



**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 30, 2023

Issuer

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

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Asset Management Company

Ichigo Investment Advisors Co., Ltd.

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

Ichigo Hotel has made corrections to its March 16, 2023 release “January Fiscal Period Earnings Results Versus Forecast and Earnings Forecast Revision for the July 2023 Fiscal Period” and the preconditions for the July 2023 fiscal period earnings forecast as announced in today’s release “Correction: January 2023 Fiscal Period Earnings.”

Ichigo Investment Advisors, Ichigo Hotel’s asset management company, deeply apologizes to all Ichigo Hotel shareholders and investors for the new share offering cancellation, and will incur all of the costs associated with the cancellation.

The corrected figures are underlined below.



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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)	<u>1,537</u>	<u>781</u>	<u>572</u>	<u>571</u>	<u>2,240</u>
Difference (B) - (A)	<u>+213</u>	<u>+183</u>	<u>+197</u>	<u>+197</u>	<u>+775</u>
% Change	<u>+16.1%</u>	<u>+30.8%</u>	<u>+52.8%</u>	<u>+52.9%</u>	<u>+52.9%</u>
Reference: January 2022	1,125	472	274	342	1,345

Reference: Net Income per Share: JPY 2,240

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

Disclaimer: This press release has been prepared for the purpose of announcing to the public certain matters relating to the earnings results for the January 2023 fiscal period and revisions to the earnings forecast for the July 2023 fiscal period, and is not an offer to sell or a solicitation of any offer to buy Ichigo Hotel shares in the United States or elsewhere. Any investment decision should be made based upon your own judgment. The Ichigo Hotel shares may not be offered or sold in the United States without registration or an exemption from registration under the United States Securities Act of 1933, as amended (the “Securities Act”). Ichigo Hotel will not undertake a public offering and sale of shares in the United States, and the shares have not been and will not be registered under the Securities Act.

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)	<u>1,400</u>	<u>655</u>	<u>402</u>	<u>401</u>	<u>1,576</u>
Difference (B) - (A)	<u>+74</u>	<u>+52</u>	<u>+49</u>	<u>+49</u>	<u>+196</u>
% Change	<u>+5.6%</u>	<u>+8.7%</u>	<u>+14.2%</u>	<u>+14.2%</u>	<u>+14.2%</u>
Reference: July 2022	1,248	566	362	361	1,418

Reference: Net Income per Share: JPY 1,575

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 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, and changes in interest rates. 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.

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

I. 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, supported by the Japanese government's domestic travel subsidy program, as well as a large-scale recovery in inbound tourism due to the lifting of Japanese restrictions on inbound travel.

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 dividend per share increased by JPY 213 million (+16.1%), JPY 183 million (+30.8%), JPY 197 million (+52.8%), JPY 197 million (+52.9%), and JPY 775 (+52.9%), respectively, versus the forecast announced on December 22, 2022.

Out of dividend per share of JPY 2,240, the impact of Covid facility leasing is JPY 967.

II. July 2023 Earnings Forecast Revision Rationale

Ichigo Hotel is revising the preconditions to its July 2023 fiscal period earnings forecast following the cancellation of the issuance of new shares via public offering, new loan, and acquisition of five hotel assets announced in the March 28, 2023 release "Cancellation of Issuance of New Shares and Secondary Share Offering, New Loan, and Acquisition of Five Hotel Assets."

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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"> <u>25 hotels as of the date of this report</u> 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. 						
Number of Shares	<ul style="list-style-type: none"> <u>254,974 shares issued and outstanding as of the date of this report</u> The forecast assumes there will be no additional new shares issued through July 31, 2023. 						
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" 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;">Occupancy³</td> <td style="text-align: center;"><u>80.3%</u></td> </tr> <tr> <td style="text-align: center;">ADR⁴</td> <td style="text-align: center;"><u>JPY 6,759</u></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 <u>17</u> 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, 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	<u>80.3%</u>	ADR ⁴	<u>JPY 6,759</u>
	July 2023 Fiscal Period						
Occupancy ³	<u>80.3%</u>						
ADR ⁴	<u>JPY 6,759</u>						

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	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	–	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
Other ¹	219	58	277	
Total	<u>972</u>	<u>385</u>	<u>1,358</u>	
<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: <u>JPY 26 million</u> 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. 				

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Operating Expenses	<ul style="list-style-type: none"> • 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. • Depreciation: <u>JPY 378 million</u>. Depreciation has been calculated using the straight-line method. • 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. • 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: <u>JPY 1.5 million</u> for engineering report and environmental certification costs.
Non-Operating Expenses	<ul style="list-style-type: none"> • Interest expenses and other borrowing-related expenses: <u>JPY 251 million</u> • <u>Amortization of bond issuance expenses: JPY 1 million</u>
Borrowings	<ul style="list-style-type: none"> • Total borrowings: <u>JPY 26.34 billion</u> as of July 31, 2023, including loans and bonds.
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.

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