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.

March 15, 2018

January 2018 Fiscal Period Earnings

Ichigo Hotel REIT Investment Corporation ("Ichigo Hotel," Tokyo Stock Exchange, 3463)
Representative: Osamu Miyashita, Executive Director
www.ichigo-hotel.co.jp/english

Ichigo Investment Advisors Co., Ltd. (Ichigo Hotel REIT Asset Management Company)
Representative: Wataru Orii, President
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Submission of Financial Report (*Yuka Shoken Hokokusho*): April 25, 2018 (expected)
Dividend Payment: April 20, 2018 (expected)
Supplemental Material to Financial and Business Results: Yes (Corporate Presentation)
Financial and Business Results Briefing: Yes (for institutional investors and analysts)

1. Financial Results for the January 2018 Fiscal Period (August 1, 2017 to January 31, 2018)

(1) Earnings

(JPY million; period-on-period change)

	Operating Revenue	Change	Operating Profit	Change	Recurring Profit	Change	Net Income	Change
January 2018	1,782	+5.6%	1,034	+6.2%	842	+5.4%	841	+5.4%
July 2017	1,687	+8.2%	973	-0.5%	799	-1.2%	798	-1.2%

	Net Income per Share (JPY)	Return on Equity (6 months)	Return on Assets (6 months – Recurring Profit)	Operating Profit Margin (Recurring Profit)
January 2018	3,285	2.6%	1.5%	47.3%
July 2017	3,100	2.4%	1.5%	47.4%

Note: Net Income per Share is based on the average number of outstanding shares.

(2) Dividends

	Dividend per Share (JPY)	Total Dividends (JPY million)	Dividend per Share in Excess of Earnings (JPY)	Total Dividends in Excess of Earnings (JPY million)	Payout Ratio	DOE
January 2018	3,302	841	–	–	100.0%	2.6%
July 2018	3,101	798	–	–	100.0%	2.4%

(3) Assets and Equity

	Total Assets (JPY million)	Net Assets (JPY million)	Equity Ratio (%)	Net Assets per Share (JPY)
January 2018	55,415	32,439	58.5	127,227
July 2017	53,760	32,696	60.8	126,935

(4) Cash Flow

	Cash Flows from Operations (JPY million)	Cash Flows from Investments (JPY million)	Cash Flows from Financing (JPY million)	Cash and Cash Equivalents at End of the Period (JPY million)
January 2018	1,225	-2,052	700	3,192
July 2017	1,837	-1,790	-355	3,317

2. Earnings Forecasts for the July 2018 Fiscal Period (February 1, 2018 to July 31, 2018) and the Jan 2019 Fiscal Period (August 1, 2018 to January 31, 2019)

(JPY million; period-on-period change)

	Operating Revenue	Change	Operating Profit	Change	Recurring Profit	Change	Net Income	Change
July 2018	1,810	+1.6%	1,022	-1.2%	833	-1.0%	833	-1.0%
January 2019	1,780	-1.7%	996	-2.6%	807	-3.2%	806	-3.2%

(JPY)

	Dividend per Share	Dividend in Excess of Earnings per Share
July 2018	3,267	–
January 2019	3,162	–

Note: Forecast Net Income per Share is JPY 3,267 (+5.4% year-on-year) and JPY 3,162 (-3.7% year-on-year), respectively, for the July 2018 and January 2019 fiscal periods.

3. Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatements

(i) Changes Accompanying Amendments to Accounting Standards: None
(ii) Changes Not Listed in (i): None
(iii) Changes in Accounting Estimates: None
(iv) Retrospective Restatements: None

(2) Number of Shares Issued and Outstanding

The number of shares issued and outstanding (including treasury shares) was 257,584 shares as of July 31, 2017 and 254,974 shares as of January 31, 2018.

Completion Status of Auditing Procedures

This document is not subject to the auditing requirements set forth in the Financial Instruments and Exchange Law of Japan. The auditing procedures in accordance with those requirements have thus not been completed as of the date of the publication of this document.

Appropriate Use of Performance Forecasts and Other Matters of Special Note

The forecasts presented above are current figures based on certain preconditions. Accordingly, the actual operating results may vary due to changes in circumstances, and these forecasts should not be construed as a guarantee of such results.

For details on the preconditions, please refer to the "Preconditions for July 2018 Fiscal Period Earnings Forecast" on page 4 and "Preconditions for January 2019 Fiscal Period Earnings Forecast" on page 6.

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Preconditions for July 2018 Fiscal Period Earnings Forecast

<table>
<tr><td></td><td>Preconditions</td></tr>
<tr><td>Period</td><td>• February 1, 2018 to July 31, 2018 (181 days)</td></tr>
<tr><td>Number of Hotels</td><td>• 21 hotels</td></tr>
<tr><td>Operating Revenue</td><td>Within operating revenue, rental income is forecast based on current lease contracts taking into consideration such factors as hotel and market conditions.[1]

<u>Forecast Operating Performance[2]</u>

<table>
<tr><td></td><td>July 2018 Fiscal Period</td></tr>
<tr><td>Occupancy[3]</td><td>94.3%</td></tr>
<tr><td>ADR[4]</td><td>JPY 9,170</td></tr>
</table>
[1] The forecast rental income assumes operators and tenants will fully pay their contractual rents without delay or default.
[2] The 12 variable rent hotels are: Smile Hotel Kyoto Shijo, Hotel Vista Premio Kyoto, Nest Hotel Sapporo Ekimae, Chisun Inn Osaka Hommachi, Nest Hotel Sapporo Odori, Valie Hotel Tenjin, Nest Hotel Osaka Shinsaibashi, Smile Hotel Tokyo Asagaya, Nest Hotel Naha, Smile Hotel Asakusa, Nest Hotel Matsuyama, and Hotel Wing International Nagoya
[3] 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)
[4] ADR or Average Daily Rate is calculated with the following formula:
ADR = Total sales from accommodation (excluding restaurant charges and other service fees) / number of guest rooms occupied during the period

<u>Details of July 2018 Rental Income Forecast</u>
(JPY million)
<table>
<tr><th>Hotel Name</th><th>Fixed Rent/ Minimum Guaranteed Rent</th><th>Variable Rent</th><th>Total</th></tr>
<tr><td>Smile Hotel Kyoto Shijo</td><td>30</td><td>111</td><td>142</td></tr>
<tr><td>Hotel Vista Premio Kyoto</td><td>75</td><td>–</td><td>75</td></tr>
<tr><td>Nest Hotel Sapporo Ekimae</td><td>31</td><td>85</td><td>116</td></tr>
<tr><td>Chisun Inn Osaka Hommachi</td><td>39</td><td>38</td><td>78</td></tr>
<tr><td>Comfort Hotel Hamamatsu</td><td>55</td><td>–</td><td>55</td></tr>
<tr><td>Nest Hotel Sapporo Odori</td><td>23</td><td>70</td><td>94</td></tr>
<tr><td>Valie Hotel Tenjin</td><td>21</td><td>41</td><td>62</td></tr>
<tr><td>Nest Hotel Osaka Shinsaibashi</td><td>64</td><td>166</td><td>230</td></tr>
<tr><td>Comfort Hotel Central International Airport</td><td>151</td><td>–</td><td>151</td></tr>
<tr><td>Smile Hotel Tokyo Asagaya</td><td>30</td><td>74</td><td>104</td></tr>
<tr><td>Nest Hotel Naha</td><td>41</td><td>86</td><td>127</td></tr>
<tr><td>Smile Hotel Asakusa</td><td>15</td><td>40</td><td>56</td></tr>
<tr><td>Nest Hotel Matsuyama</td><td>36</td><td>58</td><td>94</td></tr>
</table>
</td></tr>
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<table>
<tr><td></td><td>
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<tr><td>Comfort Hotel Okayama</td><td>45</td><td>–</td><td>45</td></tr>
<tr><td>Comfort Hotel Kushiro</td><td>18</td><td>–</td><td>18</td></tr>
<tr><td>Comfort Hotel Suzuka</td><td>15</td><td>–</td><td>15</td></tr>
<tr><td>Other[1](Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, Hotel Livemax Nihombashi-Hakozaki, Grandpark-Inn Yokohama and Urbain Hiroshima Executive)</td><td>256</td><td>26</td><td>282</td></tr>
<tr><td>Total</td><td>952</td><td>799</td><td>1,752</td></tr>
</table>
[1] Figures for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, Hotel Livemax Nihombashi-Hakozaki, Grandpark-Inn Yokohama, and Urbain Hiroshima Executive are included in “Other” because the hotel operators did not provide consent to disclose hotel-specific data.
Retail: JPY 58 million of rental income from retail tenants at Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya.
</td></tr>
<tr><td>Operating Expenses</td><td>• Depreciation: JPY 314 million. Depreciation has been calculated using the straight-line method.
• Property and city planning taxes: JPY 107 million, which includes JPY 7 million for the 2 hotels acquired on March 27, 2017 and August 1, 2017, respectively.
• Building maintenance and repair expenses are based on what Ichigo Investment Advisors, the asset management company of Ichigo Hotel, estimates will be necessary for each hotel during the period. However, actual expenses for the period could differ significantly from these forecast amounts for reasons including the variability of maintenance and repair expenses, one-time costs due to unexpected building damage, etc.
• Rental expenses, Ichigo Hotel’s principal operating expense (other than depreciation, see above), are calculated based on historical data adjusted for anticipated expense variations.
• Actual operating expenses may differ significantly from these assumptions due to unforeseeable factors.</td></tr>
<tr><td>Non-Operating Expenses</td><td>• Interest expenses and other borrowing-related expenses: JPY 162 million
• Amortization of expenses related to the establishment of Ichigo Hotel and to new share issuance: JPY 25 million</td></tr>
<tr><td>Borrowings</td><td>• Total borrowings: JPY 21.75 billion as of July 31, 2018</td></tr>
<tr><td>Number of Shares</td><td>• 254,974 shares issued and outstanding as of March 15, 2018. The forecast assumes there will be no additional new issuance of shares through July 31, 2018.</td></tr>
<tr><td>Dividend</td><td>• The dividend forecast assumes that dividends will comply with the dividend distribution policy stipulated in Ichigo Hotel’s Articles of Incorporation.
• The dividend is subject to change due to factors such as sales of portfolio assets, changes in rental income associated with operator turnover, the occurrence of unexpected maintenance and repair costs, and fluctuations in interest rates.</td></tr>
<tr><td>Dividend in Excess of Earnings</td><td>• Ichigo Hotel does not plan on paying any Dividend in Excess of Earnings.</td></tr>
<tr><td>Other</td><td>• This forecast assumes that there are no material revisions to laws and regulations, the tax system, accounting standards, listing rules of the Tokyo Stock Exchange, and rules of the Investment Trusts Association, Japan, and no material changes in the state of the economy and real estate market conditions.</td></tr>
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Preconditions for January 2019 Fiscal Period Earnings Forecast

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<tr><td></td><td>Preconditions</td></tr>
<tr><td>Period</td><td>• August 1, 2018 to January 31, 2019 (184 days)</td></tr>
<tr><td>Number of Hotels</td><td>• 21 hotels</td></tr>
<tr><td>Operating Revenue</td><td>Within operating revenue, rental income is forecast based on current lease contracts taking into consideration such factors as hotel and market conditions.[1]

<u>Forecast Operating Performance[2]</u>

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<tr><td></td><td>January 2019 Fiscal Period</td></tr>
<tr><td>Occupancy[3]</td><td>93.6%</td></tr>
<tr><td>ADR[4]</td><td>JPY 8,997</td></tr>
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[2] The 12 variable rent hotels are: Smile Hotel Kyoto Shijo, Hotel Vista Premio Kyoto, Nest Hotel Sapporo Ekimae, Chisun Inn Osaka Hommachi, Nest Hotel Sapporo Odori, Valie Hotel Tenjin, Nest Hotel Osaka Shinsaibashi, Smile Hotel Tokyo Asagaya, Nest Hotel Naha, Smile Hotel Asakusa, Nest Hotel Matsuyama, and Hotel Wing International Nagoya
[3] Occupancy is calculated with the following formula:
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<u>Details of January 2019 Rental Income Forecast</u>
(JPY million)
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<tr><td>Hotel Vista Premio Kyoto</td><td>75</td><td>12</td><td>87</td></tr>
<tr><td>Nest Hotel Sapporo Ekimae</td><td>32</td><td>72</td><td>104</td></tr>
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<tr><td>Total</td><td>974</td><td>747</td><td>1,721</td></tr>
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Financial Statements

(1) Balance Sheet

(JPY thousand)

	July 2017 (July 31, 2017)	January 2018 (January 31, 2018)
Assets		
Current Assets		
Cash and cash equivalents	1,402,808	1,081,964
Cash and cash equivalents in trust	1,915,148	2,110,114
Accounts receivable	198,659	100,562
Prepaid expenses	120,227	133,180
Consumption taxes receivable	–	46,044
Total Current Assets	3,636,844	3,471,867
Fixed Assets		
Property, Plant, and Equipment		
Buildings	15,542,646	16,557,970
Depreciation	-689,707	-982,157
Buildings (net)	14,852,939	15,575,812
Structures	4,986	4,986
Depreciation	-198	-367
Structures (net)	4,787	4,618
Machinery and equipment	18,757	33,950
Depreciation	-1,355	-2,669
Machinery and equipment (net)	17,402	31,281
Fixtures	67,583	100,964
Depreciation	-8,589	-16,818
Fixtures (net)	58,994	84,145
Land	34,715,089	35,816,845
Buildings under construction	–	1,448
Total Property, Plant, and Equipment	49,649,212	51,514,152
Investments and Other Assets		
Tenant leasehold and security deposits	10,000	10,000
Long-term prepaid expenses	369,040	349,245
Total Investments and Other Assets	379,040	359,245
Total Fixed Assets	50,028,253	51,873,397
Capitalized Expenses		
Expenses related to REIT establishment	30,533	25,445
Share issuance expenses	65,343	44,990
Total Capitalized Expenses	95,877	70,436
Total Assets	53,760,975	55,415,701

(JPY thousand)

	July 2017 (July 31, 2017)	January 2018 (January 31, 2018)
Liabilities		
Current Liabilities		
Accounts payable	126,618	205,493
Long-term loans (due within one year)	–	3,250,000
Accounts payable – other	190,880	208,724
Accrued expenses	483	525
Income taxes payable	844	818
Consumption taxes payable	73,193	12,229
Advances received	80,753	90,086
Other	3,596	5,138
Total Current Liabilities	476,369	3,773,016
Long-Term Liabilities		
Long-term loans	19,950,000	18,500,000
Tenant leasehold and security deposits	638,115	703,095
Total Long-Term Liabilities	20,588,115	19,203,095
Total Liabilities	21,064,484	22,976,112
Net Assets		
Shareholders' Equity		
Shareholders' capital	31,897,545	31,897,545
Deduction from shareholders' capital (share buyback)	–	-299,921
Shareholders' capital (net)	31,897,545	31,597,623
Surplus		
Unappropriated retained earnings	798,944	841,965
Total Surplus	798,944	841,965
Total Shareholders' Equity	32,696,490	32,439,589
Total Net Assets	32,696,490	32,439,589
Total Liabilities and Net Assets	53,760,975	55,415,701

(2) Income Statement

(JPY thousand)

	July 2017 (February 1, 2017 to July 31, 2017)	January 2018 (August 1, 2017 to January 31, 2018)
Operating Revenue		
Rental income	1,662,619	1,758,202
Other rental income	25,365	23,820
Total Operating Revenue	1,687,985	1,782,023
Operating Expenses		
Rental expenses	444,931	463,912
Asset management fee	214,543	232,903
Custodian fee	3,999	4,032
Other administrative expenses	18,292	15,624
Directors' compensation	4,200	4,200
Other	28,153	27,103
Total Operating Expenses	714,120	747,776
Operating Profit	973,864	1,034,247
Non-Operating Income		
Interest income	15	15
Interest on tax refund	379	–
Total Non-Operating Income	395	15
Non-Operating Expenses		
Interest expenses	87,083	96,268
Borrowing-related expenses	62,184	67,427
Amortization of expenses related to REIT establishment	5,088	5,088
Amortization of share-issuance expenses	20,352	20,352
Other	2	2,516
Total Non-Operating Expenses	174,711	191,653
Recurring Profit	799,547	842,609
Pre-Tax Income	799,547	842,609
Income Taxes – Current	846	820
Total Income Taxes	846	820
Net Income	798,701	841,788
Retained Earnings Brought Forward	243	176
Unappropriated Retained Earnings	798,944	841,965

(3) Statement of Shareholders' Equity

Previous Period (July 2017 Fiscal Period)

(JPY thousand)

	Shareholders' Equity				Total Net Assets
	Paid-In Capital	Surplus		Total Shareholders' Equity	
		Unappropriated Retained Earnings	Total Surplus		
Balance as of February 1, 2017	31,897,545	808,284	808,284	32,705,830	32,705,830
Changes during the Period					
Dividends		-808,041	-808,041	-808,041	-808,041
Net Income		798,701	798,701	798,701	798,701
Total Changes	–	-9,339	-9,339	-9,339	-9,339
Balance as of July 31, 2017	31,897,545	798,944	798,944	32,696,490	32,696,490

Current Period (January 2018 Fiscal Period)

(JPY thousand)

	Shareholders' Equity				
	Paid-In Capital			Surplus	
	Paid-In Capital	Deduction from shareholders' capital	Shareholders' Capital (net)	Unappropriated Retained Earnings	Total Surplus
Balance as of August 1, 2017	31,897,545	–	31,897,545	798,944	798,944
Changes during the Period					
Dividend				-798,767	-798,767
Net Income				841,788	841,788
Share Buyback					
Shares Cancelled		-299,921	-299,921		
Total Changes	–	-299,921	-299,921	43,020	43,020
Balance as of January 31, 2018	31,897,545	-299,921	31,597,623	841,965	841,965

	Shareholders' Equity		Total Net assets
	Share Buyback	Total Shareholders' Equity	
Balance as of August 1, 2017	–	32,696,490	32,696,490
Changes during the Period			
Dividends		-798,767	-798,767
Net Income		841,788	841,788
Share Buyback	-299,921	-299,921	-299,921
Shares Cancelled	299,921	–	–
Total Changes	–	-256,900	-256,900
Balance as of January 31, 2018	–	32,439,589	32,439,589

(4) Cash Flow Statement

(JPY thousand)

	July 2017 (February 1, 2017 to July 31, 2017)	January 2018 (August 1, 2017 to January 31, 2018)
Cash Flows from Operations:		
Pre-tax income	799,547	842,609
Depreciation	280,255	302,163
Amortization of expenses related to REIT establishment	5,088	5,088
Amortization of share-issuance expenses	20,352	20,352
Interest income	-15	-15
Interest expense	87,083	96,268
Decrease (increase) in accounts receivable	-96,469	98,097
Decrease (increase) in consumption taxes receivable	718,442	-46,044
Decrease (increase) in prepaid expenses	6,698	-6,785
Decrease (increase) in long-term prepaid expenses	53,251	13,626
Increase (decrease) in accrued consumption taxes	73,193	-60,964
Increase (decrease) in accounts payable	-31,845	29,002
Increase (decrease) in accounts payable – other	8,577	17,844
Increase (decrease) in advances received	3,374	9,333
Other	-1,620	2,422
Sub-total	1,925,916	1,322,998
Interest income received	15	15
Interest expense paid	-87,077	-96,225
Income taxes paid	-957	-846
Net Cash from (Used for) Operations	1,837,897	1,225,943
Cash Flows from Investments:		
Acquisition of property, plant, and equipment	-1,841,059	-2,117,229
Decrease in tenant leasehold and security deposits in trust	-4,240	–
Increase in tenant leasehold and security deposits in trust	54,720	64,980
Net Cash from (Used for) Investments	-1,790,579	-2,052,249
Cash Flows from Financing:		
Proceeds from long-term loans	450,000	1,800,000
Share buyback	–	-302,433
Dividends paid	-805,287	-797,137
Net Cash from (Used for) Financing	-355,287	700,429
Net Decrease (Increase) in Cash and Cash Equivalents	-307,969	-125,877
Cash and Cash Equivalents at Beginning of Period	3,625,927	3,317,957
Cash and Cash Equivalents at End of Period	3,317,957	3,192,079

Material Matters after Closing of the Fiscal Period

None

Earnings Forecasts

Earnings Forecast for the July 2018 Fiscal Period (February 1, 2018 to July 31, 2018)

For details on preconditions, please refer to the "Preconditions for January 2018 Fiscal Period Earnings Forecast" on page 4.

Major factors of variation are as follows:

Increase in Operating Revenue
Increase in variable rent due to seasonal trends

Increase in Operating Expenses
Increase in property and city planning taxes and rental expenses from hotels acquired in March 2017 and August 2017

July 2018 Fiscal Period (February 1, 2018 to July 31, 2018)

Operating Revenue	JPY 1,810 million
Operating Profit	JPY 1,022 million
Recurring Profit	JPY 833 million
Net Income	JPY 833 million
Dividend per Share	JPY 3,267
Dividend in Excess of Earnings	–

Note: The above forecast is based on the preconditions on page 4.

Earnings Forecast for the January 2019 Fiscal Period (August 1, 2018 to January 31, 2019)

For details on preconditions, please refer to the "Preconditions for January 2019 Fiscal Period Earnings Forecast" on page 6.

Major factors of variation are as follows:

Decrease in Operating Revenue
Decrease in variable rent due to seasonal trends

July 2019 Fiscal Period (August 1, 2018 to January 31, 2019)

Operating Revenue	JPY 1,780 million
Operating Profit	JPY 996 million
Recurring Profit	JPY 807 million
Net Income	JPY 806 million
Dividend per Share	JPY 3,162
Dividend in Excess of Earnings	–

Note: The above forecast is based on the preconditions on page 6.

Details of Rental Income

(JPY thousand)

		Previous Period (February 1, 2017 to July 31, 2017)		Current Period (August 1, 2017 to January 31, 2018)	
A	Real Estate Rental Income				
	Real Estate Rental Income	1,662,619	1,662,619	1,758,202	1,758,202
	Other Rental Income				
	Utilities Income	19,217		18,999	
	Other	6,148	25,365	4,821	23,820
	Total Income		1,687,985		1,782,023
B	Real Estate Rental Expenses				
	Rental Expenses				
	Outsourcing Fees	16,472		17,721	
	Utilities	19,539		19,558	
	Trust Fees	7,478		8,200	
	Depreciation Expense	280,255		302,163	
	Repair Expenses	19,432		15,949	
	Property and City Planning Taxes	98,347		97,009	
	Insurance	2,502		2,618	
	Other Expenses	903		691	
	Total Expenses		444,931		463,912
C	Net Rental Income (A) – (B)		1,243,053		1,318,111

Notes to Statement of Shareholders' Equity

	July 2017 (February 1, 2017 to July 31, 2017)	January 2018 (August 1, 2017 to January 31, 2018)
Number of Authorized Shares	10,000,000	10,000,000
Number of Issued & Outstanding Shares	257,584	254,974

Notes to Cash Flow Statement

Relationship between Cash and Cash Equivalents at End of the Period and Items Shown on the Balance Sheet

(JPY thousand)

	July 2017 (February 1, 2017 to July 31, 2017)	January 2018 (August 1, 2017 to January 31, 2018)
Cash and deposits	1,402,808	1,081,964
Cash and deposits in trust	1,915,148	2,110,114
Cash and cash equivalents	3,317,957	3,192,079

Notes to Derivative Transactions

1. Non-Hedge Accounting

N/A

2. Hedge Accounting

Previous Fiscal Period (July 2017)

(JPY thousand)

Accounting Method	Transaction Type	Hedging Target	Contract Amount		Market Value	Method of Marking to Market
				>1 year		
Special Treatment of Interest Rate Swap method	Interest rate swap (pay fixed, receive floating)	Long-term loan	16,050,000 Note 1	16,050,000 Note 1	-2,363 Note 2	Note 3

Note 1: Includes interest rate swaps entered into on July 28, 2017 for a notional principal of JPY 1.8 billion to cover new loans executed on August 1, 2017.

Note 2: Includes the July 31, 2017 market value of a swap executed on July 28, 2017 because the swap could not be accounted for under the Special Treatment of Interest Rate Swap Method (due to the swap start date being August 1, 2017). All other interest rate swaps accounted under the Special Treatment of Interest Rate Swap method are accounted together with the hedging targets (long-term loans), and therefore their market values are included in the balance sheet as part of Long-Term Loans.

Note 3: Market value is the price provided by the financial institution that is counterparty to the swap.

Current Fiscal Period (January 2018)

(JPY thousand)

Accounting Method	Transaction Type	Hedging Target	Contract Amount		Market Value	Method of Marking to Market
				>1 year		
Special Treatment of Interest Rate Swap method	Interest rate swap (pay fixed, receive floating)	Long-term loan	16,050,000	16,050,000	Note	–

Note : Interest rate swaps accounted under the Special Treatment of Interest Rate Swap method are accounted together with the hedging target (in this case, a long-term loan), and therefore their market values are included in the balance sheet as part of Long-Term Loans.

Major Tenants (Hotel Operators)

Previous Fiscal Period (July 2017)

(JPY thousand)

Name	Ichigo Hotel Operating Revenue
Nest Hotel Japan Corporation	631,906
K.K. Hospitality Operations	306,673
Greens Co., Ltd.	286,566

Current Fiscal Period (January 2018)

(JPY thousand)

Name	Ichigo Hotel Operating Revenue
Nest Hotel Japan Corporation	683,193
Greens Co., Ltd.	286,566
K.K. Hospitality Operations	276,898

Per Share Information

(JPY)

	July 2017 (February 1, 2017 to	January 2018 (August 1, 2017 to
Net Assets per Share	126,935	127,227
Net Income per Share	3,100	3,285

Note: Net Income per Share is calculated by dividing the Net Asset per Share by the average number of shares in the period. Diluted Net Income per Share is not stated, because there are no dilutive shares.

	July 2017 (February 1, 2017 to	January 2018 (August 1, 2017 to
Net Income (JPY thousand)	798,701	841,788
Income not attributable to common shareholders (JPY thousand)	–	–
Net Income attributable to common shareholders (JPY thousand)	798,701	841,788
Average number of shares in the period	257,584	256,182

New Share Issuances

Date	Method	Total Number of Shares		Issue Amount[1] (JPY million)	
		Issued	Outstanding	Change	Total
July 22, 2015	REIT Establishment[2]	3,000	3,000	300	300
November 27, 2015	IPO[3]	129,000	132,000	13,181	13,481
December 22, 2015	Third-Party Allotment to Underwriter (Greenshoe)[4]	6,500	138,500	664	14,145
August 16, 2016	Public Offering[5]	115,800	254,300	17,262	31,408
September 13, 2016	Third-Party Allotment to Underwriter (Greenshoe)[6]	3,284	257,584	489	31,897
December 11, 2017	Share Cancellation[7]	-2,610	254,974	-299	31,597

[1] Issue amount excludes deduction from shareholders' capital (share buyback).
[2] Upon establishment of this REIT, new shares were issued at JPY 100,000 per share.
[3] New shares were issued via public offering at JPY 106,000 per share (proceeds to Ichigo Hotel of JPY 102,184 per share) to procure funds for asset acquisitions.
[4] New shares were issued via third-party allotment to the underwriter (Greenshoe) at JPY 102,184 per share to procure funds to repay debt.
[5] New shares were issued via public offering at JPY 154,537 (proceeds to Ichigo Hotel of JPY 149,068 per share) to procure funds for asset acquisitions.
[6] New shares were issued via third-party allotment to the underwriter (Greenshoe) at JPY 149,068 per share to procure funds to repay debt.
[7] Ichigo Hotel conducted a share buyback from October 11 to November 9, 2017. Ichigo Hotel cancelled all of the shares from the buyback (2,610 shares) on December 11, 2017.

Portfolio Information

Portfolio Composition by Region (Book Value)

	Region	January 2018 Fiscal Period	
		Total (JPY million)	% of Total
Trust beneficiary interest in real estate (juekiken)	Hokkaido	3,935	7.1
	Kanto	1,509	2.7
	Tokyo	7,257	13.1
	Hokuriku & Tokai	9,810	17.7
	Kinki	19,028	34.3
	Chugoku & Shikoku	4,733	8.5
	Kyushu & Okinawa	5,238	9.5
Sub-total		51,512	93.0
Deposits & Other Assets		3,902	7.0
Total Assets		55,415	100.0

Regions are defined as follows:

Hokkaido	Hokkaido, Aomori, Iwate, Miyagi, Akita, Yamagata, and Fukushima Prefectures
Kanto	Kanagawa, Saitama, Chiba, Ibaraki, Tochigi, Gunma, Yamanashi, Niigata, and Nagano Prefectures
Tokyo	Tokyo
Hokuriku & Tokai	Toyama, Ishikawa, Fukui, Gifu, Shizuoka, Aichi, and Mie Prefectures
Kinki	Osaka, Hyogo, Kyoto, Shiga, Nara, and Wakayama Prefectures
Chugoku & Shikoku	Tottori, Shimane, Okayama, Hiroshima, Yamaguchi, Kagawa, Tokushima, Kochi, and Ehime Prefectures
Kyushu & Okinawa	Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, and Okinawa Prefectures

Hotel Acquisition Price, Book Value, Appraisal Value, and Portfolio Weighting

(as of January 31, 2018)

Hotel No.	Hotel Name	Acquisition Price (JPY million)	Book Value (JPY million)	Appraisal Value (JPY million)	Portfolio Weighting (%)	Collateralized
001	Smile Hotel Kyoto Shijo	4,480	4,524	4,990	8.8	No
002	Hotel Vista Premio Kyoto	3,600	3,598	4,050	7.1	No
003	Hotel Wing International Nagoya	2,670	2,701	2,910	5.2	No
004	Nest Hotel Sapporo Ekimae	2,160	2,153	2,440	4.2	No
005	Chisun Inn Osaka Hommachi	1,630	1,670	1,990	3.2	No
006	Comfort Hotel Hamamatsu	1,550	1,508	1,810	3.0	No
007	Hotel Suave Kobe Asuta	1,490	1,456	1,700	2.9	No
008	Nest Hotel Sapporo Odori	1,450	1,481	1,680	2.8	No
009	Valie Hotel Tenjin	1,380	1,434	2,090	2.7	No
010	Nest Hotel Osaka Shinsaibashi	7,600	7,778	7,690	14.9	No
011	Comfort Hotel Central International Airport	5,308	5,302	5,880	10.4	No
012	Smile Hotel Tokyo Asagaya	3,910	3,983	4,050	7.7	No
013	Nest Hotel Naha	3,750	3,803	4,090	7.4	No
014	Smile Hotel Asakusa	1,920	1,922	2,130	3.8	No
015	Nest Hotel Matsuyama	1,610	1,660	1,770	3.2	No
016	Hotel Livemax Nihombashi-Hakozaki	1,360	1,351	1,440	2.7	No
017	Comfort Hotel Okayama	1,200	1,202	1,240	2.4	No
018	Comfort Hotel Kushiro	300	300	421	0.6	No
019	Comfort Hotel Suzuka	300	298	377	0.6	No
020	Grandpark-Inn Yokohama	1,490	1,509	1,560	2.9	No
021	Urbain Hiroshima Executive	1,800	1,870	2,080	3.5	No
Total		50,958	51,512	56,388	100.0	−

Hotel Location, Rent, Occupancy, and Structural Details

(as of January 31, 2018)

Hotel Type	Hotel No.	Hotel Name	Location	Land Area (m^2)	Total Floor Area (m^2)	Construction Date	Fixed Rent p.a. (JPY million)	Total Leased Area (m^2)	Total Leasable Area (m^2)	Occupancy (%)	No. of Operators/ Tenants	Total No. of Guest Rooms
Stay-Only	001	Smile Hotel Kyoto Shijo	Kyoto	662.83	4,891.84	Jan 1991	65	4,891.84	4,891.84	100.0	1	140
	002	Hotel Vista Premio Kyoto	Kyoto	1,004.91	3,867.66	Jun 2008	150	3,867.66	3,867.66	100.0	3	84
	003	Hotel Wing International Nagoya	Nagoya	603.37	5,255.66	Oct 1984	Not Disclosed	5,255.66	5,255.66	100.0	1	220
	004	Nest Hotel Sapporo Ekimae	Sapporo	897.96	5,734.93	Jun 1984	63	5,734.93	5,734.93	100.0	1	162
	005	Chisun Inn Osaka Hommachi	Osaka	596.21	3,568.32	Oct 1982	76	3,690.00	3,690.00	100.0	2	130
	006	Comfort Hotel Hamamatsu	Hamamatsu, Shizuoka	835.12	4,173.92	Sep 2009	110	4,173.92	4,173.92	100.0	1	196
	007	Hotel Suave Kobe Asuta	Kobe	838.88	4,540.90	Jan 2008	Not Disclosed	4,633.16	4,633.16	100.0	1	133
	008	Nest Hotel Sapporo Odori	Sapporo	811.69	5,634.88	Aug 1992	47	5,638.78	5,638.78	100.0	1	121
	009	Valie Hotel Tenjin	Fukuoka	788.62	1,910.94	Mar 1994	46	1,910.94	1,910.94	100.0	1	77
	010	Nest Hotel Osaka Shinsaibashi	Osaka	1,072.78	7,968.49	Aug 1984	128	8,057.26	8,057.26	100.0	1	302
	011	Comfort Hotel Central International Airport	Tokoname, Aichi	6,637.11	11,599.63	Nov 2004 Jun 2006	302	11,599.63	11,599.63	100.0	1	346
	012	Smile Hotel Tokyo Asagaya	Tokyo	919.72	2,732.47	Jan 1993	58	2,721.70	2,721.70	100.0	8	112
	013	Nest Hotel Naha	Naha, Okinawa	2,322.62	9,240.20	Feb 1975	100	9,240.20	9,240.20	100.0	1	198
	014	Smile Hotel Asakusa	Tokyo	361.38	1,793.43	Sep 1992	31	1,793.43	1,793.43	100.0	1	96
	015	Nest Hotel Matsuyama	Matsuyama, Ehime	1,692.01	6,671.94	Nov 1988	70	6,671.94	6,671.94	100.0	1	190
	016	Hotel Livemax Nihombashi-Hakozaki	Tokyo	123.54	853.00	Feb 2015	Not Disclosed	853.00	853.00	100.0	1	48
	017	Comfort Hotel Okayama	Okayama	986.26	5,543.70	Nov 1983	91	5,543.70	5,543.70	100.0	1	208
	018	Comfort Hotel Kushiro	Kushiro, Hokkaido	895.05	3,180.58	Aug 2009	36	3,180.58	3,180.58	100.0	1	126
	019	Comfort Hotel Suzuka	Suzuka, Mie	553.26	2,186.65	Jul 2007	30	2,186.65	2,186.65	100.0	1	105
	020	Grandpark-Inn Yokohama	Yokohama	516.22	1,183.26	Dec 1993	Not Disclosed	1,183.26	1,183.26	100.0	1	175
	021	Urbain Hiroshima Executive	Hiroshima	693.96	2,756.20	Jun 2008	Not Disclosed	2,756.20	2,756.20	100.0	1	171
Total/Average			—	23,813.50	95,288.60	—	1,411	95,584.44	95,584.44	100.0	31	3,340

Appraisal Data

(as of January 31, 2018)

Hotel Type	Hotel No.	Hotel Name	Appraiser	Appraisal Value (JPY million)	Value via Cost Approach (JPY million)	Value (JPY million)						Appraisal NOI yield (%)	Post-Depreciation NOI yield (%)
						Value by Direct Capitalization Method	Cap Rate (%)	Value via DCF Method	Discount Rate (%)	Terminal Cap Rate (%)	Appraisal NOI (JPY thousand)		
Stay-Only	001	Smile Hotel Kyoto Shijo	The Tanizawa Sogo Appraisal Co., Ltd.	4,990	4,980	5,080	4.6	4,950	4.7	4.8	250,910	5.6	4.9
	002	Hotel Vista Premio Kyoto	Daiwa Real Estate Appraisal Co., Ltd.	4,050	3,800	4,110	4.3	4,020	4.1	4.5	181,500	5.0	4.3
	003	Hotel Wing International Nagoya	Daiwa Real Estate Appraisal Co., Ltd.	2,910	2,320	2,940	4.9	2,890	4.7	5.1	157,643	5.9	5.3
	004	Nest Hotel Sapporo Ekimae	Daiwa Real Estate Appraisal Co., Ltd.	2,440	1,200	2,450	5.4	2,440	5.2	5.6	154,989	7.2	6.0
	005	Chisun Inn Osaka Hommachi	Daiwa Real Estate Appraisal Co., Ltd.	1,990	1,420	2,020	4.5	1,980	4.3	4.7	98,963	6.1	5.4
	006	Comfort Hotel Hamamatsu	The Tanizawa Sogo Appraisal Co., Ltd.	1,810	1,670	1,820	5.4	1,810	5.4	5.6	102,594	6.6	4.8
	007	Hotel Suave Kobe Asuta	The Tanizawa Sogo Appraisal Co., Ltd.	1,700	1,600	1,740	4.9	1,680	4.8 (1st year) 5.0 (2nd year on)	5.1	90,742	6.1	4.4
	008	Nest Hotel Sapporo Odori	Daiwa Real Estate Appraisal Co., Ltd.	1,680	1,370	1,670	5.3	1,690	5.1	5.5	106,595	7.4	4.9
	009	Valie Hotel Tenjin	Japan Real Estate Institute	2,090	1,300	2,120	4.5	2,060	4.3	4.7	103,437	7.5	6.3
	010	Nest Hotel Osaka Shinsaibashi	Daiwa Real Estate Appraisal Co., Ltd.	7,690	2,640	7,770	4.5	7,660	4.3	4.7	399,433	5.3	4.4
	011	Comfort Hotel Central International Airport	Daiwa Real Estate Appraisal Co., Ltd.	5,880	6,240	5,970	4.0	5,840	3.8	4.2	266,458	5.0	3.9
	012	Smile Hotel Tokyo Asagaya	Daiwa Real Estate Appraisal Co., Ltd.	4,050	1,120	4,110	4.4	4,030	4.2	4.6	197,901	5.1	3.9
	013	Nest Hotel Naha	Daiwa Real Estate Appraisal Co., Ltd.	4,090	1,310	4,130	5.3	4,070	5.1	5.5	244,653	6.5	4.8
	014	Smile Hotel Asakusa	Daiwa Real Estate Appraisal Co., Ltd.	2,130	557	2,160	4.1	2,120	3.9	4.3	99,529	5.2	3.8
	015	Nest Hotel Matsuyama	Daiwa Real Estate Appraisal Co., Ltd.	1,770	1,100	1,770	5.7	1,770	5.5	5.9	125,892	7.8	5.4
	016	Hotel Livemax Nihombashi-Hakozaki	Daiwa Real Estate Appraisal Co., Ltd.	1,440	600	1,460	4.5	1,430	4.3	4.7	66,180	4.9	3.5
	017	Comfort Hotel Okayama	Daiwa Real Estate Appraisal Co., Ltd.	1,240	541	1,230	5.3	1,240	5.1	5.5	79,308	6.6	4.6

Hotel Type	Hotel No.	Hotel Name	Appraiser	Appraisal Value (JPY million)	Value via Cost Approach (JPY million)	Value (JPY million)						Appraisal NOI yield (%)	Post-Depreciation NOI yield (%)
						Value by Direct Capitalization Method	Cap Rate (%)	Value via DCF Method	Discount Rate (%)	Terminal Cap Rate (%)	Appraisal NOI (JPY thousand)		
Stay-Only	018	Comfort Hotel Kushiro	Daiwa Real Estate Appraisal Co., Ltd.	421	815	420	5.5	421	5.3	5.7	23,367	7.8	4.8
	019	Comfort Hotel Suzuka	Daiwa Real Estate Appraisal Co., Ltd.	377	407	377	5.0	377	4.8	5.2	23,084	7.7	5.0
	020	Grandpark-Inn Yokohama	Daiwa Real Estate Appraisal Co., Ltd.	1,560	1,790	1,600	4.6	1,540	4.4	4.9	73,790	5.0	4.7
	021	Urbain Hiroshima Executive	Daiwa Real Estate Appraisal Co., Ltd.	2,080	1,370	2,090	5.3	2,070	5.1	5.5	113,455	6.3	4.8
Total/Average				56,388	38,150	57,037	4.7	56,088	—	—	2,960,431	5.8	4.6

Major Tenant Data (Hotel Operators)

Name	Industry	Hotel	Fixed Rent in Jan 2018 Fiscal Period		Total Leased Area	
			(JPY million)	Ratio (%)[1]	(m^2)	Ratio (%)
Nest Hotel Japan Corporation	Hotel Operation	Nest Hotel Sapporo Ekimae Nest Hotel Sapporo Odori Nest Hotel Osaka Shinsaibashi Nest Hotel Naha Nest Hotel Matsuyama	214	22.0	35,339.21	37.0
Greens Co., Ltd.	Hotel Operation	Comfort Hotel Hamamatsu Comfort Hotel Central International Airport Comfort Hotel Okayama Comfort Hotel Kushiro Comfort Hotel Suzuka	286	29.4	26,684.48	27.9

Note: Covers operators occupying more than 10% of total leasable area.

[1] Expressed as a ratio to total fixed rent for the portfolio as of January 31, 2018.

Individual Hotel Financials

(JPY thousand)

Hotel No.	Total	001	002	004	005	006	008
Hotel Name		Smile Hotel Kyoto Shijo	Hotel Vista Premio Kyoto	Nest Hotel Sapporo Ekimae	Chisun Inn Osaka Hommachi	Comfort Hotel Hamamatsu	Nest Hotel Sapporo Odori
(A) Rental Income	1,782,023	136,212	92,547	103,563	40,408	55,361	86,470
Fixed Rent	974,852	34,644	75,000	32,392	39,600	55,361	23,385
Variable Rent	748,007	101,567	17,547	71,170	789	–	62,885
Other Rent	59,163	–	–	–	19	–	200
(B) Rental Expenses	161,749	7,680	9,191	9,428	4,774	3,446	12,081
Outsourcing Fees	17,721	606	1,475	600	900	600	600
Insurance	2,618	154	103	150	102	96	158
Repair Expenses	15,949	1,760	319	3,145	271	–	2,382
Taxes	97,009	4,799	6,878	5,103	3,140	2,478	8,304
Other Expenses	28,450	360	414	429	360	271	636
(C) NOI (A) - (B)	1,620,274	128,531	83,355	94,134	35,634	51,915	74,388
(D) Depreciation	302,163	15,446	12,777	12,705	5,172	14,390	17,842
(E) Net Rental Income (C) - (D)	1,318,111	113,085	70,577	81,428	30,461	37,525	56,546

(JPY thousand)

Hotel No.	009	010	011	012	013	014	015
Hotel Name	Valie Hotel Tenjin	Nest Hotel Osaka Shinsaibashi	Comfort Hotel Central International Airport	Smile Hotel Tokyo Asagaya	Nest Hotel Naha	Smile Hotel Asakusa	Nest Hotel Matsuyama
(A) Rental Income	62,046	233,359	151,441	91,730	153,442	48,955	106,560
Fixed Rent	24,752	63,974	151,441	28,372	59,109	15,476	35,558
Variable Rent	37,293	169,384	–	63,358	94,333	33,478	70,999
Other Rent	–	–	–	–	–	–	3
(B) Rental Expenses	4,465	15,096	14,092	8,041	9,321	4,475	6,185
Outsourcing Fees	600	1,200	570	2,320	1,080	600	1,080
Insurance	56	248	282	88	240	57	201
Repair Expenses	226	848	227	1,787	2,916	1,052	461
Taxes	3,221	12,392	12,604	3,435	4,667	2,357	4,028
Other Expenses	360	407	407	408	417	408	415
(C) NOI (A) - (B)	57,580	218,262	137,349	83,688	144,121	44,479	100,375
(D) Depreciation	8,457	32,330	29,088	23,422	31,638	13,276	19,086
(E) Net Rental Income (C) - (D)	49,123	185,932	108,261	60,266	112,482	31,203	81,289

(JPY thousand)

Hotel No.	017	018	019	
Hotel Name	Comfort Hotel Okayama	Comfort Hotel Kushiro	Comfort Hotel Suzuka	Other
(A) Rental Income	46,000	18,419	15,442	340,060
Fixed Rent	45,900	18,419	15,442	256,020
Variable Rent	–	–	–	25,199
Other Rent	100	–	–	58,840
(B) Rental Expenses	5,766	5,464	2,817	39,419
Outsourcing Fees	900	900	540	3,150
Insurance	142	83	48	401
Repair Expenses	212	–	–	338
Taxes	4,101	4,070	1,821	13,605
Other Expenses	411	409	407	21,923
(C) NOI (A) - (B)	40,233	12,955	12,625	300,641
(D) Depreciation	11,983	4,550	4,072	45,921
(E) Net Rental Income (C) - (D)	28,249	8,404	8,552	254,720

Note: Hotel operator rental income for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, Hotel Livemax Nihombashi-Hakozaki, Grandpark-Inn Yokohama, and Urbain Hiroshima Executive, and retail tenant rental income for Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya are included in Other, as the operators did not provide consent to disclose the data. The NOI and Depreciation of hotels included in Other are as follows:

	Hotel Wing International Nagoya	Hotel Suave Kobe Asuta	Hotel Livemax Nihombashi-Hakozaki	Grandpark-Inn Yokohama	Urbain Hiroshima Executive
NOI	78,272	46,601	33,160	40,058	63,346
Depreciation	8,451	12,693	9,106	2,241	13,428

Individual Hotel Operating Results

ADR = Average Daily Rate
RevPAR = Revenue per Available Room
GOP = Gross Operating Profit

001 Smile Hotel Kyoto Shijo

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	100.1	99.9	100.0	99.4	99.7	99.6	99.9	100.0	100.0	99.6	99.4	95.0	99.4
ADR (JPY)	7,274	11,356	19,027	10,002	6,721	8,840	8,209	8,040	11,102	16,099	8,651	6,518	10,166
RevPAR (JPY)	7,283	11,348	19,018	9,939	6,703	8,803	8,204	8,044	11,107	16,030	8,601	6,192	10,104
Revenue (JPY million)	30	51	83	45	30	41	38	36	51	70	39	28	543
GOP (JPY million)	15	34	60	29	16	24	20	19	33	51	22	13	335

002 Hotel Vista Premio Kyoto

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	89.5	93.1	92.7	91.5	86.1	86.1	90.1	90.2	93.7	95.2	79.6	61.3	87.4
ADR (JPY)	11,150	15,733	20,215	14,775	11,170	13,831	12,946	11,890	15,518	19,810	13,299	10,693	14,436
RevPAR (JPY)	9,979	14,646	18,731	13,521	9,619	11,903	11,663	10,720	14,535	18,851	10,592	6,558	12,611
Revenue (JPY million)	25	40	50	38	26	33	33	29	41	50	29	18	414
GOP (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: The operator did not give consent to disclose information on GOP.

003 Hotel Wing International Nagoya

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	92.5	88.7	90.7	87.6	86.9	90.6	97.3	91.1	92.0	93.7	87.2	74.7	89.4
ADR (JPY)	6,474	6,773	6,558	6,521	6,362	6,834	6,970	6,559	6,941	6,664	6,354	5,776	6,583
RevPAR (JPY)	5,990	6,008	5,951	5,710	5,530	6,188	6,781	5,976	6,385	6,241	5,543	4,314	5,883
Revenue (JPY million)	41	46	44	44	42	47	52	44	49	46	43	34	532
GOP (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: The operator did not give consent to disclose information on GOP.

004 Nest Hotel Sapporo Ekimae

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	96.5	97.8	97.4	98.0	98.4	97.8	98.5	97.5	96.4	94.7	95.8	97.0	97.1
ADR (JPY)	11,641	6,293	5,421	8,524	11,341	13,131	11,765	11,522	8,197	6,260	6,954	6,904	8,992
RevPAR (JPY)	11,233	6,153	5,279	8,353	11,159	12,838	11,590	11,235	7,898	5,925	6,663	6,699	8,736
Revenue (JPY million)	58	42	38	49	63	73	65	63	48	36	46	43	623
GOP (JPY million)	31	15	13	24	37	45	38	37	23	12	20	16	309

005 Chisun Inn Osaka Hommachi

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	94.1	95.2	94.1	80.8	87.6	93.6	95.5	90.6	91.6	88.5	88.7	94.6	91.2
ADR (JPY)	7,763	8,392	8,968	7,980	7,263	7,997	8,402	7,864	7,956	8,256	8,257	6,828	7,998
RevPAR (JPY)	7,308	7,986	8,439	6,452	6,364	7,483	8,026	7,126	7,291	7,306	7,327	6,458	7,297
Revenue (JPY million)	27	32	33	26	25	30	32	28	29	28	30	26	346
GOP (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: The operator did not give consent to disclose information on GOP.

006 Comfort Hotel Hamamatsu

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	74.8	88.6	81.8	77.0	74.7	81.3	84.6	79.6	80.8	85.0	77.1	71.5	79.7
ADR (JPY)	6,232	6,652	5,850	6,739	5,526	5,952	6,565	5,743	6,092	5,789	5,561	5,499	6,031
RevPAR (JPY)	4,662	5,891	4,785	5,186	4,129	4,838	5,553	4,569	4,921	4,920	4,287	3,930	4,809
Revenue (JPY million)	26	36	28	32	24	29	34	27	30	29	26	24	344
GOP (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: The operator did not give consent to disclose information on GOP.

007 Hotel Suave Kobe Asuta

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	–	–	–	–	–	–	–	–	–	–	–	–	–
ADR (JPY)	–	–	–	–	–	–	–	–	–	–	–	–	–
RevPAR (JPY)	–	–	–	–	–	–	–	–	–	–	–	–	–
Revenue (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–
GOP (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: The operator did not give consent to disclose information on operating results.

008 Nest Hotel Sapporo Odori

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	94.2	95.5	96.7	97.4	97.7	97.7	97.7	97.4	96.5	94.7	95.6	98.0	96.6
ADR (JPY)	13,926	7,034	6,378	9,783	12,725	15,899	14,358	13,859	9,980	8,300	8,872	8,517	10,794
RevPAR (JPY)	13,125	6,721	6,167	9,528	12,438	15,526	14,021	13,493	9,634	7,859	8,484	8,349	10,428
Revenue (JPY million)	47	29	26	40	49	62	57	53	40	32	36	36	508
GOP (JPY million)	26	10	8	20	28	40	34	32	20	12	16	13	260

009 Valie Hotel Tenjin

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	91.8	92.3	87.5	86.2	87.4	92.0	94.3	90.3	89.9	92.8	92.2	82.1	89.9
ADR (JPY)	9,912	9,514	8,897	9,742	8,416	9,674	9,665	9,866	10,424	9,975	9,929	8,204	9,534
RevPAR (JPY)	9,103	8,781	7,784	8,395	7,360	8,899	9,118	8,905	9,367	9,253	9,156	6,733	8,570
Revenue (JPY million)	21	23	20	22	19	23	24	22	24	23	24	18	262
GOP (JPY million)	11	13	10	11	8	12	12	11	13	13	13	7	134

010 Nest Hotel Osaka Shinsaibashi

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	99.2	99.0	99.1	97.6	98.5	98.2	98.4	98.0	97.7	97.8	96.5	94.3	97.8
ADR (JPY)	8,603	9,048	9,124	8,667	8,055	8,824	9,334	8,560	9,064	9,330	9,346	8,745	8,895
RevPAR (JPY)	8,532	8,955	9,041	8,460	7,932	8,662	9,183	8,387	8,855	9,128	9,020	8,243	8,702
Revenue (JPY million)	80	90	90	86	78	88	93	82	89	89	91	83	1,039
GOP (JPY million)	49	57	58	53	48	56	60	50	59	58	66	47	661

011 Comfort Hotel Central International Airport

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	89.9	83.2	90.1	87.9	87.8	93.7	93.5	86.3	88.1	86.1	83.6	87.0	88.1
ADR (JPY)	9,125	8,763	9,073	9,098	9,026	9,115	9,283	8,836	9,121	9,115	9,007	9,050	9,054
RevPAR (JPY)	8,204	7,288	8,172	7,993	7,927	8,540	8,683	7,630	8,036	7,846	7,530	7,872	7,976
Revenue (JPY million)	89	87	95	96	91	102	103	88	96	91	90	94	1,122
GOP (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: The operator did not give consent to disclose information on GOP.

012 Smile Hotel Tokyo Asagaya

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	98.9	98.6	99.0	99.1	82.7	93.1	98.9	98.9	91.2	77.6	88.2	98.9	93.8
ADR (JPY)	9,115	8,769	10,040	8,018	7,692	8,281	8,619	8,361	9,369	9,680	9,486	7,962	8,768
RevPAR (JPY)	9,011	8,648	9,942	7,944	6,364	7,706	8,525	8,269	8,540	7,514	8,366	7,872	8,221
Revenue (JPY million)	29	30	34	28	22	27	30	29	31	26	30	28	345
GOP (JPY million)	18	19	24	17	11	17	19	17	20	16	17	16	211

013 Nest Hotel Naha

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	96.2	94.3	90.1	77.5	76.6	90.3	95.2	92.2	88.6	87.6	86.1	83.6	88.1
ADR (JPY)	10,303	9,914	8,299	9,184	8,607	10,462	12,021	9,873	10,527	10,543	9,904	8,718	9,913
RevPAR (JPY)	9,908	9,346	7,473	7,121	6,595	9,445	11,440	9,098	9,330	9,237	8,524	7,287	8,737
Revenue (JPY million)	71	80	64	63	59	77	90	71	81	82	83	67	887
GOP (JPY million)	29	34	23	21	17	32	42	29	31	34	35	23	349

014 Smile Hotel Asakusa

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	96.3	97.2	97.6	97.6	97.6	96.9	95.8	93.9	95.3	93.9	91.6	90.0	95.3
ADR (JPY)	7,331	7,550	7,958	7,420	6,778	7,297	6,864	6,785	7,386	7,281	7,295	6,172	7,182
RevPAR (JPY)	7,058	7,336	7,765	7,243	6,614	7,069	6,573	6,368	7,041	6,839	6,685	5,556	6,843
Revenue (JPY million)	20	23	23	22	20	22	20	19	22	21	21	17	251
GOP (JPY million)	10	12	13	11	11	12	9	9	11	10	11	6	125

015 Nest Hotel Matsuyama

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	84.2	90.6	87.8	87.7	87.2	85.9	92.3	94.9	94.4	92.5	89.3	79.0	88.8
ADR (JPY)	5,970	5,944	5,652	6,898	5,588	6,141	6,175	8,154	8,696	7,148	5,734	5,575	6,510
RevPAR (JPY)	5,028	5,383	4,964	6,050	4,871	5,273	5,702	7,736	8,212	6,614	5,120	4,404	5,783
Revenue (JPY million)	39	47	44	51	42	46	48	60	61	51	52	38	579
GOP (JPY million)	15	20	18	24	17	19	20	33	33	24	22	13	257

016 Hotel Livemax Nihombashi-Hakozaki

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	–	–	–	–	–	–	–	–	–	–	–	–	–
ADR (JPY)	–	–	–	–	–	–	–	–	–	–	–	–	–
RevPAR (JPY)	–	–	–	–	–	–	–	–	–	–	–	–	–
Revenue (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–
GOP (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: The operator did not give consent to disclose information on operating results.

017 Comfort Hotel Okayama

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	86.6	85.9	89.3	87.0	82.7	83.8	92.2	88.3	89.9	91.0	88.5	86.4	87.6
ADR (JPY)	5,615	5,708	5,867	6,542	5,861	5,979	7,001	6,360	6,852	6,680	5,560	5,262	6,121
RevPAR (JPY)	4,863	4,901	5,240	5,693	4,846	5,013	6,457	5,617	6,158	6,081	4,918	4,545	5,364
Revenue (JPY million)	30	33	34	38	32	34	43	36	41	39	33	31	425
GOP (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: The operator did not give consent to disclose information on GOP.

018 Comfort Hotel Kushiro

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	73.4	72.7	65.5	72.1	81.0	89.3	89.3	91.5	82.3	72.7	69.7	58.4	76.5
ADR (JPY)	4,550	4,286	4,308	4,923	4,449	6,043	7,458	7,038	6,005	4,889	4,531	4,546	5,371
RevPAR (JPY)	3,338	3,118	2,822	3,550	3,601	5,398	6,662	6,436	4,941	3,554	3,160	2,657	4,109
Revenue (JPY million)	13	13	12	15	15	22	26	24	19	13	12	10	195
GOP (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: The operator did not give consent to disclose information on GOP.

019 Comfort Hotel Suzuka

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	71.5	90.8	82.9	74.9	84.2	82.2	92.6	68.3	80.6	83.0	73.4	63.6	79.1
ADR (JPY)	5,126	5,594	5,618	5,996	5,820	6,289	6,483	5,482	7,476	6,146	5,573	5,050	5,929
RevPAR (JPY)	3,665	5,077	4,655	4,493	4,902	5,168	6,005	3,744	6,025	5,100	4,092	3,213	4,687
Revenue (JPY million)	11	17	15	15	16	17	20	12	20	16	14	11	182
GOP (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: The operator did not give consent to disclose information on GOP.

020 Grandpark-Inn Yokohama

	2017											2018	Average/
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Cumulative
Occupancy (%)	–	–	–	–	–	–	–	–	–	–	–	–	–
ADR (JPY)	–	–	–	–	–	–	–	–	–	–	–	–	–
RevPAR (JPY)	–	–	–	–	–	–	–	–	–	–	–	–	–
Revenue (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–
GOP (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: The operator did not give consent to disclose information on operating results.

021 Urbain Hiroshima Executive

	2017											2018	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	–	–	–	–	–	–	92.4	91.6	90.2	90.9	85.5	72.0	87.1
ADR (JPY)	–	–	–	–	–	–	7,282	6,851	7,215	7,151	6,550	6,310	6,917
RevPAR (JPY)	–	–	–	–	–	–	6,727	6,273	6,510	6,502	5,601	4,544	6,022
Revenue (JPY million)	–	–	–	–	–	–	36	32	35	33	30	24	189
GOP (JPY million)	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: The operator did not give consent to disclose information on operating results before August 2017.

Hotel NOI and Portfolio Weighting by Region

Region	Number of Hotels	Acquisition Price (JPY million)	Portfolio Weighting (%)	Average Appraisal NOI Yield (%)
Hokkaido	3	3,910	7.7	7.3
Kanto	1	1,490	2.9	5.0
Tokyo	3	7,190	14.1	5.1
Hokuriku & Tokai	4	9,828	19.3	5.6
Kinki	5	18,800	36.9	5.4
Chugoku & Shikoku	3	4,610	9.0	6.9
Kyushu & Okinawa	2	5,130	10.1	6.8
Total	**21**	**50,958**	**100.0**	**5.8**

Major Capital Expenditures

a. Major Capital Expenditures Planned for the January 2018 and July 2018 Fiscal Periods

Hotel Name	Location	Purpose	Timing	Expenditures (JPY million)		
				Total	Jan 2018 Payment	Already Paid
Smile Hotel Kyoto Shijo	Kyoto	Divide and Increase Guest Rooms	Jan - Feb 2018	46	–	–
Smile Hotel Tokyo Asagaya	Tokyo	Renovate Guest Rooms & Lobby	Jun - Jul 2018	34	–	–
Comfort Hotel Central International Airport	Tokoname, Aichi	Renovate Exterior	May - Jul 2018	26	–	–
Chisun Inn Osaka Hommachi	Osaka	Upgrade Elevator	May - Jul 2018	21	–	–
Valie Hotel Tenjin	Fukuoka	Renovate Entrance & Lobby	Jun - Jul 2018	15	–	–

b. Major Capital Expenditures during the Current Fiscal Period (July 2017)

Hotel Name	Location	Purpose	Timing	Total Expenditures (JPY million)
Nest Hotel Osaka Shinsaibashi	Osaka	Renovate Exterior	Sept 2017 - Jan 2018	64
Smile Hotel Tokyo Asagaya	Tokyo	Renovate Guest Rooms	Sept - Dec 2017	52
Valie Hotel Tenjin	Fukuoka	Renovate Exterior	Oct 2017 - Jan 2018	25