Ichigo Preserves and Improves Real Estate

[Provisional Translation Only]
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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 – January 2018

Portfolio Revenue, RevPAR, Occupancy, and ADR

Total (20 Hotels – excludes Grandpark-Inn Yokohama)

	January 2018 (A)	(Previous) January 2017 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2017 – January 2018		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	653.7	653.6	0	0	4,706.8	+96.6	+2.1%
RevPAR (JPY)	5,883	5,886	-3	-0.1%	7,216	+175	+2.5%
Occupancy (%)	82.8	83.2	-0.4	-0.4%	89.0	+1.3	+1.5%
ADR (JPY)	7,105	7,077	+28	+0.4%	8,110	+77	+1.0%

Variable Rent Hotels (12 Hotels)

	January 2018 (A)	(Previous) January 2017 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2017 – January 2018		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	436.0	431.5	+4.6	+1.1%	3,199.5	+75.8	+2.4%
RevPAR (JPY)	6,553	6,518	+34	+0.5%	8,234	+214	+2.7%
Occupancy (%)	87.8	88.1	-0.3	-0.3%	92.9	+1.6	+1.8%
ADR (JPY)	7,465	7,401	+64	+0.9%	8,860	+77	+0.9%

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

	January 2018 (A)	(Previous) January 2017 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2017 – January 2018		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	217.6	222.2	-4.6	-2.0%	1,507.3	+20.9	+1.4%
RevPAR (JPY)	4,962	5,020	-58	-1.2%	5,817	+115	+2.0%
Occupancy (%)	75.9	76.5	-0.5	-0.7%	83.6	+0.9	+1.1%
ADR (JPY)	6,533	6,566	-33	-0.5%	6,962	+64	+0.9%

Revenue, RevPAR, Occupancy, and ADR by Hotel

Variable Rent Hotels (12 Hotels)

		January 2018 (A)	(Previous) January 2017 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2017 – January 2018		
						Cumulative	YOY Difference	YOY Change
Smile Hotel Kyoto Shijo	Revenue (JPY million)	28.4	31.6	-3.2	-10.1%	262.3	-35.3	-11.9%
	RevPAR (JPY)	6,192	6,995	-803	-11.5%	9,671	-1,384	-12.5%
	Occupancy (%)	95.0	97.7	-2.7	-2.8%	99.0	-0.7	-0.7%
	ADR (JPY)	6,518	7,159	-641	-9.0%	9,769	-1,325	-11.9%
Hotel Vista Premio Kyoto	Revenue (JPY million)	18.4	26.8	-8.5	-31.6%	201.1	-11.5	-5.4%
	RevPAR (JPY)	6,558	9,720	-3,162	-32.5%	12,124	-768	-6.0%
	Occupancy (%)	61.3	82.1	-20.8	-25.3%	84.9	-5.1	-5.7%
	ADR (JPY)	10,693	11,833	-1,140	-9.6%	14,277	-43	-0.3%
Hotel Wing International Nagoya	Revenue (JPY million)	34.1	36.0	-1.9	-5.3%	267.9	+28.8	+12.0%
	RevPAR (JPY)	4,314	4,669	-355	-7.6%	5,871	+649	+12.4%
	Occupancy (%)	74.7	80.5	-5.8	-7.2%	89.3	+4.4	+5.1%
	ADR (JPY)	5,776	5,799	-23	-0.4%	6,575	+426	+6.9%
Nest Hotel Sapporo Ekimae	Revenue (JPY million)	42.8	38.0	+4.8	+12.7%	300.3	-10.2	-3.3%
	RevPAR (JPY)	6,699	6,157	+543	+8.8%	8,332	+35	+0.4%
	Occupancy (%)	97.0	94.8	+2.3	+2.4%	96.7	-0.1	-0.1%
	ADR (JPY)	6,904	6,497	+408	+6.3%	8,621	+41	+0.5%
Chisun Inn Osaka Hommachi	Revenue (JPY million)	26.0	25.1	+1.0	+3.8%	173.6	-3.9	-2.2%
	RevPAR (JPY)	6,458	6,219	+239	+3.8%	7,256	-162	-2.2%
	Occupancy (%)	94.6	82.1	+12.5	+15.2%	91.6	+5.3	+6.1%
	ADR (JPY)	6,828	7,572	-744	-9.8%	7,920	-672	-7.8%

		January 2018 (A)	(Previous) January 2017 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2017 – January 2018		
						Cumulative	YOY Difference	YOY Change
Nest Hotel Sapporo Odori	Revenue (JPY million)	35.5	30.0	+5.5	+18.4%	254.1	+12.7	+5.2%
	RevPAR (JPY)	8,349	7,236	+1,113	+15.4%	10,303	+318	+3.2%
	Occupancy (%)	98.0	93.1	+4.9	+5.3%	96.7	+0.6	+0.6%
	ADR (JPY)	8,517	7,771	+746	+9.6%	10,659	+264	+2.5%
Valie Hotel Tenjin	Revenue (JPY million)	17.6	19.8	-2.2	-11.1%	134.3	+5.3	+4.1%
	RevPAR (JPY)	6,733	7,582	-849	-11.2%	8,752	+358	+4.3%
	Occupancy (%)	82.1	83.0	-1.0	-1.2%	90.2	+4.5	+5.3%
	ADR (JPY)	8,204	9,132	-928	-10.2%	9,699	-95	-1.0%
Nest Hotel Osaka Shinsaibashi	Revenue (JPY million)	82.9	78.0	+4.8	+6.2%	527.5	+19.1	+3.8%
	RevPAR (JPY)	8,243	7,558	+685	+9.1%	8,803	+467	+5.6%
	Occupancy (%)	94.3	94.3	-0.1	-0.1%	97.1	+3.1	+3.3%
	ADR (JPY)	8,745	8,012	+733	+9.1%	9,066	+196	+2.2%
Smile Hotel Tokyo Asagaya	Revenue (JPY million)	28.3	26.1	+2.2	+8.3%	174.3	+4.1	+2.4%
	RevPAR (JPY)	7,872	7,259	+614	+8.5%	8,184	+203	+2.5%
	Occupancy (%)	98.9	97.8	+1.1	+1.1%	92.3	-6.2	-6.3%
	ADR (JPY)	7,962	7,423	+538	+7.3%	8,865	+763	+9.4%
Nest Hotel Naha	Revenue (JPY million)	66.6	62.9	+3.7	+5.8%	472.9	+17.0	+3.7%
	RevPAR (JPY)	7,287	7,013	+274	+3.9%	9,152	+272	+3.1%
	Occupancy (%)	83.6	82.1	+1.5	+1.8%	88.9	0	0
	ADR (JPY)	8,718	8,540	+178	+2.1%	10,300	+306	+3.1%
Smile Hotel Asakusa	Revenue (JPY million)	17.3	18.6	-1.3	-7.1%	120.3	-3.9	-3.2%
	RevPAR (JPY)	5,556	5,937	-382	-6.4%	6,509	-240	-3.5%
	Occupancy (%)	90.0	95.2	-5.2	-5.4%	93.4	-2.0	-2.1%
	ADR (JPY)	6,172	6,237	-66	-1.1%	6,968	-103	-1.5%
Nest Hotel Matsuyama	Revenue (JPY million)	38.3	38.6	-0.3	-0.9%	310.8	+53.7	+20.9%
	RevPAR (JPY)	4,404	4,233	+171	+4.0%	6,289	+1,304	+26.1%
	Occupancy (%)	79.0	76.5	+2.5	+3.3%	90.4	+7.2	+8.6%
	ADR (JPY)	5,575	5,533	+42	+0.8%	6,958	+965	+16.1%

Fixed Rent Hotels (8 Hotels)

		January 2018 (A)	(Previous) January 2017 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2017 – January 2018		
						Cumulative	YOY Difference	YOY Change
Comfort Hotel Hamamatsu	Revenue (JPY million)	23.9	23.0	+0.9	+4.0%	169.4	-14.0	-7.6%
	RevPAR (JPY)	3,930	3,779	+151	+4.0%	4,696	-388	-7.6%
	Occupancy (%)	71.5	65.7	+5.8	+8.8%	79.7	-0.8	-1.0%
	ADR (JPY)	5,499	5,751	-252	-4.4%	5,891	-423	-6.7%
Comfort Hotel Central International Airport	Revenue (JPY million)	93.9	94.0	0	0	562.3	+34.1	+6.4%
	RevPAR (JPY)	7,872	7,828	+44	+0.6%	7,935	+528	+7.1%
	Occupancy (%)	87.0	87.2	-0.3	-0.3%	87.5	+3.3	+3.9%
	ADR (JPY)	9,050	8,974	+76	+0.9%	9,073	+269	+3.1%
Comfort Hotel Okayama	Revenue (JPY million)	30.6	29.4	+1.2	+4.1%	223.6	+8.0	+3.7%
	RevPAR (JPY)	4,545	4,286	+259	+6.0%	5,627	+247	+4.6%
	Occupancy (%)	86.4	82.9	+3.5	+4.2%	89.4	+2.4	+2.8%
	ADR (JPY)	5,262	5,171	+90	+1.7%	6,296	+109	+1.8%
Comfort Hotel Kushiro	Revenue (JPY million)	10.4	11.9	-1.5	-12.5%	105.8	+4.6	+4.6%
	RevPAR (JPY)	2,657	2,824	-166	-5.9%	4,564	+491	+12.1%
	Occupancy (%)	58.4	63.4	-5.0	-7.9%	77.3	+0.3	+0.4%
	ADR (JPY)	4,546	4,451	+96	+2.1%	5,906	+613	+11.6%
Comfort Hotel Suzuka	Revenue (JPY million)	10.6	10.5	+0.1	+1.1%	92.0	+1.7	+1.9%
	RevPAR (JPY)	3,213	3,121	+93	+3.0%	4,699	+139	+3.1%
	Occupancy (%)	63.6	61.9	+1.7	+2.7%	76.9	+1.1	+1.5%
	ADR (JPY)	5,050	5,039	+12	+0.2%	6,108	+92	+1.5%
Urbain Hiroshima Executive	Revenue (JPY million)	24.1				189.5		
	RevPAR (JPY)	4,544				6,022		
	Occupancy (%)	72.0				87.1		
	ADR (JPY)	6,310				6,917		
Other (Hotel Suave Kobe Asuta & Hotel Livemax Nihombashi-Hakozaki)	Revenue (JPY million)	22.5	25.5	-3.0	-11.7%	164.8	-11.0	-6.2%
	RevPAR (JPY)	4,007	4,536	-529	-11.7%	4,527	-370	-7.6%
	Occupancy (%)	70.7	75.0	-4.3	-5.8%	78.4	-1.6	-2.0%
	ADR (JPY)	5,666	6,044	-378	-6.3%	5,771	-345	-5.6%

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 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

At variable rent hotels, which are a more significant contributor to Ichigo Hotel's earnings, Revenue, RevPAR, and ADR increased year-on-year. For the total portfolio, the shift in Chinese New Year from January last year to February this year decreased RevPAR and Occupancy slightly year-on-year as guest demand shifted to February, with a particular impact on Kyoto area hotels and a few fixed rent hotels. Revenue and ADR nonetheless increased slightly for the total portfolio year-on-year.

Revenue and RevPAR increased year-on-year at Nest Hotel Sapporo Ekimae, Nest Hotel Sapporo Odori, Nest Hotel Osaka Shinsaibashi, and Chisun Inn Osaka Hommachi due to increased inbound tourist demand. Revenue, RevPAR, Occupancy, and ADR increased year-on-year at Smile Hotel Tokyo Asagaya following the second phase of renovations and improvements for guests in December 2017.

Value-Add Actions

Ichigo Hotel replaced 120cm double beds with larger 140cm double beds in 19 single rooms at Nest Hotel Matsuyama in order to better accommodate guests traveling in parties of two and increase guest comfort. Rooms outfitted with these larger beds also command higher room rates and thus contribute to higher earnings (forecast ROI 45.3%).

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.