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.

January 25, 2018

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 Business Administration
Tel: +81-3-3502-4892

Ichigo Hotel Operating Results – December 2017

Portfolio Revenue, RevPAR, Occupancy, and ADR

Total (20 Hotels – excludes Grandpark-Inn Yokohama)

	December 2017 (A)	(Previous) December 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2017 – December 2017		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	759.6	740.1	+19.5	+2.6%	4,057.7	+101.2	+2.6%
RevPAR (JPY)	6,722	6,481	+241	+3.7%	7,494	+219	+3.0%
Occupancy (%)	86.9	85.3	+1.6	+1.9%	90.3	+1.7	+1.9%
ADR (JPY)	7,736	7,597	+139	+1.8%	8,301	+86	+1.1%

Variable Rent Hotels (12 Hotels)

	December 2017 (A)	(Previous) December 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2017 – December 2017		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	522.2	512.1	+10.1	+2.0%	2,763.5	+71.2	+2.6%
RevPAR (JPY)	7,664	7,452	+212	+2.8%	8,575	+250	+3.0%
Occupancy (%)	91.4	89.8	+1.6	+1.8%	94.0	+2.0	+2.2%
ADR (JPY)	8,389	8,302	+87	+1.0%	9,125	+72	+0.8%

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

	December 2017 (A)	(Previous) December 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2017 – December 2017		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	237.4	228.0	+9.4	+4.1%	1,294.2	+30.0	+2.4%
RevPAR (JPY)	5,428	5,154	+274	+5.3%	6,009	+169	+2.9%
Occupancy (%)	80.8	79.2	+1.5	+1.9%	85.2	+1.3	+1.5%
ADR (JPY)	6,721	6,506	+216	+3.3%	7,053	+93	+1.3%

Revenue, RevPAR, Occupancy, and ADR by Hotel

Variable Rent Hotels (12 Hotels)

		December 2017 (A)	(Previous) December 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2017 – December 2017		
						Cumulative	YOY Difference	YOY Change
Smile Hotel Kyoto Shijo	Revenue (JPY million)	39.3	47.1	-7.8	-16.6%	233.9	-32.2	-12.1%
	RevPAR (JPY)	8,601	9,775	-1,174	-12.0%	10,376	-1,501	-12.6%
	Occupancy (%)	99.4	100.0	-0.5	-0.5%	99.8	-0.2	-0.2%
	ADR (JPY)	8,651	9,779	-1,128	-11.5%	10,396	-1,476	-12.4%
Hotel Vista Premio Kyoto	Revenue (JPY million)	29.2	31.3	-2.1	-6.8%	182.8	-3.0	-1.6%
	RevPAR (JPY)	10,592	11,477	-885	-7.7%	13,252	-283	-2.1%
	Occupancy (%)	79.6	84.6	-4.9	-5.8%	89.7	-1.9	-2.1%
	ADR (JPY)	13,299	13,572	-273	-2.0%	14,773	+2	–
Hotel Wing International Nagoya	Revenue (JPY million)	42.6	42.5	–	+0.1%	233.9	+30.7	+15.1%
	RevPAR (JPY)	5,543	5,600	-57	-1.0%	6,186	+852	+16.0%
	Occupancy (%)	87.2	84.7	+2.5	+3.0%	92.3	+6.4	+7.5%
	ADR (JPY)	6,354	6,611	-257	-3.9%	6,706	+490	+7.9%
Nest Hotel Sapporo Ekimae	Revenue (JPY million)	45.5	45.4	+0.1	+0.2%	257.5	-15.0	-5.5%
	RevPAR (JPY)	6,663	6,445	+217	+3.4%	8,663	-68	-0.8%
	Occupancy (%)	95.8	94.7	+1.1	+1.1%	96.6	-0.5	-0.5%
	ADR (JPY)	6,954	6,803	+150	+2.2%	8,970	-22	-0.2%
Chisun Inn Osaka Hommachi	Revenue (JPY million)	29.5	27.9	+1.7	+5.9%	147.5	-4.8	-3.2%
	RevPAR (JPY)	7,327	6,916	+410	+5.9%	7,418	-243	-3.2%
	Occupancy (%)	88.7	80.6	+8.1	+10.1%	91.0	+3.8	+4.4%
	ADR (JPY)	8,257	8,582	-325	-3.8%	8,150	-637	-7.3%

		December 2017 (A)	(Previous) December 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2017 – December 2017		
						Cumulative	YOY Difference	YOY Change
Nest Hotel Sapporo Odori	Revenue (JPY million)	35.9	30.0	+5.9	+19.6%	218.5	+7.1	+3.4%
	RevPAR (JPY)	8,484	7,413	+1,071	+14.5%	10,699	+157	+1.5%
	Occupancy (%)	95.6	92.8	+2.8	+3.1%	96.4	-0.3	-0.3%
	ADR (JPY)	8,872	7,989	+883	+11.1%	11,101	+193	+1.8%
Valie Hotel Tenjin	Revenue (JPY million)	23.6	22.6	+0.9	+4.1%	116.7	+7.5	+6.9%
	RevPAR (JPY)	9,156	8,776	+380	+4.3%	9,161	+603	+7.0%
	Occupancy (%)	92.2	86.1	+6.1	+7.1%	91.9	+5.6	+6.5%
	ADR (JPY)	9,929	10,194	-264	-2.6%	9,969	+46	+0.5%
Nest Hotel Osaka Shinsaibashi	Revenue (JPY million)	90.7	85.1	+5.6	+6.6%	444.7	+14.3	+3.3%
	RevPAR (JPY)	9,020	8,268	+752	+9.1%	8,917	+422	+5.0%
	Occupancy (%)	96.5	91.3	+5.2	+5.7%	97.7	+3.8	+4.0%
	ADR (JPY)	9,346	9,056	+290	+3.2%	9,129	+85	+0.9%
Smile Hotel Tokyo Asagaya	Revenue (JPY million)	29.9	29.7	+0.2	+0.8%	146.1	+1.9	+1.4%
	RevPAR (JPY)	8,366	8,217	+149	+1.8%	8,247	+120	+1.5%
	Occupancy (%)	88.2	99.3	-11.1	-11.1%	91.0	-7.7	-7.8%
	ADR (JPY)	9,486	8,279	+1,207	+14.6%	9,064	+825	+10.0%
Nest Hotel Naha	Revenue (JPY million)	83.0	80.2	+2.7	+3.4%	406.3	+13.4	+3.4%
	RevPAR (JPY)	8,524	8,118	+406	+5.0%	9,531	+272	+2.9%
	Occupancy (%)	86.1	85.8	+0.2	+0.3%	89.9	-0.3	-0.3%
	ADR (JPY)	9,904	9,457	+447	+4.7%	10,598	+336	+3.3%
Smile Hotel Asakusa	Revenue (JPY million)	20.9	22.3	-1.4	-6.4%	103.0	-2.6	-2.5%
	RevPAR (JPY)	6,685	7,197	-513	-7.1%	6,702	-211	-3.0%
	Occupancy (%)	91.6	96.3	-4.7	-4.8%	94.1	-1.4	-1.5%
	ADR (JPY)	7,295	7,474	-178	-2.4%	7,122	-117	-1.6%
Nest Hotel Matsuyama	Revenue (JPY million)	52.2	47.8	+4.4	+9.2%	272.5	+54.0	+24.7%
	RevPAR (JPY)	5,120	4,545	+574	+12.6%	6,670	+1,533	+29.8%
	Occupancy (%)	89.3	84.7	+4.6	+5.4%	92.7	+8.1	+9.6%
	ADR (JPY)	5,734	5,365	+369	+6.9%	7,197	+1,120	+18.4%

Fixed Rent Hotels (8 Hotels)

		December 2017 (A)	(Previous) December 2016 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2017 – December 2017		
						Cumulative	YOY Difference	YOY Change
Comfort Hotel Hamamatsu	Revenue (JPY million)	26.0	28.9	-2.8	-9.7%	145.5	-14.9	-9.3%
	RevPAR (JPY)	4,287	4,749	-462	-9.7%	4,851	-497	-9.3%
	Occupancy (%)	77.1	78.9	-1.8	-2.3%	81.4	-2.1	-2.6%
	ADR (JPY)	5,561	6,019	-458	-7.6%	5,961	-443	-6.9%
Comfort Hotel Central International Airport	Revenue (JPY million)	89.7	85.5	+4.2	+4.9%	468.4	+34.1	+7.9%
	RevPAR (JPY)	7,530	7,101	+428	+6.0%	7,948	+626	+8.5%
	Occupancy (%)	83.6	80.9	+2.7	+3.3%	87.6	+4.0	+4.8%
	ADR (JPY)	9,007	8,778	+228	+2.6%	9,078	+310	+3.5%
Comfort Hotel Okayama	Revenue (JPY million)	33.1	31.5	+1.5	+4.9%	193.0	+6.8	+3.7%
	RevPAR (JPY)	4,918	4,629	+289	+6.2%	5,846	+244	+4.4%
	Occupancy (%)	88.5	85.9	+2.6	+3.0%	90.0	+2.2	+2.5%
	ADR (JPY)	5,560	5,389	+171	+3.2%	6,497	+116	+1.8%
Comfort Hotel Kushiro	Revenue (JPY million)	12.3	12.1	+0.2	+1.9%	95.4	+6.1	+6.8%
	RevPAR (JPY)	3,160	2,829	+332	+11.7%	4,950	+625	+14.4%
	Occupancy (%)	69.7	68.0	+1.7	+2.6%	81.1	+1.4	+1.8%
	ADR (JPY)	4,531	4,160	+372	+8.9%	6,105	+675	+12.4%
Comfort Hotel Suzuka	Revenue (JPY million)	13.5	12.9	+0.6	+4.5%	81.4	+1.6	+2.0%
	RevPAR (JPY)	4,092	3,869	+223	+5.8%	5,000	+149	+3.1%
	Occupancy (%)	73.4	73.7	-0.3	-0.4%	79.6	+1.0	+1.3%
	ADR (JPY)	5,573	5,247	+326	+6.2%	6,279	+108	+1.7%
Urbain Hiroshima Executive	Revenue (JPY million)	33.5				170.0		
	RevPAR (JPY)	6,326				6,470		
	Occupancy (%)	85.9				90.9		
	ADR (JPY)	7,365				7,114		
Other (Hotel Suave Kobe Asuta & Hotel Livemax Nihombashi-Hakozaki)	Revenue (JPY million)	26.6	26.3	+0.3	+1.2%	140.6	-7.8	-5.3%
	RevPAR (JPY)	4,738	4,682	+56	+1.2%	4,633	-338	-6.8%
	Occupancy (%)	77.5	76.9	+0.6	+0.8%	80.0	-1.1	-1.3%
	ADR (JPY)	6,113	6,089	+24	+0.4%	5,790	-339	-5.5%

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 the second phase of renovations, the positive effect of guest rooms renovated in June/July 2017 drove a higher ADR; Chisun Inn Osaka Hommachi where the successful capture of inbound visitor demand drove higher occupancy, revenue, and RevPAR; and Nest Hotel Osaka Shinsaibashi where conversion of rooms with double beds into rooms with queen beds also allowed for accommodating higher inbound visitor demand, thus driving an increase in Revenue, RevPAR, Occupancy, and ADR.

Value-Add Actions

Ichigo Hotel completed renovations at Nest Hotel Osaka Shinsaibashi and Nest Hotel Naha to reduce environmental impact and operating costs by putting in new showerheads and installing flow regulating valves in toilet tanks and water faucets (forecast ROI 41.7%).

Ichigo Hotel also renovated the first floor entrance lobby and second floor restrooms at Smile Hotel Asakusa to increase guest satisfaction.

Ichigo Hotel will continue to work closely with its hotel operator partners to carry out value-add capex on behalf of guests and drive higher earnings.

Post-Renovation Restroom at Smile Hotel Asakusa

