

[Provisional Translation Only]

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Issuer

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

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Earnings Forecast Revision for the January 2019 Fiscal Period

Ichigo Hotel is revising up its January 2019 earnings forecast that was announced in the March 15, 2018 release “January 2018 Fiscal Period Earnings.”

1. January 2019 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (JPY)
Previous Forecast (A)	1,780	996	807	806	3,162
New Forecast (B)	2,424	1,560	1,372	1,371	5,377
Difference (B) - (A)	+644	+564	+564	+564	+2,215
% Change	+36.2%	+56.7%	+69.9%	+70.0%	+70.1%
Reference: January 2018 Actual	1,782	1,034	842	841	3,302

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 2019 Earnings Forecast Revision

Ichigo Hotel is revising up its earnings forecast to reflect the impact of the hotel sale announced in today's release "Hotel Sale (Smile Hotel Asakusa)." The earnings impact includes gains on sale, a decrease in rental revenue, a decrease in portfolio size-linked asset management fees, and an increase in dividend-linked asset management fees.

Operating revenue, recurring profit, and net income are now forecast to exceed the previous forecast by JPY 644 million, JPY 564 million, and JPY 564 million, respectively. The dividend per share is therefore forecast to exceed the previous forecast by JPY 2,215 (+70.1%).

3. July 2018 Earnings Forecast

Ichigo Hotel's earnings forecast for the July 2018 fiscal period is unchanged.

Preconditions for the January 2019 Earnings Forecast

	Preconditions																																															
Period	• August 1, 2018 to January 31, 2019 (184 days)																																															
Number of Hotels	• The forecast assumes the current 21 hotels (20 hotels after the sale of the Smile Hotel Asakusa on August 1, 2018).																																															
Operating Revenue	Within operating revenue, rental income is forecast based on current lease contracts taking into consideration such factors as tenant trends and market conditions. ¹																																															
	<u>Forecast Operating Performance²</u>																																															
	<table><tr><td></td><td>January 2019 Fiscal Period</td></tr><tr><td>Occupancy³</td><td>93.4%</td></tr><tr><td>ADR⁴</td><td>JPY 9,140</td></tr></table>		January 2019 Fiscal Period	Occupancy ³	93.4%	ADR ⁴	JPY 9,140																																									
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	¹ The forecast rental income assumes operators and tenants will fully pay their contractual rents without delay or default.																																															
	² The 11 variable rent hotels are: Smile Hotel Kyoto Shijo, Hotel Vista Premio Kyoto, Nest Hotel Sapporo Ekimae, Chisun Inn Osaka Hommachi, Nest Hotel Sapporo Odori, Valie Hotel Tenjin, Nest Hotel Osaka Shinsaibashi, Smile Hotel Tokyo Asagaya, Nest Hotel Naha, Nest Hotel Matsuyama, and Hotel Wing International Nagoya																																															
	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 (Average Daily Rate) is calculated with the following formula: ADR = Total revenue from accommodations (excluding restaurant charges and other service fees) / number of guest rooms occupied during the period																																															
<u>Details of January 2019 Rental Income Forecast</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>34</td><td>97</td><td>131</td></tr><tr><td>Hotel Vista Premio Kyoto</td><td>75</td><td>12</td><td>87</td></tr><tr><td>Nest Hotel Sapporo Ekimae</td><td>32</td><td>72</td><td>104</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>23</td><td>63</td><td>86</td></tr><tr><td>Valie Hotel Tenjin</td><td>24</td><td>38</td><td>63</td></tr><tr><td>Nest Hotel Osaka Shinsaibashi</td><td>63</td><td>169</td><td>233</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>28</td><td>78</td><td>107</td></tr><tr><td>Nest Hotel Naha</td><td>59</td><td>97</td><td>156</td></tr></table>	Hotel Name	Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total	Smile Hotel Kyoto Shijo	34	97	131	Hotel Vista Premio Kyoto	75	12	87	Nest Hotel Sapporo Ekimae	32	72	104	Chisun Inn Osaka Hommachi	39	—	39	Comfort Hotel Hamamatsu	55	—	55	Nest Hotel Sapporo Odori	23	63	86	Valie Hotel Tenjin	24	38	63	Nest Hotel Osaka Shinsaibashi	63	169	233	Comfort Hotel Central International Airport	151	—	151	Smile Hotel Tokyo Asagaya	28	78	107	Nest Hotel Naha	59	97	156
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Operating Revenue		Fixed Rent/ Minimum Guaranteed Rent	Variable Rent	Total
	Nest Hotel Matsuyama	35	58	93
	Comfort Hotel Okayama	45	—	45
	Comfort Hotel Kushiro	18	—	18
	Comfort Hotel Suzuka	15	—	15
	Other ¹	256	28	284
	Total	959	715	1,674
¹ Figures for Hotel Wing International Nagoya, Hotel Suave Kobe Asuta, Hotel Livemax Nihombashi-Hakozaki, Grandpark-Inn Yokohama, and Urbain Hiroshima Executive are included in “Other” because the hotel operators did not provide consent to disclose hotel-specific data.				
Retail: JPY 58 million of rental income from retail tenants at Hotel Vista Premio Kyoto, Chisun Inn Osaka Hommachi, and Smile Hotel Tokyo Asagaya.				
<u>Revisions to Previous Forecast</u>				
<ul style="list-style-type: none">• Gains on sale from the sale of Smile Hotel Asakusa on August 1, 2018: JPY 691 million• Decrease in rental income from Smile Hotel Asakusa due to the sale: JPY 46 million				
Operating Expenses	<ul style="list-style-type: none">• Depreciation: JPY 309 million. Depreciation has been calculated using the straight-line method.• Property and city planning taxes: JPY 104 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.			
	<u>Revisions to Previous Forecast</u>			
	<ul style="list-style-type: none">• Increase in asset management fees due to a decrease in portfolio size-linked asset management fees, offset by an increase in dividend-linked asset management fees: JPY 76 million• Increase in income taxes due to change in taxable revenue: JPY 19 million			
Non-Operating Expenses	<ul style="list-style-type: none">• Interest expenses and other borrowing-related expenses: JPY 168 million• Amortization of expenses related to the establishment of Ichigo Hotel and to new share issuance: JPY 20 million			
Borrowings	<ul style="list-style-type: none">• Total borrowings: JPY 21.75 billion as of January 31, 2019			
Number of Shares	<ul style="list-style-type: none">• 254,974 shares issued and outstanding as of April 20, 2018. The forecast assumes there will be no additional new issuance of shares through January 31, 2019.			

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.