

[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.

July 21, 2023

Issuer

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

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

Representative: Eriko Ishii, 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

Earnings Forecast Revisions for the July 2023 and January 2024 Fiscal Periods

Ichigo Hotel is revising upward its earnings forecasts for the July 2023 and January 2024 fiscal periods announced in the March 30, 2023 release “Correction: January 2023 Fiscal Period Earnings.”

1. July 2023 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,400	655	402	401	1,576
New Forecast (B)	1,796	933	725	724	2,841
Difference (B) - (A)	+395	+277	+322	+322	+1,265
% Change	+28.3%	+42.3%	+80.1%	+80.3%	+80.3%
Reference: July 2022 Actual	1,248	566	362	361	1,418

Reference: Net Income per Share: JPY 2,841

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

2. January 2024 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,559	782	495	494	1,938
New Forecast (B)	1,665	816	544	543	2,134
Difference (B) - (A)	+106	+33	+49	+49	+196
% Change	+6.8%	+4.3%	+10.0%	+10.0%	+10.1%
Reference: January 2023	1,537	781	572	571	2,240

Reference: Net Income per Share: JPY 2,133

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

Note: The new forecast is based on the “Preconditions for the January 2024 Earnings Forecast” on page 7. 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 2023 and January 2024 Earnings Forecast Revision Rationale

I. July 2023 Fiscal Period

Ichigo Hotel is revising upward its July 2023 earnings forecast due to an expected recovery in domestic leisure and business demand supported by the Japanese government’s domestic travel subsidy program, as well as continued recovery in inbound tourism mainly in Tokyo, Osaka, and Fukuoka due to the lifting of Japanese restrictions on inbound travel.

Furthermore, ADR and RevPAR for variable-rent hotels have recovered to pre-Covid 2019 levels, as shown in the table below, with variable rent exceeding and expected to continue to exceed the forecast announced on March 30, 2023.

As a result, July 2023 operating revenue, operating profit, recurring profit, net income, and dividend per share increased by JPY 395 million (+28.3%), JPY 277 million (+42.3%), JPY 322 million (+80.1%), JPY 322 million (+80.3%), and JPY 1,265 (+80.3%), respectively, versus the forecast announced on March 30, 2023.

Variable-Rent Hotel Revenue, RevPAR, Occupancy, & ADR (2019-2023)

	Feb – May 2019	Feb – May 2020	Feb – May 2021	Feb – May 2022	Feb – May 2023
No. Of Variable-Rent Hotels	13	11	14	15	16
Revenue (JPY M)	2,276.0	532.5	697.8	1,255.0	2,136.2
RevPAR (JPY)	7,991	2,675	2,729	4,137	7,004
Occupancy (%)	90.6	50.4	62.6	84.0	84.2
ADR (JPY)	8,819	5,305	4,362	4,926	8,315

II. January 2024 Fiscal Period

Ichigo Hotel is revising upward its January 2024 fiscal period earnings forecast due to continued recovery in domestic leisure and business demand and robust inbound demand mainly in Tokyo, Osaka, and Fukuoka, with variable rent expected to exceed the forecast announced on March 30, 2023.

As a result, January 2024 operating revenue, operating profit, recurring profit, net income, and dividend per share increased by JPY 106 million (+6.8%), JPY 33 million (+4.3%), JPY 49 million (+10.0%), JPY 49 million (+10.0%), and JPY 196 (+10.1%), respectively, versus the forecast announced on March 30, 2023.

Preconditions for the July 2023 Earnings Forecast

	Preconditions						
Period	<ul style="list-style-type: none"> February 1, 2023 to July 31, 2023 (181 days) 						
Number of Hotels	<ul style="list-style-type: none"> 25 hotels as of the date of this report The forecast assumes no further acquisitions or sales through July 31, 2023. The number of assets may change due to acquisitions or sales made during the period. 						
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>Forecast Operating Performance for the 17 variable rent hotels²</p> <table border="1" data-bbox="470 728 1125 862"> <thead> <tr> <th></th> <th>July 2023 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Occupancy³</td> <td>83.2%</td> </tr> <tr> <td>ADR⁴</td> <td>JPY 8,393</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 17 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, The OneFive Garden Kurashiki, Nest Hotel Kumamoto, Valie Hotel Hiroshima, The OneFive Tokyo Shibuya, and Smile Hotel Nagano. 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>		July 2023 Fiscal Period	Occupancy ³	83.2%	ADR ⁴	JPY 8,393
	July 2023 Fiscal Period						
Occupancy ³	83.2%						
ADR ⁴	JPY 8,393						

	Details of the July 2023 Rental Income Forecast by Hotel			
	(JPY million)			
Operating Revenue	Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total
	Smile Hotel Kyoto Shijo	30	20	50
	Nest Hotel Sapporo Ekimae	31	97	128
	The OneFive Osaka Sakaisuji	11	48	60
	Comfort Hotel Hamamatsu	55	–	55
	Nest Hotel Sapporo Odori	27	51	78
	The OneFive Fukuoka Tenjin	34	39	73
	Nest Hotel Osaka Shinsaibashi	66	82	148
	Comfort Hotel Central International Airport	151	–	151
	Smile Hotel Tokyo Asagaya	61	77	139
	Nest Hotel Matsuyama	36	26	62
	The OneFive Okayama	62	26	89
	Comfort Hotel Kushiro	18	–	18
	Comfort Hotel Suzuka	15	–	15
	The OneFive Garden Kurashiki	10	22	33
	Nest Hotel Kumamoto	25	43	68
	Valie Hotel Hiroshima	17	73	91
	The OneFive Tokyo Shibuya	47	71	119
	Hotel Sunshine Utsunomiya	57	–	57
	Other ¹	220	85	306
Total	981	768	1,749	
<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, 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.</p> <ul style="list-style-type: none"> • Retail: JPY 29 million of rental income from retail tenants at The OneFive Osaka Sakaisuji, Hotel Wing International Kobe Shin Nagata Ekimae, Smile Hotel Tokyo Asagaya, and Hotel Sunshine Utsunomiya. 				

Operating Expenses	<ul style="list-style-type: none"> • Rental expenses (excluding depreciation), Ichigo Hotel’s principal operating expense, are calculated based on historical data for currently owned hotels, and based on historical data adjusted for anticipated expense variations. • Depreciation: JPY 387 million. Depreciation has been calculated using the straight-line method. • Property and city planning taxes: JPY 127 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. • Actual operating expenses may differ significantly from these assumptions due to unforeseeable factors. • SG&A expenses: JPY 0.7 million for environmental certification costs.
Non-Operating Expenses	<ul style="list-style-type: none"> • Interest expenses and other borrowing-related expenses: JPY 201 million • Amortization of bond issuance expenses: JPY 7 million
Borrowings	<ul style="list-style-type: none"> • Total borrowings: JPY 25.47 billion as of July 31, 2023
Number of Shares	<ul style="list-style-type: none"> • 254,974 shares issued and outstanding as of the date of this report • The forecast assumes there will be no additional new shares issued through July 31, 2023.
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.

Preconditions for the January 2024 Earnings Forecast

	Preconditions						
Period	<ul style="list-style-type: none"> • August 1, 2023 to January 31, 2024 (184 days) 						
Number of Hotels	<ul style="list-style-type: none"> • 25 hotels as of the date of this report • The forecast assumes no further acquisitions or sales through January 31, 2024. • The number of assets may change due to acquisitions or sales made during the period. 						
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 Performance for the 17 variable rent hotels²</u></p> <table border="1" data-bbox="470 728 1125 862"> <thead> <tr> <th></th> <th>January 2024 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Occupancy³</td> <td>83.4%</td> </tr> <tr> <td>ADR⁴</td> <td>JPY 7,681</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 17 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, The OneFive Garden Kurashiki, Nest Hotel Kumamoto, Valie Hotel Hiroshima, The OneFive Tokyo Shibuya, and Smile Hotel Nagano. 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>		January 2024 Fiscal Period	Occupancy ³	83.4%	ADR ⁴	JPY 7,681
	January 2024 Fiscal Period						
Occupancy ³	83.4%						
ADR ⁴	JPY 7,681						

		Details of the January 2024 Rental Income Forecast by Hotel		
		(JPY million)		
Operating Revenue	Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total
	Smile Hotel Kyoto Shijo	34	13	48
	Nest Hotel Sapporo Ekimae	32	66	99
	The OneFive Osaka Sakaisuji	17	18	35
	Comfort Hotel Hamamatsu	55	–	55
	Nest Hotel Sapporo Odori	26	51	77
	The OneFive Fukuoka Tenjin	40	25	66
	Nest Hotel Osaka Shinsaibashi	65	66	131
	Comfort Hotel Central International Airport	151	–	151
	Smile Hotel Tokyo Asagaya	59	33	93
	Nest Hotel Matsuyama	35	43	79
	The OneFive Okayama	72	8	80
	Comfort Hotel Kushiro	18	–	18
	Comfort Hotel Suzuka	15	–	15
	The OneFive Garden Kurashiki	22	82	105
	Nest Hotel Kumamoto	27	46	74
	Valie Hotel Hiroshima	22	22	44
	The OneFive Tokyo Shibuya	44	28	73
	Hotel Sunshine Utsunomiya	57	–	57
Other ¹	222	89	311	
	Total	1,022	597	1,619

¹ 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 29 million of rental income from retail tenants at The OneFive Osaka Sakaisuji, Hotel Wing International Kobe Shin Nagata Ekimae, Smile Hotel Tokyo Asagaya, and Hotel Sunshine Utsunomiya.

Operating Expenses	<ul style="list-style-type: none"> • Rental expenses (excluding depreciation), Ichigo Hotel’s principal operating expense, are calculated based on historical data for currently owned hotels, and based on historical data adjusted for anticipated expense variations. • Depreciation: JPY 406 million. Depreciation has been calculated using the straight-line method. • Property and city planning taxes: JPY 126 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. • Actual operating expenses may differ significantly from these assumptions due to unforeseeable factors. • SG&A expenses: JPY 2 million for engineering report and JPY 2 million for expenses relating to environmental initiatives.
Non-Operating Expenses	<ul style="list-style-type: none"> • Interest expenses and other borrowing-related expenses: JPY 271 million
Borrowings	<ul style="list-style-type: none"> • Total borrowings: JPY 25.47 billion as of January 31, 2024, based on the assumption that JPY 4.5 billion of long-term borrowing due August 31, 2023, JPY 7 billion of short-term borrowing due November 30, 2023, and JPY 1.8 billion of short-term borrowing due January 31, 2024 will be refinanced.
Number of Shares	<ul style="list-style-type: none"> • 254,974 shares issued and outstanding as of the date of this report • The forecast assumes there will be no additional new shares issued through January 31, 2024.
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.