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March 16, 2016

Financial Report for the January 2016 Fiscal Period

Ichigo Hotel REIT Investment Corporation (Tokyo Stock Exchange, 3463)

Representative: Osamu Miyashita, Executive Director

www.ichigo-hotel.co.jp/english

Ichigo Real Estate Investment Advisors Co., Ltd. (Ichigo Hotel REIT Asset Management Company)

Representative: Wataru Orii, President & Representative Statutory Executive Officer

Inquiries: Masanori Kubota, Statutory Executive Officer (Finance, Accounting)

Telephone: +81-3-3502-4892

Submission of Financial Report (*Yuka Shoken Hokokusho*): April 27, 2016 (expected)

Dividend Payment: April 22, 2016 (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 2016 Fiscal Period (July 22, 2015 - January 31, 2016)

(1) Earnings

(million yen; period-on-period change)

	Operating Revenue	Change	Operating Profit	Change	Recurring Profit	Change	Net Income	Change
January 2016	197	—	102	—	66	—	65	—

	Net Income per Share (yen)	Ratio of Net Income to Equity	Ratio of Recurring Profit to Total Assets	Ratio of Recurring Profit to Operating Revenue
January 2016	1,352	0.5%	0.3%	33.4%

(Note 1) Ichigo Hotel REIT's fiscal period ran from the day the REIT was founded on July 22, 2015 to January 31, 2016 (194 days). The REIT's actual operating timeframe during the first period was November 30, 2015 to January 31, 2016 (63 days).

(Note 2) Net Income per Share is based on the average number of outstanding shares (48,260 shares). Net Income per Share during the actual operating timeframe was 479 yen, which is based on the average number of outstanding shares during that timeframe (136,230 shares).

(Note 3) Ratio of Net Income to Equity and Ratio of Recurring Profit to Total Assets are calculated using November 30, 2015 as the beginning of the period for weighted-average Equity and Total Assets.

(Note 4) The "Change" in Operating Revenue, Operating Profit, Recurring Profit, and Net Income above refers to period-on-period change. However, since this fiscal period is the REIT's first, the period-on-period change is not applicable.

(2) Dividends

	Dividend per Share (yen)	Total Dividends (million yen)	Dividend per Share in Excess of Earnings (yen)	Total Dividends in Excess of Earnings (million yen)	Payout Ratio (%)	Ratio of Dividends to Net Assets (%)
January 2016	471	65	0	0	99.9	0.5

(Note) The January 2016 payout ratios reflect new share issuances and are calculated as follows:
 Payout Ratio = Total Dividends / Net Income x 100

(3) Assets and Equity

	Total Assets (million yen)	Net Assets (million yen)	Equity Ratio (%)	Net Assets per Share (yen)
January 2016	23,071	14,211	61.6	102,608

(4) Cash Flow

	Cash Flow from Operating Activities (million yen)	Cash Flow from Investment Activities (million yen)	Cash Flow from Financing Activities (million yen)	Cash and Cash Equivalents at End of the Period (million yen)
January 2016	(571)	(20,476)	22,575	1,526

2. Earnings Forecasts for the July 2016 Fiscal Period (February 1, 2016 to July 31, 2016) and the January 2017 Fiscal Period (August 1, 2016 to January 31, 2017)

(million yen; period-on-period change)

	Operating Revenue	Change	Operating Income	Change	Recurring Profit	Change	Net Income	Change
July 2016	730	268.9%	423	311.9%	341	415.1%	340	421.0%
January 2017	755	3.5%	444	5.0%	361	6.1%	360	6.1%

(yen)

	Dividend per Share	Dividend per Share in Excess of Earnings
July 2016	2,455	0
January 2017	2,606	0

(Note) The forecast Net Income per Share for July 2016 is 2,455yen and for January 2017 is 2,606yen.

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

- (i) The number of shares issued and outstanding (including treasury shares) was 138,500 shares as of January 31, 2016.
- (ii) There were no treasury shares as of January 31, 2016.

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 revenue, operating income, recurring profit, net income, dividend per share, and dividend per share in excess of earnings may vary due to changes in circumstances. Moreover, these forecasts should not be construed as a guarantee of such performance or results.

For details on preconditions, please refer to the “Preconditions for July 2016 Fiscal Period Earnings Forecast” on page 4 and “Preconditions for January 2017 Fiscal Period Earnings Forecast” on page 6.

This English version is a translation of the original Japanese notice and is provided solely for informational purposes. Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

Preconditions for July 2016 Fiscal Period Earnings Forecast

Item	Preconditions																																														
Period	<ul style="list-style-type: none"> February 1, 2016 – July 31, 2016 (182 days) 																																														
Portfolio Assets	<ul style="list-style-type: none"> 9 assets in total. The forecast assumes there will be no additional acquisitions or sales before the end of July 2016. However, the number of assets may change due to acquisitions or sales. 																																														
Operating Revenue	<p>Rental revenue is calculated based on current lease contracts taking into consideration such factors as tenant trends and market conditions.</p> <p><u>Assumed Operating Performance</u></p> <table border="1" data-bbox="472 663 1075 842"> <thead> <tr> <th></th> <th>July 2016 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Occupancy¹ (%)</td> <td>91.2</td> </tr> <tr> <td>ADR² (yen)</td> <td>8,611</td> </tr> </tbody> </table> <p>¹ Occupancy is calculated from the following formula: Occupancy = Total number of guest rooms occupied during the period / (total number of guest rooms x number of days hotel was in operation during the period)</p> <p>² ADR or Average Daily Rate is calculated from the following formula: ADR = Total sales from accommodation (excluding restaurant charges and other service fees) / number of guest rooms occupied during the period</p> <p><u>Details of July 2016 Rental Revenue</u></p> <p style="text-align: right;">(million yen)</p> <table border="1" data-bbox="427 1151 1406 1675"> <thead> <tr> <th>Asset Name</th> <th>Fixed Rent / Minimum Guaranteed Rent</th> <th>Variable Rent</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Smile Hotel Kyoto Shijo</td> <td>30</td> <td>128</td> <td>158</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>58</td> <td>89</td> </tr> <tr> <td>Chisun Inn Osaka Hommachi</td> <td>36</td> <td>22</td> <td>58</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>50</td> <td>74</td> </tr> <tr> <td>Valie Hotel Tenjin</td> <td>21</td> <td>31</td> <td>53</td> </tr> <tr> <td>Other (Hotel Wing International Nagoya and Hotel Suave Kobe Asuta)</td> <td>114</td> <td>17</td> <td>131</td> </tr> <tr> <td>Total</td> <td>387</td> <td>308</td> <td>695</td> </tr> </tbody> </table> <p>(Note) The data for Hotel Wing International Nagoya and Hotel Suave Kobe Asuta are totaled under “Other,” because the hotel operators did not give consent to disclose hotel-specific data.</p> <p>Other rental revenue: 34 million yen (total rent from retail tenants at Hotel Vista Premio Kyoto and Chisun Inn Osaka Hommachi)</p>		July 2016 Fiscal Period	Occupancy ¹ (%)	91.2	ADR ² (yen)	8,611	Asset Name	Fixed Rent / Minimum Guaranteed Rent	Variable Rent	Total	Smile Hotel Kyoto Shijo	30	128	158	Hotel Vista Premio Kyoto	75	—	75	Nest Hotel Sapporo Ekimae	31	58	89	Chisun Inn Osaka Hommachi	36	22	58	Comfort Hotel Hamamatsu	55	—	55	Nest Hotel Sapporo Odori	23	50	74	Valie Hotel Tenjin	21	31	53	Other (Hotel Wing International Nagoya and Hotel Suave Kobe Asuta)	114	17	131	Total	387	308	695
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Operating Expenses	<ul style="list-style-type: none"> • Rental expenses, Ichigo Hotel REIT's principal operating expense, are calculated based on historical data adjusted for anticipated expense variations. (Depreciation expenses are treated separately.) • Depreciation has been calculated using the straight-line method. Depreciation of 101 million yen is anticipated for the July 2016 fiscal period. • Property taxes and city planning taxes are anticipated to total 48 million yen for the July 2016 fiscal period. • Building maintenance and repair expenses are based on what Ichigo Real Estate Investment Advisors Co., Ltd., the asset management company of Ichigo Hotel REIT, estimates will be necessary for each asset 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.
Non-Operating Expenses	<ul style="list-style-type: none"> • Interest expenses and borrowing-related expenses of 65 million yen are anticipated for the July 2016 fiscal period. • Depreciation of expenses related to the establishment of the REIT and share issuance is anticipated to total 16 million yen.
Borrowings	<ul style="list-style-type: none"> • Ichigo Hotel REIT's balance of loans payable stands at 8,500 million yen as of March 16, 2016.
Number of Shares	<ul style="list-style-type: none"> • 138,500 shares issued and outstanding, with no additional new issuance before the end of July 2016.
Dividend per Share	<ul style="list-style-type: none"> • The dividend forecasts assume that distributions will comply with the dividend distribution policy stipulated in Ichigo Hotel REIT's Articles of Incorporation. • The dividend per share is subject to change due to factors such as sales of portfolio assets, changes in rental revenue associated with tenant turnover, the occurrence of unexpected maintenance and repair costs, and fluctuations in interest rates.
Dividend in Excess of Earnings per Share	<ul style="list-style-type: none"> • Ichigo Hotel REIT does not plan on making any dividend distribution in excess of earnings per share or retained earnings.
Other	<ul style="list-style-type: none"> • Performance forecasts are based on the assumption that no material revisions will be made to laws and ordinances, the tax system, accounting standards, listing rules of the Tokyo Stock Exchange, and rules of the Investment Trusts Association, Japan, etc. • Performance forecasts are also based on the assumption that there will be no unexpected material change in general economic trends and real estate market conditions, etc.

Preconditions for January 2017 Fiscal Period Earnings Forecast

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Period	<ul style="list-style-type: none"> • August 1, 2016 – January 31, 2017 (184 days) 																																														
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Financial Statements

(1) Balance Sheet

(Thousand yen)

January 2016
(as of January 31, 2016)

Assets	
Current assets	
Cash and cash equivalents	992,622
Cash and cash equivalents in trust	533,849
Operating accounts receivable	42,432
Prepaid expenses	57,801
Consumption taxes receivable	521,086
Other	11,922
Total current assets	2,159,714
Fixed assets	
Property, plant, and equipment	
Buildings in trust	6,170,044
Accumulated depreciation	(49,963)
Buildings in trust, net	6,120,081
Machinery and equipment in trust	2,220
Accumulated depreciation	(23)
Machinery and equipment in trust, net	2,196
Fixtures in trust	5,275
Accumulated depreciation	(88)
Fixtures in trust, net	5,187
Land in trust	14,515,032
Total property, plant, and equipment	20,642,497
Investments and other assets	
Tenant leasehold and security deposits	10,000
Long-term prepaid expenses	147,228
Investments and other assets, net	157,228
Total fixed assets	20,799,725
Deferred assets	
Expenses related to the establishment of REIT	45,799
Share issuance expenses	65,920
Total deferred assets	111,720
Total assets	23,071,160

(Thousand yen)

January 2016
(as of January 31, 2016)

Liabilities	
Current liabilities	
Operating accounts payable	40,555
Accounts payable – other	24,752
Accrued expenses	14,111
Income taxes payable, etc.	937
Advances received	28,256
Other	225
Total current liabilities	<u>108,839</u>
Noncurrent liabilities	
Long-term loans payable	8,500,000
Tenant leasehold and security deposits in trust	251,111
Total noncurrent liabilities	<u>8,751,111</u>
Total liabilities	<u>8,859,951</u>
Net assets	
Shareholders' equity	
Shareholders' capital	14,145,932
Surplus	
Unappropriated retained earnings /loss	65,276
Total surplus	<u>65,276</u>
Total shareholders' equity	<u>14,211,208</u>
Total net assets	<u>14,211,208</u>
Total liabilities and net assets	<u>23,071,160</u>

(2) Income Statement

(Thousand yen)

	January 2016 (July 22, 2015 to January 31, 2016)
Operating revenue	
Rental revenue	192,936
Other rental revenue	5,013
Total operating revenue	<u>197,950</u>
Operating expenses	
Rental expense	67,669
Asset management fee	16,915
Asset custody fee	1,119
Administrative service fees	2,853
Director's compensation	4,425
Other operating expenses	2,225
Total operating expenses	<u>95,210</u>
Operating profit	<u>102,740</u>
Non-operating income	
Miscellaneous income	0
Total non-operating income	<u>0</u>
Non-operating expenses	
Interest expenses	14,111
Borrowing related expenses	12,626
Depreciation of expenses related to the establishment of REIT	5,085
Depreciation of share issuance expenses	4,702
Total non-operating expenses	<u>36,525</u>
Recurring profit	<u>66,214</u>
Income (losses) before income taxes	<u>66,214</u>
Income taxes – current	937
Total income taxes	<u>937</u>
Net income	<u>65,276</u>
Retained earnings brought forward	—
Unappropriated retained earnings/loss	65,276

(3) Statement of Shareholders' Equity

January 2016 (July 22, 2015 to January 31, 2016)

(Thousand yen)

	Shareholders' equity				Net assets
	Shareholders' capital	Surplus		Total shareholders' equity	
		Unappropriated retained earnings/loss	Total surplus		
Balance at start of the period	—	—	—	—	—
Changes during the period					
Issuance of new shares	14,145,932			14,145,932	14,145,932
Net income		65,276	65,276	65,276	65,276
Total changes during the period	14,145,932	65,276	65,276	14,211,208	14,211,208
Balance at end of the period	14,145,932	65,276	65,276	14,211,208	14,211,208

(4) Cash Flow Statement

(Thousand yen)

	January 2016 (July 22, 2015 to January 31, 2016)
Cash flows from operating activities	
Income before income taxes	66,214
Depreciation and amortization	50,074
Depreciation of expenses related to the establishment of REIT	5,085
Depreciation of share issuance expenses	4,702
Interest expenses	14,111
Decrease (increase) in operating accounts	(42,432)
Decrease (increase) in consumption taxes	(521,086)
Decrease (increase) in prepaid expenses	(57,801)
Decrease (increase) in long-term advance	(147,228)
Increase (decrease) in operating accounts	15,118
Increase (decrease) in accounts payable	24,752
Increase (decrease) in advances received	28,256
Other, net	(11,696)
Subtotal	(571,928)
Net cash generated by (used in) operating	(571,928)
Cash flows from investment activities	
Purchase of property, plant, and equipment in	(20,667,134)
Increase in tenant leasehold and security deposits in trust	251,111
Payments of security deposits	(10,000)
Expenses related to the establishment of REIT	(50,885)
Net cash generated by (used in) investment	(20,476,908)
Cash flows from financing activities	
Increase in long-term loans payable	8,500,000
Proceeds from issuance of shares	14,075,308
Net cash generated by (used in) financing	22,575,308
Net increase (decrease) in cash and cash	1,526,471
Cash and cash equivalents at beginning of the period	—
Cash and cash equivalents at end of the period	1,526,471