



**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.*

March 17, 2022

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

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

Because Ichigo Hotel’s January 2022 earnings results announced today differed from its forecast in the January 25, 2022 release “Earnings Forecast Revision for the January 2022 Fiscal Period,” Ichigo Hotel is detailing the difference between the results and the forecast below.

Ichigo Hotel is also revising upward its July 2022 fiscal period earnings forecast announced in the September 14, 2021 release “July 2021 Fiscal Period Earnings.”

1. January 2022 Earnings Results vs. Forecast

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Forecast (A)	1,102	414	209	282	1,108
Results (B)	1,125	472	274	342	1,345
Difference (B) - (A)	+23	+57	+64	+60	+237
% Change	+2.1%	+13.8%	+30.9%	+21.3%	+21.4%
Reference: January 2021	1,035	409	210	209	823

Reference: Net Income per Share: JPY 1,345

Period-end number of shares outstanding: 254,974 shares

2. July 2022 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,024	395	170	169	666
New Forecast (B)	1,069	421	214	213	838
Difference (B) - (A)	+44	+26	+43	+43	+172
% Change	+4.3%	+6.6%	+25.7%	+25.8%	+25.8%
Reference: July 2021 Actual	1,117	465	269	268	1,055

Reference: Net Income per Share: JPY 838

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

Note: The new forecast is based on the “Preconditions for the July 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. January 2022 Earnings Results and July 2022 Earnings Forecast Revision Rationale

January 2022 Earnings Results

January 2022 fiscal period earnings was higher than forecast on the back of greater than expected variable rent at some of the hotels in December 2021 and January 2022 due to increased occupancy.

As stated in the Preconditions for the January 2022 Fiscal Period in the January 25, 2022 release “Earnings Forecast Revision for the January 2022 Fiscal Period,” Ichigo Hotel expected to record operating expenses of JPY 37.7 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, January 2022 recurring profit and dividend per share increased by JPY 64 million (+30.9%) and JPY 237 (+21.4%), respectively, versus the forecast announced on January 25, 2022.

July 2022 Earnings Forecast Revision Rationale

2022 started with a new wave of Covid caused by the Omicron variant, resulting in the Japanese government declaring a quasi-state of emergency. Although hotel demand is gradually recovering on the back of the Covid vaccine rollout, a full-blown recovery is expected to take more time.

Given these conditions, Ichigo Hotel expects expenses such as AM fee, insurance, and repair expenses to increase. Meanwhile, borrowing-related expenses are forecast to decrease, and variable rent is forecast to increase due to the leasing of all guest rooms at several hotels to local governments.

As a result, Ichigo Hotel is revising upward its July 2022 dividend per share by JPY 172 (+25.8%) versus the previous forecast announced on September 14, 2021.

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

Preconditions for the July 2022 Earnings Forecast

	Preconditions																																										
Period	<ul style="list-style-type: none"> February 1, 2022 to July 31, 2022 (181 days) 																																										
Number of Hotels	<ul style="list-style-type: none"> 23 hotels The Court Hotel Kurashiki had an operator change on December 15, 2021 and was rebranded and reopened as The OneFive Garden Kurashiki on February 1, 2022. 																																										
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>July 2022 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Occupancy³</td> <td>73.0%</td> </tr> <tr> <td>ADR⁴</td> <td>JPY 4,891</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, Hotel Wing International Nagoya, Nest Hotel Sapporo Ekimae, The OneFive Osaka Sakaisuji, Hotel Wing International Kobe Shin Nagata Ekimae, Nest Hotel Sapporo Odori, The OneFive Fukuoka Tenjin, Nest Hotel Osaka Shinsaibashi, Smile Hotel Tokyo Asagaya, Nest Hotel Matsuyama, The OneFive Okayama, Capsule Plus Yokohama, Court Hotel Kurashiki, Nest Hotel Kumamoto, Valie Hotel Hiroshima, and HOTEL EMIT SHIBUYA. 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 July 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>30</td> <td>–</td> <td>30</td> </tr> <tr> <td>Nest Hotel Sapporo Ekimae</td> <td>31</td> <td>11</td> <td>42</td> </tr> <tr> <td>The OneFive Osaka Sakaisuji</td> <td>1</td> <td>1</td> <td>2</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>27</td> <td>–</td> <td>27</td> </tr> <tr> <td>The OneFive Fukuoka Tenjin</td> <td>34</td> <td>–</td> <td>34</td> </tr> <tr> <td>Nest Hotel Osaka Shinsaibashi</td> <td>66</td> <td>–</td> <td>66</td> </tr> <tr> <td>Comfort Hotel Central International Airport</td> <td>151</td> <td>–</td> <td>151</td> </tr> </tbody> </table>		July 2022 Fiscal Period	Occupancy ³	73.0%	ADR ⁴	JPY 4,891	Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total	Smile Hotel Kyoto Shijo	30	–	30	Nest Hotel Sapporo Ekimae	31	11	42	The OneFive Osaka Sakaisuji	1	1	2	Comfort Hotel Hamamatsu	55	–	55	Nest Hotel Sapporo Odori	27	–	27	The OneFive Fukuoka Tenjin	34	–	34	Nest Hotel Osaka Shinsaibashi	66	–	66	Comfort Hotel Central International Airport	151	–	151
	July 2022 Fiscal Period																																										
Occupancy ³	73.0%																																										
ADR ⁴	JPY 4,891																																										
Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total																																								
Smile Hotel Kyoto Shijo	30	–	30																																								
Nest Hotel Sapporo Ekimae	31	11	42																																								
The OneFive Osaka Sakaisuji	1	1	2																																								
Comfort Hotel Hamamatsu	55	–	55																																								
Nest Hotel Sapporo Odori	27	–	27																																								
The OneFive Fukuoka Tenjin	34	–	34																																								
Nest Hotel Osaka Shinsaibashi	66	–	66																																								
Comfort Hotel Central International Airport	151	–	151																																								

	<table border="1"> <tbody> <tr> <td>Smile Hotel Tokyo Asagaya</td> <td>61</td> <td>–</td> <td>61</td> </tr> <tr> <td>Nest Hotel Matsuyama</td> <td>36</td> <td>8</td> <td>44</td> </tr> <tr> <td>The OneFive Okayama</td> <td>70</td> <td>–</td> <td>70</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> <tr> <td>Court Hotel Kurashiki</td> <td>–</td> <td>3</td> <td>4</td> </tr> <tr> <td>Nest Hotel Kumamoto</td> <td>25</td> <td>27</td> <td>52</td> </tr> <tr> <td>Valie Hotel Hiroshima</td> <td>17</td> <td>43</td> <td>61</td> </tr> <tr> <td>HOTEL EMIT SHIBUYA</td> <td>47</td> <td>–</td> <td>47</td> </tr> <tr> <td>Other¹</td> <td>210</td> <td>27</td> <td>238</td> </tr> <tr> <td>Total</td> <td>902</td> <td>122</td> <td>1,024</td> </tr> </tbody> </table> <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 28 million of rental income from retail tenants at The OneFive Osaka Sakaisuji, Hotel Wing International Kobe Shin Nagata Ekimae, and Smile Hotel Tokyo Asagaya, and from banquet rooms at Nest Hotel Kumamoto. 	Smile Hotel Tokyo Asagaya	61	–	61	Nest Hotel Matsuyama	36	8	44	The OneFive Okayama	70	–	70	Comfort Hotel Kushiro	18	–	18	Comfort Hotel Suzuka	15	–	15	Court Hotel Kurashiki	–	3	4	Nest Hotel Kumamoto	25	27	52	Valie Hotel Hiroshima	17	43	61	HOTEL EMIT SHIBUYA	47	–	47	Other ¹	210	27	238	Total	902	122	1,024
Smile Hotel Tokyo Asagaya	61	–	61																																										
Nest Hotel Matsuyama	36	8	44																																										
The OneFive Okayama	70	–	70																																										
Comfort Hotel Kushiro	18	–	18																																										
Comfort Hotel Suzuka	15	–	15																																										
Court Hotel Kurashiki	–	3	4																																										
Nest Hotel Kumamoto	25	27	52																																										
Valie Hotel Hiroshima	17	43	61																																										
HOTEL EMIT SHIBUYA	47	–	47																																										
Other ¹	210	27	238																																										
Total	902	122	1,024																																										
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. • SG&A expenses: JPY 1.3 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 206 million 																																												
Borrowings	<ul style="list-style-type: none"> • Total borrowings: JPY 26.34 billion as of July 31, 2022 based on the assumption that JPY 450 million of long-term borrowing due February 28, 2022 will be refinanced. 																																												

Number of Shares	<ul style="list-style-type: none"> • 254,974 shares issued and outstanding as of March 17, 2022. The forecast assumes there will be no additional new issuance of shares and/or cancellation of shares through July 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. • 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. • Given ongoing Covid uncertainty, these earnings forecasts are subject to change.