

[Provisional Translation Only]

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Issuer

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Ichigo Hotel Operating Results – August 2019

Portfolio Revenue, RevPAR, Occupancy, and ADR

Total (20 Hotels)

| | August 2019 (A) | (Previous) August 2019 (B) | Difference (A) - (B) | YOY Change |
|--------------------------|--------------------|----------------------------------|-------------------------|---------------|
| Revenue (JPY million) | 852.6 | 954.2 | -101.6 | -10.6% |
| RevPAR (JPY) | 7,669 | 8,654 | -985 | -11.4% |
| Occupancy (%) | 89.1 | 94.3 | -5.1 | -5.4% |
| ADR (JPY) | 8,603 | 9,181 | -578 | -6.3% |

Variable-Rent Hotels (13 Hotels)

| | August 2019 (A) | (Previous) August 2018 (B) | Difference (A) - (B) | YOY Change |
|--------------------------|--------------------|----------------------------------|-------------------------|---------------|
| Revenue (JPY million) | 582.4 | 661.0 | -78.6 | -11.9% |
| RevPAR (JPY) | 8,014 | 9,228 | -1,213 | -13.1% |
| Occupancy (%) | 88.6 | 94.7 | -6.0 | -6.4% |
| ADR (JPY) | 9,043 | 9,749 | -706 | -7.2% |

Fixed-Rent Hotels (7 Hotels)

| | August 2019 (A) | (Previous) August 2018 (B) | Difference (A) - (B) | YOY Change |
|--------------------------|--------------------|----------------------------------|-------------------------|---------------|
| Revenue (JPY million) | 270.2 | 293.2 | -23.0 | -7.9% |
| RevPAR (JPY) | 7,079 | 7,677 | -599 | -7.8% |
| Occupancy (%) | 90.0 | 93.6 | -3.6 | -3.8% |
| ADR (JPY) | 7,862 | 8,202 | -341 | -4.2% |

Revenue, RevPAR, Occupancy, and ADR by Hotel

Variable-Rent Hotels (14 Hotels – current month data include Hotel Wing International Kobe Shin Nagata Ekimae, which reopened June 2019)

| | | August 2019 (A) | (Previous) August 2018 (B) | Difference (A) - (B) | YOY Change |
|---------------------------------------|--------------------------|--------------------|----------------------------------|-------------------------|---------------|
| Nest Hotel Sapporo Ekimae | Revenue (JPY million) | 72.1 | 82.1 | -10.0 | -12.2% |
| | RevPAR (JPY) | 12,585 | 14,562 | -1,978 | -13.6% |
| | Occupancy (%) | 96.3 | 97.4 | -1.2 | -1.2% |
| | ADR (JPY) | 13,071 | 14,946 | -1,875 | -12.5% |
| Nest Hotel Sapporo Odori | Revenue (JPY million) | 55.7 | 72.7 | -17.0 | -23.3% |
| | RevPAR (JPY) | 13,611 | 17,959 | -4,348 | -24.2% |
| | Occupancy (%) | 94.9 | 97.2 | -2.2 | -2.3% |
| | ADR (JPY) | 14,337 | 18,481 | -4,144 | -22.4% |
| Smile Hotel Tokyo Asagaya | Revenue (JPY million) | 31.5 | 32.8 | -1.3 | -4.0% |
| | RevPAR (JPY) | 8,872 | 9,220 | -348 | -3.8% |
| | Occupancy (%) | 97.7 | 98.7 | -1.0 | -1.0% |
| | ADR (JPY) | 9,078 | 9,344 | -266 | -2.8% |
| Hotel Wing International Nagoya | Revenue (JPY million) | 40.4 | 48.2 | -7.8 | -16.1% |
| | RevPAR (JPY) | 5,248 | 6,218 | -970 | -15.6% |
| | Occupancy (%) | 84.4 | 93.6 | -9.2 | -9.8% |
| | ADR (JPY) | 6,220 | 6,643 | -424 | -6.4% |
| Smile Hotel Kyoto Shijo | Revenue (JPY million) | 32.5 | 37.5 | -5.0 | -13.3% |
| | RevPAR (JPY) | 6,694 | 7,804 | -1,110 | -14.2% |
| | Occupancy (%) | 99.7 | 100.1 | -0.4 | -0.4% |
| | ADR (JPY) | 6,717 | 7,797 | -1,080 | -13.9% |

| | | August 2019 (A) | (Previous) August 2018 (B) | Difference (A) - (B) | YOY Change |
|---|--------------------------|--------------------|----------------------------------|-------------------------|---------------|
| Hotel Vista Premio Kyoto | Revenue (JPY million) | 26.7 | 32.5 | -5.8 | -18.0% |
| | RevPAR (JPY) | 8,912 | 10,969 | -2,058 | -18.8% |
| | Occupancy (%) | 91.1 | 94.4 | -3.3 | -3.5% |
| | ADR (JPY) | 9,779 | 11,616 | -1,837 | -15.8% |
| Chisun Inn Osaka Hommachi | Revenue (JPY million) | 22.0 | 27.5 | -5.5 | -19.9% |
| | RevPAR (JPY) | 5,459 | 6,812 | -1,353 | -19.9% |
| | Occupancy (%) | 79.0 | 88.9 | -9.9 | -11.1% |
| | ADR (JPY) | 6,908 | 7,664 | -756 | -9.9% |
| Nest Hotel Osaka Shinsaibashi | Revenue (JPY million) | 63.7 | 87.2 | -23.5 | -26.9% |
| | RevPAR (JPY) | 6,259 | 8,729 | -2,470 | -28.3% |
| | Occupancy (%) | 78.3 | 92.2 | -13.9 | -15.1% |
| | ADR (JPY) | 7,991 | 9,463 | -1,472 | -15.6% |
| Hotel Wing International Kobe Shin Nagata Ekimae | Revenue (JPY million) | 33.3 | | | |
| | RevPAR (JPY) | 7,247 | | | |
| | Occupancy (%) | 86.9 | | | |
| | ADR (JPY) | 8,341 | | | |
| Nest Hotel Matsuyama | Revenue (JPY million) | 50.8 | 49.7 | +1.2 | +2.3% |
| | RevPAR (JPY) | 6,172 | 6,093 | +79 | +1.3% |
| | Occupancy (%) | 91.4 | 96.3 | -4.9 | -5.1% |
| | ADR (JPY) | 6,751 | 6,324 | +427 | +6.8% |
| Court Hotel Kurashiki | Revenue (JPY million) | 36.7 | 39.9 | -3.2 | -8.0% |
| | RevPAR (JPY) | 9,379 | 10,591 | -1,213 | -11.4% |
| | Occupancy (%) | 97.7 | 97.0 | +0.7 | +0.8% |
| | ADR (JPY) | 9,596 | 10,920 | -1,324 | -12.1% |
| Valie Hotel Tenjin | Revenue (JPY million) | 23.6 | 22.6 | +1.0 | +4.5% |
| | RevPAR (JPY) | 9,221 | 8,827 | +394 | +4.5% |
| | Occupancy (%) | 96.2 | 96.8 | -0.6 | -0.6% |
| | ADR (JPY) | 9,587 | 9,117 | +470 | +5.1% |
| Nest Hotel Kumamoto | Revenue (JPY million) | 43.3 | 37.4 | +5.9 | +15.8% |
| | RevPAR (JPY) | 6,223 | 5,225 | +999 | +19.1% |
| | Occupancy (%) | 80.0 | 89.8 | -9.8 | -10.9% |
| | ADR (JPY) | 7,777 | 5,817 | +1,960 | +33.7% |

| | | August 2019 (A) | (Previous) August 2018 (B) | Difference (A) - (B) | YOY Change |
|--------------------|--------------------------|--------------------|----------------------------------|-------------------------|---------------|
| Nest Hotel Naha | Revenue (JPY million) | 83.4 | 91.1 | -7.7 | -8.4% |
| | RevPAR (JPY) | 10,757 | 12,031 | -1,274 | -10.6% |
| | Occupancy (%) | 89.2 | 94.5 | -5.3 | -5.6% |
| | ADR (JPY) | 12,057 | 12,726 | -668 | -5.3% |

Fixed-Rent Hotels (6 Hotels – excludes Hotel Livemax Nihombashi-Hakozaki)

| | | August 2019 (A) | (Previous) August 2018 (B) | Difference (A) - (B) | YOY Change |
|--|--------------------------|--------------------|----------------------------------|-------------------------|---------------|
| Comfort Hotel Kushiro | Revenue (JPY million) | 30.5 | 27.8 | +2.6 | +9.5% |
| | RevPAR (JPY) | 7,547 | 6,832 | +716 | +10.5% |
| | Occupancy (%) | 92.0 | 92.8 | -0.8 | -0.8% |
| | ADR (JPY) | 8,203 | 7,363 | +839 | +11.4% |
| Comfort Hotel Hamamatsu | Revenue (JPY million) | 35.6 | 36.7 | -1.1 | -3.1% |
| | RevPAR (JPY) | 5,851 | 6,036 | -184 | -3.1% |
| | Occupancy (%) | 90.0 | 90.9 | -0.8 | -0.9% |
| | ADR (JPY) | 6,498 | 6,641 | -143 | -2.2% |
| Comfort Hotel Central International Airport | Revenue (JPY million) | 99.7 | 103.5 | -3.8 | -3.7% |
| | RevPAR (JPY) | 8,896 | 9,227 | -332 | -3.6% |
| | Occupancy (%) | 92.1 | 95.9 | -3.8 | -4.0% |
| | ADR (JPY) | 9,658 | 9,618 | +40 | +0.4% |
| Comfort Hotel Suzuka | Revenue (JPY million) | 18.8 | 27.0 | -8.3 | -30.6% |
| | RevPAR (JPY) | 5,728 | 8,228 | -2,500 | -30.4% |
| | Occupancy (%) | 82.8 | 93.9 | -11.1 | -11.8% |
| | ADR (JPY) | 6,918 | 8,761 | -1,843 | -21.0% |
| Comfort Hotel Okayama | Revenue (JPY million) | 39.1 | 45.3 | -6.2 | -13.6% |
| | RevPAR (JPY) | 5,836 | 6,760 | -924 | -13.7% |
| | Occupancy (%) | 88.8 | 90.9 | -2.1 | -2.3% |
| | ADR (JPY) | 6,572 | 7,437 | -866 | -11.6% |
| Urbain Hiroshima Executive | Revenue (JPY million) | 39.7 | 44.2 | -4.4 | -10.0% |
| | RevPAR (JPY) | 7,495 | 8,329 | -833 | -10.0% |
| | Occupancy (%) | 92.7 | 97.8 | -5.1 | -5.2% |
| | ADR (JPY) | 8,089 | 8,517 | -428 | -5.0% |

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 their accuracy cannot be guaranteed and may not match data disclosed in future releases.
2. Revenue is revenue from accommodations and related services only. Rent from retail tenants at the Hotel Vista Premio Kyoto, the Chisun Inn Osaka Hommachi, and the Smile Hotel Tokyo Asagaya and rent from the banquet hall at the Nest Hotel Kumamoto are 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 the Hotel Livemax Nihombashi-Hakozaki are included in the total hotel and fixed-rent hotel data above, but not separately disclosed because the hotel operator did not provide consent to disclose hotel-specific data.
7. The Grandpark-Inn Yokohama is excluded from the above data because the hotel operator did not give consent to disclose hotel-specific data that would allow for year-on-year comparisons. The Hotel Suave Kobe Asuta, renamed the Hotel Wing International Kobe Shin Nagata Ekimae on March 1, 2019, is excluded from the Total and Variable-Rent Hotels data on page 1 because it re-opened in June 2019. Prior data for the Hotel Wing International Kobe Shin Nagata Ekimae are also excluded because the previous hotel operator did not give consent to disclose hotel-specific data that would allow for year-on-year comparisons. The Valie Hotel Hiroshima, acquired on July 19, 2019, is excluded from the above data as it was rebranded and reopened on September 18, 2019.
8. Pre-acquisition data for acquired hotels are based on data received from the previous owners.

Explanation of Changes

Variable-rent hotels, which are the primary driver of increases/decreases in Ichigo Hotel's earnings, fixed-rent hotels, and the total portfolio saw year-on-year decreases in Revenue, RevPAR, Occupancy, and ADR.

RevPAR significantly decreased year-on-year in Sapporo, Nagoya, Kyoto, and Osaka due to increased hotel supply and political tensions between Japan and South Korea, which led to a decrease in Korean tourists. While hotels in western Japan and Okinawa saw cancellations due to two typhoons, the Nest Hotel Kumamoto captured demand from Japan's national student sports championships held nearby, generating a 19% year-on-year increase in RevPAR.

Value-Add Actions

Ichigo Hotel completed the renovations to optimize room layouts at the Nest Hotel Naha, which were originally announced in the July 25, 2019 release "Ichigo Hotel Operating Results – June 2019," and has begun accommodating guests in the newly-renovated rooms.

Catering primarily to leisure demand, the Nest Hotel Naha has been operating at over 90% occupancy. The conversion of two low-use, six-guest Japanese-style rooms into four three-guest western-style rooms allows the hotel to capture more demand and drive higher earnings (forecast ROI 16.9%).

Ichigo Hotel will continue to work closely with its hotel operator partners to carry out value-add capex and drive higher earnings.

Nest Hotel Naha

Before



After

