



Ichigo Preserves and Improves Real Estate

[Provisional Translation Only]

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Issuer

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Ichigo Hotel REIT Operating Results – December 2016

Ichigo Hotel REIT hereby announces its December 2016 operating results.

Portfolio Revenue, RevPAR, Occupancy, and ADR

Total (19 Hotels)

	December 2016 (A)	(Previous) December 2015 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2016 – December 2016		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	711.9	711.4	+0.5	+0.1%	3,790.8	-75.5	-2.0%
RevPAR (JPY)	6,548	6,592	-44	-0.7%	7,329	-173	-2.3%
Occupancy (%)	85.5	85.8	-0.3	-0.4%	88.5	-1.7	-1.9%
ADR (JPY)	7,660	7,683	-23	-0.3%	8,282	-39	-0.5%

Variable Rent Hotels (12 Hotels)

	December 2016 (A)	(Previous) December 2015 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2016 – December 2016		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	512.1	503.5	+8.7	+1.7%	2,692.3	+0.5	–
RevPAR (JPY)	7,452	7,351	+100	+1.4%	8,326	-3	–
Occupancy (%)	89.8	90.9	-1.2	-1.3%	92.0	-0.5	-0.6%
ADR (JPY)	8,302	8,085	+218	+2.7%	9,052	+50	+0.6%

Fixed Rent Hotels (7 Hotels)

	December 2016 (A)	(Previous) December 2015 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2016 – December 2016		
					Cumulative	YOY Difference	YOY Change
Revenue (JPY million)	199.8	208.0	-8.2	-3.9%	1,098.6	-76.0	-6.5%
RevPAR (JPY)	5,130	5,403	-273	-5.0%	5,765	-443	-7.1%
Occupancy (%)	78.8	77.8	+1.0	+1.3%	83.0	-3.5	-4.0%
ADR (JPY)	6,511	6,946	-436	-6.3%	6,944	-235	-3.3%

Revenue, RevPAR, Occupancy, and ADR by Hotel

Variable Rent Hotels (12 Hotels)

		December 2016 (A)	(Previous) December 2015 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2016 – December 2016		
						Cumulative	YOY Difference	YOY Change
Smile Hotel Kyoto Shijo	Revenue (JPY million)	47.1	44.8	+2.3	+5.1%	266.0	-34.2	-11.4%
	RevPAR (JPY)	9,775	9,917	-142	-1.4%	11,877	-1,751	-12.8%
	Occupancy (%)	100.0	100.2	-0.2	-0.2%	100.0	-0.1	-0.1%
	ADR (JPY)	9,779	9,901	-121	-1.2%	11,873	-1,732	-12.7%
Hotel Vista Premio Kyoto	Revenue (JPY million)	31.3	29.4	+1.9	+6.5%	185.8	+10.8	+6.2%
	RevPAR (JPY)	11,477	10,675	+802	+7.5%	13,535	+725	+5.7%
	Occupancy (%)	84.6	85.3	-0.7	-0.8%	91.6	-0.4	-0.5%
	ADR (JPY)	13,572	12,521	+1,051	+8.4%	14,771	+857	+6.2%
Hotel Wing International Nagoya	Revenue (JPY million)	42.5	42.0	+0.5	+1.2%	203.2		
	RevPAR (JPY)	5,600	5,475	+124	+2.3%	5,334		
	Occupancy (%)	84.7	93.8	-9.1	-9.7%	85.8		
	ADR (JPY)	6,611	5,839	+771	+13.2%	6,216		
Nest Hotel Sapporo Ekimae	Revenue (JPY million)	45.4	45.6	-0.2	-0.4%	272.6	+21.7	+8.6%
	RevPAR (JPY)	6,445	6,244	+202	+3.2%	8,732	+942	+12.1%
	Occupancy (%)	94.7	92.5	+2.3	+2.4%	97.1	+7.0	+7.7%
	ADR (JPY)	6,803	6,750	+53	+0.8%	8,992	+349	+4.0%
Chisun Inn Osaka Hommachi	Revenue (JPY million)	27.9	32.8	-4.9	-14.9%	152.4	-12.8	-7.7%
	RevPAR (JPY)	6,916	8,127	-1,210	-14.9%	7,661	-642	-7.7%
	Occupancy (%)	80.6	87.9	-7.3	-8.4%	87.2	-3.5	-3.9%
	ADR (JPY)	8,582	9,241	-660	-7.1%	8,787	-368	-4.0%

		December 2016 (A)	(Previous) December 2015 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2016 – December 2016		
						Cumulative	YOY Difference	YOY Change
Nest Hotel Sapporo Odori	Revenue (JPY million)	30.0	30.6	-0.6	-1.9%	211.4	+11.8	+5.9%
	RevPAR (JPY)	7,413	7,391	+22	+0.3%	10,578	+564	+5.6%
	Occupancy (%)	92.8	92.8	–	–	97.0	+3.9	+4.1%
	ADR (JPY)	7,989	7,964	+25	+0.3%	10,907	+154	+1.4%
Valie Hotel Tenjin	Revenue (JPY million)	22.6	20.8	+1.8	+8.9%	109.2	+5.7	+5.5%
	RevPAR (JPY)	8,776	8,203	+573	+7.0%	8,558	+280	+3.4%
	Occupancy (%)	86.1	85.8	+0.3	+0.3%	86.2	-4.5	-5.0%
	ADR (JPY)	10,194	9,556	+637	+6.7%	9,923	+804	+8.8%
Nest Hotel Osaka Shinsaibashi	Revenue (JPY million)	85.1	86.9	-1.8	-2.1%	430.4	-15.9	-3.6%
	RevPAR (JPY)	8,268	8,406	-138	-1.6%	8,494	-265	-3.0%
	Occupancy (%)	91.3	95.5	-4.2	-4.4%	93.9	-1.8	-1.9%
	ADR (JPY)	9,056	8,801	+256	+2.9%	9,044	-107	-1.2%
Smile Hotel Tokyo Asagaya	Revenue (JPY million)	29.7	29.5	+0.2	+0.6%	144.1	-5.5	-3.7%
	RevPAR (JPY)	8,217	8,216	+1	–	8,127	-310	-3.7%
	Occupancy (%)	99.3	99.7	-0.4	-0.4%	98.6	-1.1	-1.1%
	ADR (JPY)	8,279	8,242	+37	+0.4%	8,239	-220	-2.6%
Nest Hotel Naha	Revenue (JPY million)	80.2	77.1	+3.2	+4.1%	393.0	+23.8	+6.4%
	RevPAR (JPY)	8,118	7,775	+343	+4.4%	9,259	+618	+7.2%
	Occupancy (%)	85.8	88.4	-2.5	-2.9%	90.2	-0.6	-0.7%
	ADR (JPY)	9,457	8,799	+658	+7.5%	10,263	+748	+7.9%
Smile Hotel Asakusa	Revenue (JPY million)	22.3	20.5	+1.8	+8.6%	105.6	+0.9	+0.9%
	RevPAR (JPY)	7,197	6,612	+585	+8.8%	6,913	+82	+1.2%
	Occupancy (%)	96.3	95.2	+1.1	+1.2%	95.5	-1.7	-1.8%
	ADR (JPY)	7,474	6,946	+527	+7.6%	7,239	+212	+3.0%
Nest Hotel Matsuyama	Revenue (JPY million)	47.8	43.4	+4.4	+10.2%	218.5	+13.6	+6.7%
	RevPAR (JPY)	4,545	3,993	+553	+13.8%	5,137	+596	+13.1%
	Occupancy (%)	84.7	73.1	+11.6	+15.9%	84.5	+8.9	+11.7%
	ADR (JPY)	5,365	5,464	-99	-1.8%	6,077	+75	+1.3%

Fixed Rent Hotels (7 Hotels)

		December 2016 (A)	(Previous) December 2015 (B)	Difference (A) - (B)	YOY Change	Current Fiscal Period August 2016 – December 2016		
						Cumulative	YOY Difference	YOY Change
Comfort Hotel Hamamatsu	Revenue (JPY million)	28.9				160.4		
	RevPAR (JPY)	4,749				5,348		
	Occupancy (%)	78.9				83.5		
	ADR (JPY)	6,019				6,404		
Comfort Hotel Central International Airport	Revenue (JPY million)	85.5	88.3	-2.8	-3.2%	434.3	-32.3	-6.9%
	RevPAR (JPY)	7,101	7,333	-232	-3.2%	7,314	-528	-6.7%
	Occupancy (%)	80.9	76.1	+4.8	+6.3%	83.4	-4.8	-5.4%
	ADR (JPY)	8,778	9,636	-858	-8.9%	8,768	-122	-1.4%
Comfort Hotel Okayama	Revenue (JPY million)	31.5	28.3	+3.2	+11.3%	186.4	+19.3	+11.5%
	RevPAR (JPY)	4,629	4,393	+236	+5.4%	5,602	+352	+6.7%
	Occupancy (%)	85.9	83.5	+2.5	+2.9%	87.8	-0.5	-0.5%
	ADR (JPY)	5,389	5,265	+125	+2.4%	6,381	+434	+7.3%
Comfort Hotel Kushiro	Revenue (JPY million)	12.1	11.1	+1.0	+9.1%	89.3	+1.0	+1.2%
	RevPAR (JPY)	2,829	2,608	+221	+8.5%	4,325	+32	+0.7%
	Occupancy (%)	68.0	62.6	+5.4	+8.5%	79.7	+0.5	+0.6%
	ADR (JPY)	4,160	4,162	-3	-0.1%	5,429	+5	+0.1%
Comfort Hotel Suzuka	Revenue (JPY million)	12.9	13.8	-0.9	-6.3%	79.8	-2.7	-3.3%
	RevPAR (JPY)	3,869	4,161	-293	-7.0%	4,852	-199	-3.9%
	Occupancy (%)	73.7	76.9	-3.2	-4.1%	78.6	-4.5	-5.4%
	ADR (JPY)	5,247	5,412	-165	-3.0%	6,172	+91	+1.5%
Other (Hotel Suave Kobe Asuta & Hotel Livemax Nihombashi-Hakozaki)	Revenue (JPY million)	28.9	39.0	-10.1	-26.0%	148.4	-57.5	-27.9%
	RevPAR (JPY)	4,682	6,490	-1,808	-27.9%	4,970	-2,001	-28.7%
	Occupancy (%)	76.9	88.6	-11.7	-13.2%	81.1	-9.5	-10.4%
	ADR (JPY)	6,089	7,327	-1,239	-16.9%	6,130	-1,569	-20.4%

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 Financial Reports.
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:

$$\text{RevPAR} = \text{Total Revenue from accommodations (excluding restaurant charges and other service fees)} / \text{number of available guest rooms.}$$
4. Occupancy is calculated with the following formula:

$$\text{Occupancy} = \text{Total number of guest rooms occupied during the period} / (\text{total number of guest rooms} * \text{number of days hotel was in operation during the period})$$

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:

$$\text{ADR} = \text{Total revenue from accommodations (excluding restaurant charges and other service fees)} / \text{number of guest rooms occupied during the period.}$$
6. Data for Hotel Wing International Nagoya up through November 2015 and data for Comfort Hotel Hamamatsu up through December 2015 are not included above, as the hotel operators have not given consent to disclose the 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 REIT does not anticipate receiving variable rent at this hotel, it has been classified as a fixed rent hotel.

Explanation of Changes

Revenue increased slightly year-on-year despite a fall in RevPAR due to decreases at fixed rent hotels. Both Revenue and RevPAR increased at variable rent hotels, which are a more significant contributor to Ichigo Hotel REIT's earnings.

At fixed rent hotels, RevPAR decreased at Hotel Suave Kobe Asuta and Hotel Livemax Nihombashi-Hakozaki. At variable rent hotels, RevPAR decreased at Chisun Inn Osaka Hommachi and increased at Nest Hotel Matsuyama and Smile Hotel Asakusa.

Value-Add Actions

Ichigo Hotel REIT is working on enhancing international guest satisfaction at Comfort Hotel Hamamatsu by installing English-language signs and hiring English-speaking staff. Working closely with the hotel operator, on October 31, 2016 Ichigo Hotel REIT successfully completed registration of the hotel under the Act on Development of Hotels for Inbound Tourists. The Act prescribes high standards with respect to both facilities and services in order to ensure safe and convenient stays for international guests.

Hotels registered under the Act are listed on the Japan Tourism Agency's website as offering high standards of quality and qualify for a lower municipal tax rate. Comfort Hotel Hamamatsu will thus benefit from a 50% reduction in the property and city planning taxes on its building starting in the July 2017 period.

Ichigo Hotel REIT will continue to work closely with its hotel operator partners in carrying out value-add Capex that increases guest satisfaction and drives higher earnings.