

[Provisional Translation Only]

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Issuer

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Upward Earnings Forecast Revision for the January 2024 Fiscal Period

Ichigo Hotel is revising upward its January 2024 earnings forecast announced in the July 21, 2023 release “Earnings Forecast Revisions for the July 2023 and January 2024 Fiscal Periods.” There is no change to the July 2023 fiscal period earnings forecast.

1. January 2024 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,665	816	544	543	2,134
New Forecast (B)	2,094	1,086	736	735	2,246
Difference (B) - (A)	+428	+270	+191	+191	+112
% Change	+25.7%	+33.2%	+35.2%	+35.2%	+5.2%
Reference: January 2023	1,537	781	572	571	2,240

Reference: Net Income per Share: JPY 2,246

Period-end number of shares outstanding: 327,489 shares

Note: The new forecast is based on the “Preconditions for the January 2024 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 2024 Earnings Forecast Revision Rationale

Ichigo Hotel is revising upward its January 2024 earnings forecast to reflect changes to the preconditions announced in the July 21, 2023 release “Earnings Forecast Revisions for the July 2023 and January 2024 Fiscal Periods.” Operating revenue, operating profit, recurring profit, net income, and the dividend are forecast to increase significantly as a result of the acquisition of five hotels announced in today’s releases “Issuance of New Shares via Third-Party Allotment,” “Acquisition of Five Hotel Assets,” and “New Loan for Acquisition of Hotel Assets.”

With the support of Ichigo, Ichigo Hotel’s sponsor, Ichigo Hotel is taking advantage of the accelerating recovery of Japan’s hotel market and growing Ichigo Hotel shareholder value. With today’s acquisition of five hotels that have NOI upside, Ichigo Hotel is growing and diversifying its portfolio. Two of the hotels being acquired are Ichigo’s boutique hotel brand, THE KNOT, which offers more refined guest services and will allow Ichigo Hotel to address the needs of a more diverse clientele.

In pursuit of the highest possible dividend for Ichigo Hotel shareholders, Ichigo Hotel is procuring part of the funds for the acquisition via a third-party allotment of new shares. The third-party allotment will reduce the dilution and share price impact associated with a public offering.

January 2024 operating revenue, operating profit, recurring profit, net income, and the dividend are now forecast to increase JPY 428 million (+25.7%), JPY 270 million (+33.2%), JPY 191 million (+35.2%), JPY 191 million (+35.2%), and JPY 112 (+5.2%) versus the previous forecast announced on July 21, 2023.

Year-on-year, the forecast dividend increase is now +0.3%. However, excluding one-off rental income due to leasing all rooms at three hotels to local governments during Covid, the year-on-year forecast dividend increase is +76.4%.¹

¹ One-off rental income is due to the local governments of Hiroshima, Aichi, and Kumamoto Prefectures leasing all rooms of the Valie Hotel Hiroshima (from February 2021 onward), Hotel Wing International Nagoya (from January 2022 onward), and Nest Hotel Kumamoto (from February 2022 onward).

Preconditions for the January 2024 Earnings Forecast

	Preconditions						
Period	<ul style="list-style-type: none"> • August 1, 2023 to January 31, 2024 (184 days) 						
Number of Hotels	<ul style="list-style-type: none"> • 30 hotels (25 hotels as of today and five hotels to be acquired on August 25, 2023) • The forecast assumes no further acquisitions or sales through January 31, 2024. • The number of assets may change due to acquisitions or sales made during the period. 						
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>Forecast Operating Performance for the 22 variable rent hotels²</p> <table border="1"> <thead> <tr> <th></th> <th>January 2024 Fiscal Period</th> </tr> </thead> <tbody> <tr> <td>Occupancy³</td> <td>84.6%</td> </tr> <tr> <td>ADR⁴</td> <td>JPY 8,217</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 22 variable rent hotels are: Smile Hotel Kyoto Shijo, Hotel Wing International Nagoya, Nest Hotel Sapporo Ekimae, The OneFive Osaka Sakaisuji, Hotel Wing International Kobe Shin Nagata Ekimae, Nest Hotel Sapporo Odori, The OneFive Fukuoka Tenjin, Nest Hotel Osaka Shinsaibashi, Smile Hotel Tokyo Asagaya, Nest Hotel Matsuyama, The OneFive Okayama, Capsule Plus Yokohama, The OneFive Garden Kurashiki, Nest Hotel Kumamoto, Valie Hotel Hiroshima, The OneFive Tokyo Shibuya, Smile Hotel Nagano, Comfort Hotel Osaka Shinsaibashi, HOTEL THE KNOT YOKOKAMA, Quintessa Hotel Ise Shima, Quintessa Hotel Ogaki, and THE KNOT SAPPORO. 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>		January 2024 Fiscal Period	Occupancy ³	84.6%	ADR ⁴	JPY 8,217
	January 2024 Fiscal Period						
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ADR ⁴	JPY 8,217						

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Details of the January 2024 Rental Income Forecast by Hotel

(JPY million)

Operating
Revenue

Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total
Smile Hotel Kyoto Shijo	34	13	48
Nest Hotel Sapporo Ekimae	32	66	98
The OneFive Osaka Sakaisuji	17	18	35
Comfort Hotel Hamamatsu	55	–	55
Nest Hotel Sapporo Odori	26	51	77
The OneFive Fukuoka Tenjin	40	25	66
Nest Hotel Osaka Shinsaibashi	65	66	131
Comfort Hotel Central International Airport	151	–	151
Smile Hotel Tokyo Asagaya	59	33	93
Nest Hotel Matsuyama	35	43	79
The OneFive Okayama	72	8	80
Comfort Hotel Kushiro	18	–	18
Comfort Hotel Suzuka	15	–	15
The OneFive Garden Kurashiki	22	82	105
Nest Hotel Kumamoto	27	46	74
Valie Hotel Hiroshima	22	22	44
The OneFive Tokyo Shibuya	44	28	73
Smile Hotel Nagano	5	19	25
Hotel Sunshine Utsunomiya	57	–	57
Comfort Hotel Osaka Shinsaibashi	59	3	62
HOTEL THE KNOT YOKOHAMA	57	76	134
Quintessa Hotel Ise Shima	17	11	29
Quintessa Hotel Ogaki	13	14	27
THE KNOT SAPPORO	38	64	103
Other ¹	216	69	285
Total	1,209	766	1,976

¹ 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 77 million of rental income from retail tenants at The OneFive Osaka Sakaisuji, Hotel Wing International Kobe Shin Nagata Ekimae, Smile Hotel Tokyo Asagaya, Hotel Sunshine Utsunomiya, Comfort Hotel Osaka Shinsaibashi, HOTEL THE KNOT YOKOHAMA, and THE KNOT SAPPORO.

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Operating Expenses	<ul style="list-style-type: none"> • Rental expenses (excluding depreciation), Ichigo Hotel’s principal operating expense, are calculated based on historical data for currently owned hotels, and based on historical data adjusted for anticipated expense variations. • Depreciation: JPY 473 million. Depreciation has been calculated using the straight-line method. • Property and city planning taxes: JPY 126 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: JPY 2 million for engineering report and JPY 2 million for environmental certification costs
Non-Operating Expenses	<ul style="list-style-type: none"> • New share issuance-related expenses: JPY 5 million. Expenses for the new share issuance will be amortized over 36 months using the straight-line method. • Interest expenses and other borrowing-related expenses: JPY 345 million
Borrowings	<ul style="list-style-type: none"> • Total borrowings: JPY 32.47 billion as of January 31, 2024, including loans (a new loan of JPY 7.0 billion scheduled on August 25, 2023 to be used for the scheduled acquisition of five hotels, new loans to repay a long-term loan of JPY 4.5 billion maturing on August 31, 2023, a short-term loan of JPY 7 billion maturing on November 30, 2023, and a short-term loan of JPY 1.8 billion maturing on January 31, 2024)
Number of Shares	<ul style="list-style-type: none"> • 254,974 shares issued and outstanding as of today. The forecast assumes all 72,515 new shares to be issued via third-party allotment will be issued (total 327,489 shares), and that there will be no additional new issuance of shares and/or cancellation of shares through January 31, 2024.
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.

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