

*[Provisional Translation Only]*

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Issuer

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**Earnings Forecast Revision for the July 2022 Fiscal Period**

Ichigo Hotel is revising upward its July 2022 fiscal period earnings forecast announced in the March 17, 2022 release “January 2022 Fiscal Period Earnings.”

1. July 2022 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,069	421	214	213	838
<b>New Forecast (B)</b>	<b>1,197</b>	<b>515</b>	<b>312</b>	<b>311</b>	<b>1,220</b>
Difference (B) - (A)	+127	+93	+97	+97	+382
% Change	+12.0%	+22.2%	+45.4%	+45.6%	+45.6%
Reference: July 2021 Actual	1,117	465	269	268	1,055

Reference: Net Income per Share: JPY 1,220

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

Note: The new forecast is based on the “Preconditions for the July 2022 Earnings Forecast” on page 3. 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. July 2022 Earnings Forecast Revision Rationale

Ichigo Hotel is revising up its July 2022 fiscal period earnings forecast (announced on March 17, 2022) on the back of greater than expected variable rent at the Valie Hotel Hiroshima due to Hiroshima Prefecture temporarily leasing all rooms starting in mid-February 2021 and at the Nest Hotel Kumamoto due to Kumamoto Prefecture temporarily leasing all rooms starting on February 1, 2022. Both prefectures will continue the temporary leasing of rooms during the July 2022 fiscal period.

As a result, the forecast for July 2022 operating revenue, operating profit, recurring profit, net income, and dividend per share are expected to increase by JPY 127 million (+12.0%), JPY 93 million (+22.2%), JPY 97 million (+45.4%), JPY 97 million (+45.6%), and JPY 382 (+45.6%) respectively, versus the previous forecast.

Business and leisure demand has been gradually recovering on the back of the lifting of Covid restrictions, and Ichigo Hotel's July 2022 RevPAR based on actual February to May 2022 results for its 15 variable rent hotels is JPY 4,137 (+49.1% YOY).

There is no revision to the January 2023 fiscal period earnings forecast.

Should any further change to the outlook for operating results arise, Ichigo Hotel will promptly disclose the details.

Preconditions for the July 2022 Earnings Forecast

	Preconditions																																										
Period	<ul style="list-style-type: none"> <li>February 1, 2022 to July 31, 2022 (181 days)</li> </ul>																																										
Number of Hotels	<ul style="list-style-type: none"> <li>24 hotels</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>July 2022 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Occupancy<sup>3</sup></td> <td>78.1%</td> </tr> <tr> <td>ADR<sup>4</sup></td> <td>JPY 5,084</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 16 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, HOTEL EMIT SHIBUYA, The OneFive Okayama, 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> <p><u>Details of the July 2022 Rental Income Forecast by Hotel</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>30</td> <td>–</td> <td>30</td> </tr> <tr> <td>Nest Hotel Sapporo Ekimae</td> <td>31</td> <td>13</td> <td>44</td> </tr> <tr> <td>The OneFive Osaka Sakaisuji</td> <td>1</td> <td>1</td> <td>2</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>–</td> <td>27</td> </tr> <tr> <td>The OneFive Fukuoka Tenjin</td> <td>34</td> <td>–</td> <td>34</td> </tr> <tr> <td>Nest Hotel Osaka Shinsaibashi</td> <td>66</td> <td>–</td> <td>66</td> </tr> <tr> <td>Comfort Hotel Central International Airport</td> <td>151</td> <td>–</td> <td>151</td> </tr> </tbody> </table>		July 2022 Fiscal Period	Occupancy <sup>3</sup>	78.1%	ADR <sup>4</sup>	JPY 5,084	Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total	Smile Hotel Kyoto Shijo	30	–	30	Nest Hotel Sapporo Ekimae	31	13	44	The OneFive Osaka Sakaisuji	1	1	2	Comfort Hotel Hamamatsu	55	–	55	Nest Hotel Sapporo Odori	27	–	27	The OneFive Fukuoka Tenjin	34	–	34	Nest Hotel Osaka Shinsaibashi	66	–	66	Comfort Hotel Central International Airport	151	–	151
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Operating Expenses	<ul style="list-style-type: none"> <li>• Depreciation: JPY 361 million. Depreciation has been calculated using the straight-line method.</li> <li>• Property and city planning taxes: JPY 120 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> <li>• SG&amp;A expenses: JPY 3.1 million for engineering report costs and JPY 0.5 million for environmental certification costs.</li> </ul>																																												
Non-Operating Expenses	<ul style="list-style-type: none"> <li>• Interest expenses and other borrowing-related expenses: JPY 204 million</li> </ul>																																												
Borrowings	<ul style="list-style-type: none"> <li>• Total borrowings: JPY 26.34 billion as of July 31, 2022, including loans and bonds.</li> </ul>																																												

Number of Shares	<ul style="list-style-type: none"> <li>• 254,974 shares issued and outstanding as of July 21, 2022. The forecast assumes there will be no additional new issuance of shares and/or cancellation of shares through July 31, 2022.</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>