

[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 16, 2020

January 2020 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 Asset Management Company)

Representative: Hiroshi Iwai, President

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Submission of Financial Report (*Yuka Shoken Hokokusho*): April 27, 2020 (expected)

Dividend Payment: April 20, 2020 (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 2020 Fiscal Period (August 1, 2019 to January 31, 2020)

(1) Earnings

(JPY million; period-on-period change)

	Operating Revenue	Change	Operating Profit	Change	Recurring Profit	Change	Net Income	Change
January 2020	3,561	99.0%	2,334	135.3%	2,132	164.8%	2,130	164.9%
July 2019	1,789	-26.6%	992	-37.0%	805	-42.5%	804	-42.5%

	Net Income per Share (JPY)	Return on Equity (6 months)	Recurring Profit to Total Assets (6 months)	Recurring Profit to Operating Revenue
January 2020	8,355	6.4%	3.5%	59.9%
July 2019	3,154	2.5%	1.4%	45.0%

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

(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	Dividend on Equity (DOE)
January 2020	8,356	2,130	—	—	100%	6.4%
July 2019	3,154	804	—	—	100%	2.5%

(3) Assets and Equity

	Total Assets (JPY million)	Net Assets (JPY million)	Shareholder Equity Ratio	Net Assets per Share (JPY)
January 2020	61,393	33,728	54.9%	132,281
July 2019	59,223	32,401	54.7%	127,079

(4) Cash Flows

(JPY million)

	Cash Flows from Operations	Cash Flows from Investments	Cash Flows from Financing	Cash and Cash Equivalents at End of the Period
January 2020	11,102	-414	-804	13,284
July 2019	882	-3,970	2,322	3,400

2. Earnings Forecasts for the July 2020 Fiscal Period (February 1, 2020 to July 31, 2020) and January 2021 Fiscal Period (August 1, 2020 to January 31, 2021)

Due to the significant forecast uncertainty, the impact of the COVID-19 coronavirus outbreak has not been reflected in the earnings forecasts.

(JPY million; period-on-period change)

	Operating Revenue	Change	Operating Profit	Change	Recurring Profit	Change	Net Income	Change
July 2020	1,474	-58.6%	771	-66.9%	565	-73.5%	565	-73.5%
January 2021	1,525	3.5%	797	3.3%	594	5.0%	593	5.0%

(JPY)

	Dividend per Share	Dividend per Share in Excess of Earnings
July 2020	2,216	—
January 2021	2,328	—

Note: Forecast Net Income per Share is JPY 2,216 (-29.7% year-on-year) and JPY 2,327 (-72.1% year-on-year), respectively, for the July 2020 and January 2021 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 issued and outstanding shares (including treasury shares) was 254,974 as of both July 31, 2019 and January 31, 2020.

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 the July 2020 Fiscal Period Earnings Forecast” on page 6 and “Preconditions for the January 2021 Fiscal Period Earnings Forecast” on page 9.

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Material Matters after Closing of the Fiscal Period

Asset Acquisitions

HOTEL EMIT SHIBUYA

Acquisition Price	JPY 3,700,000,000
Location	1-8-11 Jinnan, Shibuya-ku, Tokyo
Form of Ownership	Trust beneficiary interest in real estate (<i>juekiken</i>)
Contract Date	January 31, 2020
Closing Date	February 25, 2020
Seller	The seller, a third-party Japanese company, did not provide consent to disclose its name.

Note: Sale Price excludes incidental expenses such as fees and property, city planning, and consumption taxes.

Washington Hotel Plaza Shimonoseki Eki Nishi

Acquisition Price	JPY 1,080,000,000
Location	1-4-1 Yamatomachi, Shimonoseki, Yamaguchi
Form of Ownership	Trust beneficiary interest in real estate (<i>juekiken</i>)
Contract Date	February 26, 2020
Closing Date	March 12, 2020
Seller	The seller, a third-party Japanese company, did not provide consent to disclose its name.

Note: Sale Price excludes incidental expenses such as fees and property, city planning, and consumption taxes.

Earnings Forecasts

Earnings Forecast for the July 2020 Fiscal Period (February 1, 2020 to July 31, 2020)

For details on preconditions for this forecast, please refer to page 6.

July 2020 Fiscal Period (February 1, 2020 to July 31, 2020)

Operating Revenue	JPY 1,474 million
Operating Profit	JPY 771 million
Recurring Profit	JPY 565 million
Net Income	JPY 565 million
Dividend per Share	JPY 2,216
Dividend in Excess of Earnings	—

Earnings Forecast for the January 2021 Fiscal Period (August 1, 2020 to January 31, 2021)

For details on preconditions for this forecast, please refer to page 9.

January 2021 Fiscal Period (August 1, 2020 to January 31, 2021)

Operating Revenue	JPY 1,525 million
Operating Profit	JPY 797 million
Recurring Profit	JPY 594 million
Net Income	JPY 593 million
Dividend per Share	JPY 2,328
Dividend in Excess of Earnings	—

Preconditions for the July 2020 Fiscal Period Earnings Forecast

	Preconditions																																																			
Period	● February 1, 2020 to July 31, 2020 (182 days)																																																			
Number of Hotels	● 23 hotels																																																			
Operating Revenue	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 Performance²</u>																																																			
	<table><tr><td></td><td>July 2020 Fiscal Period</td></tr><tr><td>Occupancy³</td><td>85.5%</td></tr><tr><td>ADR⁴</td><td>JPY 7,223</td></tr></table>		July 2020 Fiscal Period	Occupancy ³	85.5%	ADR ⁴	JPY 7,223																																													
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	² The 14 variable rent hotels are: Smile Hotel Kyoto Shijo, 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 Matsuyama, Court Hotel Kurashiki, Hotel Wing International Nagoya, Hotel Wing International Kobe Shin Nagata Ekimae, Nest Hotel Kumamoto, Valie Hotel Hiroshima, and HOTEL EMIT SHIBUYA.																																																			
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	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																																																			
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Operating Expenses	<ul style="list-style-type: none">• Depreciation: JPY 337 million. Depreciation has been calculated using the straight-line method.• Property and city planning taxes: JPY 108 million• 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.																												
Non-Operating Expenses	<ul style="list-style-type: none">• Interest expenses and other borrowing-related expenses: JPY 200 million• Amortization of expenses related to the establishment of Ichigo Hotel and to new share issuance: JPY 5 million																												
Borrowings	<ul style="list-style-type: none">• Total borrowings: JPY 25.47 billion as of July 31, 2020																												
Number of Shares	<ul style="list-style-type: none">• 254,974 shares issued and outstanding as of March 16, 2020. The forecast assumes there will be no additional new issuance of shares through July 31, 2020.																												
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Preconditions for the January 2021 Fiscal Period Earnings Forecast

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Period	● August 1, 2020 to January 31, 2021 (184 days)																																																														
Number of Hotels	● 23 hotels (This will not change the number of hotels, but please note that the Comfort Hotel Okayama will be rebranded as The OneFive Okayama (provisional name) on September 13, 2020.)																																																														
Operating Revenue	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 Performance²</u> <table><tr><td></td><td>January 2021 Fiscal Period</td></tr><tr><td>Occupancy³</td><td>86.9%</td></tr><tr><td>ADR⁴</td><td>JPY 7,278</td></tr></table> <p>¹ The forecast rental income assumes operators and tenants will fully pay their contractual rents without delay or default. ² The 15 variable rent hotels are: Smile Hotel Kyoto Shijo, 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 Matsuyama, Court Hotel Kurashiki, Hotel Wing International Nagoya, Hotel Wing International Kobe Shin Nagata Ekimae, Nest Hotel Kumamoto, Valie Hotel Hiroshima, HOTEL EMIT SHIBUYA, and Comfort Hotel Okayama. 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</p> <p><u>Details of January 2021 Rental Income Forecast</u></p> <p style="text-align: right;">(JPY million)</p> <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>34</td><td>11</td><td>46</td></tr><tr><td>Nest Hotel Sapporo Ekimae</td><td>32</td><td>61</td><td>93</td></tr><tr><td>Chisun Inn Osaka Hommachi</td><td>39</td><td>—</td><td>39</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>26</td><td>46</td><td>72</td></tr><tr><td>Valie Hotel Tenjin</td><td>32</td><td>30</td><td>62</td></tr><tr><td>Nest Hotel Osaka Shinsaibashi</td><td>65</td><td>55</td><td>121</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>59</td><td>35</td><td>94</td></tr><tr><td>Nest Hotel Matsuyama</td><td>35</td><td>50</td><td>86</td></tr><tr><td>Comfort Hotel Okayama</td><td>37</td><td>7</td><td>44</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></table>		January 2021 Fiscal Period	Occupancy ³	86.9%	ADR ⁴	JPY 7,278	Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total	Smile Hotel Kyoto Shijo	34	11	46	Nest Hotel Sapporo Ekimae	32	61	93	Chisun Inn Osaka Hommachi	39	—	39	Comfort Hotel Hamamatsu	55	—	55	Nest Hotel Sapporo Odori	26	46	72	Valie Hotel Tenjin	32	30	62	Nest Hotel Osaka Shinsaibashi	65	55	121	Comfort Hotel Central International Airport	151	—	151	Smile Hotel Tokyo Asagaya	59	35	94	Nest Hotel Matsuyama	35	50	86	Comfort Hotel Okayama	37	7	44	Comfort Hotel Kushiro	18	—	18	Comfort Hotel Suzuka	15	—	15
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	Valie Hotel Hiroshima	23	29	53
	HOTEL EMIT SHIBUYA	45	31	76
	Other ¹	293	17	310
	Total	1,026	455	1,481
	¹ Figures for Hotel Wing International Nagoya, Hotel Wing International Kobe Shin Nagata Ekimae, Hotel Livemax Nihombashi-Hakozaki, Grandpark-Inn Yokohama, Urbain Hiroshima Executive, and Washington Hotel Plaza Shimonoseki Eki Nishi are included in “Other” because the hotel operators did not provide consent to disclose hotel-specific data. • Retail: JPY 29 million of rental income from retail tenants at Chisun Inn Osaka Hommachi, Hotel Wing International Kobe Shin Nagata Ekimae, and Smile Hotel Tokyo Asagaya, and banquet rooms at Nest Hotel Kumamoto.			
Operating Expenses	<ul style="list-style-type: none"> • Depreciation: JPY 337 million. Depreciation has been calculated using the straight-line method. • Property and city planning taxes: JPY 107 million • 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. 			
Non-Operating Expenses	<ul style="list-style-type: none"> • Interest expenses and other borrowing-related expenses: JPY 202 million 			
Borrowings	<ul style="list-style-type: none"> • Total borrowings: JPY 25.47 billion as of January 31, 2021 			
Number of Shares	<ul style="list-style-type: none"> • 254,974 shares issued and outstanding as of March 16, 2020. The forecast assumes there will be no additional new issuance of shares through January 31, 2021. 			
Dividend	<ul style="list-style-type: none"> • 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. 			
Dividend in Excess of Earnings	<ul style="list-style-type: none"> • Ichigo Hotel does not plan on paying any Dividend in Excess of Earnings. 			

Other	<ul style="list-style-type: none"> • 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. • <u>Due to the significant forecast uncertainty, the impact of the COVID-19 coronavirus outbreak has not been reflected in the earnings forecast.</u>
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Financial Statements
(1) Balance Sheet

(JPY thousand)

	July 2019 (as of July 31, 2019)	January 2020 (as of January 31, 2020)
Assets		
Current Assets		
Cash and cash equivalents	1,257,784	11,305,830
Cash and cash equivalents in trust	2,142,812	1,978,744
Accounts receivable	215,959	123,087
Prepaid expenses	157,630	142,011
Consumption taxes receivable	108,273	—
Total Current Assets	3,882,460	13,549,674
Fixed Assets		
Property, Plant, and Equipment		
Buildings	18,616,074	16,833,761
Depreciation	-1,821,072	-1,827,979
Buildings (net)	16,795,001	15,005,781
Structures	8,792	11,718
Depreciation	-1,015	-1,366
Structures (net)	7,777	10,351
Machinery and equipment	53,713	53,173
Depreciation	-10,243	-11,350
Machinery and equipment (net)	43,469	41,822
Fixtures	249,731	253,061
Depreciation	-62,879	-74,674
Fixtures (net)	186,852	178,386
Land	37,951,447	32,313,538
Buildings under construction	2,443	5,279
Total Property, Plant, and Equipment	54,986,992	47,555,160
Investments and Other Assets		
Tenant leasehold and security deposits	10,000	10,000
Long-term prepaid expenses	333,862	273,401
Total Investments and Other Assets	343,862	283,401
Total Fixed Assets	55,330,854	47,838,562
Capitalized Expenses		
Expenses related to REIT establishment	10,179	5,091
Share issuance expenses	502	—
Total Capitalized Expenses	10,682	5,091
Total Assets	59,223,997	61,393,327

(JPY thousand)

	July 2019 (as of July 31, 2019)	January 2020 (as of January 31, 2020)
Liabilities		
Current Liabilities		
Accounts payable	190,821	514,906
Long-term loans (due within one year)	4,200,000	9,450,000
Accounts payable – other	272,712	636,982
Accrued expenses	604	604
Income taxes payable	871	1,901
Consumption taxes payable	11,228	236,715
Advances received	111,055	103,677
Other	7,967	7,734
Total Current Liabilities	4,795,262	10,952,523
Long-Term Liabilities		
Long-term loans	21,270,000	16,020,000
Tenant leasehold and security deposits	751,777	687,582
Accrued asset disposal costs	4,992	4,996
Total Long-Term Liabilities	22,026,769	16,712,579
Total Liabilities	26,822,031	27,665,102
Net Assets		
Shareholders' Equity		
Paid-in capital	31,897,545	31,897,545
Treasury shares	-299,921	-299,921
Paid-in capital (net)	31,597,623	31,597,623
Surplus		
Unappropriated retained earnings	804,342	2,130,601
Total Surplus	804,342	2,130,601
Total Shareholders' Equity	32,401,965	33,728,225
Total Net Assets	32,401,965	33,728,225
Total Liabilities and Net Assets	59,223,997	61,393,327

(2) Income Statement

(JPY thousand)

	July 2019 (February 1, 2019 to July 31, 2019)	January 2020 (August 1, 2019 to January 31, 2020)
Operating Revenue		
Rental income	1,764,732	1,596,882
Other rental income	24,937	19,104
Gains on sale of real estate	—	1,945,056
Total Operating Revenue	1,789,669	3,561,043
Operating Expenses		
Rental expenses	506,444	529,327
Asset management fee	237,365	563,280
Custodian fee	4,206	4,441
Other administrative expenses	17,298	17,671
Directors' compensation	4,200	4,200
Other	27,984	107,635
Total Operating Expenses	797,498	1,226,557
Operating Profit	992,170	2,334,485
Non-Operating Income		
Interest income	20	17
Reversal of accrued dividend	148	254
Insurance proceeds	2,790	88
Interest on tax refund	12	350
Total Non-Operating Income	2,972	711
Non-Operating Expenses		
Interest expenses	100,449	111,355
Borrowing-related expenses	75,972	85,898
Amortization of expenses related to REIT establishment	5,088	5,088
Amortization of share-issuance expenses	8,485	502
Total Non-Operating Expenses	189,995	202,845
Recurring Profit	805,147	2,132,351
Pre-Tax Income	805,147	2,132,351
Income Taxes – Current	874	1,904
Total Income Taxes	874	1,904
Net Income	804,272	2,130,447
Retained Earnings Brought Forward	69	154
Unappropriated Retained Earnings	804,342	2,130,601

(3) Statement of Shareholders' Equity

Previous Period (July 2019 Fiscal Period)

(JPY thousand)

	Shareholders' Equity				
	Paid-In Capital			Surplus	
	Paid-In Capital	Treasury Shares	Paid-In Capital (net)	Unappropriated Retained Earnings	Total Surplus
Balance as of February 1, 2019	31,897,545	-299,921	31,597,623	1,399,111	1,399,111
Changes during the Period					
Dividends				-1,399,042	-1,399,042
Net Income				804,272	804,272
Total Changes	—	—	—	-594,769	-594,769
Balance as of July 31, 2019	31,897,545	-299,921	31,597,623	804,342	804,342

	Shareholders' Equity	Total Net assets
	Total Shareholders' Equity	
Balance as of February 1, 2019	32,996,735	32,996,735
Changes during the Period		
Dividends	-1,399,042	-1,399,042
Net Income	804,272	804,272
Total Changes	-594,769	-594,769
Balance as of July 31, 2019	32,401,965	32,401,965

Current Period (January 2020 Fiscal Period)

(JPY thousand)

	Shareholders' Equity				
	Paid-In Capital			Surplus	
	Paid-In Capital	Treasury Shares	Paid-In Capital (net)	Unappropriated Retained Earnings	Total Surplus
Balance as of August 1, 2019	31,897,545	-299,921	31,597,623	804,342	804,342
Changes during the Period					
Dividends				-804,187	-804,187
Net Income				2,130,447	2,130,447
Total Changes	—	—	—	1,326,259	1,326,259
Balance as of January 31, 2020	31,897,545	-299,921	31,597,623	2,130,601	2,130,601

	Shareholders' Equity	Total Net assets
	Total Shareholders' Equity	
Balance as of August 1, 2019	32,401,965	32,401,965
Changes during the Period		
Dividends	-804,187	-804,187
Net Income	2,130,447	2,130,447
Total Changes	1,326,259	1,326,259
Balance as of January 31, 2020	33,728,225	33,728,225

(4) Dividend Statement

(JPY)

	July 2019 (February 1, 2019 to July 31, 2019)	January 2020 (August 1, 2019 to January 31, 2020)
I Unappropriated Retained Earnings	804,342,009	2,130,601,643
II Total Dividends (Dividend per Share)	804,187,996 (3,154)	2,130,562,744 (8,356)
III Retained Earnings Carried Forward	154,013	38,899

(5) Cash Flow Statement

(JPY thousand)

	July 2019 (February 1, 2019 to July 31, 2019)	January 2020 (August 1, 2019 to January 31, 2020)
Cash Flows from Operations:		
Pre-tax income	805,147	2,132,351
Depreciation	328,558	352,077
Amortization of expenses related to REIT establishment	5,088	5,088
Amortization of share-issuance expenses	8,485	502
Interest income	-20	-17
Interest expense	100,449	111,355
Decrease (increase) in accounts receivable	-80,942	92,872
Decrease (increase) in consumption taxes receivable	-100,037	108,273
Decrease (increase) in prepaid expenses	5,517	10,495
Decrease (increase) in long-term prepaid expenses	-56,501	65,584
Increase (decrease) in accrued consumption taxes	-3,856	225,486
Increase (decrease) in accounts payable	-24,208	398,050
Increase (decrease) in accounts payable – other	-19,957	364,270
Increase (decrease) in advances received	16,844	-7,377
Proceeds from sale of property, plant, and equipment	–	7,359,839
Other	-855	-4,159
Sub-total	983,712	11,214,693
Interest income received	20	17
Interest expense paid	-100,373	-111,354
Income taxes paid	-945	-874
Net Cash from (Used for) Operations	882,414	11,102,481
Cash Flows from Investments:		
Acquisition of property, plant, and equipment	-4,018,815	-350,142
Receipt of tenant security deposits	48,681	16
Return of tenant security deposits	–	-64,210
Net Cash from (Used for) Investments	-3,970,133	-414,336
Cash Flows from Financing:		
Proceeds from long-term loans	3,720,000	–
Dividends paid	-1,397,250	-804,166
Net Cash from (Used for) Financing	2,322,749	-804,166
Net Decrease (Increase) in Cash and Cash Equivalents	-764,969	9,883,978
Cash and Cash Equivalents at Beginning of Period	4,165,566	3,400,596
Cash and Cash Equivalents at End of Period	3,400,596	13,284,575

Rental Income Details

(JPY thousand)

		Previous Period July 2019 (February 1, 2019 to July 31, 2019)		Current Period January 2020 (August 1, 2019 to January 31, 2020)	
A	Real Estate Rental Income				
	Real Estate Rental Income	1,764,732	1,764,732	1,596,882	1,596,882
	Other Rental Income				
	Utilities Income	18,140		12,450	
	Other	6,796	24,937	6,653	19,104
	Total Income		1,789,669		1,615,986
B	Real Estate Rental Expenses				
	Rental Expenses				
	Outsourcing Fees	17,404		17,189	
	Utilities	18,954		12,408	
	Trust Fees	8,589		8,600	
	Depreciation Expense	328,558		352,077	
	Repair Expenses	18,648		26,975	
	Property and City Planning Taxes	110,272		108,236	
	Insurance	2,696		2,985	
	Other Expenses	1,319		853	
	Total Expenses		506,444		529,327
C	Net Rental Income				
	(A) – (B)		1,283,224		1,086,659

Gains on Sale of Real Estate

Previous July 2019 Period (February 1, 2019 to July 31, 2019)

(JPY thousand)

N/A

Current January 2020 Period (August 1, 2019 to January 31, 2020)

Hotel Vista Premio Kyoto

Sale Proceeds		4,500,000
Book Value	3,575,744	
Other Sale Expenses	254,168	
Gains on Sale		670,087

Nest Hotel Naha

Sale Proceeds		5,285,000
Book Value	3,784,094	
Other Sale Expenses	225,935	
Gains on Sale		1,274,969

Notes to Statement of Shareholders' Equity

(shares)

	July 2019 (February 1, 2019 to July 31, 2019)	January 2020 (August 1, 2019 to January 31, 2020)
Number of Authorized Shares	10,000,000	10,000,000
Number of Issued & Outstanding Shares	254,974	254,974

Notes to Cash Flow Statement

Relationship between Cash and Cash Equivalents and Items Shown on Balance Sheet

(JPY thousand)

	July 2019 (February 1, 2019 to July 31, 2019)	January 2020 (August 1, 2019 to January 31, 2020)
Cash and deposits	1,257,784	11,305,830
Cash and deposits in trust	2,142,812	1,978,744
Cash and cash equivalents	3,400,596	13,284,575

Long-Term Loan Maturity Distribution

July 2019 Fiscal Period-End

(JPY thousand)

	Within 1 year	1 ~ 2 years	2 ~ 3 years	3 ~ 4 years	4 ~ 5 years	Over 5 years
Long-term loans due within 1 year	4,200,000	—	—	—	—	—
Long-term loans	—	5,250,000	—	6,300,000	6,720,000	3,000,000
Total	4,200,000	5,250,000	—	6,300,000	6,720,000	3,000,000

January 2020 Fiscal Period-End

(JPY thousand)

	Within 1 year	1 ~ 2 years	2 ~ 3 years	3 ~ 4 years	4 ~ 5 years	Over 5 years
Long-term loans due within 1 year	9,450,000	—	—	—	—	—
Long-term loans	—	—	1,800,000	9,000,000	5,220,000	—
Total	9,450,000	—	1,800,000	9,000,000	5,220,000	—

Notes to Derivative Transactions

1. Non-Hedge Accounting

N/A

2. Hedge Accounting

Previous Fiscal Period (as of July 31, 2019)

(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	21,270,000	21,270,000	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.

Current Fiscal Period (as of January 31, 2020)

(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	21,270,000	16,020,000	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.

Notes to Rental Real Estate

Changes in book value and the period-end market value of Ichigo Hotel's hotel assets are as shown below:

(JPY thousand)

Asset Type		July 2019 (February 1, 2019 to July 31, 2019)	January 2020 (August 1, 2019 to January 31, 2020)
Hotel	Book value		
	Beginning of fiscal period	51,299,129	54,984,548
	Changes during fiscal period	3,685,418	-7,434,667
	End of fiscal period	54,984,548	47,549,881
	Market value at end of fiscal period	60,759,000	51,868,000

Notes:

- 1) Book value is acquisition price less accumulated depreciation.
- 2) With respect to changes during the July 2019 fiscal period, the main factor contributing to an increase was the acquisition of two hotel assets (JPY 3,752,660,000) and the main factor contributing to a decrease was depreciation. For the January 2020 period, the main factors contributing to a decrease were the sale of two hotel assets (JPY 7,359,839,000) and depreciation.
- 3) Market value is the appraisal value calculated by third-party appraisers.

Please see Gains on Sale of Real Estate on page 19 for P&L details on asset sale.

Major Tenants (Hotel Operators)

Previous Fiscal Period (July 2019)

(JPY thousand)

Name	Ichigo Hotel Operating Revenue
Nest Hotel Japan Corporation	681,201
Greens Co., Ltd.	286,566
K.K. Hospitality Operations	188,995

Current Fiscal Period (January 2020)

(JPY thousand)

Name	Ichigo Hotel Operating Revenue
Nest Hotel Japan Corporation	628,252
Greens Co., Ltd.	286,566

Per Share Information

(JPY)

	July 2019 (February 1, 2019 to July 31, 2019)	January 2020 (August 1, 2019 to January 31, 2020)
Net Assets per Share	127,079	132,281
Net Income per Share	3,154	8,355

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

	July 2019 (February 1, 2019 to July 31, 2019)	January 2020 (August 1, 2019 to January 31, 2020)
Net Income (JPY thousand)	804,272	2,130,447
Income not attributable to common shareholders (JPY thousand)	—	—
Net Income attributable to common shareholders (JPY thousand)	804,272	2,130,447
Average number of shares in the period	254,974	254,974

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 treasury shares.

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 2020 Fiscal Period	
		Total (JPY million)	% of Total
Trust beneficiary interest in real estate (<i>juekiken</i>)	Hokkaido & Tohoku	3,915	6.4
	Kanto (ex-Tokyo)	1,501	2.4
	Tokyo	5,297	8.6
	Hokuriku & Tokai	9,795	16.0
	Kinki	15,336	25.0
	Chugoku & Shikoku	8,058	13.1
	Kyushu & Okinawa	3,644	5.9
Sub-total		47,549	77.5
Deposits & Other Assets		13,843	22.5
Total Assets		61,393	100.0

Regions are defined as follows:

Hokkaido & Tohoku	Hokkaido, Aomori, Iwate, Miyagi, Akita, Yamagata, and Fukushima Prefectures
Kanto (ex-Tokyo)	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, 2020)

Hotel Type	Hotel No.	Hotel Name	Acquisition Price (JPY million)	Book Value (JPY million)	Appraisal Value (JPY million)	Portfolio Weighting (%)
Lodging-Focused	001	Smile Hotel Kyoto Shijo	4,480	4,538	3,860	9.5
	003	Hotel Wing International Nagoya	2,670	2,710	2,820	5.7
	004	Nest Hotel Sapporo Ekimae	2,160	2,143	2,700	4.6
	005	Chisun Inn Osaka Hommachi	1,630	1,711	1,850	3.5
	006	Comfort Hotel Hamamatsu	1,550	1,456	1,790	3.3
	007	Hotel Wing International Kobe Shin Nagata Ekimae	1,490	1,416	1,840	3.2
	008	Nest Hotel Sapporo Odori	1,450	1,481	1,900	3.1
	009	Valie Hotel Tenjin	1,380	1,441	2,230	2.9
	010	Nest Hotel Osaka Shinsaibashi	7,600	7,669	6,990	16.1
	011	Comfort Hotel Central International Airport	5,308	5,346	5,880	11.3
	012	Smile Hotel Tokyo Asagaya	3,910	3,983	4,370	8.3
	015	Nest Hotel Matsuyama	1,610	1,648	2,060	3.4
	016	Hotel Livemax Nihombashi-Hakozaki	1,360	1,314	1,440	2.9
	017	Comfort Hotel Okayama	1,200	1,184	1,280	2.5
	018	Comfort Hotel Kushiro	300	290	431	0.6
	019	Comfort Hotel Suzuka	300	282	387	0.6
	020	Grandpark-Inn Yokohama	1,490	1,501	1,550	3.2
	021	Urbain Hiroshima Executive	1,800	1,833	2,100	3.8
	022	Court Hotel Kurashiki	1,725	1,801	2,130	3.7
	023	Nest Hotel Kumamoto	2,220	2,202	2,490	4.7
	024	Valie Hotel Hiroshima	1,500	1,590	1,770	3.2
	Total		47,133	47,549	51,868	100.0

Hotel Location, Rent, Occupancy, and Structural Details

(as of January 31, 2019)

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
Lodging-Focused	001	Smile Hotel Kyoto Shijo	Kyoto	662.83	4,891.84	Jan 1991	65	4,891.84	4,891.84	100.0	1	144
	003	Hotel Wing International Nagoya	Nagoya	603.37	5,255.66	Oct 1984	Undisclosed	5,255.66	5,255.66	100.0	1	224
	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	79	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 Wing International Kobe Shin Nagata Ekimae	Kobe	838.88	4,540.90	Jan 2008	Undisclosed	4,540.90	4,540.90	100.0	2	133
	008	Nest Hotel Sapporo Odori	Sapporo	811.69	5,634.88	Aug 1992	53	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	132	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
	015	Nest Hotel Matsuyama	Matsuyama, Ehime	1,692.01	6,671.94	Nov 1988	72	6,671.94	6,671.94	100.0	1	190
	016	Hotel Livemax Nihombashi-Hakozaki	Tokyo	123.54	853.00	Feb 2015	Undisclosed	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	Undisclosed	1,183.26	1,183.26	100.0	1	175
	021	Urbain Hiroshima Executive	Hiroshima	693.96	2,756.20	Jun 2008	Undisclosed	2,756.20	2,756.20	100.0	1	171
	022	Court Hotel Kurashiki	Kurashiki, Okayama	1,031.57	3,964.19	Mar 1993	64	3,964.19	3,964.19	100.0	1	107
	023	Nest Hotel Kumamoto	Kumamoto	1,074.39	6,404.36	Aug 1984	41	6,404.36	6,404.36	100.0	2	201
	024	Valie Hotel Hiroshima	Hiroshima	1,090.97	4,332.50	Aug 1985	8	4,332.50	4,332.50	100.0	1	171
Total			—	23,321.52	95,088.36	—	1,258	95,291.94	95,291.94	100.0	31	3,449

Appraisal Data

(as of January 31, 2020)

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 via Direct Capitalization Method	Cap Rate (%)	Value via DCF Method	Discount Rate (%)	Terminal Cap Rate (%)	Appraisal NOI (JPY thousand)		
Lodging-Focused	001	Smile Hotel Kyoto Shijo	The Tanizawa Sogo Appraisal Co., Ltd.	3,860	3,820	3,940	4.3	3,830	4.4	4.5	186,525	4.2	3.4
	003	Hotel Wing International Nagoya	Daiwa Real Estate Appraisal Co., Ltd.	2,820	2,940	2,850	4.7	2,810	4.5	4.9	147,819	5.5	4.8
	004	Nest Hotel Sapporo Ekimae	Daiwa Real Estate Appraisal Co., Ltd.	2,700	1,770	2,720	5.1	2,690	4.9	5.3	161,735	7.5	6.0
	005	Chisun Inn Osaka Hommachi	Daiwa Real Estate Appraisal Co., Ltd.	1,850	1,710	1,870	4.4	1,840	4.2	4.6	90,435	5.5	4.7
	006	Comfort Hotel Hamamatsu	The Tanizawa Sogo Appraisal Co., Ltd.	1,790	1,700	1,800	5.1	1,780	5.1	5.3	100,222	6.5	4.6
	007	Hotel Wing International Kobe Shin Nagata Ekimae	The Tanizawa Sogo Appraisal Co., Ltd.	1,840	1,760	1,850	4.6	1,840	4.6 ¹	4.8	92,632	6.2	4.5
									4.7 ²				
	008	Nest Hotel Sapporo Odori	Daiwa Real Estate Appraisal Co., Ltd.	1,900	1,900	1,900	5.0	1,900	4.8	5.2	113,920	7.9	5.7
	009	Valie Hotel Tenjin	Japan Real Estate Institute	2,230	1,710	2,260	4.2	2,190	4.0	4.4	106,831	7.7	6.4
	010	Nest Hotel Osaka Shinsaibashi	Daiwa Real Estate Appraisal Co., Ltd.	6,990	3,400	7,020	4.4	6,970	4.2	4.6	358,669	4.7	3.8
	011	Comfort Hotel Central International Airport	Daiwa Real Estate Appraisal Co., Ltd.	5,880	6,610	5,960	4.0	5,850	3.8	4.2	266,198	5.0	3.7
	012	Smile Hotel Tokyo Asagaya	Daiwa Real Estate Appraisal Co., Ltd.	4,370	1,190	4,440	4.3	4,340	4.1	4.5	207,822	5.3	3.9
	015	Nest Hotel Matsuyama	Daiwa Real Estate Appraisal Co., Ltd.	2,060	1,040	2,060	5.6	2,060	5.4	5.8	140,630	8.7	6.5
	016	Hotel Livemax Nihombashi-Hakozaki	Daiwa Real Estate Appraisal Co., Ltd.	1,440	642	1,450	4.5	1,430	4.3	4.7	65,993	4.9	3.5
	017	Comfort Hotel Okayama	Daiwa Real Estate Appraisal Co., Ltd.	1,280	524	1,270	5.2	1,290	5.0	5.4	80,374	6.7	4.5
	018	Comfort Hotel Kushiro	Daiwa Real Estate Appraisal Co., Ltd.	431	745	428	5.4	432	5.2	5.6	23,356	7.8	4.4

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 via Direct Capitalization Method	Cap Rate (%)	Value via DCF Method	Discount Rate (%)	Terminal Cap Rate (%)	Appraisal NOI (JPY thousand)		
Lodging –Focused	019	Comfort Hotel Suzuka	Daiwa Real Estate Appraisal Co., Ltd.	387	367	384	4.9	388	4.7	5.1	23,098	7.7	4.9
	020	Grandpark-Inn Yokohama	Daiwa Real Estate Appraisal Co., Ltd.	1,550	2,130	1,610	4.5	1,530	4.3	4.8	72,744	4.9	4.6
	021	Urbain Hiroshima Executive	Daiwa Real Estate Appraisal Co., Ltd.	2,100	1,390	2,110	5.2	2,100	5.0	5.4	112,829	6.3	4.7
	022	Court Hotel Kurashiki	The Tanizawa Sogo Appraisal Co., Ltd.	2,130	1,860	2,160	4.9	2,110	5.0	5.1	124,305	7.2	5.9
	023	Nest Hotel Kumamoto	The Tanizawa Sogo Appraisal Co., Ltd.	2,490	2,460	2,520	5.2	2,480	5.3	5.4	150,880	6.8	5.1
	024	Valie Hotel Hiroshima	The Tanizawa Sogo Appraisal Co., Ltd.	1,770	1,580	1,830	4.8	1,740	4.9	5.0	106,222	7.1	4.9
Total/Average				51,868	41,248	52,432	4.6	51,600	–	–	2,733,248	5.8	4.5

¹ From first to ninth year

² From tenth year onwards

Major Tenant Data (Hotel Operators)

Name	Industry	Hotel	Fixed Rent in January 2020 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 Matsuyama Nest Hotel Kumamoto	187	20.9	32,141.34	33.7
Greens Co., Ltd.	Hotel Operation	Comfort Hotel Hamamatsu Comfort Hotel Central International Airport Comfort Hotel Okayama Comfort Hotel Kushiro Comfort Hotel Suzuka	286	32.1	26,684.48	28.0
The COURT Co., Ltd.	Hotel Operation	Valie Hotel Tenjin Court Hotel Kurashiki Valie Hotel Hiroshima	66	7.5	10,207.63	10.7
Forbes Co., Ltd.	Hotel Operation	Hotel Wing International Nagoya Hotel Wing International Kobe Shin Nagata Ekimae	Undisclosed ²	Undisclosed ²	9,606.18	10.1

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, 2020. Excludes Hotel Vista Premio Kyoto and Nest Hotel Naha, which were sold on October 31, 2019 and January 31, 2020, respectively.

² Undisclosed because the operator did not give consent to disclose data.

Individual Hotel Financials

(JPY thousand)

Hotel No.		001	002	004	005	006	008
Hotel Name	Total	Smile Hotel Kyoto Shijo	Hotel Vista Premio Kyoto ¹	Nest Hotel Sapporo Ekimae	Chisun Inn Osaka Hommachi	Comfort Hotel Hamamatsu	Nest Hotel Sapporo Odori
(A) Rental Income	1,615,986	64,113	37,096	108,014	39,600	55,361	77,529
Fixed Rent	993,479	34,644	37,096	32,392	39,600	55,361	26,083
Variable Rent	564,434	29,468	–	75,621	–	–	51,446
Other Rent	58,073	–	–	–	–	–	–
(B) Rental Expenses	177,249	7,036	8,875	9,150	4,938	4,820	11,321
Outsourcing Fees	17,189	600	729	600	915	600	600
Insurance	2,985	146	50	159	102	99	168
Repair Expenses	26,975	938	2,902	2,880	268	1,428	1,784
Taxes	108,236	4,992	4,984	5,083	3,288	2,422	8,332
Other Expenses	21,862	359	208	426	363	271	434
(C) NOI (A) - (B)	1,438,737	57,077	28,220	98,863	34,661	50,541	66,208
(D) Depreciation	352,077	16,084	7,049	15,774	6,978	14,689	15,633
(E) Net Rental Income (C) - (D)	1,086,659	40,992	21,171	83,089	27,683	35,851	50,575

(JPY thousand)

Hotel No.	009	010	011	012	013	015	017
Hotel Name	Valie Hotel Tenjin	Nest Hotel Osaka Shinsaibashi	Comfort Hotel Central International Airport	Smile Hotel Tokyo Asagaya	Nest Hotel Naha ²	Nest Hotel Matsuyama	Comfort Hotel Okayama
(A) Rental Income	52,610	140,847	151,441	90,128	135,991	87,915	45,900
Fixed Rent	24,752	65,487	151,441	28,372	63,469	35,717	45,900
Variable Rent	27,857	75,359	–	61,755	72,522	52,194	–
Other Rent	–	–	–	–	–	3	–
(B) Rental Expenses	5,409	16,842	14,157	8,452	8,566	6,316	6,463
Outsourcing Fees	600	1,200	570	2,298	616	720	600
Insurance	60	250	284	91	243	204	143
Repair Expenses	1,014	1,316	239	1,198	1,997	1,057	1,436
Taxes	3,372	13,668	12,656	4,455	5,195	3,924	3,856
Other Expenses	363	406	406	408	513	410	427
(C) NOI (A) - (B)	47,200	124,004	137,284	81,675	127,424	81,599	39,436
(D) Depreciation	8,935	34,395	34,228	27,141	36,993	18,295	13,084
(E) Net Rental Income (C) - (D)	38,264	89,609	103,055	54,533	90,430	63,304	26,351

(JPY thousand)

Hotel No.	018	019	022	023	024	
Hotel Name	Comfort Hotel Kushiro	Comfort Hotel Suzuka	Court Hotel Kurashiki	Nest Hotel Kumamoto	Valie Hotel Hiroshima	Other
(A) Rental Income	18,419	15,442	72,433	77,956	20,176	325,006
Fixed Rent	18,419	15,442	33,013	27,348	8,914	250,020
Variable Rent	–	–	39,420	50,608	10,661	17,516
Other Rent	–	–	–	–	600	57,470
(B) Rental Expenses	5,819	3,162	5,018	2,393	3,735	44,768
Outsourcing Fees	900	540	600	780	720	3,000
Insurance	84	49	110	185	139	410
Repair Expenses	389	384	–	897	2,507	4,335
Taxes	4,036	1,782	3,944	–	–	22,240
Other Expenses	409	406	363	530	368	14,782
(C) NOI (A) - (B)	12,599	12,280	67,415	75,563	16,441	280,237
(D) Depreciation	5,028	4,160	11,073	18,822	16,269	47,437
(E) Net Rental Income (C) - (D)	7,570	8,119	56,341	56,740	171	232,799

¹ Sold on October 31, 2019² Sold on January 31, 2020

Note: Hotel-operator rental income for Hotel Wing International Nagoya, Hotel Wing International Kobe Shin Nagata Ekimae, 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, Smile Hotel Tokyo Asagaya, and Nest Hotel Kumamoto 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:

(JPY thousand)

	Hotel Wing International Nagoya	Hotel Wing International Kobe Shin Nagata Ekimae	Hotel Livemax Nihombashi-Hakozaki	Grandpark-Inn Yokohama	Urbain Hiroshima Executive
NOI	68,385	46,265	32,604	37,323	57,954
Depreciation	9,198	12,989	9,106	2,248	13,895

Individual Hotel Operating Results

ADR = Average Daily Rate

RevPAR = Revenue per Available Room

GOP = Gross Operating Profit

001 Smile Hotel Kyoto Shijo

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	99.8	99.8	100.2	98.1	99.1	99.6	99.7	99.2	99.8	99.6	98.4	86.4	98.3
ADR (JPY)	5,796	9,101	12,424	8,160	5,339	6,276	6,717	5,999	7,689	10,838	5,690	4,852	7,440
RevPAR (JPY)	5,782	9,085	12,447	8,008	5,293	6,250	6,694	5,951	7,670	10,796	5,597	4,191	7,312
Revenue (JPY million)	25	43	57	38	28	31	32	28	37	49	27	20	416
GOP (JPY million)	9	25	36	19	9	12	12	8	17	29	6	3	184

002 Hotel Vista Premio Kyoto

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	88.1	91.1	94.0	88.1	66.3	86.8	91.1	91.7	90.5	—	—	—	87.6
ADR (JPY)	8,439	12,777	19,481	13,038	7,354	10,023	9,779	9,213	12,937	—	—	—	11,643
RevPAR (JPY)	7,438	11,644	18,314	11,486	4,877	8,703	8,912	8,449	11,705	—	—	—	10,195
Revenue (JPY million)	20	34	50	33	15	26	27	25	35	—	—	—	264
GOP (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—

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

003 Hotel Wing International Nagoya

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	90.4	91.3	92.0	83.5	82.3	82.8	84.4	89.0	84.1	92.4	86.6	79.9	86.5
ADR (JPY)	6,045	6,015	7,015	6,267	5,983	6,486	6,220	6,071	6,224	6,759	6,191	5,739	6,259
RevPAR (JPY)	5,464	5,494	6,456	5,234	4,923	5,372	5,248	5,401	5,234	6,245	5,359	4,587	5,414
Revenue (JPY million)	38	42	48	40	37	41	40	40	40	46	41	35	487
GOP (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—

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

004 Nest Hotel Sapporo Ekimae

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	98.0	100.0	98.5	98.6	98.5	96.1	96.3	96.6	96.6	96.5	98.1	96.8	97.5
ADR (JPY)	15,743	7,025	7,209	11,103	13,336	14,031	13,071	11,162	8,514	8,776	6,940	7,102	10,283
RevPAR (JPY)	15,434	7,025	7,102	10,950	13,139	13,477	12,585	10,788	8,221	8,469	6,812	6,872	10,031
Revenue (JPY million)	80	49	46	67	74	78	72	62	49	51	47	45	721
GOP (JPY million)	47	19	18	35	43	47	42	34	22	22	16	18	363

005 Chisun Inn Osaka Hommachi

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	85.8	86.9	83.3	75.9	81.1	73.6	79.0	71.5	70.5	74.3	63.8	47.3	74.3
ADR (JPY)	7,114	7,042	7,717	6,970	6,683	6,616	6,908	5,669	5,990	6,505	6,115	5,552	6,638
RevPAR (JPY)	6,103	6,119	6,431	5,289	5,419	4,872	5,459	4,052	4,224	4,830	3,904	2,627	4,932
Revenue (JPY million)	22	25	25	21	21	20	22	16	17	19	16	11	234
GOP (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—

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

006 Comfort Hotel Hamamatsu

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	81.4	85.2	85.5	79.5	81.5	81.6	90.0	79.4	77.4	77.6	68.6	63.7	79.2
ADR (JPY)	5,589	6,188	6,316	6,663	5,670	6,025	6,498	6,379	6,395	5,957	5,102	4,830	6,006
RevPAR (JPY)	4,549	5,271	5,403	5,295	4,619	4,920	5,851	5,062	4,947	4,625	3,500	3,077	4,760
Revenue (JPY million)	25	32	32	32	27	30	36	30	30	27	21	19	341
GOP (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—

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

007 Hotel Wing International Kobe Shin Nagata Ekimae

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	—	—	—	—	70.4	74.6	86.9	73.2	75.5	84.5	78.0	67.9	76.4
ADR (JPY)	—	—	—	—	7,611	7,835	8,341	7,437	7,831	8,641	7,885	7,247	7,885
RevPAR (JPY)	—	—	—	—	5,358	5,842	7,247	5,445	5,911	7,301	6,147	4,922	6,021
Revenue (JPY million)	—	—	—	—	24	26	33	23	27	32	29	24	218
GOP (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—

Note: The operator did not give consent to disclose operating results for February 2019 and GOP for all months. There are no data for March to May 2019 because the hotel underwent renovation before reopening in June 2019.

008 Nest Hotel Sapporo Odori

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	97.2	96.1	95.1	97.7	98.1	95.9	94.9	93.8	90.7	90.3	89.6	90.6	94.1
ADR (JPY)	19,290	7,991	8,321	13,238	14,458	15,534	14,337	11,809	8,840	9,860	8,194	8,123	11,683
RevPAR (JPY)	18,755	7,676	7,911	12,931	14,187	14,896	13,611	11,077	8,022	8,907	7,342	7,359	10,999
Revenue (JPY million)	67	33	32	52	55	60	56	44	34	36	31	31	531
GOP (JPY million)	40	12	13	29	32	36	32	23	14	15	11	10	267

009 Valie Hotel Tenjin

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	98.3	98.6	97.9	96.7	96.4	96.2	96.2	96.3	95.9	96.1	93.8	89.9	96.0
ADR (JPY)	11,051	10,483	10,274	10,630	9,426	9,237	9,587	8,341	8,834	9,949	9,095	7,299	9,524
RevPAR (JPY)	10,861	10,338	10,056	10,278	9,087	8,889	9,221	8,034	8,475	9,561	8,531	6,562	9,144
Revenue (JPY million)	25	26	25	26	22	23	24	20	22	24	22	17	276
GOP (JPY million)	14	15	13	14	11	12	12	8	11	12	10	6	137

010 Nest Hotel Osaka Shinsaibashi

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	92.0	93.6	88.6	87.5	95.4	85.6	78.3	65.8	77.0	84.8	80.3	82.4	84.2
ADR (JPY)	8,294	8,356	9,357	8,133	7,714	7,416	7,991	6,926	7,222	7,471	7,162	6,153	7,715
RevPAR (JPY)	7,629	7,822	8,290	7,117	7,358	6,346	6,259	4,558	5,558	6,334	5,749	5,068	6,497
Revenue (JPY million)	69	78	80	71	72	65	64	46	57	61	57	51	772
GOP (JPY million)	38	45	44	37	40	29	30	18	27	31	28	21	387

011 Comfort Hotel Central International Airport

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	88.8	90.2	94.8	92.0	92.3	91.1	92.1	82.2	84.6	90.4	81.8	83.9	88.7
ADR (JPY)	8,864	9,006	9,266	9,257	9,166	9,234	9,658	8,943	9,215	9,286	9,013	9,352	9,195
RevPAR (JPY)	7,875	8,121	8,784	8,515	8,456	8,410	8,896	7,355	7,793	8,396	7,371	7,848	8,153
Revenue (JPY million)	80	91	95	95	92	94	100	80	87	91	82	88	1,074
GOP (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—

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

012 Smile Hotel Tokyo Asagaya

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	98.6	99.2	99.1	98.1	98.3	97.3	97.7	98.3	97.2	97.7	98.5	96.2	98.0
ADR (JPY)	9,685	9,851	10,175	8,713	8,429	8,777	9,078	8,782	9,136	9,261	8,957	8,128	9,079
RevPAR (JPY)	9,546	9,768	10,088	8,550	8,288	8,537	8,872	8,633	8,878	9,046	8,823	7,819	8,898
Revenue (JPY million)	31	35	35	30	29	30	32	30	32	31	32	28	373
GOP (JPY million)	17	21	21	16	15	17	18	17	18	18	17	15	211

013 Nest Hotel Naha

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	91.0	89.1	86.1	79.5	80.2	78.0	89.2	74.0	75.2	83.9	80.3	71.8	81.4
ADR (JPY)	11,328	10,239	9,256	9,098	9,033	10,701	12,057	9,460	10,322	10,509	9,439	8,344	10,024
RevPAR (JPY)	10,311	9,124	7,967	7,233	7,246	8,347	10,757	6,997	7,767	8,820	7,577	5,993	8,164
Revenue (JPY million)	77	82	68	64	67	72	83	57	70	79	77	59	855
GOP (JPY million)	34	34	25	21	22	28	35	16	25	30	26	17	312

Note: The hotel was sold on January 31, 2020.

015 Nest Hotel Matsuyama

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	86.9	90.2	84.3	85.7	88.2	88.7	91.4	81.7	90.4	90.3	85.0	81.8	87.1
ADR (JPY)	6,168	6,154	7,595	8,022	5,889	6,230	6,751	5,883	6,286	7,163	5,618	5,688	6,459
RevPAR (JPY)	5,359	5,552	6,400	6,876	5,196	5,527	6,172	4,805	5,685	6,471	4,773	4,655	5,624
Revenue (JPY million)	40	48	51	55	45	48	51	38	43	50	46	41	557
GOP (JPY million)	16	20	23	27	18	20	21	13	18	23	17	15	231

016 Hotel Livemax Nihombashi-Hakozaki

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	—	—	—	—	—	—	—	—	—	—	—	—	—
ADR (JPY)	—	—	—	—	—	—	—	—	—	—	—	—	—
RevPAR (JPY)	—	—	—	—	—	—	—	—	—	—	—	—	—
Revenue (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—
GOP (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—

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

017 Comfort Hotel Okayama

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	90.7	91.1	89.2	87.5	87.5	84.6	88.8	83.3	89.0	90.0	86.7	79.8	87.3
ADR (JPY)	5,673	6,061	6,580	6,342	5,441	6,160	6,572	6,447	6,552	6,479	5,175	5,317	6,074
RevPAR (JPY)	5,143	5,520	5,872	5,549	4,761	5,212	5,836	5,368	5,833	5,829	4,487	4,244	5,304
Revenue (JPY million)	31	37	38	38	31	35	39	35	39	38	30	29	420
GOP (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—

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

018 Comfort Hotel Kushiro

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	83.7	69.2	66.4	67.4	79.2	87.5	92.0	89.7	80.8	66.1	74.1	75.3	77.6
ADR (JPY)	5,312	4,391	5,143	5,630	5,560	7,109	8,203	7,140	5,995	4,910	4,409	4,603	5,812
RevPAR (JPY)	4,447	3,037	3,417	3,797	4,401	6,219	7,547	6,407	4,846	3,244	3,267	3,467	4,510
Revenue (JPY million)	17	13	14	16	18	25	30	25	20	13	14	14	218
GOP (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—

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

019 Comfort Hotel Suzuka

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	64.5	80.8	83.3	74.0	82.2	68.4	82.8	65.6	77.7	79.9	74.3	70.1	75.4
ADR (JPY)	5,038	5,911	6,300	6,314	5,555	6,393	6,918	5,135	7,315	5,739	5,069	4,530	5,895
RevPAR (JPY)	3,247	4,776	5,250	4,673	4,564	4,376	5,728	3,368	5,684	4,586	3,765	3,177	4,442
Revenue (JPY million)	10	16	17	15	14	14	19	11	19	15	12	10	172
GOP (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—

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

020 Grandpark-Inn Yokohama

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	—	—	—	—	—	—	—	—	—	—	—	—	—
ADR (JPY)	—	—	—	—	—	—	—	—	—	—	—	—	—
RevPAR (JPY)	—	—	—	—	—	—	—	—	—	—	—	—	—
Revenue (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—
GOP (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—

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

021 Urbain Hiroshima Executive

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	90.8	90.5	94.8	91.8	91.1	92.5	92.7	91.5	93.4	94.3	83.9	73.2	90.0
ADR (JPY)	6,471	6,919	8,361	8,011	6,592	6,340	8,089	7,155	7,655	8,016	5,602	5,459	7,102
RevPAR (JPY)	5,877	6,258	7,924	7,350	6,006	5,864	7,495	6,544	7,149	7,560	4,703	3,997	6,391
Revenue (JPY million)	28	33	41	39	31	31	40	34	38	39	25	21	399
GOP (JPY million)	—	—	—	—	—	—	—	—	—	—	—	—	—

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

022 Court Hotel Kurashiki

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	98.0	97.7	98.4	97.9	93.2	92.5	97.7	93.4	94.5	89.3	77.2	80.0	92.4
ADR (JPY)	5,876	8,560	10,769	12,038	7,016	7,438	9,596	7,490	9,906	10,745	6,275	5,968	8,565
RevPAR (JPY)	5,759	8,361	10,600	11,784	6,541	6,880	9,379	6,996	9,360	9,597	4,845	4,772	7,912
Revenue (JPY million)	20	33	39	44	24	26	37	26	37	36	20	19	360
GOP (JPY million)	7	18	23	27	10	11	19	11	20	19	6	6	176

023 Nest Hotel Kumamoto

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	84.4	82.6	73.1	71.4	71.4	81.6	80.0	75.7	77.8	84.1	80.0	77.0	78.2
ADR (JPY)	6,125	5,925	6,426	6,526	6,167	6,034	7,777	6,743	6,501	6,898	5,691	4,864	6,306
RevPAR (JPY)	5,168	4,894	4,698	4,662	4,406	4,925	6,223	5,105	5,056	5,802	4,554	3,744	4,934
Revenue (JPY million)	33	35	32	33	30	35	43	35	36	40	32	27	412
GOP (JPY million)	16	17	16	16	13	17	23	16	18	21	15	11	199

Note: Data for Feb to Apr 2019 were provided by previous owner.

024 Valie Hotel Hiroshima

	2019											2020	Average/ Cumulative
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Occupancy (%)	—	—	—	—	—	—	—	43.8	61.4	68.2	68.3	68.8	64.5
ADR (JPY)	—	—	—	—	—	—	—	4,946	6,242	6,696	4,041	3,892	5,161
RevPAR (JPY)	—	—	—	—	—	—	—	2,165	3,834	4,565	2,759	2,677	3,327
Revenue (JPY million)	—	—	—	—	—	—	—	5	21	24	15	14	79
GOP (JPY million)	—	—	—	—	—	—	—	—	8	10	—	—	18

Note: The previous owner did not give consent to disclose pre-acquisition operating results. The hotel was rebranded and reopened in September 2019.

Portfolio Weighting & NOI Yield by Region

Region	Number of Hotels	Acquisition Price (JPY million)	Portfolio Weighting (%)	Average Appraisal NOI Yield (%)
Hokkaido & Tohoku	3	3,910	8.3	7.6
Kanto (ex-Tokyo)	1	1,490	3.2	4.9
Tokyo	2	5,270	11.2	5.2
Hokuriku & Tokai	4	9,828	20.9	5.5
Kinki	4	15,200	32.2	4.8
Chugoku & Shikoku	5	7,835	16.6	7.2
Kyushu & Okinawa	2	3,600	7.6	7.2
Total	21	47,133	100.0	5.8

Major Capital Expenditures

a. Major Capital Expenditures Planned for the July 2020 Fiscal Period

Hotel Name	Location	Purpose	Timing	Total Expenditures (JPY million)
Valie Hotel Hiroshima	Hiroshima	Conversion of retail space on 1st floor into parking lots	Apr – May 2020	24
Valie Hotel Hiroshima	Hiroshima	Upgrade water heating systems	Apr – Jun 2020	20
Comfort Hotel Central International Airport	Tokoname, Aichi	Upgrade 5th -8th floor air-conditioning systems	Mar – Apr 2020	16

b. Major Capital Expenditures during the Current Fiscal Period (January 2020)

Hotel Name	Location	Purpose	Timing	Total Expenditures (JPY million)
Valie Hotel Hiroshima	Hiroshima	Renovate bathrooms	Jul – Sep 2019	55
Nest Hotel Sapporo Odori	Sapporo	Upgrade water heating systems	Nov – Dec 2019	19