

*[Provisional Translation Only]*

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Issuer

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**July 2020 Fiscal Period Earnings Results Versus Forecast  
and Earnings Forecast Revision for the January 2021 Fiscal Period**

Because Ichigo Hotel’s July 2020 earnings results announced today differed from its forecast in the April 27, 2020 release “Earnings Forecast Revision for the July 2020 Fiscal Period,” Ichigo Hotel is detailing the difference between the results and the forecast below.

Ichigo Hotel is also revising its January 2021 fiscal period earnings forecast announced in the July 28, 2020 release “Earnings Forecast Revision for the January 2021 Fiscal Period.”

1. July 2020 Earnings Results vs. Forecast

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Forecast (A)	1,038	431	223	223	873
Results (B)	953	371	171	170	670
Difference (B) - (A)	-85	-60	-51	-51	-203
% Change	-8.2%	-13.9%	-22.9%	-22.9%	-23.3%
Reference: July 2019 Actual	1,789	992	805	804	3,154

Reference: Net Income per Share: JPY 670

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

## 2. January 2021 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,107	472	259	259	1,015
Actual (B)	1,037	418	203	202	795
Difference (B) - (A)	-70	-54	-56	-57	-220
% Change	-6.3%	-11.4%	-21.6%	-22.0%	-21.6%
Reference: January 2020 Actual	3,561	2,334	2,132	2,130	8,356

Reference: Net Income per Share: JPY 794

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

Note: The new forecast is based on the “Preconditions for the January 2021 Earnings Forecast” below. 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 2020 Earnings Results and January 2021 Earnings Forecast Revision Rationale

### July 2020 Earnings Results

Covid-19 restrictions on travel and public gatherings are resulting in cancellations by both Japanese and inbound guests, significantly lowering hotel demand. As a result, Ichigo Hotel temporarily closed 9 of its 23 hotels in May.

Given these conditions, Ichigo Hotel has been discussing easing rental payments with multiple hotel operators, and agreed with one hotel operator to lower its current rent while adjusting upward its forward variable rent. In addition, having reviewed with another operator its current lease terms, Ichigo Hotel agreed to return the operator’s variable rent payments from January through July 2020.

July 2020 operating revenue thus came in JPY 85 million (-8.2%) below the previous forecast announced on April 27, 2020, of which fixed rent accounts for JPY 18 million and variable rent for JPY 67 million. Operating profit, net income, and the dividend were also below the previous forecast by JPY 60 million (-13.9%), JPY 51 million (-22.9%), and JPY 203 (-23.3%), respectively.

### January 2021 Earnings Forecast Revision Rationale

Although some hotels resumed operations after the lifting of Japan's nationwide state of emergency in May, the recovery of both Japanese and inbound demand is expected to take time.

Given these conditions, Ichigo Hotel is conservatively adjusting its forecast for variable rents and the impact of the operator change at the Valie Hotel Tenjin, and revising down its January 2021 fiscal period (August 1, 2020 – January 31, 2021) earnings forecast.

January 2021 operating revenue is forecast to come in below the previous forecast by JPY 70 million (-6.3%), of which fixed rent accounts for JPY 50 million and variable rent for JPY 20 million. Operating profit and net income are forecast below the previous forecast by JPY 54 million (-11.4%) and JPY 57 million (-22.0%), respectively. Given the reduced earnings, Ichigo Hotel is also lowering its dividend forecast by JPY 220 (-21.6%).

Should changing Covid-19 conditions generate the need to adjust this forecast, Ichigo Hotel will promptly disclose the details.

### Status of Hotels Temporarily Closed due to Covid-19

<b>Hotel</b>	<b>Date Closed</b>	<b>Status</b>
Smile Hotel Kyoto Shijo	April 13, 2020	Reopened on July 1, 2020
Chisun Inn Osaka Hommachi	April 17, 2020	Scheduled to reopen on October 1, 2020
Nest Hotel Osaka Shinsaibashi	April 17, 2020	TBD
Hotel Wing International Nagoya	April 18, 2020	Reopened on June 1, 2020
Grandpark-Inn Yokohama	April 19, 2020	Reopened on June 1, 2020
Valie Hotel Tenjin	May 1, 2020	Reopened on August 1, 2020
Court Hotel Kurashiki	May 1, 2020	Reopened on September 1, 2020
Urbain Hiroshima Executive	May 7, 2020	Reopened on May 28, 2020
	August 17, 2020	TBD
Valie Hotel Hiroshima	May 10, 2020	Scheduled to reopen on September 15, 2020

Preconditions for the January 2021 Earnings Forecast

	Preconditions																		
Period	<ul style="list-style-type: none"> <li>• August 1, 2020 to January 31, 2021 (184 days)</li> </ul>																		
Number of Hotels	<ul style="list-style-type: none"> <li>• 23 hotels (Please note that two hotels will change their names during the period. The Valie Hotel Tenjin is scheduled for an operator change on October 1, 2020, and is expected to be rebranded as The OneFive Fukuoka Tenjin on October 10, 2020. The Comfort Hotel Okayama's hotel operator changed on September 13, 2020, and is expected to be rebranded and reopened as The OneFive Okayama on October 1, 2020.)</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<sup>2</sup></u></p> <table border="1"> <thead> <tr> <th></th> <th>January 2021 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Occupancy<sup>3</sup></td> <td>55.8%</td> </tr> <tr> <td>ADR<sup>4</sup></td> <td>JPY 4,609</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 15 variable rent hotels are: Smile Hotel Kyoto Shijo, Nest Hotel Sapporo Ekimae, Chisun Inn Osaka Hommachi, Nest Hotel Sapporo Odori, Valie Hotel 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, and Comfort Hotel Okayama.</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> <p><u>Details of the January 2021 Rental Income Forecast by Hotel</u>  (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>1</td> <td>33</td> </tr> </tbody> </table>		January 2021 Fiscal Period	Occupancy <sup>3</sup>	55.8%	ADR <sup>4</sup>	JPY 4,609	Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total	Smile Hotel Kyoto Shijo	34	–	34	Nest Hotel Sapporo Ekimae	32	1	33
	January 2021 Fiscal Period																		
Occupancy <sup>3</sup>	55.8%																		
ADR <sup>4</sup>	JPY 4,609																		
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Smile Hotel Kyoto Shijo	34	–	34																
Nest Hotel Sapporo Ekimae	32	1	33																

	Chisun Inn Osaka Hommachi	13	3	16
	Comfort Hotel Hamamatsu	55	–	55
	Nest Hotel Sapporo Odori	26	–	26
	Valie Hotel Tenjin	8	11	19
	Nest Hotel Osaka Shinsaibashi	65	–	65
	Comfort Hotel Central International Airport	151	–	151
	Smile Hotel Tokyo Asagaya	59	–	59
	Nest Hotel Matsuyama	35	–	35
	Comfort Hotel Okayama	37	–	37
	Comfort Hotel Kushiro	18	–	18
	Comfort Hotel Suzuka	15	–	15
	Court Hotel Kurashiki	33	–	33
	Nest Hotel Kumamoto	27	2	29
	Valie Hotel Hiroshima	23	–	23
	HOTEL EMIT SHIBUYA	45	–	45
	Other <sup>1</sup>	293	–	293
	Total	975	18	994
	<p><sup>1</sup> Figures for Hotel Wing International Nagoya, Hotel Wing International Kobe Shin Nagata Ekimae, Hotel Livemax Nihombashi-Hakozaki, Grandpark-Inn 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> <p>Retail: JPY 29 million of rental 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</p>			
Operating Expenses	<ul style="list-style-type: none"> <li>• Depreciation: JPY 342 million. Depreciation has been calculated using the straight-line method.</li> <li>• Property and city planning taxes: JPY 108 million</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>• Rental expenses, Ichigo Hotel’s principal operating expense (other than depreciation, see above), are calculated based on historical data adjusted for anticipated expense variations.</li> <li>• Actual operating expenses may differ significantly from these assumptions due to unforeseeable factors.</li> </ul>			

Non-Operating Expenses	<ul style="list-style-type: none"> <li>• Interest expenses and other borrowing-related expenses: JPY 215 million</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>• Total borrowings: JPY 25.47 billion as of January 31, 2021</li> </ul>
Number of Shares	<ul style="list-style-type: none"> <li>• 254,974 shares issued and outstanding as of today. The forecast assumes there will be no additional new issuance of shares through January 31, 2021.</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-19 uncertainty, these earnings forecasts are subject to change.</li> </ul>