

[Provisional Translation Only]

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August 27, 2019

Issuer

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Earnings Forecast Revision for the January 2020 Fiscal Period

Ichigo Hotel is revising up its January 2020 earnings forecast, which was announced in the March 14, 2019 release “January 2019 Fiscal Period Earnings.”

1. January 2020 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,773	979	803	802	3,147
New Forecast (B)	2,383	1,402	1,199	1,198	4,700
Difference (B) - (A)	+610	+423	+396	+396	+1,553
% Change	+34.4%	+43.2%	+49.3%	+49.4%	+49.3%
Reference: January 2019 Actual	2,439	1,573	1,399	1,398	5,487

Net Income per Share: JPY 4,700; 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 a JPY 660 million gain on sale announced in today's release, "Hotel Sale (Hotel Vista Premio Kyoto)." The hotel sale was executed at 1.3X book value and 1.2X appraisal value.

Operating profit, recurring profit, and net income are now forecast to exceed the previous forecast by 43.2%, 49.3%, and 49.4%, respectively. Given the higher earnings, Ichigo Hotel also increased its dividend forecast by 49.3%.

3. July 2019 Earnings Forecast

Ichigo Hotel's earnings forecast for the July 2019 fiscal period that just ended is unchanged.

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 23 hotels (22 hotels after the sale of Hotel Vista Premio Kyoto on Oct 31, 2019). 																																														
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 Performance²</u></p> <table border="1"> <thead> <tr> <th></th> <th>January 2020 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Occupancy³</td> <td>89.6%</td> </tr> <tr> <td>ADR⁴</td> <td>JPY 7,843</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 Hotel Vista Premio Kyoto to be sold on Oct 31, 2019 and Valie Hotel Hiroshima to be opened in Sept 2019 are excluded.</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> <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>46</td> <td>81</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>106</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>59</td> <td>85</td> </tr> <tr> <td>Valie Hotel Tenjin</td> <td>24</td> <td>42</td> <td>67</td> </tr> <tr> <td>Nest Hotel Osaka Shinsaibashi</td> <td>65</td> <td>99</td> <td>165</td> </tr> <tr> <td>Comfort Hotel Central International Airport</td> <td>151</td> <td>–</td> <td>151</td> </tr> </tbody> </table>		January 2020 Fiscal Period	Occupancy ³	89.6%	ADR ⁴	JPY 7,843	Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total	Smile Hotel Kyoto Shijo	34	46	81	Hotel Vista Premio Kyoto	37	–	37	Nest Hotel Sapporo Ekimae	32	74	106	Chisun Inn Osaka Hommachi	39	–	39	Comfort Hotel Hamamatsu	55	–	55	Nest Hotel Sapporo Odori	26	59	85	Valie Hotel Tenjin	24	42	67	Nest Hotel Osaka Shinsaibashi	65	99	165	Comfort Hotel Central International Airport	151	–	151
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Operating Expenses	<ul style="list-style-type: none"> • Depreciation: JPY 354 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 111 million • Increase in income taxes due to change in taxable revenue: JPY 41 million 																																												
Non-Operating Expenses	<ul style="list-style-type: none"> • Interest expenses and other borrowing-related expenses: JPY 197 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 August 27, 2019. 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.