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Issuer

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**January 2023 Fiscal Period Earnings Results Versus Forecast  
and Earnings Forecast Revision for the July 2023 Fiscal Period**

Because Ichigo Hotel’s January 2023 earnings results announced today differed from its forecast in the December 22, 2022 release, “Earnings Forecast Revision for the January 2023 Fiscal Period,” Ichigo Hotel is detailing the difference between the results and the forecast below.

Ichigo Hotel is revising upward its July 2023 fiscal period earnings forecast announced in the September 14, 2022 release “July 2022 Fiscal Period Earnings.”

1. January 2023 Earnings Results vs. Forecast

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Forecast (A)	1,323	597	374	373	1,465
Results (B)	1,562	799	590	589	2,311
Difference (B) - (A)	+239	+201	+215	+215	+846
% Change	+18.1%	+33.8%	+57.6%	+57.7%	+57.7%
Reference: January 2022	1,125	472	274	342	1,345

Reference: Net Income per Share: JPY 2,311

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

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## 2. July 2023 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,326	603	352	351	1,380
New Forecast (B)	1,699	855	564	563	1,532
Difference (B) - (A)	+373	+252	+210	+212	+152
% Change	+28.1%	+41.8%	+60.1%	+59.9%	+11.0%
Reference: July 2022	1,248	566	362	361	1,418

Reference: Net Income per Share: JPY 1,532

Period-end number of shares outstanding: 367,974 shares

Note: The new forecast is based on the “Preconditions for the July 2023 Earnings Forecast” on page 4.

Actual results may vary due to changes in circumstances such as the sale or acquisition of additional assets in the future, changes in rental income due to factors such as changes of lessees, changes in the operating environment such as unexpected repairs, changes in interest rates, the number of shares to be issued and issue price, and issuance of new shares in the future. Therefore, 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.

The amounts shown above are rounded down to the nearest unit, and percentages are rounded to the first decimal place.

## 3. January 2023 Earnings Results and July 2023 Earnings Forecast Revision Rationale

### January 2023 Earnings Results

Ichigo Hotel saw a significant increase in inbound demand during the January 2023 fiscal period due to a recovery in domestic tourism from a domestic travel subsidy program by the Japanese government, as well as a significant recovery in inbound tourism demand due to the lifting of overseas travel restrictions.

Furthermore, variable rent exceeded forecasts due to Hiroshima, Aichi, and Kumamoto Prefectures continuing to lease all rooms of the Valie Hotel Hiroshima (from February 2021), Hotel Wing International Nagoya (from January 2022), and Nest Hotel Kumamoto (from February 2022), respectively.

As a result, January 2023 operating revenue, operating profit, recurring profit, net income, and divided per share increased by JPY 239 million (+18.1%), JPY 201 million (+33.8%), JPY 215 million (+57.6%), JPY 215 million (+57.7%), and JPY 846 (+57.7%), respectively, versus the forecast announced on December 22, 2022.

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Out of dividend per share of JPY 2,311, the impact of leasing all rooms is JPY 1,015.

### July 2023 Earnings Forecast Revision Rationale

Ichigo Hotel is revising its July 2023 fiscal period earnings forecast to reflect changes to the preconditions announced in the September 14, 2022 release, “July 2022 Fiscal Period Earnings” resulting from the new share issuance and acquisition of five hotel assets announced in today’s releases “Issuance of New Shares and Secondary Share Offering,” “Acquisition of Five Hotel Assets,” and “New Loan.”

Although Ichigo Hotel is acquiring the five hotel assets using proceeds from the new share issuance and a syndicated loan, the July 2023 fiscal period-end LTV is forecast at 39.0% (vs. July 2022-end: 42.9%, January 2023-end: 42.6%). Ichigo Hotel expects further dividend growth via dynamic external growth by leveraging its borrowing capacity.

The January 2024 fiscal period earnings forecast, including preconditions, is presented in today’s release “January 2023 Fiscal Period Earnings.”

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## Preconditions for the July 2023 Earnings Forecast

	Preconditions						
Period	<ul style="list-style-type: none"> <li>February 1, 2023 to July 31, 2023 (181 days)</li> </ul>						
Number of Hotels	<ul style="list-style-type: none"> <li>30 hotels (25 hotels as of today and five hotels to be acquired using proceeds from the new share issuance, a new loan, and cash-on-hand)</li> <li>The forecast assumes no further acquisitions or sales through July 31, 2023.</li> <li>The number of assets may change due to acquisitions or sales made during the period.</li> </ul>						
Number of Shares	<ul style="list-style-type: none"> <li>Total 367,974 shares (254,974 shares outstanding, 107,620 new shares issued via the public offering, and 5,380 new shares, the maximum number of shares issued via the over-allotment secondary share offering)</li> <li>The forecast assumes there will be no additional new shares issued through July 31, 2023</li> </ul>						
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.<sup>1</sup></p> <p><u>Forecast Operating Performance for the 22 variable rent hotels<sup>2</sup></u></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">July 2023 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Occupancy<sup>3</sup></td> <td style="text-align: center;">81.2%</td> </tr> <tr> <td style="text-align: center;">ADR<sup>4</sup></td> <td style="text-align: center;">JPY 6,847</td> </tr> </tbody> </table> <p><sup>1</sup> The forecast rental income assumes operators and tenants will fully pay their contractual rents without delay or default.</p> <p><sup>2</sup> The 22 variable rent hotels are: Smile Hotel Kyoto Shijo, Nest Hotel Sapporo Ekimae, The OneFive Osaka Sakaisuji, Nest Hotel Sapporo Odori, The OneFive Fukuoka Tenjin, Nest Hotel Osaka Shinsaibashi, Smile Hotel Tokyo Asagaya, Nest Hotel Matsuyama, The OneFive Garden Kurashiki, Hotel Wing International Nagoya, Hotel Wing International Kobe Shin Nagata Ekimae, Nest Hotel Kumamoto, Valie Hotel Hiroshima, The OneFive Tokyo Shibuya, The OneFive Okayama, Smile Hotel Nagano, Comfort Hotel Osaka Shinsaibashi, HOTEL THE KNOT YOKOKAMA, Quintessa Hotel Ise Shima, Quintessa Hotel Ogaki, THE KNOT SAPPORO, and Capsule Plus Yokohama. Data for Capsule Plus Yokohama is excluded from the above forecast because the operator did not give consent to disclose forecasts.</p> <p><sup>3</sup> 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><sup>4</sup> 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>		July 2023 Fiscal Period	Occupancy <sup>3</sup>	81.2%	ADR <sup>4</sup>	JPY 6,847
	July 2023 Fiscal Period						
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Details of the July 2023 Rental Income Forecast by Hotel

(JPY million)

Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total
	Smile Hotel Kyoto Shijo	30	–
Nest Hotel Sapporo Ekimae	31	61	92
The OneFive Osaka Sakaisuji	11	11	23
Comfort Hotel Hamamatsu	55	–	55
Nest Hotel Sapporo Odori	27	42	69
The OneFive Fukuoka Tenjin	34	9	43
Nest Hotel Osaka Shinsaibashi	66	16	82
Comfort Hotel Central International Airport	151	–	151
Smile Hotel Tokyo Asagaya	61	26	87
Nest Hotel Matsuyama	36	37	74
The OneFive Okayama	61	–	62
Comfort Hotel Kushiro	18	–	18
Comfort Hotel Suzuka	15	–	15
The OneFive Garden Kurashiki	9	23	33
Nest Hotel Kumamoto	25	23	48
Valie Hotel Hiroshima	12	56	69
The OneFive Tokyo Shibuya	47	17	65
Hotel Sunshine Utsunomiya	57	–	57
Comfort Hotel Osaka Shinsaibashi	44	–	44
HOTEL THE KNOT YOKOHAMA	42	50	92
Quintessa Hotel Ise Shima	13	9	22
Quintessa Hotel Ogaki	10	–	10
THE KNOT SAPPORO	42	38	80
Other <sup>1</sup>	219	58	277
Total	1,126	483	1,609

Operating  
Revenue

<sup>1</sup> Figures for Hotel Wing International Nagoya, Hotel Wing International Kobe Shin Nagata Ekimae, Hotel Livemax Nihombashi-Hakozaki, Capsule Plus Yokohama, Urbain Hiroshima Executive, Washington Hotel Plaza Shimonoseki Eki Nishi, and Smile Hotel Nagano are included in “Other” because the hotel operators did not provide consent to disclose hotel-specific data.

- Retail: JPY 55 million of rental income from retail tenants at The OneFive Osaka Sakaisuji, Hotel Wing International Kobe Shin Nagata Ekimae, Smile Hotel Tokyo Asagaya, Hotel Sunshine Utsunomiya, Comfort Hotel Osaka Shinsaibashi, HOTEL THE KNOT YOKOHAMA, and THE KNOT SAPPORO.

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Operating Expenses	<ul style="list-style-type: none"> <li>• Rental expenses (excluding depreciation), Ichigo Hotel REIT's principal operating expense, are calculated based on historical data for currently-owned hotels, and based on historical data adjusted for anticipated expense variations and information provided by the current owners for hotels to be acquired.</li> <li>• Depreciation: JPY 428 million. Depreciation has been calculated using the straight-line method.</li> <li>• Property and city planning taxes: JPY 127 million. Property and city planning taxes for hotels to be acquired will be recorded from the July 2024 fiscal period.</li> <li>• 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.</li> <li>• Actual operating expenses may differ significantly from these assumptions due to unforeseeable factors.</li> <li>• SG&amp;A expenses: JPY 2.5 million for engineering report and environmental certification costs.</li> </ul>
Non-Operating Expenses	<ul style="list-style-type: none"> <li>• New share issuance and public offering-related expenses: JPY 1 million. Expenses for the new share issuance and public offering will be amortized over 36 months using the straight-line method.</li> <li>• Interest expenses and other borrowing-related expenses: JPY 283 million</li> <li>• Amortization of expenses related to the new share issuance: JPY 6 million</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>• Total borrowings: JPY 30.84 billion as of July 31, 2023, including loans (including a new loan of JPY 4.5 billion scheduled on April 3, 2023 to be used for the scheduled acquisitions) and bonds.</li> </ul>
Dividend	<ul style="list-style-type: none"> <li>• The dividend forecast assumes that dividends will comply with the dividend distribution policy stipulated in Ichigo Hotel's Articles of Incorporation.</li> <li>• 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.</li> </ul>
Dividend in Excess of Earnings	<ul style="list-style-type: none"> <li>• Ichigo Hotel does not plan on paying any Dividend in Excess of Earnings.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Given ongoing Covid uncertainty, these earnings forecasts are subject to change.</li> </ul>

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