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Earnings Forecast Revision for the July 2021 Fiscal Period

Ichigo Hotel is revising down its July 2021 fiscal period earnings forecast announced in the September 14, 2020 release "July 2020 Fiscal Period Earnings."

1. July 2021 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,041	423	225	224	881
New Forecast (B)	1,037	376	173	172	678
Difference (B) - (A)	-4	-47	-52	-52	-203
% Change	-0.4%	-11.0%	-22.9%	-23.0%	-23.0%
Reference: July 2020 Actual	953	371	171	170	670

Reference: Net Income per Share: JPY 678
Period-end number of shares outstanding: 254,974 shares

Note: The new forecast is based on the "Preconditions for the July 2021 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 2021 Earnings Forecast Revision Rationale

The second state of emergency declared by the Japanese government in January 2021 and further extended in March for Tokyo and neighboring prefectures has resulted in another sharp decrease in hotel demand.

Although hotel demand is expected to gradually recover on the back of the Covid vaccine rollout which began last month, the recovery is expected to take time.

Given these circumstances, Ichigo Hotel is revising down its July 2021 fiscal period (February 1, 2021 – July 31, 2021) earnings forecast announced on September 14, 2020, having reviewed its outlook for variable rent and taking into account potential requests from hotel operators for exemptions and/or deferrals of fixed rent payment.

As a result, the forecast for July 2021 operating revenue, operating profit, net income, and dividend per share are each expected to decrease by JPY 4 million (-0.4%), JPY 47 million (-11.0%), JPY 52 million (-23.0%), and JPY 203 (-23.0%), respectively, versus the previous forecast.

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

Preconditions for the July 2021 Earnings Forecast

<table>
<tr><th></th><th>Preconditions</th></tr>
<tr><td>Period</td><td>• February 1, 2021 to July 31, 2021 (181 days)</td></tr>
<tr><td>Number of Hotels</td><td>• 23 hotels
• The Grandpark-Inn Yokohama had an operator change on February 1, 2021 and rebranded and reopened as the Capsule Plus Yokohama on March 1, 2021.
• The Chisun Inn Osaka Honmachi had an operator change on March 17, 2021 and is scheduled for rebranding and reopening as The OneFive Osaka Sakaisuji on July 1, 2021.</td></tr>
<tr><td>Operating Revenue</td><td>Within operating revenue, rental income is forecast based on current lease contracts, taking into consideration such factors as hotel and market conditions.[1]

<u>Forecast Operating Performance[2]</u>

<table>
<tr><th></th><th>July 2021 Fiscal Period</th></tr>
<tr><td>Occupancy[3]</td><td>57.8%</td></tr>
<tr><td>ADR[4]</td><td>JPY 4,737</td></tr>
</table>
[1] The forecast rental income assumes operators and tenants will fully pay their contractual rents without delay or default.
[2] The 16 variable rent hotels are: Smile Hotel Kyoto Shijo, Nest Hotel Sapporo Ekimae, Chisun Inn Osaka Honmachi, 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.
[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)
[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

<u>Details of the July 2021 Rental Income Forecast by Hotel</u>
(JPY million)
<table>
<tr><th>Hotel Name</th><th>Fixed Rent/ Minimum Guaranteed Rent</th><th>Variable Rent</th><th>Total</th></tr>
<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>–</td><td>31</td></tr>
</table>
</td></tr>
</table>

	<table><tr><td>Chisun Inn Osaka Hommachi</td><td>2</td><td>–</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>Valie Hotel Tenjin</td><td>14</td><td>–</td><td>14</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><tr><td>Smile Hotel Tokyo Asagaya</td><td>61</td><td>–</td><td>61</td></tr><tr><td>Nest Hotel Matsuyama</td><td>36</td><td>14</td><td>50</td></tr><tr><td>Comfort Hotel Okayama</td><td>61</td><td>–</td><td>61</td></tr><tr><td>Comfort Hotel Kushiro</td><td>18</td><td>–</td><td>18</td></tr><tr><td>Comfort Hotel Suzuka</td><td>15</td><td>–</td><td>15</td></tr><tr><td>Court Hotel Kurashiki</td><td>31</td><td>–</td><td>31</td></tr><tr><td>Nest Hotel Kumamoto</td><td>25</td><td>8</td><td>34</td></tr><tr><td>Valie Hotel Hiroshima</td><td>17</td><td>18</td><td>36</td></tr><tr><td>HOTEL EMIT SHIBUYA</td><td>47</td><td>–</td><td>47</td></tr><tr><td>Other[1]</td><td>252</td><td>3</td><td>256</td></tr><tr><td>Total</td><td>947</td><td>46</td><td>993</td></tr></table> [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 29 million of rental income from retail tenants at Chisun Inn Osaka Hommachi, Hotel Wing International Kobe Shin Nagata Ekimae, and Smile Hotel Tokyo Asagaya, and from banquet rooms at Nest Hotel Kumamoto
Operating Expenses	• Depreciation: JPY 346 million. Depreciation has been calculated using the straight-line method. • Property and city planning taxes: JPY 118 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. • Other expenses: JPY 37.8 million for Covid-related hotel operator support and/or rent reductions. • SG&A expenses: JPY 3.1 million for engineering report costs and JPY 1.8 million for environmental certification costs.

Non-Operating Expenses	• Interest expenses and other borrowing-related expenses: JPY 202 million
Borrowings	• Total borrowings: JPY 25.97 billion as of July 31, 2021
Number of Shares	• 254,974 shares issued and outstanding as of today. The forecast assumes there will be no additional new issuance of shares through July 31, 2021.
Dividend	• 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	• Ichigo Hotel does not plan on paying any Dividend in Excess of Earnings.
Other	• 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.