

*[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.*

January 25, 2022

Issuer

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

1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo

Representative: Osamu Miyashita, Executive Director

[www.ichigo-hotel.co.jp/en](http://www.ichigo-hotel.co.jp/en)

Asset Management Company

**Ichigo Investment Advisors Co., Ltd.**

Representative: Hiroshi Iwai, President

Inquiries: Hidehito Iwasaka, Head of Ichigo Hotel

Tel: +81-3-3502-4892

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

Ichigo Hotel is revising up its January 2022 fiscal period earnings forecast announced in the September 14, 2021 release “July 2021 Fiscal Period Earnings.”

1. January 2022 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,007	336	111	184	724
New Forecast (B)	1,102	414	209	282	1,108
Difference (B) - (A)	+95	+78	+97	+97	+384
% Change	+9.4%	+23.2%	+87.8%	+53.1%	+53.0%
Reference: January 2021	1,035	409	210	209	823

Reference: Net Income per Share: JPY 1,108

Forecast period-end number of shares outstanding: 254,974 shares

Note: The new forecast is based on the “Preconditions for the January 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. January 2022 Earnings Forecast Revision Rationale

Although hotel demand from tourism and business travel is expected to gradually recover, a full-blown recovery is likely to take more time and uncertainty surrounding market outlook has increased due to the recent spread of the omicron variant.

Ichigo Hotel is revising up its January 2022 fiscal period earnings forecast (announced on September 14, 2021) 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 continuing to do so for January 2022.

As a result, the forecast for January 2022 operating revenue, operating profit, net income, and dividend per share are expected to increase by JPY 95 million (+9.4%), JPY 78 million (+23.2%), JPY 97 million (+53.1%), and JPY 384 (+53.0%) respectively, versus the previous forecast.

There is no revision to the July 2022 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 January 2022 Earnings Forecast

	Preconditions																										
Period	<ul style="list-style-type: none"> <li>• August 1, 2021 to January 31, 2022 (184 days)</li> </ul>																										
Number of Hotels	<ul style="list-style-type: none"> <li>• 23 hotels</li> <li>• The Chisun Inn Osaka Hommachi was rebranded and reopened as The OneFive Osaka Sakaisuji on September 1, 2021.</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 2022 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Occupancy<sup>3</sup></td> <td>66.7%</td> </tr> <tr> <td>ADR<sup>4</sup></td> <td>JPY 4,802</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, Court Hotel 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. However, 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 January 2022 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>–</td> <td>32</td> </tr> <tr> <td>The OneFive Osaka Sakaisuji</td> <td>–</td> <td>–</td> <td>–</td> </tr> <tr> <td>Comfort Hotel Hamamatsu</td> <td>55</td> <td>–</td> <td>55</td> </tr> </tbody> </table>		January 2022 Fiscal Period	Occupancy <sup>3</sup>	66.7%	ADR <sup>4</sup>	JPY 4,802	Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total	Smile Hotel Kyoto Shijo	34	–	34	Nest Hotel Sapporo Ekimae	32	–	32	The OneFive Osaka Sakaisuji	–	–	–	Comfort Hotel Hamamatsu	55	–	55
	January 2022 Fiscal Period																										
Occupancy <sup>3</sup>	66.7%																										
ADR <sup>4</sup>	JPY 4,802																										
Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total																								
Smile Hotel Kyoto Shijo	34	–	34																								
Nest Hotel Sapporo Ekimae	32	–	32																								
The OneFive Osaka Sakaisuji	–	–	–																								
Comfort Hotel Hamamatsu	55	–	55																								

Nest Hotel Sapporo Odori	26	–	26
The OneFive Fukuoka Tenjin	26	–	26
Nest Hotel Osaka Shinsaibashi	65	–	65
Comfort Hotel Central International Airport	151	–	151
Smile Hotel Tokyo Asagaya	59	–	59
Nest Hotel Matsuyama	35	–	35
The OneFive Okayama	72	–	72
Comfort Hotel Kushiro	18	–	18
Comfort Hotel Suzuka	15	–	15
Court Hotel Kurashiki	28	–	28
Nest Hotel Kumamoto	27	–	27
Valie Hotel Hiroshima	22	121	143
HOTEL EMIT SHIBUYA	44	–	44
Other <sup>1</sup>	216	4	220
Total	933	125	1,058

<sup>1</sup> Figures for Hotel Wing International Nagoya, Hotel Wing International Kobe Shin Nagata Ekimae, Hotel Livemax Nihombashi-Hakozaki, Capsule Plus 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.

- Retail: JPY 29 million of rental income (including utilities income) from retail tenants at The OneFive Osaka Sakaisuji, Hotel Wing International Kobe Shin Nagata Ekimae, and Smile Hotel Tokyo Asagaya, and from banquet rooms at Nest Hotel Kumamoto.

#### Operating Expenses

- Depreciation: JPY 351 million. Depreciation has been calculated using the straight-line method.
- Property and city planning taxes: JPY 119 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.
- Other expenses: JPY 37.7 million as Covid-related hotel operator support and/or potential rent reductions.
- SG&A expenses: JPY 3.1 million for engineering report costs and JPY 0.5 million for environmental certification costs.

Non-Operating Expenses	<ul style="list-style-type: none"> <li>• Interest expenses and other borrowing-related expenses: JPY 205 million</li> </ul>
Extraordinary Gains	<ul style="list-style-type: none"> <li>• An extraordinary gain of JPY 74 million is expected as a result of reaching a settlement with the former operator of the Hotel Suave Kobe Asuta (current name: Hotel Wing International Kobe Shin Nagata Ekimae), against which Ichigo Hotel filed an eviction lawsuit because of delinquent rent.</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>• Total borrowings: JPY 26.34 billion as of January 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 January 25, 2022. The forecast assumes there will be no new issuance of shares and/or cancellation of shares through January 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, and the occurrence of unexpected maintenance and repair costs.</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>