



# Ichigo Hotel REIT January 2016 Fiscal Period Corporate Presentation

March 16, 2016

**Ichigo Hotel REIT Investment Corporation (3463)**  
**Ichigo Real Estate Investment Advisors Co., Ltd.**





**World-Class  
Excellence**



**Creating peace of mind through  
honest and committed management.**

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## **TSE Listing in November 2015**

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- ✓ Growth and Shareholder Value-Creation Strategy
- ✓ Portfolio Characteristics
- ✓ Portfolio Strategy

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- ✓ Debt Financing Details

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- ✓ Organic Growth Strategy
- ✓ Revised Dividend Forecast

## **Portfolio Overview**

Appendix: Additional Portfolio, Financial, & Structural Details

## TSE Listing in November 2015

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# IPO Details

Type of Offering	Domestic
Securities Code	3463
Number of Shares Offered	Public Offering: 129,000 shares Over-allotment secondary share offering: 6,500 shares <b>Total: 135,500 shares</b>
Issue Price	106,000 yen per share
Offering Amount	14,363 million yen
Listing Date	November 30, 2015

## Media Coverage

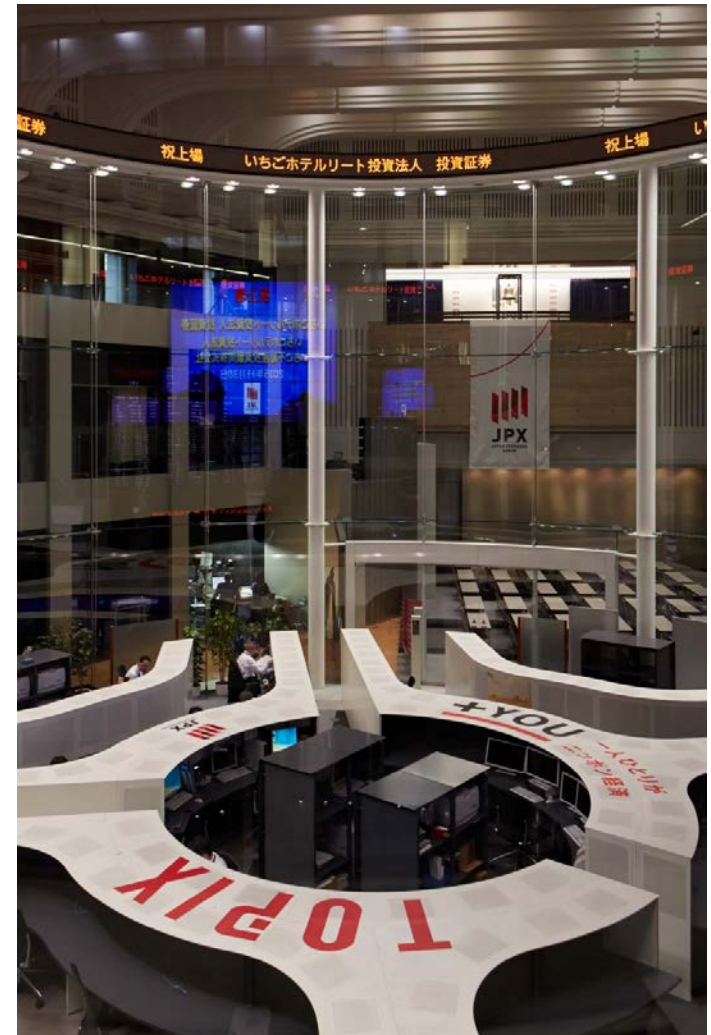
### Ichigo Hotel REIT Aims for External as well as Organic Growth Via Ichigo's Value-Add Know How

Ichigo Hotel REIT is a pure hotel J-REIT established by Ichigo Inc. (2337) in July. Investors are responding favorably to the listing due to growing hotel industry demand from expanding inbound tourism in light of the depreciation of the yen. Investors anticipate that Ichigo Hotel REIT is capable of achieving external and organic growth via strategic investments leveraging the sponsor company's value-add expertise.

[...]

The book building process resulted in **demand from individual investors at 6x, demand from institutional investors at 25x, and total market demand at 11x the total number of shares offered.** Dividend yield exceeded 4.0% at issue price. The issue price was fixed at the maximum preliminary pricing of 106,000 yen.

(Source: Thomson Reuters DealWatch)



# Growth & Shareholder Value-Creation Strategy

## Growth Strategy that Leverages Ichigo Group's Strengths

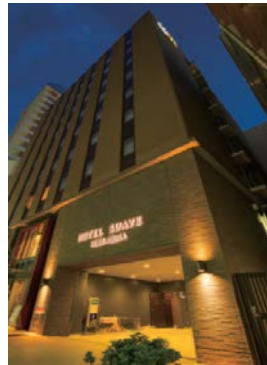
- ✓ Increase profitability via strategic value-add CAPEX, drawing upon Ichigo's extensive real estate value-add capabilities and know-how
- ✓ Take advantage of Ichigo Group's broad network to source deals to generate value-accretive external growth

## Deliver Both Income Stability and Earnings Growth

- ✓ Invest primarily in hotels well-positioned to benefit from the growing number of inbound tourists into Japan
- ✓ Currently prioritizing investments in stay-only hotels (those without banquet halls, etc.) based on their income stability and ability to generate relatively steady revenue even in adverse economic conditions
- ✓ Once the initial portfolio has achieved stable operations, Ichigo Hotel REIT expects to seek further growth via acquisitions of resort and full-service hotels

## Maximization of Shareholder Value

- ✓ Take full advantage of Ichigo as sponsor and make maximum use of Ichigo Group's deep value-add capabilities to drive further growth





# Portfolio Characteristics

Asset Size
<b>JPY 20.4B</b>

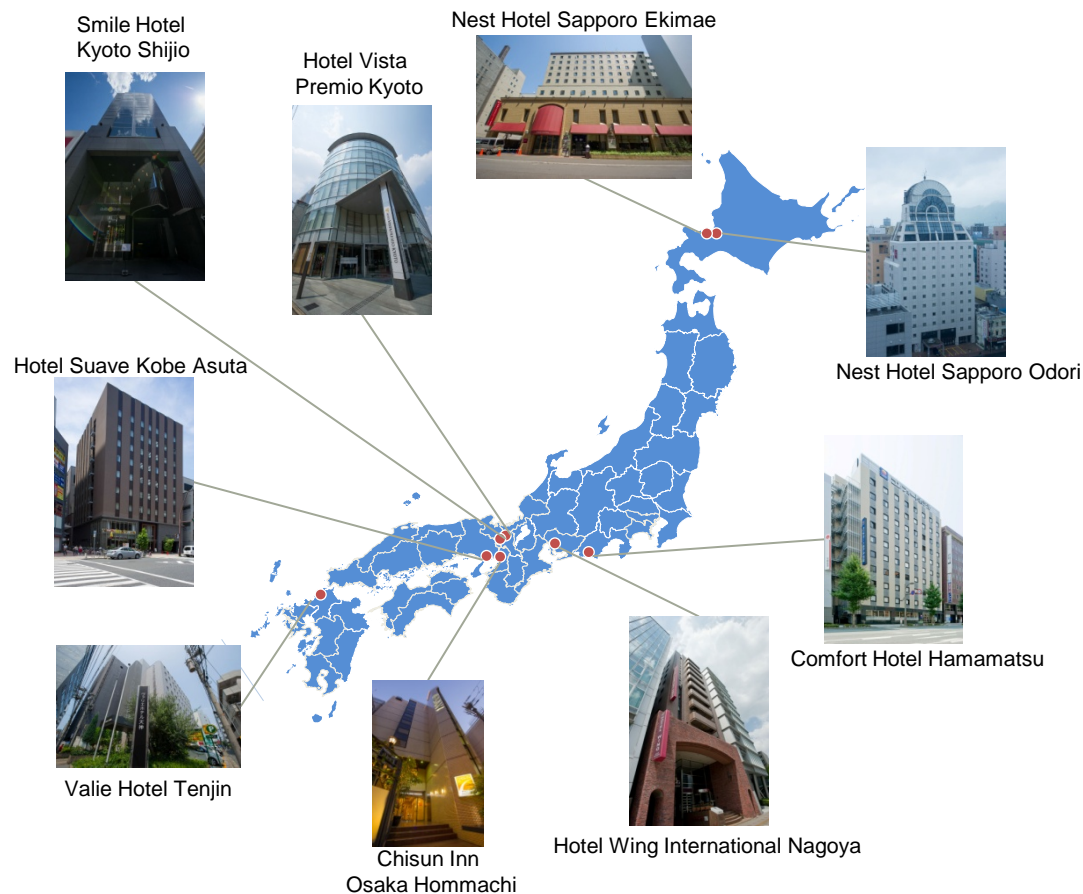
Total Assets
<b>9 Assets</b>

Total Appraisal Value
<b>JPY 20.7B</b>

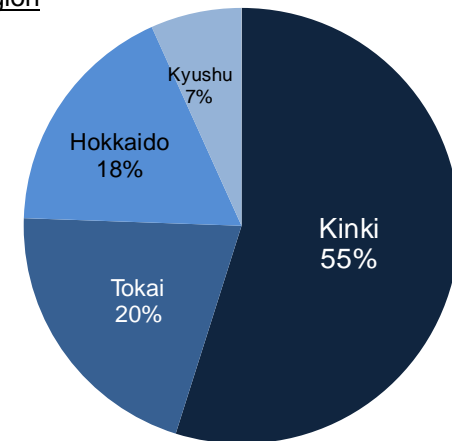
Average Appraisal NOI Yield
<b>5.9%</b>

Total Guest Rooms
<b>1,257 Rooms</b>

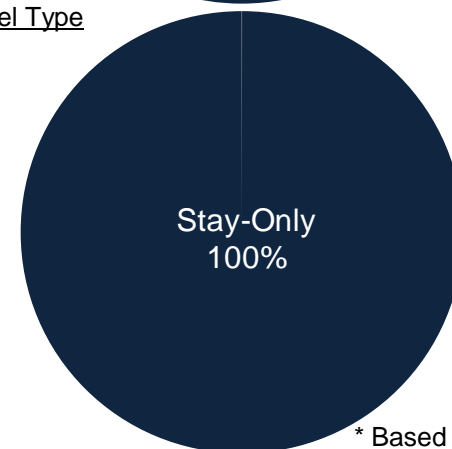
Average NOI Yield
<b>5.0%</b> (post-depreciation)



By Region



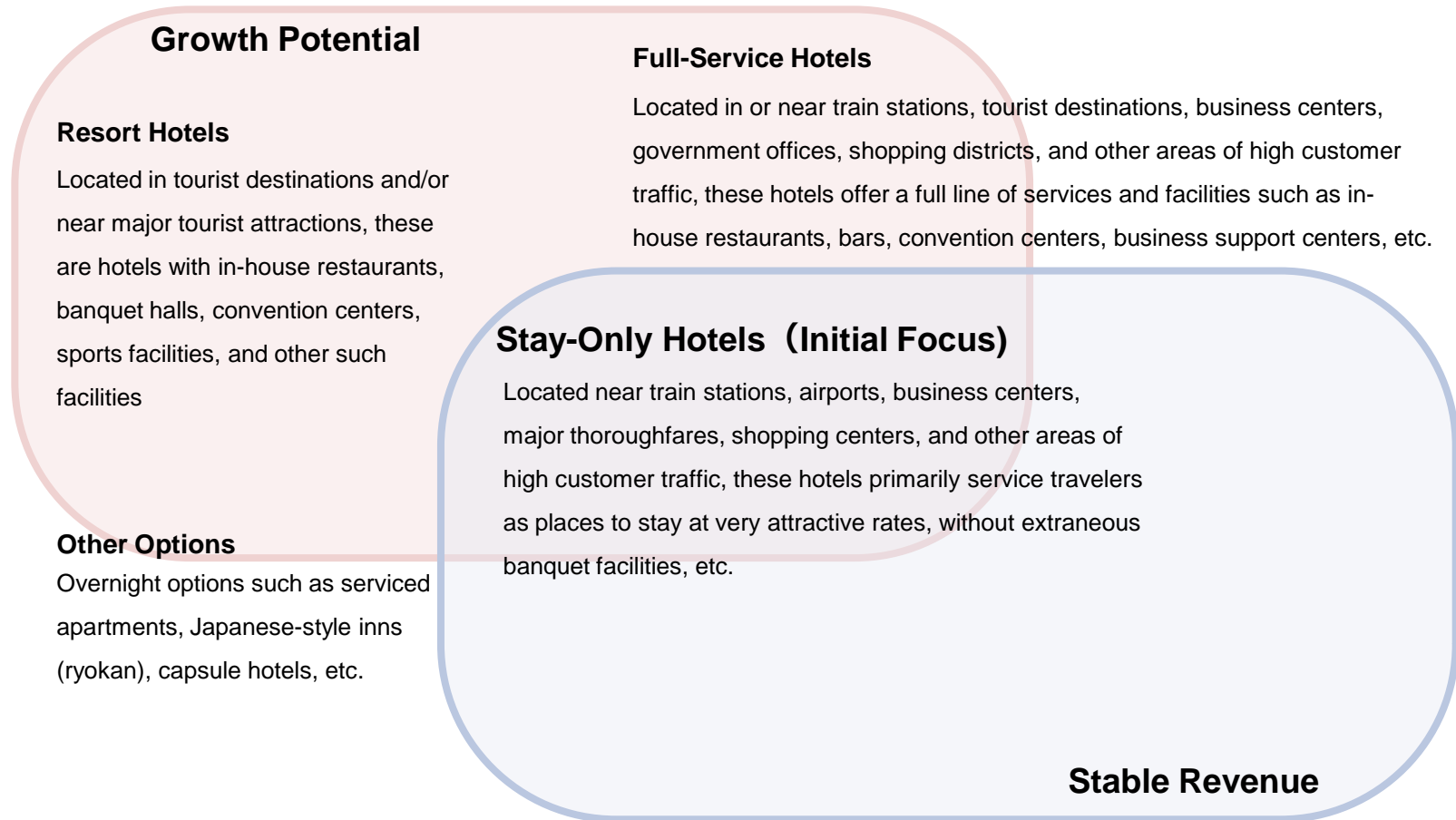
By Hotel Type



\* Based on acquisition price

# Portfolio Strategy

## Initial Focus Primarily on Stay-Only Hotels that Deliver Both Earnings Stability and Income Growth



## January 2016 Financial Results

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# Results Significantly Above Forecast

January 2016 Dividend: 471 yen (+229 yen vs. Initial Forecast)

Variable Rents Up; Expenses Down

(million yen)

	January 2016	Forecast (as of November 2015)	Difference	Major Factors for Variation
<b>Operating Revenue</b>	197	178	+19	Increase in variable rent:+16mm yen
Variable Rent	66	49	+16	
Fixed Rent	119	116	+3	
Other	11	13	-2	
<b>Operating Profit</b>	102	74	+28	
<b>Recurring Profit</b>	66	34	+32	Decrease in operating expense: -15 mm yen Decrease in non-operating expense: -3mm yen
<b>Net Income</b>	65	33	+32	
<b>Dividend Per Share</b>	471 yen	242 yen	+229 yen	
<b>Total Assets</b>	23,071	22,363	+708	
<b>Interest-Bearing Liabilities</b>	8,500	8,500	±0	
<b>LTV</b>	36.8%	38.0%	-1.2%	

(Note) 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).

# Post-IPO Operating Results by Asset

January 2016 Period RevPAR: 6,240 yen

No.	Name	Location	No. of Guest Rooms	Acquisition Date	January 2016 (Dec 2015 - Jan 2016)			
					Occupancy (%)	ADR (yen)	RevPAR (yen)	Revenues (mm yen)
001	Smile Hotel Kyoto Shijo	Kyoto, Kyoto Prefecture	138	November 2015	100.1	8,254	8,261	75
002	Hotel Vista Premio Kyoto	Kyoto, Kyoto Prefecture	84	November 2015	82.7	11,535	9,540	53
003	Hotel Wing International Nagoya	Nagoya, Aichi Prefecture	220	November 2015	90.4	5,542	5,012	78
004	Nest Hotel Sapporo Ekimae	Sapporo, Hokkaido Prefecture	162	November 2015	89.4	6,178	5,521	80
005	Chisun Inn Osaka Hommachi	Osaka, Osaka Prefecture	130	November 2015	89.6	9,020	8,079	65
008	Nest Hotel Sapporo Odori	Sapporo, Hokkaido Prefecture	117	November 2015	93.9	7,327	6,879	58
009	Valie Hotel Tenjin	Fukuoka, Fukuoka Prefecture	77	November 2015	85.4	8,998	7,688	39
Total Assets (9 Assets)			1,257		86.9	7,184	6,240	541

(Note) Data for Comfort Hotel Hamamatsu and Hotel Suave Kobe Asuta are not included, as the hotel operators did not give consent to disclose the data.

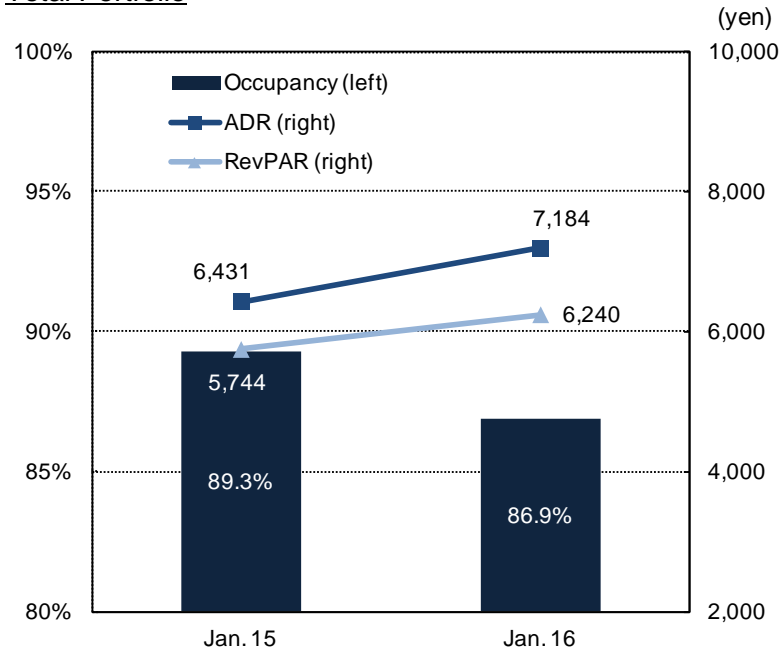
# Post-IPO Total Performance (December 2015 - January 2016)

## ADR and RevPAR Both Up Year-on-Year

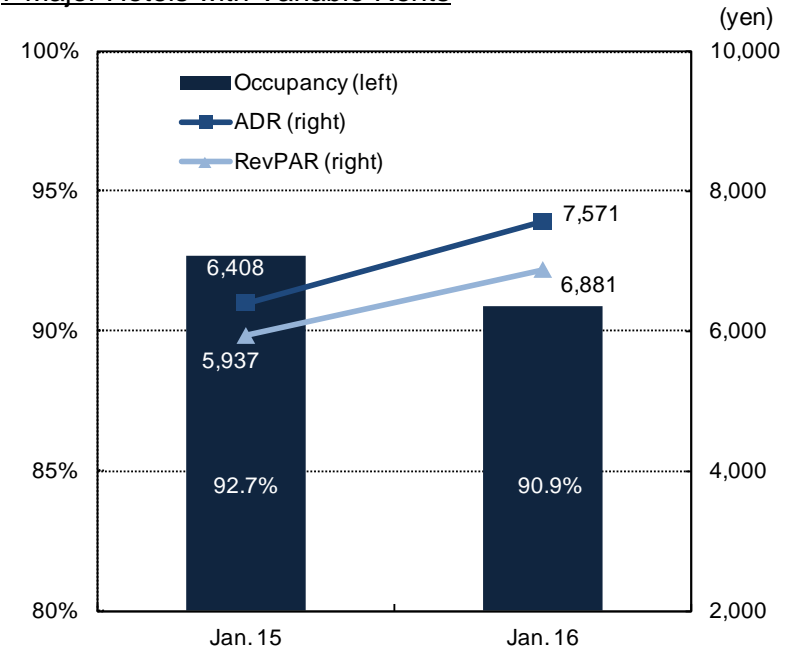
	Total Portfolio			7 Major Hotels with Variable Rents		
	Jan. 15	Jan. 16	YoY	Jan. 15	Jan. 16	YoY
Occupancy	89.3%	86.9%	-2.4%	92.7%	90.9%	-1.8%
ADR (yen)	6,431	7,184	+11.7%	6,408	7,571	+18.1%
RevPAR (yen)	5,744	6,240	+8.6%	5,937	6,881	+15.9%

(Note) Operating timeframe: Jan 15: December 2014 to January 2015; Jan 16: December 2015 to January 2016

Total Portfolio



7 Major Hotels with Variable Rents<sup>1</sup>



<sup>1</sup> Excludes Comfort Hotel Hamamatsu and Hotel Suave Kobe Asuta

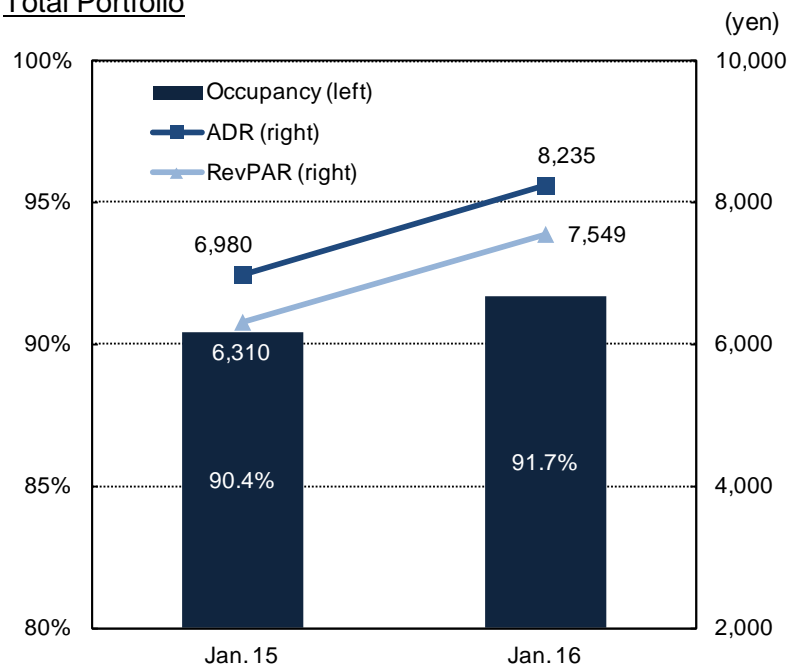
# (Reference) Year-on-Year Total Performance

## Substantial Increase in Both ADR and RevPAR

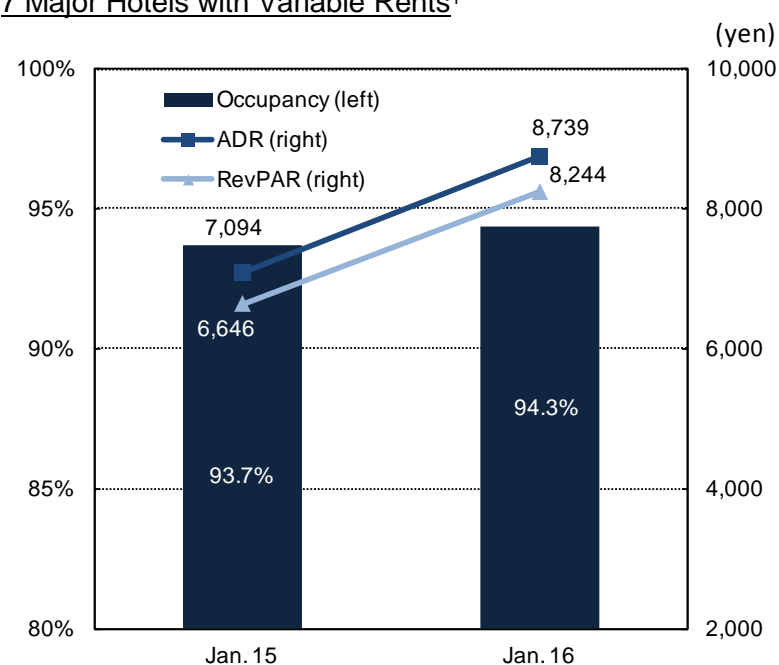
	Total Portfolio			7 Major Hotels with Variable Rents		
	Jan. 15	Jan. 16	YoY	Jan. 15	Jan. 16	YoY
Occupancy	90.4%	91.7%	+1.3%	93.7%	94.3%	+0.7%
ADR (yen)	6,980	8,235	+18.0%	7,094	8,739	+23.2%
RevPAR (yen)	6,310	7,549	+19.6%	6,646	8,244	+24.0%

(Note) Operating timeframe: Jan 15: February 2014 to January 2015; Jan 16: February 2015 to January 2016

Total Portfolio



7 Major Hotels with Variable Rents<sup>1</sup>



<sup>1</sup> Excludes Comfort Hotel Hamamatsu and Hotel Suave Kobe Asuta

# Debt Financing Details

## Outstanding Loan Balance

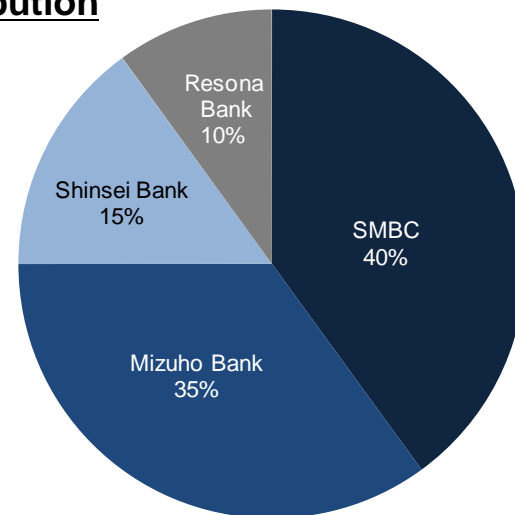
	November 30, 2015 (at IPO)	January 31, 2016
Outstanding Balance	8,500 mm yen	8,500 mm yen
Long-term Loan Ratio	100.0%	100.0%
Fixed-rate Loan Ratio	61.8%	61.8%
Average Interest Rate	0.96%	0.96%
Average Remaining Term	4.2 years	4.2 years
LTV	38.0%	36.8%

LTV= (Total amount of loan + bonds outstanding) / Total Asset Amount

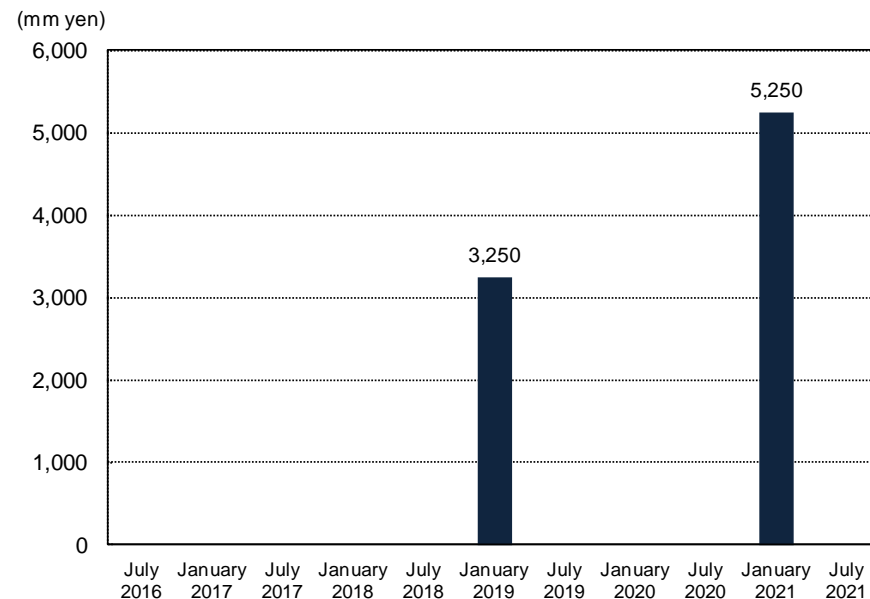


Stable financial base via strong lender formation, optimal LTV management, and interest rate risk management

## Lender Distribution



## Loan Repayment Date Distribution

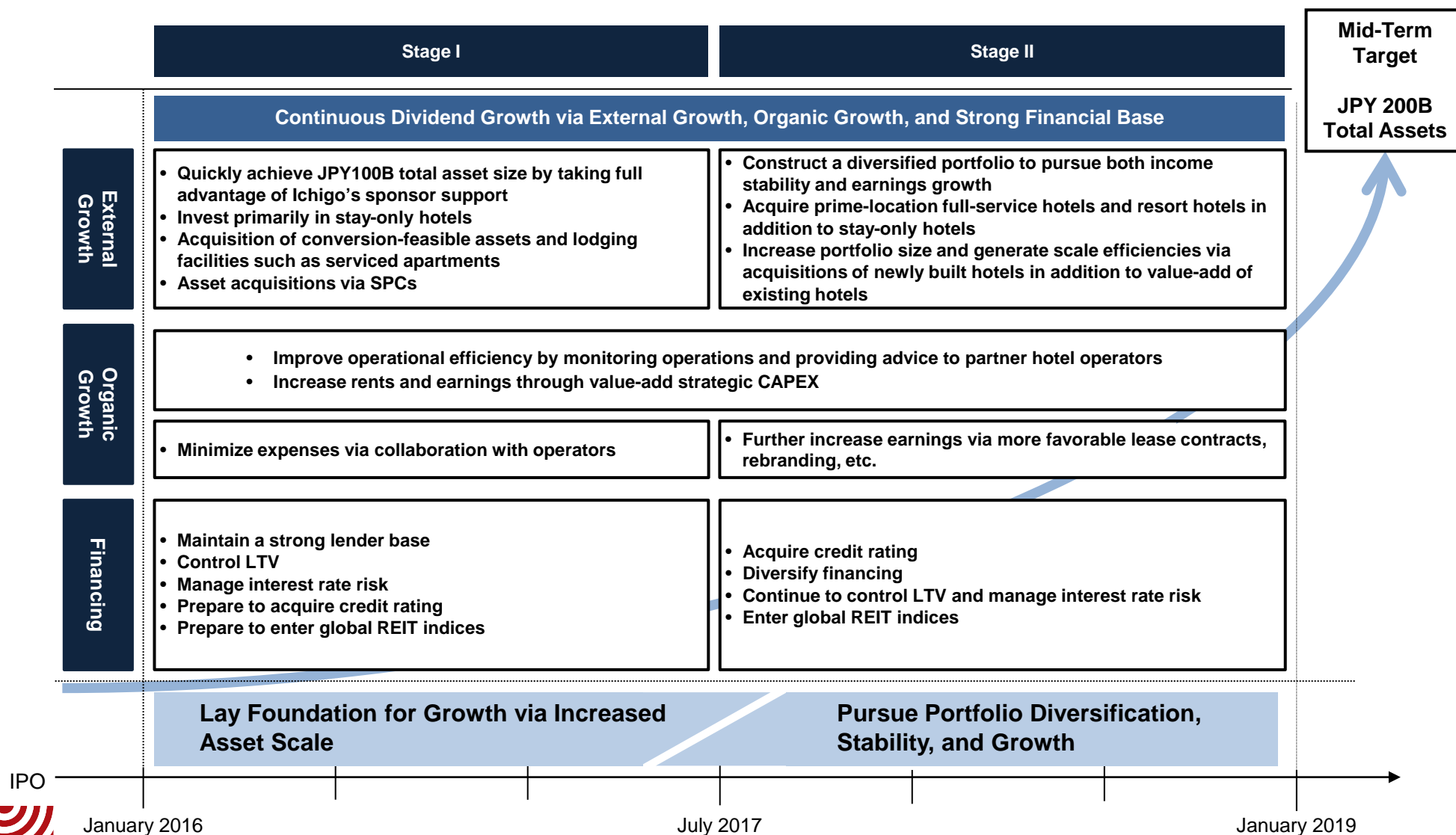




# Accelerating Growth

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# Ichigo Hotel REIT Growth Strategy Roadmap



# Increase Portfolio Size and Scale via Ichigo Sponsor Support

## 21 Hotel Assets Currently Owned or Highly Likely to Be Acquired by Sponsor

- ✓ Major locations: Tokyo, Kanagawa, Osaka, Okinawa, Fukuoka, Kumamoto, and other major regional cities

## Use Ichigo's Asset Warehousing Capability

- ✓ Value-add conducted while sponsor owns the asset
- ✓ Can include conversion-feasible assets when considering acquisition options
- ✓ Acquire newly-built hotels via Ichigo's development pipeline

Hotel Assets Currently Owned by Sponsor



# Sponsor-Led Value-Add Case

## Driving Higher Revenues via Additional Guestrooms

- ✓ Converted a floor of retail shops into hotel facilities, adding 21 guestrooms
- ✓ Increased floor area leased to hotel operator and introduced variable rent

Before



Retail Floor

After



Reception



Restaurant



Guestroom

## Rebranding & Improving Operations with New Operator

- ✓ Carried out renovations with new operator immediately after acquisition

Before Acquisition	After Acquisition	Improvements
Owner operating the hotel	Lease contract with variable rent	Separating ownership and management, and introducing a win-win lease contract
Hotel managed as non-core business	Operator change	Hotel management by an operator with track record
Franchise agreement	Rebranding	Reduction of franchisee fees and refurbishment of hotel's brand image
No revenue management	Introduction of revenue management	Rates and reservation management to maximize revenue
Ineffective restaurant management	Restaurant management overhaul	Restaurant management made more effective, resulting in reduced expenses



# Strategic Value-Add CAPEX (Valie Hotel Tenjin)

## Introduced a Restaurant and Lounge on the First Floor

- ✓ Began serving breakfast to guests in February 2016

- ✓ Lounge open 24 hrs for hotel guests to relax

- ✓ CAPEX to add value and improve guest experience; Guestroom renovations in 2015

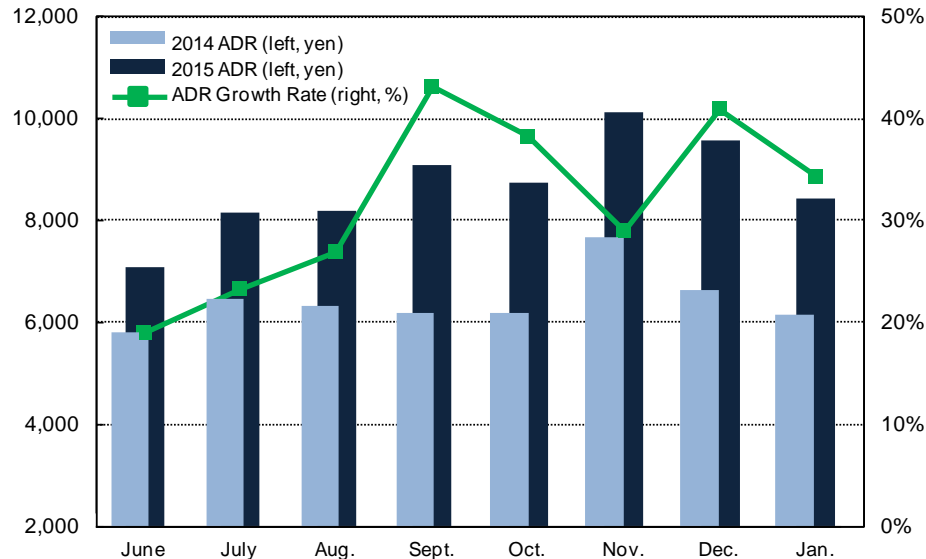
- ✓ In 8 months after guestroom renovations (YoY)

ADR: 8,666 yen (+2,080 yen, +31.6%)

RevPAR: 7,808 yen (+1,777 yen, +29.5%)

Revenues: 147 mm yen (+33 mm yen, +29.5%)

Trend and YoY Growth Rate of ADR after Guestroom Renovations



Buffet-style restaurant with 24 seats



Cafe-like lounge offering Wi-Fi connectivity and free coffee

# Strategic Value-Add CAPEX

- ✓ Bring in more tourism demand
- ✓ Focus renovations on hotels with consistent demand and high-occupancy in order to improve guest satisfaction and increase ADRs
- ✓ Convert non-revenue-generating spaces into guest rooms at hotels with occupancy of >90% p.a.

Expected Completion Date	Hotel	Renovation Details	Purpose
April 2016	Nest Hotel Sapporo Odori	Convert 12 twin-bed rooms to be flexibly used also as triple-bed rooms	Update and upgrade facilities and drive higher tourist demand to boost ADR and RevPAR
July 2016	Nest Hotel Sapporo Odori	Convert storage rooms into guest rooms	Convert non-revenue-generating spaces into guest rooms
August 2016	Smile Hotel Kyoto Shijo	Convert storage rooms into guest rooms	Convert non-revenue-generating spaces into guest rooms
October 2016	Hotel Wing International Nagoya	Renovation of all guest rooms including bathroom remodeling (Joint renovation with lessor)	Update and upgrade facilities and drive higher tourist demand to boost ADR and RevPAR
December 2016	Chisun Inn Osaka Hommachi	Renovation of guest rooms including replacements of bath units and conversion for flexible use as triple-bed rooms (Joint renovation with lessor)	Update and upgrade facilities and drive higher tourist demand to boost ADR and RevPAR

## Renovated for Flexible Use as Triple-Bed Rooms (Nest Hotel Sapporo Ekimae)

**Before**

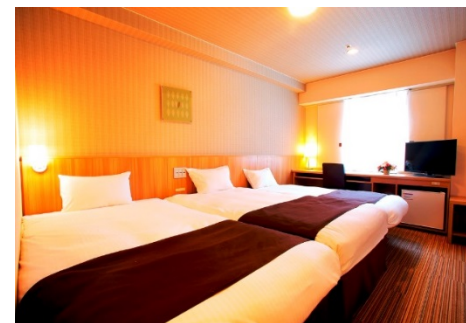


Twin-Bed Room

**After**



Twin-Bed Room



Triple-Bed Room

# Growing Earnings and Dividend

Dividend forecast: 2,455 yen for July 2016; 2,606 yen for January 2017

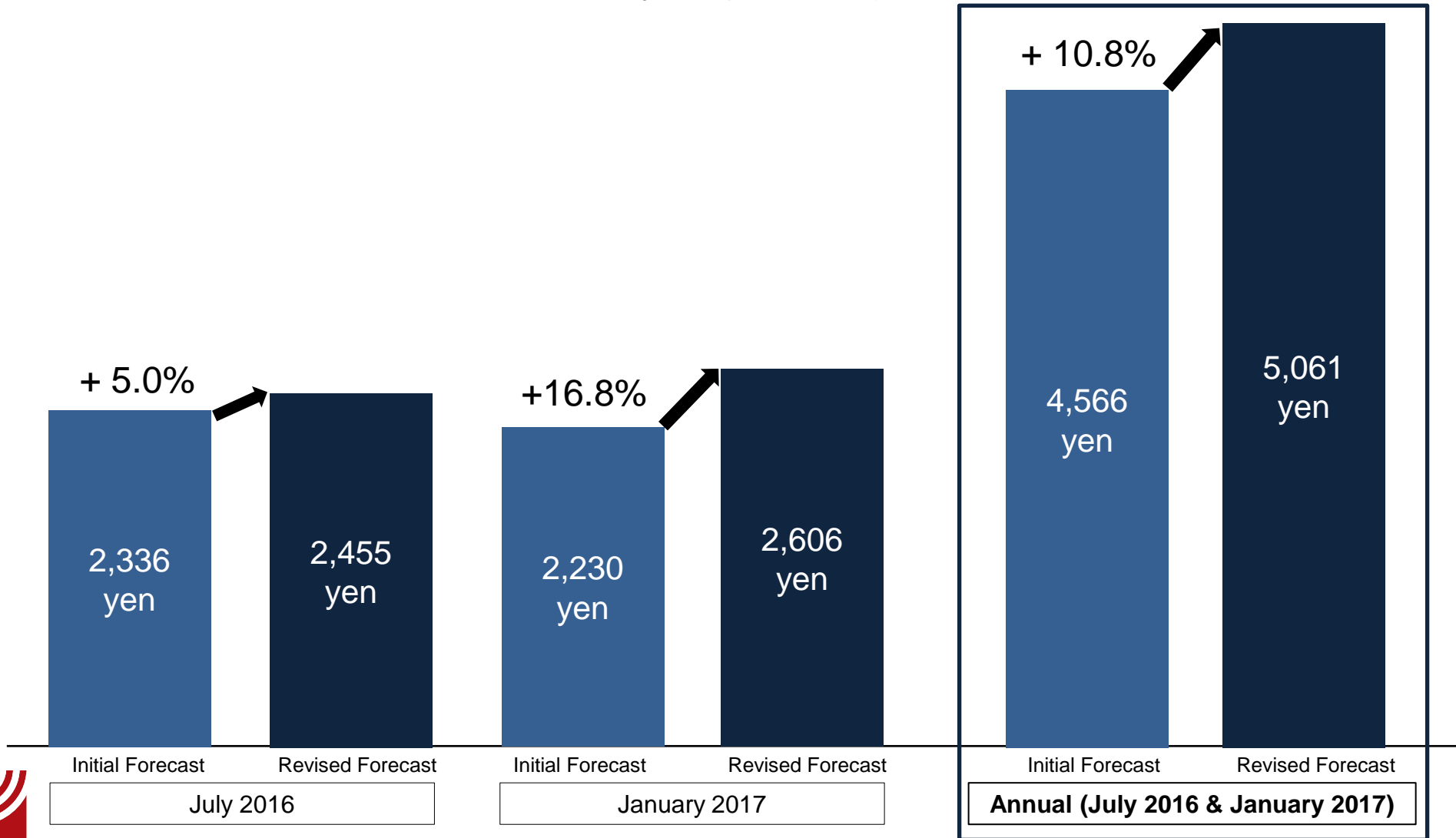
(million yen)

	January 2016		July 2016				January 2017				Major Factors for Variation
	Initial Forecast	Actual	Revised Forecast (Mar 16, 2016)	Initial Forecast (Nov 30, 2015)	Difference	vs. Revised Forecast	Revised Forecast (Mar 16, 2016)	Initial Forecast (Nov 30, 2015)	Difference	vs. Revised Forecast	
<b>Operating Revenue</b>	<b>178</b>	<b>197</b>	<b>730</b>	<b>701</b>	<b>+28</b>	<b>+3.9%</b>	<b>755</b>	<b>687</b>	<b>+68</b>	<b>+9.8%</b>	
Variable Rent	—	66	308	290	+17	+5.8%	325	268	+56	+20.8%	Variable rent increase due to improved hotel revenue
Fixed Rent	—	119	387	387	—	—	395	395	—	—	
Other	—	11	34	23	+11	+47.8%	34	23	+11	+47.8%	Utilities income received from retail tenants
<b>Operating Profit</b>	<b>74</b>	<b>102</b>	<b>422</b>	<b>411</b>	<b>+11</b>	<b>+2.6%</b>	<b>444</b>	<b>397</b>	<b>+46</b>	<b>+11.5%</b>	Utilities expenses paid on behalf of retail tenants July 2016: 11 million yen January 2017: 11 million yen Depreciation July 2016: 101 mm yen (6 mm yen increase) January 2017: 104 mm yen (5 mm yen increase)
<b>Recurring Profit</b>	<b>34</b>	<b>66</b>	<b>341</b>	<b>324</b>	<b>+16</b>	<b>+4.9%</b>	<b>361</b>	<b>309</b>	<b>+52</b>	<b>+16.8%</b>	Interest Expense July 2016: 40 mm yen (4 mm yen decrease) January 2017: 40 mm yen (4 mm yen decrease)
<b>Net Income</b>	<b>33</b>	<b>65</b>	<b>340</b>	<b>323</b>	<b>+16</b>	<b>+4.9%</b>	<b>360</b>	<b>308</b>	<b>+52</b>	<b>+16.8%</b>	
<b>Dividend Per Share</b>	<b>242 yen</b>	<b>471 yen</b>	<b>2,455 yen</b>	<b>2,336 yen</b>	<b>+119 yen</b>	<b>+5.0%</b>	<b>2,606 yen</b>	<b>2,230 yen</b>	<b>+376 yen</b>	<b>+16.8%</b>	

(Note) Retail tenants' utilities income and expenses exactly offset one another

# Revised Dividend Forecasts

Annual Dividend Forecast +495 yen (+10.8%)



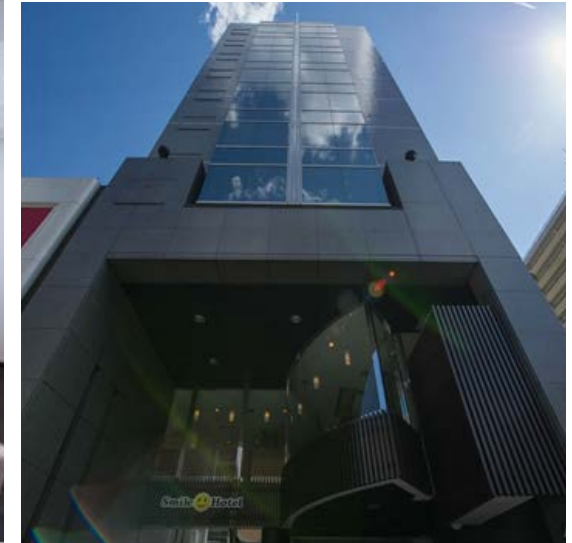


# Portfolio Overview

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# Smile Hotel Kyoto Shijo

Location	Kyoto, Kyoto Prefecture
Hotel Type	Stay-Only
Number of Guest Rooms	138
Leasable Area	4,891.84 m <sup>2</sup>
Structure	SRC, Steel, B1F/10F
Contractual Terms	Fixed + Variable Rent
Acquisition Price	4,480 mm yen
Term-end Appraisal Value	4,580 mm yen
Cap Rate	5.1%
January 2016 Actual	
Occupancy	100.1%
ADR	8,254 yen
RevPAR	8,261 yen
Revenues	75 mm yen

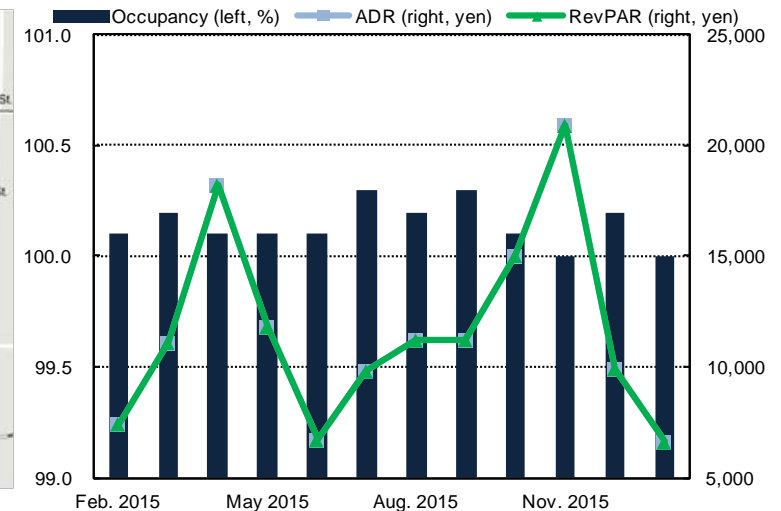


## Location and Features

- ✓ This stay-only hotel is located in the center of Kyoto, a 5-minute walk from Shijo Station on the Karasuma Subway Line and Karasuma Station on the Hankyu Railway Kyoto Line.
- ✓ The area is at the heart of the railroad and road systems of Kyoto, with good access to both residential areas and sightseeing. The Shijo-Karasuma district, with many banks and brokerage firms located around the Shijo-Karasuma intersection, is the financial center of Kyoto.
- ✓ In tandem with JR Kyoto Station, this district is the main area of Kyoto, and both business and leisure (domestic and inbound) demand can be expected.
- ✓ The hotel re-opened under its current name in June 2014. Prior to re-opening, all guest rooms and public areas were refurbished.



## Annual Operating Results (Feb. 2015 - Jan. 2016)



# Hotel Vista Premio Kyoto

Location	Kyoto, Kyoto Prefecture
Hotel Type	Stay-Only
Number of Guest Rooms	84
Leasable Area	3,867.66 m <sup>2</sup>
Structure	Steel, RC, B1F/6F
Contractual Terms	Fixed + Variable Rent
Acquisition Price	3,600 mm yen
Term-end Appraisal Value	3,730 mm yen
Cap Rate	4.6%
January 2016 Actual	
Occupancy	82.7%
ADR	11,535 yen
RevPAR	9,540 yen
Revenues	53 mm yen

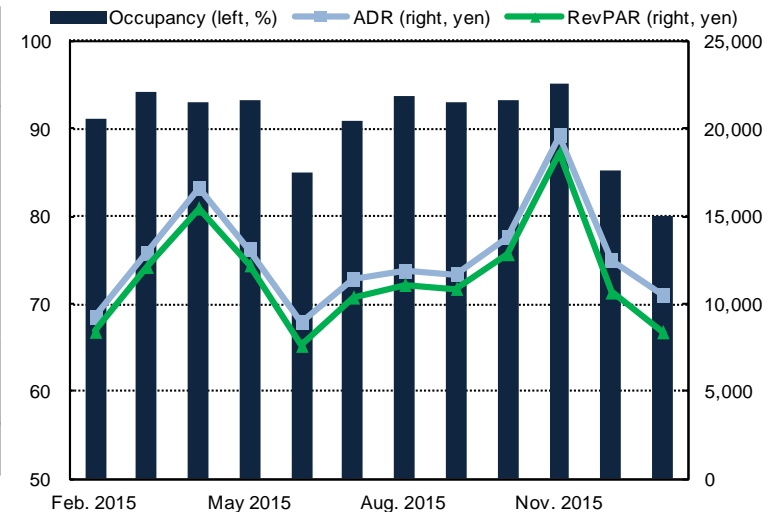


## Location and Features

- ✓ This stay-only hotel is a 5-minute walk from Kyoto City Hall Station on the Tozai Subway Line, and a 7-minute walk from Kawaramachi Station on the Hankyu Railway Kyoto Line.
- ✓ Located in downtown Kyoto, this accessible hotel is a highly useful accommodation for both business and sightseeing purposes.
- ✓ Most of the guest rooms are spacious twin and double rooms, which meet growing leisure demand.
- ✓ The guest rooms are high-class compared to the standard business hotels in the area, with functional, Western-style rooms having a Kyoto-like traditional Japanese interiors.



## Annual Operating Results (Feb. 2015 - Jan. 2016)



# Hotel Wing International Nagoya

Location	Nagoya, Aichi Prefecture
Hotel Type	Stay-Only
Number of Guest Rooms	220
Leasable Area	5,255.66 m <sup>2</sup>
Structure	SRC, Steel, B1F/11F
Contractual Terms	Fixed + Variable Rent
Acquisition Price	2,670 mm yen
Term-end Appraisal Value	2,760 mm yen
Cap Rate	5.2%
January 2016 Actual	
Occupancy	90.4%
ADR	5,542 yen
RevPAR	5,012 yen
Revenues	78 mm yen

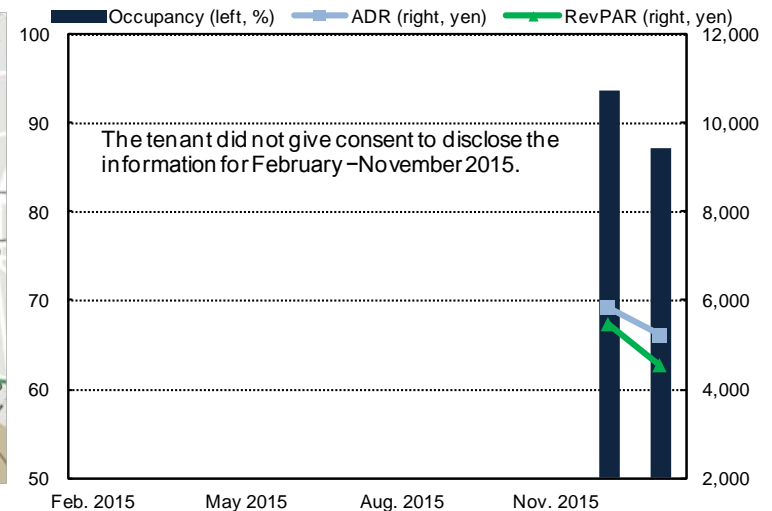


## Location and Features

- ✓ This stay-only hotel is a 2-minute walk to Marunouchi Station on the Nagoya City Subway Sakura-Dori and Tsurumai Lines.
- ✓ The hotel rebranded to its current name in 2006.
- ✓ The area is a business district, with the Nagoya Branch of Bank of Japan, other government offices, branch offices of financial firms, and major companies located nearby.
- ✓ With easy access to the Sakae shopping and entertainment area and JR Nagoya Station, the hotel can meet both business and leisure demand.



## Annual Operating Results (Feb. 2015 - Jan. 2016)





# Nest Hotel Sapporo Ekimae

Location	Sapporo, Hokkaido Prefecture
Hotel Type	Stay-Only
Number of Guest Rooms	162
Leasable Area	5,734.93 m <sup>2</sup>
Structure	SRC, B1F/11F
Contractual Terms	Fixed + Variable Rent
Acquisition Price	2,160 mm yen
Term-end Appraisal Value	2,220 mm yen
Cap Rate	5.7%
January 2016 Actual	
Occupancy	89.4%
ADR	6,178 yen
RevPAR	5,521 yen
Revenues	80 mm yen

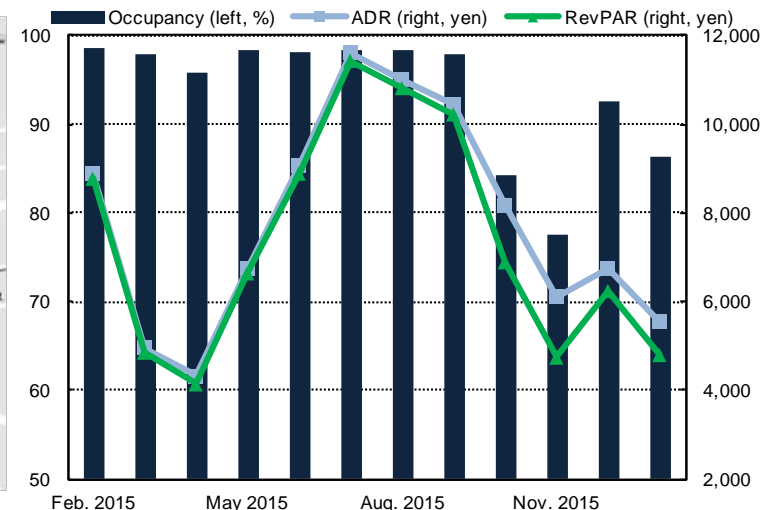


## Location and Features

- ✓ Rebranded as Nest Hotel in May 2013, this is a stay-only hotel a 5-minute walk from Sapporo Station on the Namboku Subway Line and 6-minute walk from Sapporo Station on the JR Line.
- ✓ The hotel is situated at the heart of Sapporo, attracting both tourists and business travelers. It is located close to key transport infrastructure with growing travel demand. The hotel is also conveniently located near major tourism and dining areas such as Odori Park and the Susukino area.
- ✓ The hotel is famous for its breakfast buffet, with more than 40 varieties of dishes ranging from local specialties to international favorites.



## Annual Operating Results (Feb. 2015 - Jan. 2016)



# Chisun Inn Osaka Hommachi

Location	Osaka, Osaka Prefecture
Hotel Type	Stay-Only
Number of Guest Rooms	130
Leasable Area	3,690.00 m <sup>2</sup>
Structure	SRC, B1F/10F
Contractual Terms	Fixed + Variable Rent
Acquisition Price	1,630 mm yen
Term-end Appraisal Value	1,720 mm yen
Cap Rate	4.7%
January 2016 Actual	
Occupancy	89.6%
ADR	9,020 yen
RevPAR	8,079 yen
Revenues	65 mm yen

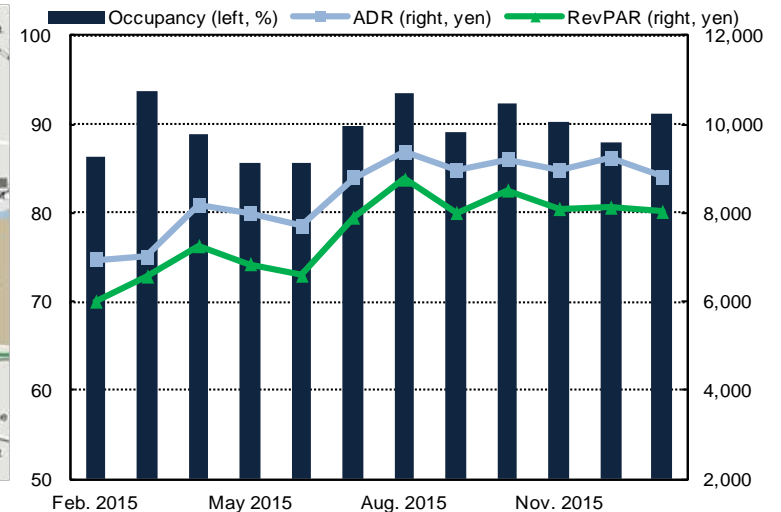


## Location and Features

- ✓ This stay-only hotel is a 5-minute walk from Sakaisuji Hommachi Station on the Chuo Subway Line.
- ✓ The area is a highly-dense commercial district with the potential for higher numbers of business travelers and tourists.
- ✓ Access to major tourist spots such as Universal Studio Japan and Kyocera Dome is convenient via public transport.



## Annual Operating Results (Feb. 2015 - Jan. 2016)



# Comfort Hotel Hamamatsu

Location	Hamamatsu, Shizuoka Prefecture
Hotel Type	Stay-Only
Number of Guest Rooms	196
Leasable Area	4,173.92 m <sup>2</sup>
Structure	Steel, 10F
Contractual Terms	Fixed Rent
Acquisition Price	1,550 mm yen
Term-end Appraisal Value	1,640 mm yen
Cap Rate	5.8%
January 2016 Actual	
Occupancy	The tenant did not give consent to disclose the information.
ADR	
RevPAR	
Revenues	

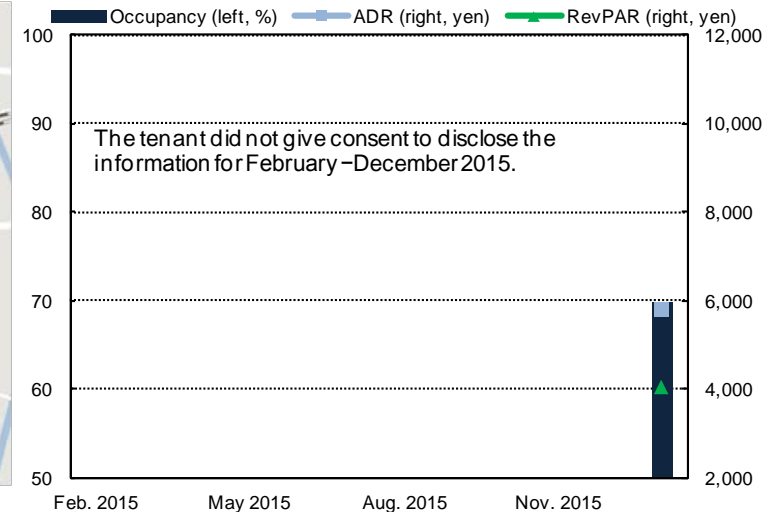


## Location and Features

- ✓ This stay-only hotel, with 35 single-bed rooms and 142 double-bed rooms, is conveniently located just a 2-minute walk from Hamamatsu Station on the JR Line. It is also situated on the main trunk road that runs in front of the South Exit of the JR Hamamatsu Station.
- ✓ Many major national manufacturers in industries such as autos, motorcycles, and musical instruments are in the area. Parts manufacturers and small and medium enterprises (SMEs) also have offices in the area, and thus steady business demand can be expected.



## Annual Operating Results (Feb. 2015 - Jan. 2016)





# Hotel Suave Kobe Asuta

Location	Kobe, Hyogo Prefecture
Hotel Type	Stay-Only
Number of Guest Rooms	133
Leasable Area	4,633.16 m <sup>2</sup>
Structure	RC, B1F/9F
Contractual Terms	Fixed + Variable Rent
Acquisition Price	1,490 mm yen
Term-end Appraisal Value	1,550 mm yen
Cap Rate	5.4%
January 2016 Actual	
Occupancy	The tenant did not give consent to disclose the information.
ADR	
RevPAR	
Revenues	



## Location and Features

- ✓ Built in January 2008, this is a stay-only hotel with 77 single bedrooms. It is a 2-minute walk from Shin-Nagata Station on the JR Sanyo Honsen Line.
- ✓ Surrounding the hotel in the Shin-Nagata area are a number of new buildings as a result of redevelopment projects after the Great Hanshin Earthquake in 1995.



## Annual Operating Results (Feb. 2015 - Jan. 2016)

- ✓ The tenant did not give consent to disclose the information.



# Nest Hotel Sapporo Odori

Location	Sapporo, Hokkaido Prefecture
Hotel Type	Stay-Only
Number of Guest Rooms	117
Leasable Area	5,638.78 m <sup>2</sup>
Structure	SRC, Steel, B1F/15F
Contractual Terms	Fixed + Variable Rent
Acquisition Price	1,450 mm yen
Term-end Appraisal Value	1,490 mm yen
Cap Rate	5.6%
January 2016 Actual	
Occupancy	93.9%
ADR	7,327 yen
RevPAR	6,879 yen
Revenues	58 mm yen

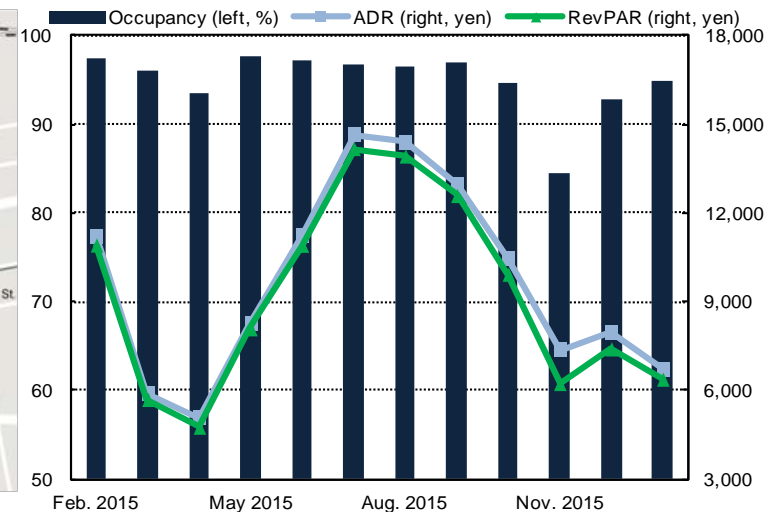


## Location and Features

- ✓ This is a stay-only hotel conveniently located in the center of Sapporo, a 4-minute walk from Odori Station on the Namboku Subway Line. The area attracts many visitors, generating significant demand as a place to stay for business and pleasure.
- ✓ The hotel was rebranded as Nest Hotel Sapporo Odori in December 2013. The hotel expects to attract more guests due to the Sapporo's growing tourism demand and its relatively spacious rooms of over 20m<sup>2</sup>.



## Annual Operating Results (Feb. 2015 - Jan. 2016)



# Valie Hotel Tenjin

Location	Fukuoka, Fukuoka Prefecture
Hotel Type	Stay-Only
Number of Guest Rooms	77
Leasable Area	1,910.94 m <sup>2</sup>
Structure	RC, 8F
Contractual Terms	Fixed + Variable Rent
Acquisition Price	1,380 mm yen
Term-end Appraisal Value	1,690 mm yen
Cap Rate	4.9%
January 2016 Actual	
Occupancy	85.4%
ADR	8,998 yen
RevPAR	7,668 yen
Revenues	39 mm yen

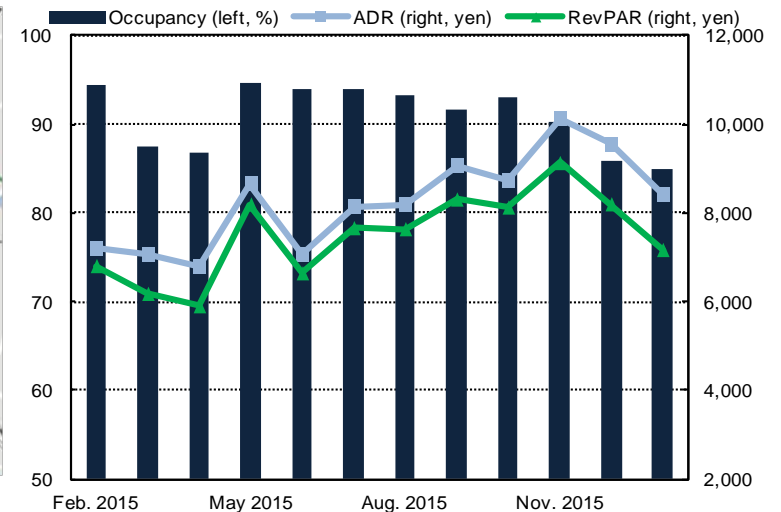


## Location and Features

- ✓ This is a stay-only hotel with 77 rooms: 35 rooms of 15m<sup>2</sup> with double-sized beds, 35 rooms of 15m<sup>2</sup> with twin-sized beds, and seven 17m<sup>2</sup> twin rooms. All rooms were renovated in 2015.
- ✓ The hotel is in Tenjin, Fukuoka's most vibrant business, shopping, and entertainment district. The hotel is a 6-minute walk from Tenjin Station on the Kuko Subway Line and just a 2-minute walk from Tenjin Station's nearest exit. Conveniently located and attracting many visitors as a place for shopping, Tenjin is the most popular travel destination and hotel area in Fukuoka.
- ✓ Situated adjacent to Meiji Dori and Showa Dori, major boulevards occupied by large-scale retailers and high-rise office buildings, the hotel attracts business travelers on weekdays and tourists on the weekends.



## Annual Operating Results (Feb. 2015 - Jan. 2016)



# Appendix

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# Portfolio Details

As of January 31, 2016

Use	No.	Property	Area	Hotel Type	Contractual Terms	Location	Acquisition Price (mm yen)	Book Value (mm yen)	Leasable Area (m <sup>2</sup> )	Occupancy (%)	Jan 2016 Appraisal	
											Value (mm yen)	Cap rate (%)
Hotel	001	Smile Hotel Kyoto Shijo	Kinki	Stay-Only	Variable + Fixed Rent	Kyoto, Kyoto Prefecture	4,480	4,524	4,891.84	100.0	4,580	5.1
	002	Hotel Vista Premio Kyoto	Kinki	Stay-Only	Variable + Fixed Rent	Kyoto, Kyoto Prefecture	3,600	3,635	3,867.66	100.0	3,730	4.6
	003	Hotel Wing International Nagoya	Tokai	Stay-Only	Variable + Fixed Rent	Nagoya, Aichi Prefecture	2,670	2,697	5,255.66	100.0	2,760	5.2
	004	Nest Hotel Sapporo Ekimae	Hokkaido	Stay-Only	Variable + Fixed Rent	Sapporo, Hokkaido Prefecture	2,160	2,182	5,734.93	100.0	2,220	5.7
	005	Chisun Inn Osaka Hommachi	Kinki	Stay-Only	Variable + Fixed Rent	Osaka, Osaka Prefecture	1,630	1,650	3,690.00	100.0	1,720	4.7
	006	Comfort Hotel Hamamatsu	Tokai	Stay-Only	Fixed Rent	Hamamatsu, Shizuoka Prefecture	1,550	1,563	4,173.92	100.0	1,640	5.8
	007	Hotel Suave Kobe Asuta	Kinki	Stay-Only	Variable + Fixed Rent	Kobe, Hyogo Prefecture	1,490	1,507	4,633.16	100.0	1,550	5.4
	008	Nest Hotel Sapporo Odori	Hokkaido	Stay-Only	Variable + Fixed Rent	Sapporo, Hokkaido Prefecture	1,450	1,464	5,638.78	100.0	1,490	5.6
	009	Valie Hotel Tenjin	Kyushu	Stay-Only	Variable + Fixed Rent	Fukuoka, Fukuoka Prefecture	1,380	1,416	1,910.94	100.0	1,690	4.9
Total							20,410	20,642	39,796.89	100.0	21,380	

Below are the prefectures located in each "Area":

Hokkaido: Hokkaido Prefecture

Tokai: Gifu, Shizuoka, Aichi, and Mie Prefectures

Kinki: Osaka, Hyogo, Kyoto, Shiga, Nara, and Wakayama Prefectures

Kyushu: Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, and Kagoshima Prefectures

# Asset-Level Financials

(thousand yen)

No.		001	002	004	005	006	008	009	
Property	Total	Smile Hotel Kyoto Shijo	Hotel Vista Premio	Nest Hotel Sapporo Ekimae	Chisun Inn Osaka Hommachi	Comfort Hotel Hamamatsu	Nest Hotel Sapporo Odori	Valie Hotel Tenjin	Other
(A) Real Estate Management Revenue	197,950	34,879	25,446	16,922	12,200	18,761	14,364	19,270	56,104
Fixed Rent	119,616	7,292	25,416	7,089	12,200	18,761	2,427	7,794	38,633
Variable Rent	66,870	27,586	30	9,832	0	0	11,937	11,475	6,008
Other Rent	11,463	0	0	0	0	0	0	0	11,463
(B) Real Estate Management Expenses	17,595	899	776	4,128	506	426	3,771	722	6,364
Outsourcing Fees	3,091	303	599	303	348	303	303	303	626
Insurance	385	55	37	53	36	34	56	19	91
Maintenance and Repair Expenses	1,990	420	0	645	0	0	553	0	372
Other Expenses	12,127	120	139	3,126	121	87	2,858	399	5,274
(C) NOI (A)-(B)	180,355	33,980	24,670	12,793	11,693	18,335	10,592	18,548	49,740
(D) Depreciation	50,074	7,540	6,273	6,013	2,098	7,296	7,082	3,442	10,327
(E) Rental Revenue (C)-(D)	130,280	26,439	18,397	6,780	9,595	11,038	3,509	15,105	39,412

Rents for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, and retail rents are included in "Other," as the tenants did not give consent to disclose the data.

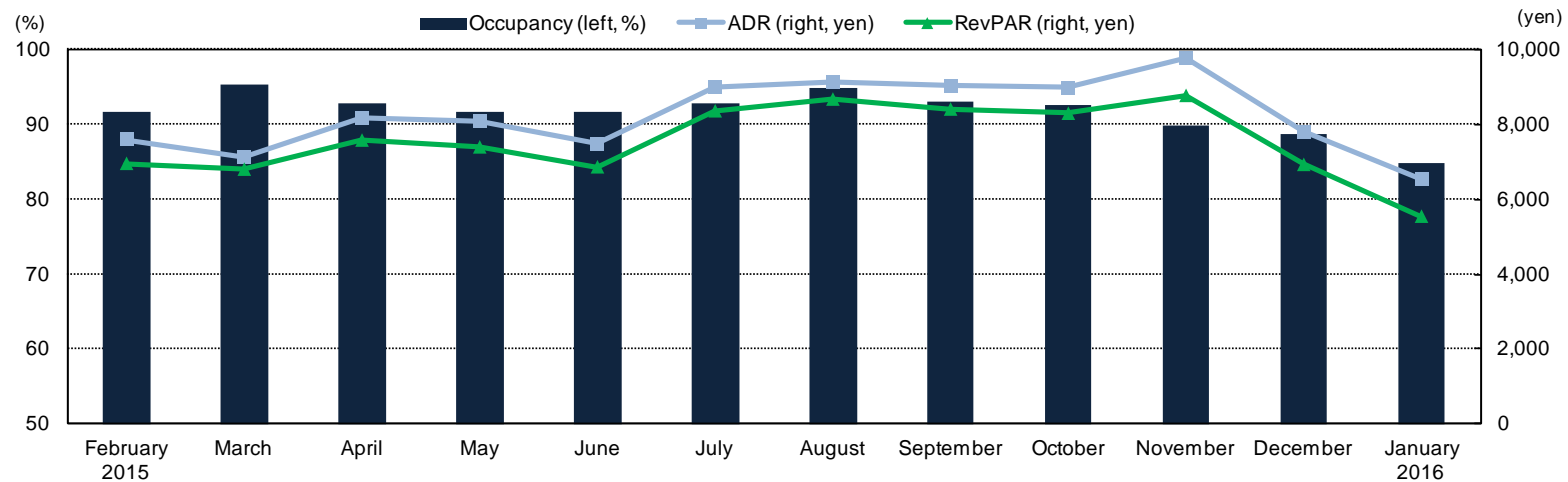
# Contractual Terms and Operating Results

## Contractual Terms

(thousand yen)

	January 2016	Ratio
Fixed Rent	131,079	66.2%
Fixed Rent From Each Tenant	119,616	60.4%
Other (Rent From Retail Tenants)	11,463	5.8%
Variable Rent	66,870	33.8%
<b>Total</b>	<b>197,950</b>	<b>100.0%</b>

## Portfolio Operating Results (Feb. 2015 - Jan. 2016)

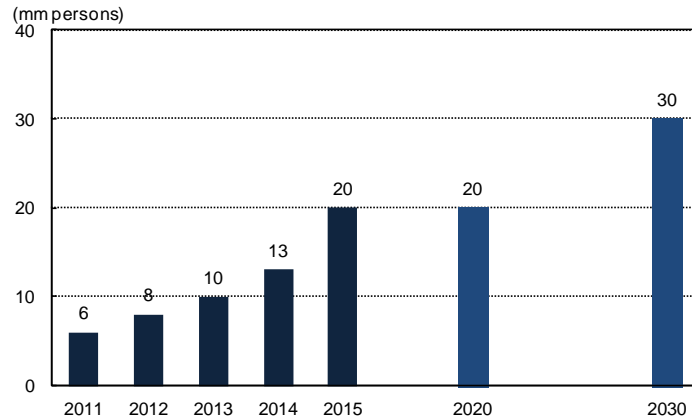




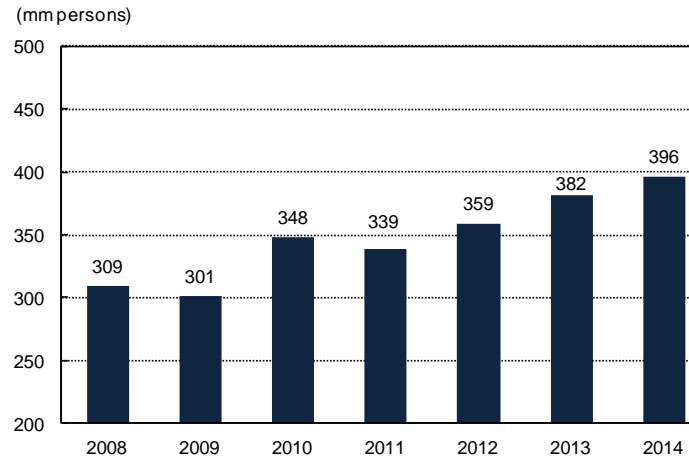
# Hotel Market Environment (1)

## Japanese Government Policy Supportive of Inbound Tourism

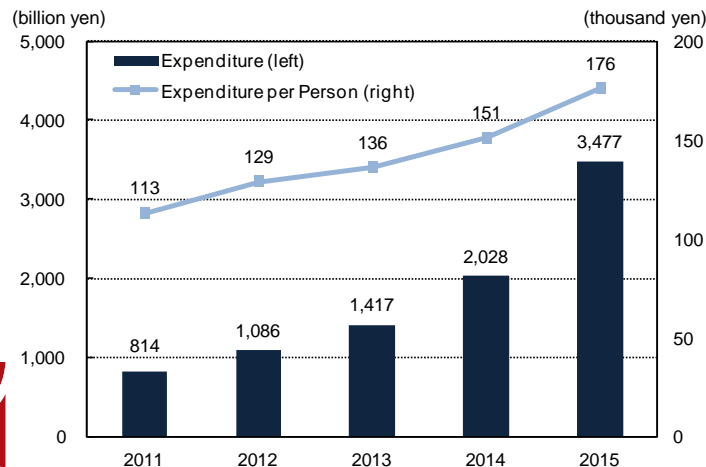
**No. of Inbound Tourists**



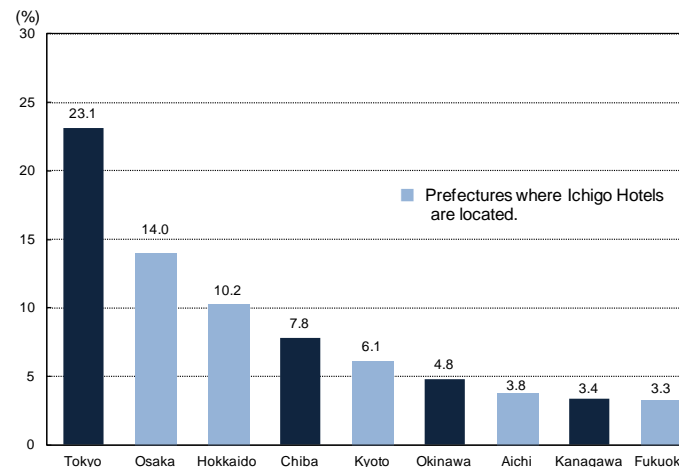
**No. of Guests Staying at Domestic Hotels**



**Inbound Tourist Expenditure Trends**



**Inbound Tourist Ratio by Prefecture (Jan.-Dec. 2015)**



### Japan's Tourist Policy

2003  
Visit Japan Campaign  
launched

2007  
Tourism-based Country  
Promotion Basic Act

2008  
International flights  
launched by int'l LCCs

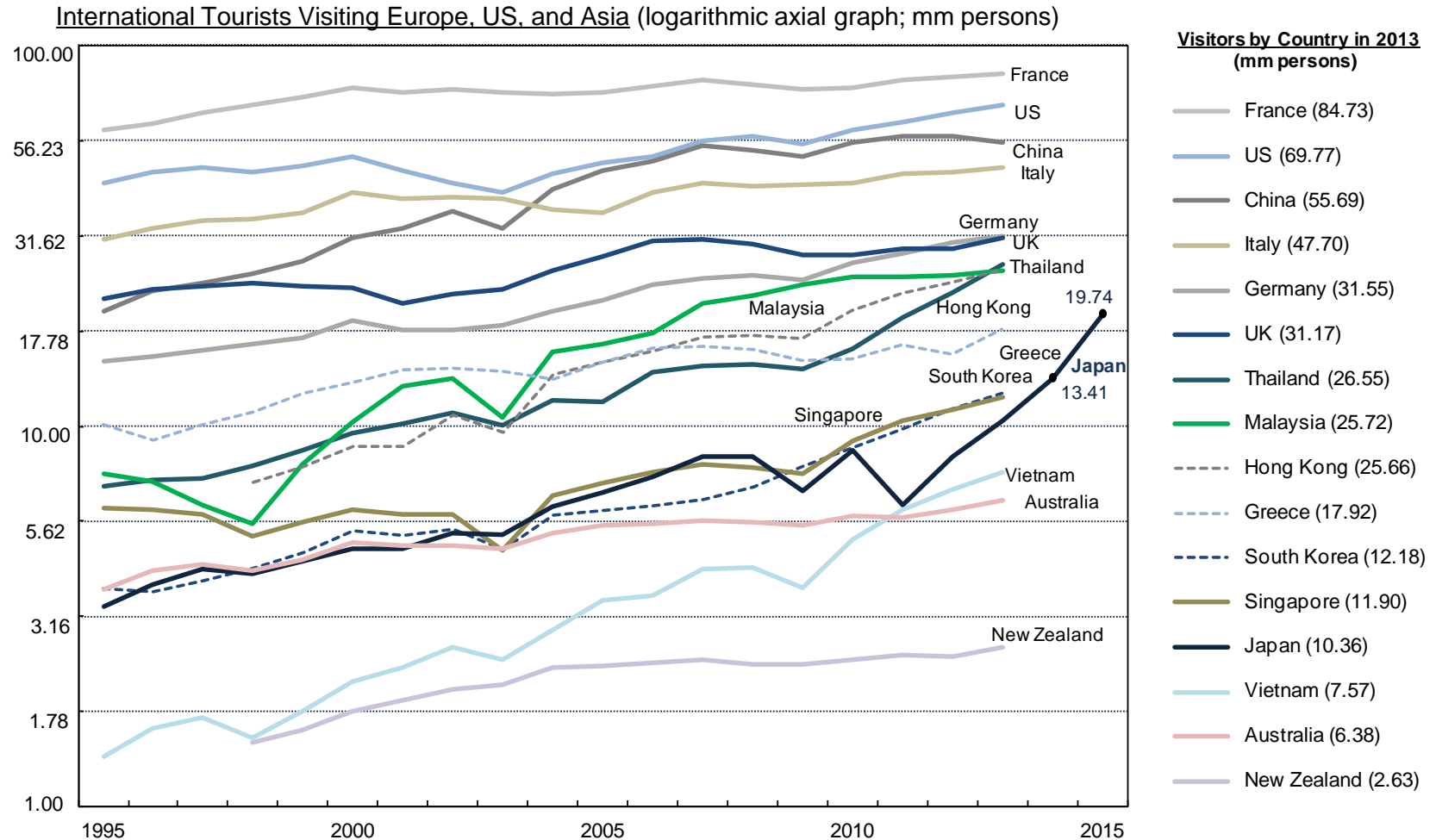
2012  
International flights  
launched by  
domestic LCCs

2013  
Relaxation of  
visa requirements

2014 - 2015  
Additional relaxation of  
visa requirements

# Hotel Market Environment (2)

## Global Increase in International Tourism, Especially to Asia

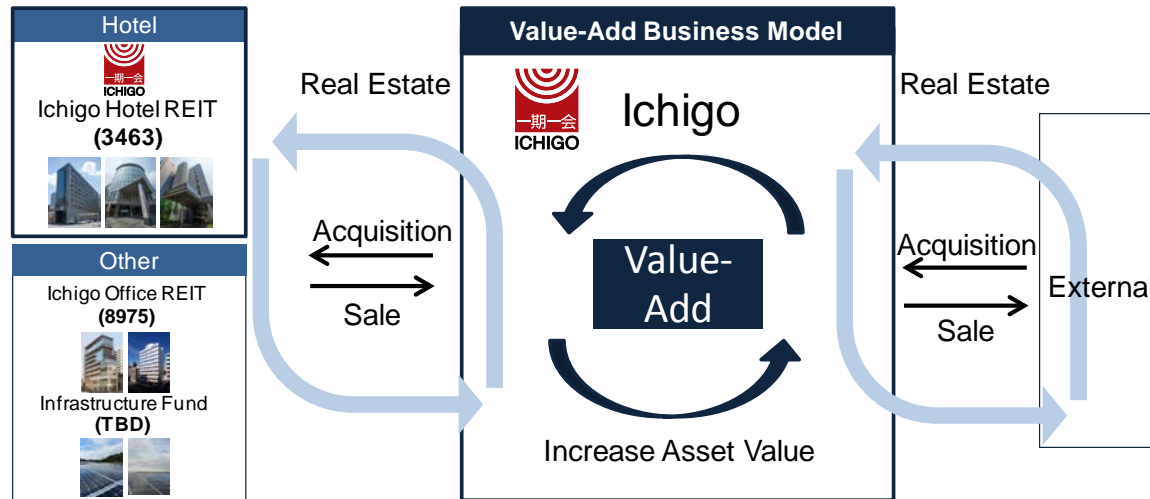


Source: Mitsubishi UFJ Trust and Banking Corporation (December 30, 2015, Real Estate Market Report), based on data provided by the World Bank and Japan National Tourist Organization

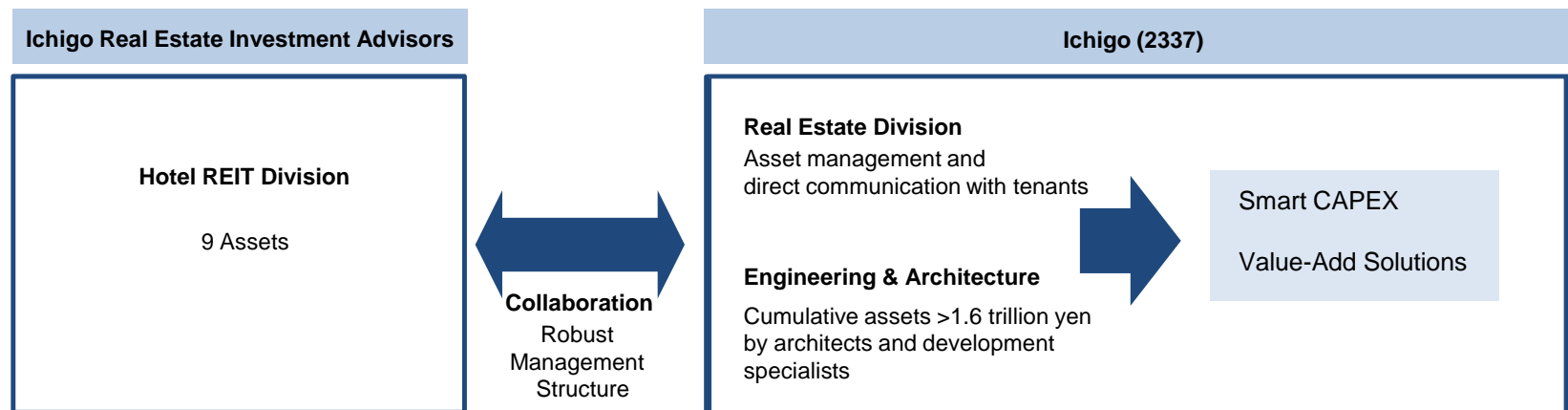
# Strengths of Ichigo Hotel REIT

## Making Maximum Use of Sponsor Ichigo's Capabilities to Drive Growth

### Ichigo's Business Model



### Ichigo's Collaborative Asset Management Structure



# Hard/Soft Factors Considered in Asset Acquisitions

Hard

## Location

### Location Competitiveness

Is the asset located near an airport, train station, business center, etc., and is it likely there will be sufficient regular customer traffic?

Hard

## Building

### Physical Condition of Building

What is the physical condition of the asset and how well has it been maintained? Is the physical condition competitive when compared to other similar assets?

Hard

## Value-Add Opportunity

### Opportunity to Benefit from Ichigo Value-Add Expertise

Will Ichigo be able to deploy value-add capex and other capabilities to create a stable and/or growing revenue stream?

Soft

## Operator

### Skill and Track Record of Operator

What are the likely capabilities of the operator and is the operator well-positioned to maintain stable income and/or increase revenue in the future?

Soft

## Cash Flow Analysis

### Analysis of Cash Flows and Rental Structure

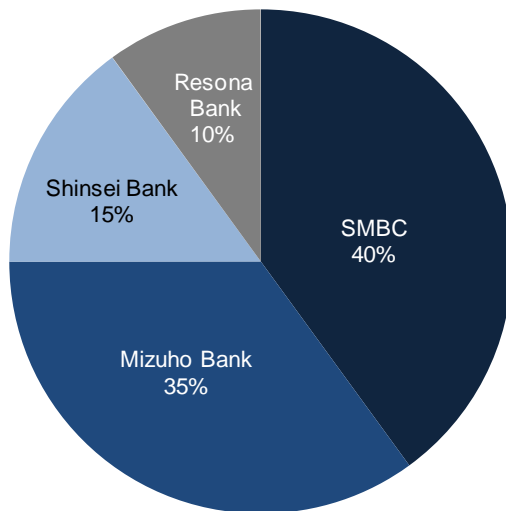
How will the amount and timing of expected cash flows from the asset affect the portfolio as a whole? Is the existing rate structure the most appropriate?

# Loan Details (as of January 31, 2016)

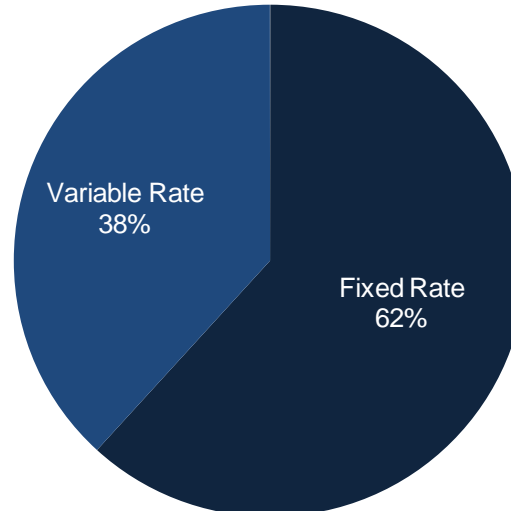
As of January 31, 2016

Borrowing	Lender	Balance (mm yen)	Borrowing Rate	Drawdown Date	Maturity Date
Term Loan I	Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; Shinsei Bank Limited; Resona Bank, Limited	3,250	0.77091%	November 30, 2015	November 30, 2018
Term Loan II	Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; Shinsei Bank Limited; Resona Bank, Limited	5,250	1.08000%	November 30, 2015	November 30, 2020
<b>Total</b>		<b>8,500</b>	<b>Average 0.96%</b>		

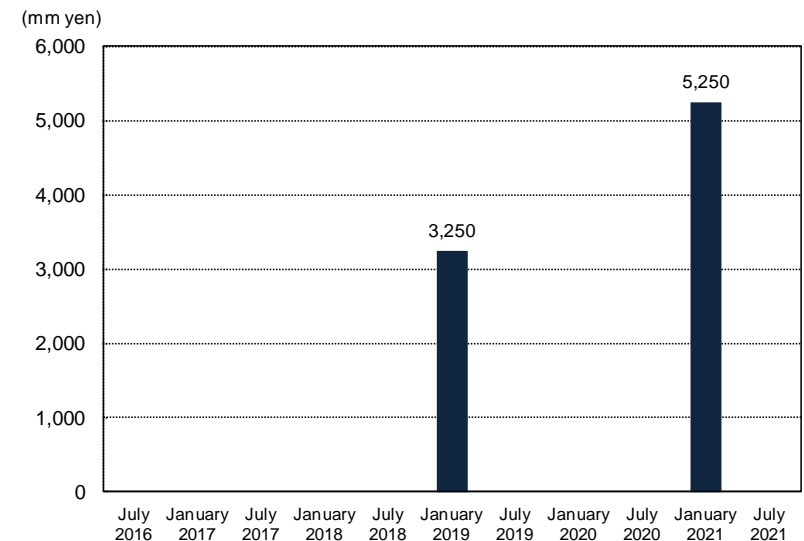
Distribution of Lenders



Contractual Terms



Distribution of Repayment Dates

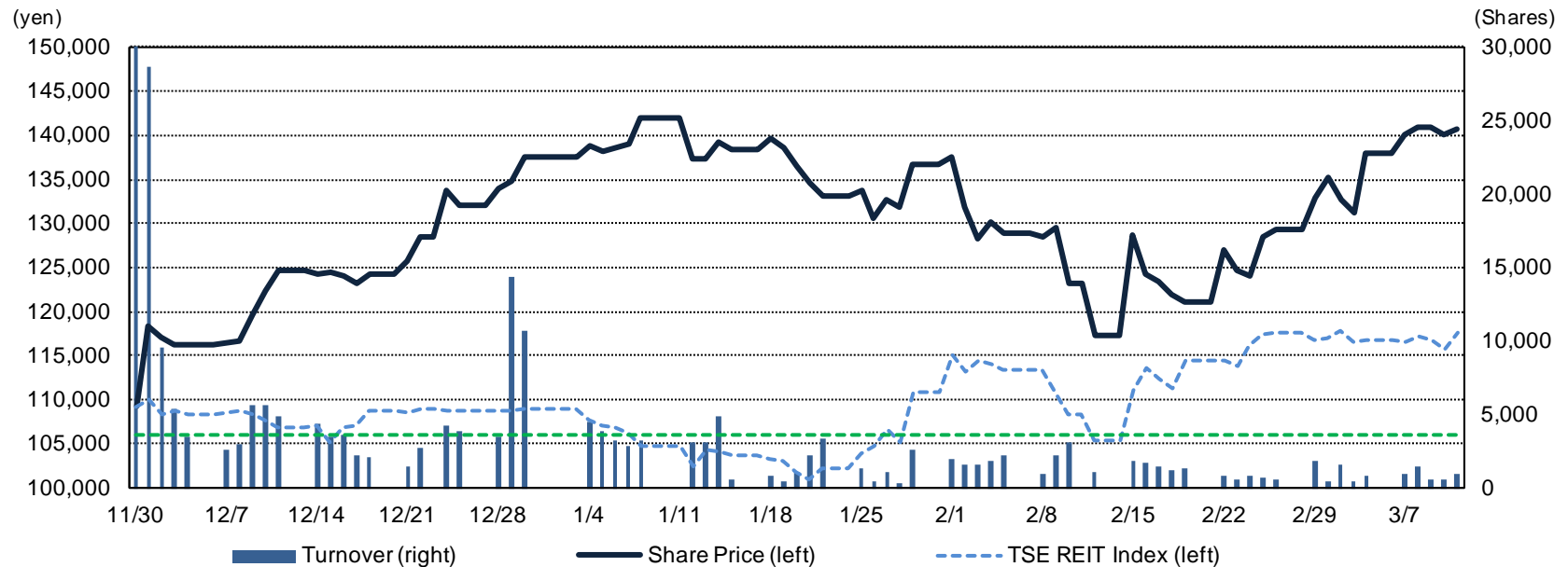


# Post-IPO Share Price Performance

- ✓ Share price above IPO price
- ✓ Outperforming TSE REIT index to date

Post-IPO Share Prices (November 30, 2015 — March 11, 2016)

Share Price on Listing Date (November 30, 2015)				
<b>Issue:</b> 106,000 yen	<b>Initial:</b> 104,100 yen	<b>High:</b> 112,000 yen	<b>Low:</b> 103,800 yen	<b>Closing:</b> 109,200 yen



(Note) In the above graph, the TSE REIT Index is indexed by setting its November 30, 2015 closing price to match that of Ichigo Hotel REIT (109,200 yen).

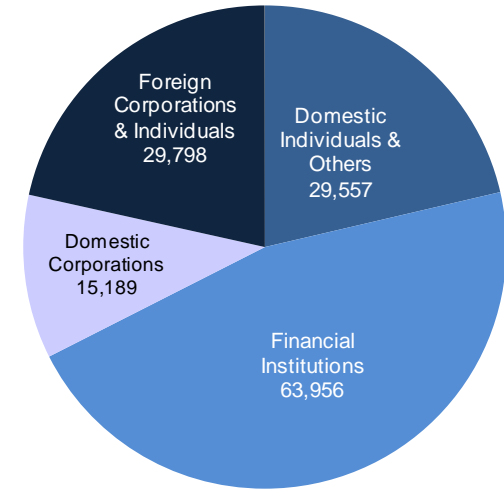


# Shareholder Composition (as of January 31, 2016)

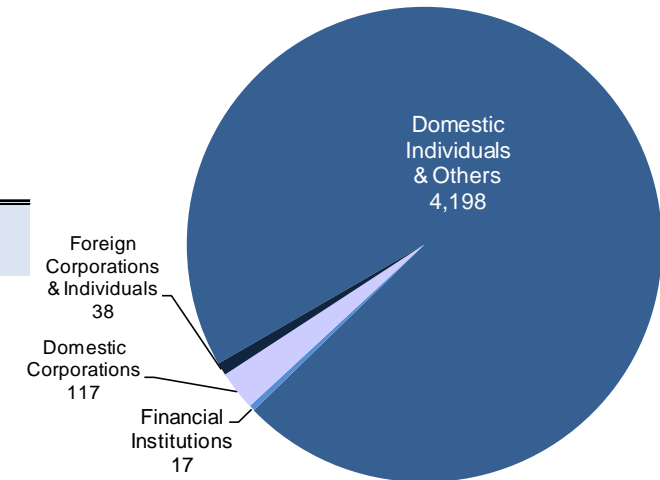
## Major Shareholders

	Name	Shares #	Share %
1	Japan Trustee Services Bank, Ltd., Trust Account	25,089	18%
2	Trust & Custody Service Bank, Ltd., Securities Investment Trust Account	17,786	13%
3	The Master Trust Bank of Japan, Trust Account	11,474	8%
4	Ichigo Inc. (Sponsor)	6,500	5%
5	MSIP CLIENT SECURITIES	6,423	5%
6	The Nomura Trust and Banking Co., Ltd., Investment Trust Account	5,322	4%
7	SIX SIS LTD.	4,470	3%
8	MSCO CUSTOMER SECURITIES	3,988	3%
9	SBI SECURITIES CO., Ltd.	1,782	1%
10	CBLDN STANDARD LIFE INVESTMENT COMPANY II - GLOBAL REIT FUND	1,602	1%
Total		84,436	61%

## Number of Shares by Shareholder Type



## Number of Shareholders by Type



# Ichigo Hotel REIT Overview (as of January 31, 2016)

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## Investment Corporation

Name	Ichigo Hotel REIT Investment Corporation (Ichigo Hotel REIT)
Securities Code	3463
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Executive Director	Osamu Miyashita
Portfolio	9 assets
Portfolio Value	20,410 mm yen (acquisition price basis)
Fiscal Periods	January (August 1 - January 31) and July (February 1 - July 31)

## Asset Management Company

Name	Ichigo Real Estate Investment Advisors Co., Ltd.
President & Representative Statutory Executive Director	Wataru Orii

# Disclaimer

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These materials are for informational purposes only, and do not constitute or form a part of, and should not be construed as, an offer to sell or a solicitation of an offer to buy any securities of Ichigo Hotel REIT Investment Corporation (Ichigo Hotel REIT).

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[www.ichigo-hotel.co.jp/english](http://www.ichigo-hotel.co.jp/english)

Ichigo is Japan's first zero-carbon listed real estate company. We are taking responsibility for our environmental footprint by offsetting our carbon emissions and investing in low-carbon technologies such as solar energy.