 | +39.9% |
| | Occupancy (%) | 94.4 | 82.8 | +11.6 | +14.0% | 93.9 | +9.9 | +11.8% |
| | ADR (JPY) | 8,696 | 6,343 | +2,353 | +37.1% | 7,682 | +1,544 | +25.1% |

Fixed Rent Hotels (8 Hotels)

| | | October 2017 (A) | (Previous) October 2016 (B) | Difference (A) - (B) | YOY Change | Current Fiscal Period August 2017 – October 2017 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Cumulative | YOY Difference | YOY Change |
| Comfort Hotel Hamamatsu | Revenue (JPY million) | 29.9 | 32.9 | -3.0 | -9.1% | 90.5 | -10.0 | -10.0% |
| | RevPAR (JPY) | 4,921 | 5,416 | -494 | -9.1% | 5,019 | -556 | -10.0% |
| | Occupancy (%) | 80.8 | 84.9 | -4.1 | -4.8% | 81.7 | -3.0 | -3.5% |
| | ADR (JPY) | 6,092 | 6,379 | -287 | -4.5% | 6,146 | -441 | -6.7% |
| Comfort Hotel Central International Airport | Revenue (JPY million) | 96.1 | 87.0 | +9.1 | +10.4% | 287.5 | +21.4 | +8.0% |
| | RevPAR (JPY) | 8,036 | 7,207 | +829 | +11.5% | 8,122 | +658 | +8.8% |
| | Occupancy (%) | 88.1 | 82.0 | +6.1 | +7.4% | 89.4 | +4.5 | +5.3% |
| | ADR (JPY) | 9,121 | 8,787 | +334 | +3.8% | 9,088 | +293 | +3.3% |
| Comfort Hotel Okayama | Revenue (JPY million) | 40.9 | 39.5 | +1.4 | +3.5% | 120.5 | +1.6 | +1.4% |
| | RevPAR (JPY) | 6,158 | 5,926 | +232 | +3.9% | 6,082 | +113 | +1.9% |
| | Occupancy (%) | 89.9 | 89.2 | +0.7 | +0.7% | 90.2 | +2.1 | +2.4% |
| | ADR (JPY) | 6,852 | 6,643 | +209 | +3.1% | 6,746 | -35 | -0.5% |
| Comfort Hotel Kushiro | Revenue (JPY million) | 19.3 | 18.2 | +1.1 | +6.2% | 69.7 | +5.3 | +8.3% |
| | RevPAR (JPY) | 4,941 | 4,347 | +594 | +13.7% | 6,009 | +789 | +15.1% |
| | Occupancy (%) | 82.3 | 80.6 | +1.7 | +2.1% | 87.6 | +1.8 | +2.1% |
| | ADR (JPY) | 6,005 | 5,393 | +611 | +11.3% | 6,855 | +776 | +12.8% |
| Comfort Hotel Suzuka | Revenue (JPY million) | 19.9 | 18.9 | +1.0 | +5.2% | 51.6 | +0.2 | +0.4% |
| | RevPAR (JPY) | 6,025 | 5,681 | +343 | +6.0% | 5,274 | +66 | +1.3% |
| | Occupancy (%) | 80.6 | 82.5 | -1.9 | -2.3% | 80.6 | +0.7 | +0.9% |
| | ADR (JPY) | 7,476 | 6,890 | +586 | +8.5% | 6,541 | +27 | +0.4% |
| Urbain Hiroshima Executive | Revenue (JPY million) | 34.6 | | | | 103.1 | | |
| | RevPAR (JPY) | 6,518 | | | | 6,508 | | |
| | Occupancy (%) | 90.2 | | | | 92.7 | | |
| | ADR (JPY) | 7,224 | | | | 7,024 | | |
| Other (Hotel Suave Kobe Asuta & Hotel Livemax Nihombashi-Hakozaki) | Revenue (JPY million) | 26.3 | 30.2 | -3.9 | -12.8% | 84.1 | -6.3 | -7.0% |
| | RevPAR (JPY) | 4,686 | 5,376 | -690 | -12.8% | 4,579 | -459 | -9.1% |
| | Occupancy (%) | 76.9 | 84.8 | -7.9 | -9.3% | 80.5 | -2.4 | -2.9% |
| | ADR (JPY) | 6,094 | 6,341 | -246 | -3.9% | 5,685 | -389 | -6.4% |

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 releases.
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 Urbain Hiroshima Executive prior to its acquisition in August 2017 is not disclosed, because the hotel operator did not provide consent to disclose hotel-specific data.
7. Data for two hotels, Hotel Suave Kobe Asuta and Hotel Livemax Nihombashi-Hakozaki, are consolidated under Other, because the hotel operators did not provide consent to disclose hotel-specific data.
8. While Hotel Suave Kobe Asuta's lease contract includes a variable rent clause, it has never been triggered. Because Ichigo Hotel does not anticipate receiving variable rent at this hotel, it has been classified as a fixed rent hotel.
9. 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

Revenue, RevPAR, Occupancy, and ADR increased year-on-year at variable rent hotels, fixed rent hotels, and the total portfolio.

Driving these positive results were Smile Hotel Tokyo Asagaya, where despite fewer rooms being available during ongoing renovations, the positive effects of value-add capex drove higher earnings, and Nest Hotel Matsuyama, where the conversion of rooms with one double bed into rooms with two single beds has supported higher occupancy and allowed for the successful capture of demand from the 72nd National Sports Festival held in Ehime Prefecture between September 30 and October 10.

Although Smile Hotel Kyoto Shijo continues to generate 100% occupancy, its ADR decreased year-on-year. Ichigo Hotel will work with the hotel operator to increase the hotel's earnings via value-add capex and strengthened revenue management.

* Please refer to the October 25, 2017 release "Ichigo Hotel Operating Results – September 2017" for details of Smile Hotel Tokyo Asagaya's ongoing value-add capex.

Value-Add Actions

Ichigo Hotel replaced double beds (width:140cm) with high-grade queen-size beds (width:160cm) in ten rooms at Nest Hotel Osaka Shinsaibashi in order to accommodate increasing demand from international tourists traveling in parties of two. The ten queen-size rooms command higher rates and will therefore support higher earnings (forecast ROI 62.2%).

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