

[Provisional Translation Only]

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Issuer

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

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**Earnings Forecast Revisions for the January 2020
and July 2020 Fiscal Periods**

Ichigo Hotel is revising up its January 2020 and July 2020 earnings forecasts, which were announced in the September 12, 2019 release “July 2019 Fiscal Period Earnings.”

1. Earnings Forecast Revision

January 2020 Fiscal Period

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	2,383	1,402	1,199	1,198	4,700
New Forecast (B)	3,550	2,323	2,123	2,121	8,321
Difference (B) - (A)	+1,167	+920	+923	+923	+3,621
% Change	+49.0%	+65.7%	+77.0%	+77.0%	+77.0%
Reference: January 2019 Actual	2,439	1,573	1,399	1,398	5,487

Net Income per Share: JPY 8,321; period-end number of shares outstanding: 254,974 shares

The actual operating revenue, operating profit, recurring profit, net income, and dividend may vary due to changes in circumstances. These forecasts should not be construed as a guarantee of such performance or results. Ichigo Hotel will make a forecast revision should there be a substantial discrepancy between the forecast and actual operating results.

July 2020 Fiscal Period

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,789	972	766	765	3,001
New Forecast (B)	1,446	776	565	564	2,214
Difference (B) - (A)	-343	-195	-200	-200	-787
% Change	-19.2%	-20.1%	-26.2%	-26.2%	-26.2%
Reference: July 2019 Actual	1,789	992	805	804	3,154

Net Income per Share: JPY 2,214; period-end number of shares outstanding: 254,974 shares

The actual operating revenue, operating profit, recurring profit, net income, and dividend may vary due to changes in circumstances. These forecasts should not be construed as a guarantee of such performance or results. Ichigo Hotel will make a forecast revision should there be a substantial discrepancy between the forecast and actual operating results.

2. Reason for January 2020 Earnings Forecast Revision

Ichigo Hotel is revising up its earnings forecast to reflect the gains on sale announced in today's release, "Hotel Sale (Nest Hotel Naha)." The revision also takes into account the negative earnings impact at variable-rent hotels from declining numbers of Korean tourists, increased hotel supply, and natural disaster-related disruptions.

Operating revenue, operating profit, recurring profit, and net income are now forecast to exceed the previous forecast by JPY 1,167 million (+49.0%), JPY 920 million (+65.7%), JPY 923 million (+77.0%), and JPY 923 million (+77.0%), respectively. Given the higher earnings, Ichigo Hotel also increased its dividend forecast by JPY 3,621 (+77.0%).

3. Reason for July 2020 Earnings Forecast Revision

Ichigo Hotel is revising down its earnings forecast to reflect decreased rental income due to today's hotel sale. The revision also takes into account the negative earnings impact of declining numbers of Korean tourists and increased hotel supply, despite the overall growth in inbound tourism.

Operating revenue, operating profit, recurring profit, and net income are now forecast to fall below the previous forecast by JPY 343 million (-19.2%), JPY 195 million (-20.1%), JPY 200 million (-26.2%), and JPY 200 million (-26.2%), respectively. Given the lower earnings, Ichigo Hotel also decreased its dividend forecast by JPY 787 (-26.2%).

Although the coronavirus outbreak could result in a decrease in inbound tourism, the impact is currently unknown and therefore has not been embedded in the forecast.

Ichigo Hotel will retain today's hotel sale proceeds as cash-on-hand for future use, including asset acquisitions and value-add capex.

Preconditions for the January 2020 Fiscal Period Earnings Forecast

	Preconditions																																																						
Period	<ul style="list-style-type: none"> • August 1, 2019 to January 31, 2020 (184 days) 																																																						
Number of Hotels	<ul style="list-style-type: none"> • The forecast assumes 22 hotels (The sale of Nest Hotel Naha will take place on January 31, 2020). 																																																						
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.</p> <p><u>Forecast Operating Performance (15 Variable-Rent Hotels)¹</u></p> <table border="1"> <thead> <tr> <th></th> <th>January 2020 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Occupancy²</td> <td>85.0%</td> </tr> <tr> <td>ADR³</td> <td>JPY 7,758</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 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>³ 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 2020 Rental Income Forecast</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>29</td> <td>64</td> </tr> <tr> <td>Hotel Vista Premio Kyoto</td> <td>37</td> <td>–</td> <td>37</td> </tr> <tr> <td>Nest Hotel Sapporo Ekimae</td> <td>32</td> <td>74</td> <td>107</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>51</td> <td>77</td> </tr> <tr> <td>Valie Hotel Tenjin</td> <td>24</td> <td>29</td> <td>54</td> </tr> <tr> <td>Nest Hotel Osaka Shinsaibashi</td> <td>65</td> <td>78</td> <td>144</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>28</td> <td>60</td> <td>88</td> </tr> <tr> <td>Nest Hotel Naha</td> <td>62</td> <td>73</td> <td>136</td> </tr> </tbody> </table>		January 2020 Fiscal Period	Occupancy ²	85.0%	ADR ³	JPY 7,758	Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total	Smile Hotel Kyoto Shijo	34	29	64	Hotel Vista Premio Kyoto	37	–	37	Nest Hotel Sapporo Ekimae	32	74	107	Chisun Inn Osaka Hommachi	39	–	39	Comfort Hotel Hamamatsu	55	–	55	Nest Hotel Sapporo Odori	26	51	77	Valie Hotel Tenjin	24	29	54	Nest Hotel Osaka Shinsaibashi	65	78	144	Comfort Hotel Central International Airport	151	–	151	Smile Hotel Tokyo Asagaya	28	60	88	Nest Hotel Naha	62	73	136
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Total	993	562	1,555																																		
Operating Expenses	<ul style="list-style-type: none"> • Depreciation: JPY 352 million. Depreciation has been calculated using the straight-line method. • Property and city planning taxes: JPY 105 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. <p><u>Revisions to Previous Forecast</u></p> <ul style="list-style-type: none"> • Increase in asset management fees: JPY 216 million • Increase in income taxes due to change in taxable revenue: JPY 34 million 																																				
Non-Operating Expenses	<ul style="list-style-type: none"> • Interest expenses and other borrowing-related expenses: JPY 195 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 January 31, 2020 																																				

Number of Shares	<ul style="list-style-type: none"> • 254,974 shares issued and outstanding as of January 30, 2020. The forecast assumes there will be no additional new issuance of shares through January 31, 2020.
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 July 2020 Fiscal Period Earnings Forecast

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Period	<ul style="list-style-type: none"> February 1, 2020 to July 31, 2020 (182 days) 																																																						
Number of Hotels	<ul style="list-style-type: none"> The forecast assumes 21 hotels (after the sale of the Nest Hotel Naha on January 31, 2020). 																																																						
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 (13 Variable-Rent Hotels)</u></p> <table border="1" data-bbox="469 696 1123 835"> <thead> <tr> <th></th> <th>July 2020 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Occupancy²</td> <td>87.0%</td> </tr> <tr> <td>ADR³</td> <td>JPY 7,250</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 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>³ 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 July 2020 Rental Income Forecast</u></p> <p style="text-align: right;">(JPY million)</p> <table border="1" data-bbox="424 1337 1370 2092"> <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>28</td> <td>59</td> </tr> <tr> <td>Nest Hotel Sapporo Ekimae</td> <td>31</td> <td>69</td> <td>100</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>27</td> <td>53</td> <td>80</td> </tr> <tr> <td>Valie Hotel Tenjin</td> <td>21</td> <td>34</td> <td>55</td> </tr> <tr> <td>Nest Hotel Osaka Shinsaibashi</td> <td>66</td> <td>71</td> <td>137</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>33</td> <td>57</td> <td>91</td> </tr> <tr> <td>Nest Hotel Matsuyama</td> <td>36</td> <td>53</td> <td>89</td> </tr> <tr> <td>Comfort Hotel Okayama</td> <td>45</td> <td>–</td> <td>45</td> </tr> </tbody> </table>		July 2020 Fiscal Period	Occupancy ²	87.0%	ADR ³	JPY 7,250	Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total	Smile Hotel Kyoto Shijo	30	28	59	Nest Hotel Sapporo Ekimae	31	69	100	Chisun Inn Osaka Hommachi	39	–	39	Comfort Hotel Hamamatsu	55	–	55	Nest Hotel Sapporo Odori	27	53	80	Valie Hotel Tenjin	21	34	55	Nest Hotel Osaka Shinsaibashi	66	71	137	Comfort Hotel Central International Airport	151	–	151	Smile Hotel Tokyo Asagaya	33	57	91	Nest Hotel Matsuyama	36	53	89	Comfort Hotel Okayama	45	–	45
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