



**Make The World
More Sustainable**

[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.*

September 14, 2021

Issuer

Ichigo Hotel REIT Investment Corporation (“Ichigo Hotel,” 3463)

1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo

Representative: Osamu Miyashita, Executive Director

www.ichigo-hotel.co.jp/en

Asset Management Company

Ichigo Investment Advisors Co., Ltd.

Representative: Hiroshi Iwai, President

Inquiries: Hidehito Iwasaka, Head of Ichigo Hotel

Tel: +81-3-3502-4892

**July 2021 Fiscal Period Earnings Results Versus Forecast
and Forecast Revision for the January 2022 Fiscal Period**

Because Ichigo Hotel’s July 2021 earnings results announced today differed from its forecast in the June 28, 2021 release “Earnings Forecast Revision for the July 2021 Fiscal Period,” Ichigo Hotel is detailing the difference between the results and the forecast below.

Ichigo Hotel is also revising its January 2022 fiscal period earnings forecast announced in the March 17, 2021 release “January 2021 Fiscal Period Earnings.”

1. July 2021 Earnings Results vs. Forecast

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Forecast (A)	1,112	437	234	233	915
Results (B)	1,117	465	269	268	1,055
Difference (B) - (A)	+5	+28	+35	+35	+140
% Change	+0.5%	+6.5%	+15.0%	+15.2%	+15.3%
Reference: July 2020 Actual	953	371	171	170	670

Reference:

Net Income per Share: JPY 1,054

Forecast period-end number of shares outstanding: 254,974 shares

2. January 2022 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,058	395	184	183	719
New Forecast (B)	1,007	336	111	184	724
Difference (B) - (A)	-51	-59	-73	+1	+5
% Change	-4.8%	-14.9%	-39.5%	+0.7%	+0.7%
Reference: January 2021	1,035	409	210	209	823

Reference: Net Income per Share: JPY 724

Forecast period-end number of shares outstanding: 254,974 shares

Note: The new forecast is based on the “Preconditions for the January 2022 Earnings Forecast” on page 4. Actual results may vary due to changes in circumstances, so these forecasts should not be construed as a guarantee of such results. Ichigo Hotel will make a forecast revision should a material discrepancy emerge between this forecast and results.

3. July 2021 Earnings Results and January 2022 Earnings Forecast Revision Rationale

July 2021 Earnings Results

As stated in the Preconditions for the July 2021 Fiscal Period in the June 28, 2021 release “Earning Forecast Revision for July 2021 Fiscal Period,” Ichigo Hotel expected to record operating expenses of JPY 37.8 million for Covid-related hotel operator support and/or potential rent reductions. However, Ichigo Hotel did not incur such expenses because no rent reductions were granted.

As a result, July 2021 operating revenue, operating profit, recurring profit, net income, and dividend per share increased by JPY 5 million (+0.5%), JPY 28 million (+6.5%), JPY 35 million (+15.0%), JPY 35 million (+15.2%), and JPY 140 (+15.3%), respectively, versus the previous forecast.

January 2022 Earnings Forecast Revision Rationale

Although hotel demand is gradually recovering on the back of the Covid vaccine rollout (57.6% complete for first-time vaccination as of September 1, 2021), a full-blown recovery is expected to take more time.

Given these conditions, Ichigo Hotel is conservatively adjusting its forecast for variable rent for the January 2022 fiscal period (August 1, 2021 – January 31, 2022) and the interest rate for a debt refinancing scheduled in November.

As a result, January 2022 operating revenue, operating profit, and recurring profit are expected to decrease by JPY 51 million (-4.8%; comprising a JPY 51 million decrease in variant rent and a JPY 0.3 million increase in fixed rent), JPY 59 million (-14.9%), and JPY 73 million (-39.5%), respectively, versus the previous forecast announced on March 17, 2021.

On the other hand, net income and dividend per share are expected to increase by JPY 1 million (+0.7%) and JPY 5 (+0.7%), respectively, versus the previous forecast due to a JPY 74 million extraordinary gain scheduled to be reported due to Ichigo Hotel reaching

a settlement with a former hotel operator on an eviction lawsuit.

Should any further change to the outlook for operating results arise, Ichigo Hotel will promptly disclose the details.

Preconditions for the January 2022 Earnings Forecast

	Preconditions																										
Period	<ul style="list-style-type: none"> • August 1, 2021 to January 31, 2022 (184 days) 																										
Number of Hotels	<ul style="list-style-type: none"> • 23 hotels • The Chisun Inn Osaka Hommachi had an operator change on March 17, 2021 and was rebranded and reopened as The OneFive Osaka Sakaisuji on September 1, 2021. 																										
Operating Revenue	<p>Within operating revenue, rental income is forecast based on current lease contracts, taking into consideration such factors as hotel and market conditions.¹</p> <p><u>Forecast Operating Performance²</u></p> <table border="1"> <thead> <tr> <th></th> <th>January 2022 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Occupancy³</td> <td>63.9%</td> </tr> <tr> <td>ADR⁴</td> <td>JPY 4,548</td> </tr> </tbody> </table> <p>¹ The forecast rental income assumes operators and tenants will fully pay their contractual rents without delay or default.</p> <p>² The 16 variable rent hotels are: Smile Hotel Kyoto Shijo, Nest Hotel Sapporo Ekimae, Chisun Inn Osaka Hommachi, Nest Hotel Sapporo Odori, The OneFive Fukuoka 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, The OneFive Okayama, and Capsule Plus Yokohama. However, data for Capsule Plus Yokohama is excluded from the above forecast because the operator did not give consent to disclose forecasts.</p> <p>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)</p> <p>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 the January 2022 Rental Income Forecast by Hotel</u></p> <p style="text-align: right;">(JPY million)</p> <table border="1"> <thead> <tr> <th>Hotel Name</th> <th>Fixed Rent/ Minimum Guaranteed Rent</th> <th>Variable Rent</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Smile Hotel Kyoto Shijo</td> <td>34</td> <td>—</td> <td>34</td> </tr> <tr> <td>Nest Hotel Sapporo Ekimae</td> <td>32</td> <td>—</td> <td>32</td> </tr> <tr> <td>Chisun Inn Osaka Hommachi</td> <td>—</td> <td>—</td> <td>—</td> </tr> <tr> <td>Comfort Hotel Hamamatsu</td> <td>55</td> <td>—</td> <td>55</td> </tr> </tbody> </table>		January 2022 Fiscal Period	Occupancy ³	63.9%	ADR ⁴	JPY 4,548	Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total	Smile Hotel Kyoto Shijo	34	—	34	Nest Hotel Sapporo Ekimae	32	—	32	Chisun Inn Osaka Hommachi	—	—	—	Comfort Hotel Hamamatsu	55	—	55
	January 2022 Fiscal Period																										
Occupancy ³	63.9%																										
ADR ⁴	JPY 4,548																										
Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total																								
Smile Hotel Kyoto Shijo	34	—	34																								
Nest Hotel Sapporo Ekimae	32	—	32																								
Chisun Inn Osaka Hommachi	—	—	—																								
Comfort Hotel Hamamatsu	55	—	55																								

	Nest Hotel Sapporo Odori	26	–	26
	The OneFive Fukuoka Tenjin	26	–	26
	Nest Hotel Osaka Shinsaibashi	65	–	65
	Comfort Hotel Central International Airport	151	–	151
	Smile Hotel Tokyo Asagaya	59	–	59
	Nest Hotel Matsuyama	35	–	35
	The OneFive Okayama	72	–	72
	Comfort Hotel Kushiro	18	–	18
	Comfort Hotel Suzuka	15	–	15
	Court Hotel Kurashiki	28	–	28
	Nest Hotel Kumamoto	27	1	28
	Valie Hotel Hiroshima	22	27	50
	HOTEL EMIT SHIBUYA	44	–	44
	Other ¹	216	1	217
	Total	933	30	963
	<p>¹ Figures for Hotel Wing International Nagoya, Hotel Wing International Kobe Shin Nagata Ekimae, Hotel Livemax Nihombashi-Hakozaki, Capsule Plus 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.</p> <ul style="list-style-type: none"> • Retail: JPY 29 million of rental income (including utilities income) from retail tenants at Chisun Inn Osaka Hommachi, Hotel Wing International Kobe Shin Nagata Ekimae, and Smile Hotel Tokyo Asagaya, and from banquet rooms at Nest Hotel Kumamoto. 			
Operating Expenses	<ul style="list-style-type: none"> • Depreciation: JPY 351 million. Depreciation has been calculated using the straight-line method. • Property and city planning taxes: JPY 119 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. • Other expenses: JPY 37.7 million as Covid-related hotel operator support and/or potential rent reductions. • SG&A expenses: JPY 3.1 million for engineering report costs and JPY 0.5 million for environmental certification costs. 			

Non-Operating Expenses	<ul style="list-style-type: none"> • Interest expenses and other borrowing-related expenses: JPY 225 million
Extraordinary Gains	<ul style="list-style-type: none"> • An extraordinary gain of JPY 74 million is expected as a result of reaching a settlement with Hotel Tetora Group, the former operator of the Hotel Suave Kobe Asuta (current name: Hotel Wing International Kobe Shin Nagata Ekimae), against which Ichigo Hotel filed an eviction lawsuit because of delinquent rent.
Borrowings	<ul style="list-style-type: none"> • Total borrowings: JPY 25.97 billion as of January 31, 2022 based on the assumption that JPY 7 billion of short-term borrowing due November 30, 2021 will be refinanced.
Number of Shares	<ul style="list-style-type: none"> • 254,974 shares issued and outstanding as of September 14, 2021. The forecast assumes there will be no additional new issuance of shares and/or cancellation of shares through January 31, 2022.
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.
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. • Given ongoing Covid uncertainty, these earnings forecasts are subject to change.