

Financial Results

FY12/2020 (21st Period) February 25, 2021



Japan Hotel REIT Investment Corporation

Japan Hotel REIT Advisors Co., Ltd.

<https://www.jhrth.co.jp/en/>

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I . Settlement of Accounts for FY12/2020 — Highlights

1. FY12/2020 Highlights

1. Status of Hotel Operations

► Performance of The 24 Hotels with Variable Rent, etc. (*1)

- Results in 2020 deteriorated significantly from the previous year and cost management for HMJ and other operators was strengthened
- In 2021, a moderate recovery is expected in the second half of the fiscal year

Results and Forecast	2019	2020 (vs 2019)	2021 (forecast) (vs 2019)
RevPAR (JPY)	14,178	4,993 (-64.8%)	8,105 (-42.8%)
First Half	13,348	4,536 (-66.0%)	4,868 (-63.5%)
Second Half	14,993	5,445 (-63.7%)	11,289 (-24.7%)
GOP (JPY MM)	20,872	1,654 (-92.1%)	7,323 (-64.9%)

2. Sale of Property

► Sale of property in July 2020 (Sotetsu Fresa Inn Shimbashi-Karasumoriguchi)

Book Value (as of the end of June 2020)	Disposition Price	Appraisal Value (as of end of December 2019)
JPY 4.7 Bn	JPY 8.0 Bn	JPY 8.9 Bn

Gain on sale: JPY **3.1**Bn

End of FY12/2020 **42** properties/JPY **370.0**Bn(*2)

(*1) The 24 Hotels with Variable Rent, etc. refers to 24 hotels: 14 hotels, which are 5 hotels of Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, Oriental Hotel Hiroshima ("The Five HMJ Hotels"), plus Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (main facility of ACTIVE-INTER CITY HIROSHIMA), Oriental Hotel Fukuoka Hakata Station, Holiday Inn Osaka Namba, Hilton Tokyo Narita Airport, International Garden Hotel Narita, Hotel Nikko Nara, Hotel Oriental Express Osaka Shinsaibashi, and Hilton Tokyo Odaiba ("The HMJ Group Hotels"), plus 4 hotels of the b ikebukuro, the b hachioji, the b hakata, and the b suidobashi ("The Ishin Group Hotels") and 6 hotels of ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, Mercure Yokosuka ("The Accor Group Hotels"). The same shall apply hereinafter.

(*2) Stating total amount of the acquisition price.

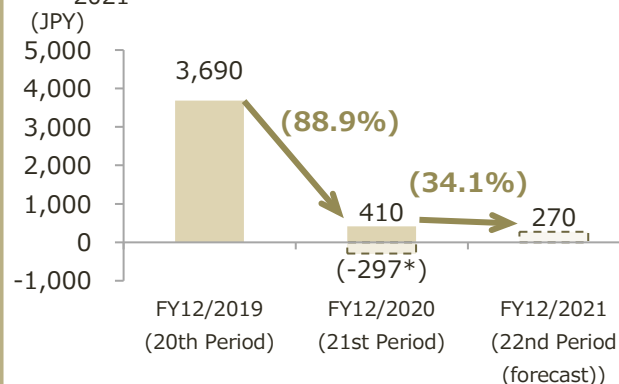
(*3) Rough estimate calculated by excluding the amount equivalent to the gain on sale of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi from the distributable profit.

(*4) The figures represent balance of cash and deposits after exclusion of various reserves for trust and amount equivalent to dividends to be paid, etc.

3. Change in DPU and NAV

► Change in DPU

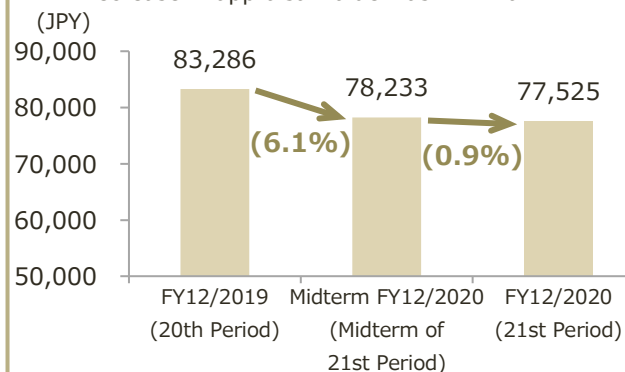
- The impact of COVID-19 was significant in 2020. Difficult conditions are expected to continue in 2021



* Rough estimate in case gain on sale was excluded(*3)

► Change in NAV

- Decrease in appraisal value was minimal



4. Financial Soundness

► Conservative Financial Management

- Continue to maintain good relationships with lenders
- Maintain a solid financial base (as of the end of December 2020)

LTV	Costs for Interest-bearing Debt	Average Life of Debt
42.2%	1.0%	4.3 years

- Secure cash on hand and strengthen the financial base

Free cash after deducting dividends(*4)
(as of the end of December 2020)

JPY **17.0**Bn

- Refinancing results in 2020 and schedule in 2021

2020	2021 (forecast)
JPY 13.0 Bn	JPY 25.0 Bn

5. Sustainability Initiatives

► Acquisition of GRESB Real Estate Assessment

- Received "4-star" in 2020 and selected for "Sector Leader" of Asian Hotel Sector



II. Summary of Settlement of Accounts and Revenue Forecast for the Full Fiscal Year

1. Results for FY12/2020

(Unit: JPY MM)

		FY12/2019 (20th Period)	FY12/2020 (21st Period)	Breakdown of Variance			
		Results (A)	Results (B)	(B)–(A)	Variance	Sale of Property ^{(*)3}	Existing Properties ^{(*)4}
Properties	No. of Properties	43	42	–	–	–	–
	Acquisition Price	374,508	370,031	(4,477)	(1.2%)	(4,800)	323
Profit and Loss	Operating Revenue	28,278	13,838	(14,439)	(51.1%)	2,944	(17,383)
	Real Estate Operating Revenue	28,278	10,495	(17,782)	(62.9%)	(214)	(17,568)
	Fixed Rent	56.3% 15,931	72.8% 7,640	(8,291)	(52.0%)	(149)	(8,142)
	Other Income	4.1% 1,170	8.5% 892	(278)	(23.8%)	(17)	(261)
	Variable Rent	39.5% 11,176	18.7% 1,963	(9,213)	(82.4%)	(47)	(9,165)
	Gain on Sale of Properties, etc.	–	3,343	3,343	–	3,158	184
	NOI ^{(*)2}	24,087	6,547	(17,539)	(72.8%)	(182)	(17,356)
	NOI Yield	6.4%	1.8%	(4.7%)			
	Depreciation	4,557	4,761	204		(9)	213
	Asset Retirement Obligations Expenses	2	1	0		–	0
	Loss on Retirement of Noncurrent Assets	246	5	(241)		–	(241)
	NOI after Depreciation ^{(*)2}	19,281	1,778	(17,502)	(90.8%)	(173)	(17,328)
	NOI Yield after Depreciation	5.1%	0.5%	(4.7%)			
	Other Operating Expenses	2,132	1,945	(187)	–		
	Operating Income	17,148	3,176	(13,972)	(81.5%)		
Dividend	Ordinary Income	15,291	1,398	(13,893)	(90.9%)		
	Extraordinary Income	–	130 ^{(*)5}	130			
	Others	1	1	–			
	Net Income	15,290	1,527	(13,763)	(90.0%)		
	Use of Negative Goodwill	1,176	305	(870)	(74.0%)		
Dividend	Total Dividends	16,466	1,829	(14,636)	(88.9%)		
	Number of Units Issued (Unit)	4,462,347	4,462,347	–	–		
	Dividend per Unit (JPY)	3,690	410	(3,280)	(88.9%)		

Major Causes of Variance of Existing Properties

Fixed Rent

• The HMJ Group Hotels	(JPY7,868MM)
• The Ishin Group Hotels	(JPY320MM)
• Other tenants	JPY47MM
total	(JPY8,142MM)

Variable Rent

• The 24 Hotels with Variable Rent, etc.	(JPY8,101MM)
[Of these, The HMJ Group Hotels	(JPY5,312MM)]
• Other hotels	(JPY1,063MM)
total	(JPY9,165MM)

- (*)1 For detail, please refer to Financial Report for the Fiscal Year Ended December 31, 2020 (January 1, 2020–December 31, 2020) dated February 25, 2021.
- (*)2 Each is calculated using the following formula: NOI (Net Operating Income) = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses NOI after depreciation = Real estate operating revenue – Real estate operating costs
- (*)3 Stating the amount of effect of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi, which was sold on July 1, 2020.
- (*)4 Existing properties refer to 42 properties JHR owns as of February 25, 2021. The same shall apply hereinafter.
- (*)5 Stating the income from the acknowledgement of the claim for return of rental deposit that had not been recorded as guarantee deposit at HOTEL ASCENT FUKUOKA.

2. Revenue Forecast for FY12/2021

(Unit: JPY MM)

	FY12/2020 (21st Period)		FY12/2021 (22nd Period)		Comparison with Previous Period			
	Results (A)	(Reference) Annualized Results	Forecast (B)		(B)-(A)	Variance	Sale of Property	Existing Properties
Properties	No. of Properties	42	42	42	-	-	-	-
	Acquisition Price	370,031	370,031	370,031	-	-	-	-
Profit and Loss	Operating Revenue	13,838	10,243	13,920	82	0.6%	(3,390)	3,472
	Real Estate Operating Revenue	10,495	10,243	13,920	3,425	32.6%	(232)	3,657
	Fixed Rent, etc.	72.8% 7,640	73.1% 7,491	45.9% 6,345	(1,294)	(16.9%)	(149)	(1,145)
	Other Income	8.5% 892	8.3% 854	6.7% 932	40	4.6%	(16)	57
	Variable Rent	18.7% 1,963	18.5% 1,896	47.7% 6,642	4,679	238.3%	(66)	4,745
	Gain on Sale of Properties, etc.	3,343	-	-	(3,343)	-	(3,158)	(184)
	NOI	6,547	6,267	9,455	2,907	44.4%	(200)	3,107
	NOI Yield	1.8%	1.7%	2.6%	0.8%			
	NOI after Depreciation	1,778	1,496	4,628	2,849	160.3%	(187)	3,037
	NOI Yield after Depreciation	0.5%	0.4%	1.3%	0.8%			
	Operating Income	3,176	(428)	2,715	(460)	(14.5%)		
	Ordinary Profit	1,398	(2,205)	879	(519)	(37.1%)		
	Extraordinary Income	130	-	-	(130)			
	Net Income	1,527	(2,207)	877	(649)	(42.5%)		
Dividend	Use of Negative Goodwill	305	324	330	24	8.1%		
	Total Dividends	1,829	-	1,204	(624)	(34.1%)		
	Number of Units Issued (Unit)	4,462,347	4,462,347	4,462,347	-	-		
	Dividend per Unit (JPY)	410	-	270	(140)	(34.1%)		

Major Causes of Variance of Existing Properties

Fixed Rent

• The HMJ Group Hotels	(JPY794MM)
• The Ishin Group Hotels	(JPY7MM)
• Change in lessees/rebranding	(JPY172MM)
• Chisun Hotel Kamata ^{(*)2}	(JPY93MM)
• Other tenants	(JPY78MM)
total	(JPY1,145MM)

Variable Rent

• The 24 Hotels with Variable Rent, etc.	JPY4,797MM
[Of these, The HMJ Group Hotels	JPY4,319MM]
• Chisun Hotel Kamata	JPY38MM
• Other hotels	(JPY89MM)
total	JPY4,745MM

Use of Negative Goodwill^{(*)3}

<FY12/2020>

50-year negative goodwill amortization	JPY262MM
Loss on retirement of noncurrent assets	JPY5MM
Amortization of trademark rights	JPY37MM
total	JPY305MM

<FY12/2021 (plan)>

50-year negative goodwill amortization	JPY262MM
Loss on retirement of noncurrent assets	JPY11MM
Amortization of trademark rights	JPY56MM
total	JPY330MM

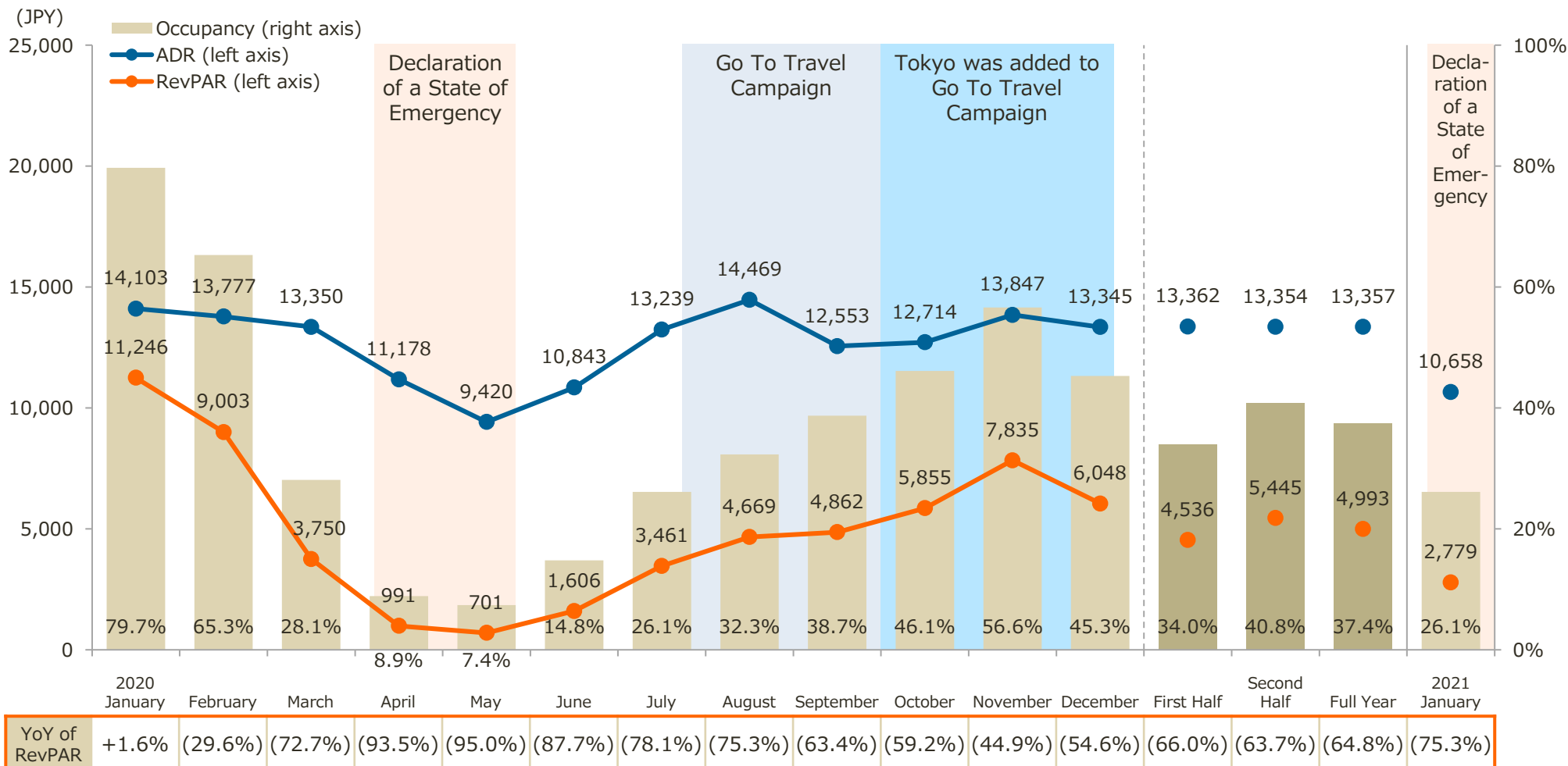
(*)1 For detail, please refer to Financial Report for the Fiscal Year Ended December 31, 2020 (January 1, 2020–December 31, 2020) dated February 25, 2021.

(*)2 Hotel Vista Kamata Tokyo was rebranded and changed its name to Chisun Hotel Kamata on January 1, 2021. The rent scheme was changed from fixed rent plus revenue sharing to variable rent.

(*)3 Please refer to P.22 for the use of negative goodwill (reserve for temporary difference adjustment).

III. Status of Hotel Operations

1. Monthly Performance of The 24 Hotels with Variable Rent, etc.



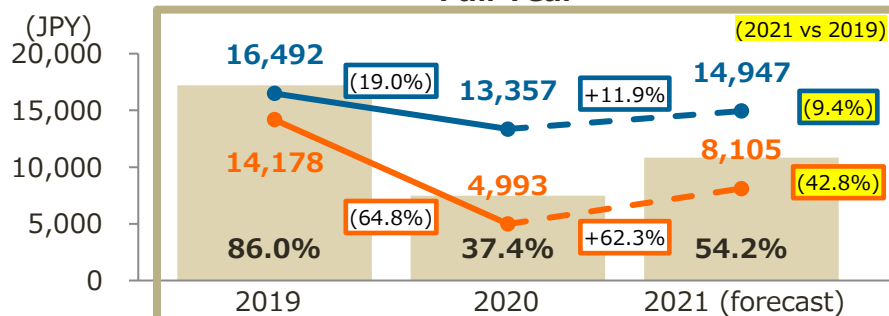
<Number of hotels temporarily closed of The 24 Hotels with Variable Rent, etc. >

No. of hotels closed	0	0	0	10	16	9	4	2	2	2	2	3	—	—	—	5
% of No. of guest rooms of the hotels closed	0	0	0	15.3%	70.5%	33.9%	8.1%	5.6%	5.6%	5.6%	5.6%	7.4%	—	—	—	10.3%

2. Performance of The 24 Hotels with Variable Rent, etc.

Performance and Forecast of Major Indicators

Total of The 24 Hotels with Variable Rent, etc. Full Year

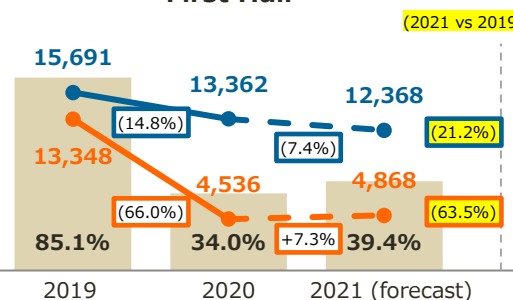


Occupancy (right axis)

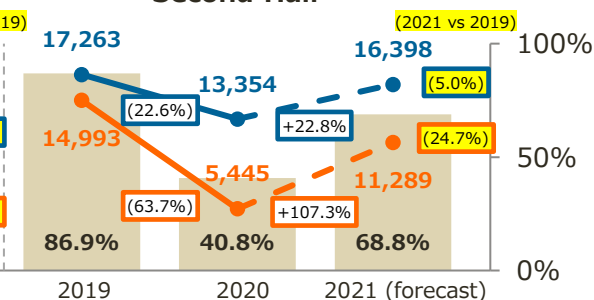
ADR (left axis)

RevPAR (left axis)

First Half

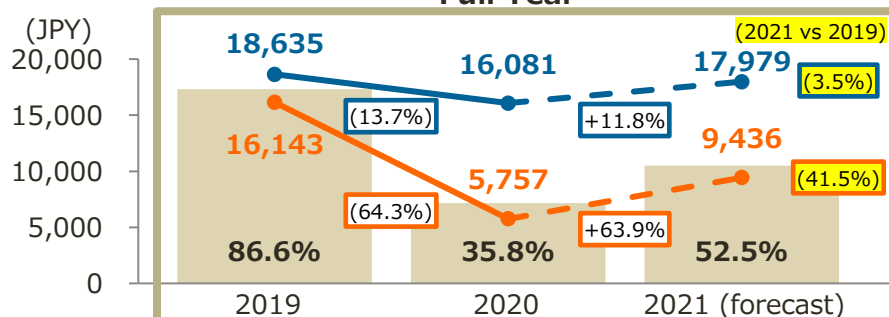


Second Half

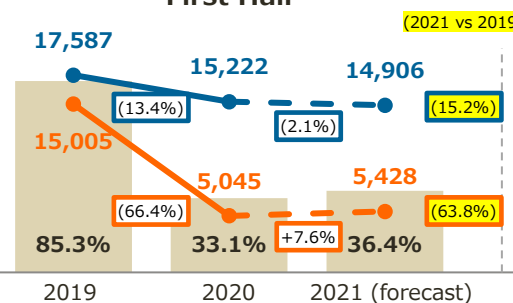


The HMJ Group Hotels

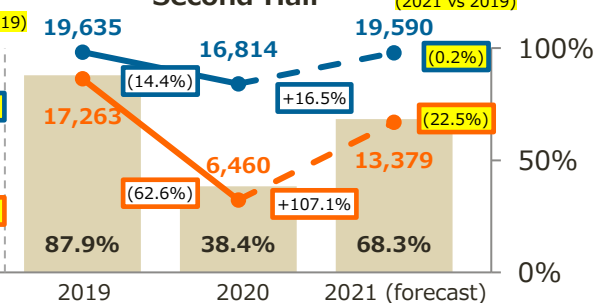
Full Year



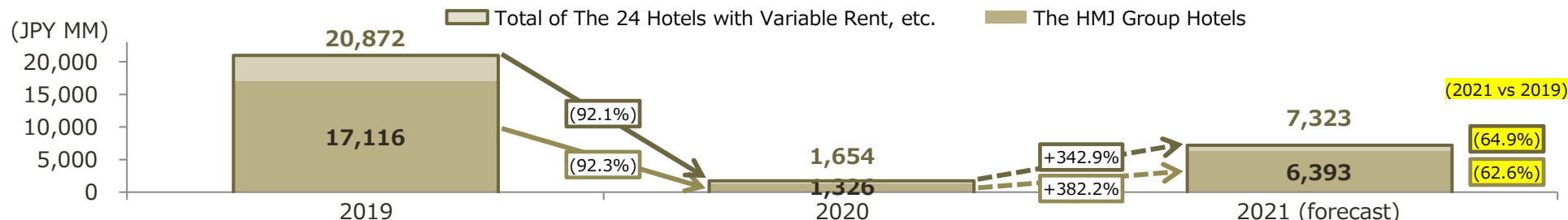
First Half



Second Half



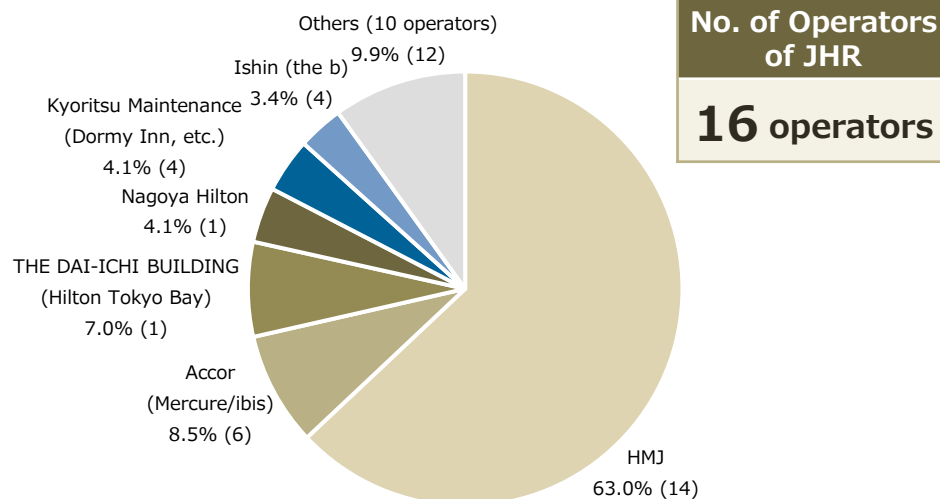
Performance and Forecast of GOP



3. Response to Lessees/Operators

◆ Response to requests for rent reductions will be comprehensively judged depending on each operator

Status of Operators



(*) Based on acquisition price. A parenthesis represents the number of hotel. As of the end of December 2020

Response to Requests for Rent Reduction

Change in lease contract with two operators

- HMJ Group on August 25, 2020
- Ishin Group on October 30, 2020

Change in lessees/rebranding of three operators

- Hotel Vista Kamata Tokyo on January 1, 2021
- HOTEL ASCENT FUKUOKA June 2021 (plan)
- Hotel Keihan Universal City July 2021 (plan)

Under discussion with other several operators

Change of Lease Contract with HMJ

Restructure sustainable relationships with HMJ, the largest operator

Summary of Rent

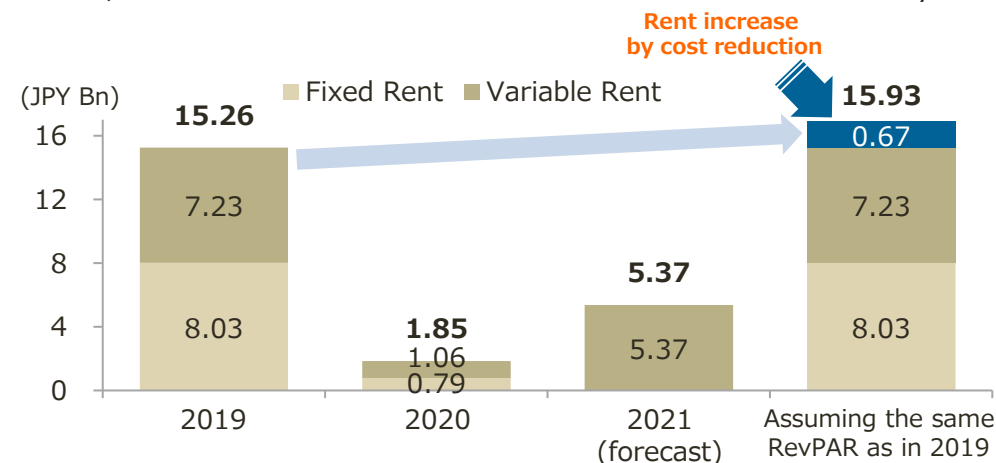
2020	Change to variable rent only on and after February	
2021	Variable rent only	
2022 onwards	Fixed rent	Same amount as the previous lease contract ^(*)
	Variable rent	Review the GOP base amount for each property and set variable rent ratio with appropriate rent burden ratio ^(*)

(*) The fixed rent of Hilton Tokyo Odaiba is the same amount as the fixed rent on and after 2022 (JPY1.6Bn), which was stipulated in the contract before revision.

(*) When AGOP of each hotel exceeds AGOP base, the fixed rent is calculated by multiplying the amount by the fixed rent set for each hotel.

Change in Rent

If the rent is calculated based on the same hotel performance as in 2019, the rent will increase due to the effect of cost reduction by HMJ




(*) In 2019, the rents of Hotel Oriental Express Osaka Shinsaibashi and Hilton Tokyo Odaiba were annualized. The fixed rent of Hilton Tokyo Odaiba was calculated at JPY1.6Bn.

3. Response to Lessees/Operators (cont.)


- ◆ For HMJ, implemented cost reductions as scheduled, and plan to implement additional measures in the future
- ◆ Flexibly respond to requests from other operators depending on their conditions

Status of HMJ' Restructuring Plan

- Emergency measures in 2020

Personnel	Plan to reduce by JPY4,258MM		Reduced by approximately 40% over the initial plan (reduction of JPY6,014MM)
Operating cost			
Secure funding			

- Permanent cost reduction in 2021 onwards

Personnel cost reduction	Plan to reduce by JPY1,518MM (vs 2019)		Aim to reduce more than initially planned
Outsourcing cost reduction			

- Other measures in 2021

Optimization of hotel operation	Cross-divisional review of hotel operations Introduction of smart check-in
Maintenance and improvement of organizational strength	Maintain core human resources and establish a sales and marketing structure

- Use of employment adjustment subsidy

Fully utilize employment adjustment subsidies to secure profits while securing human resources

Response to Other Operators

Ishin Group

Changed to a rent scheme according to the capability to pay rent to maximize rent in 2020 onwards

Before change: Fixed rent (JPY428MM/year) + Variable rent (linked to GOP)

April 2020 onwards	Fixed rent (waive) + Variable rent	
2021	Fixed rent (JPY100MM) + Variable rent	
2022 onwards	Fixed rent (JPY214MM) + Variable rent	
Contract term	the b ikebukuro the b hachioji the b hakata	January 31, 2015 to July 31, 2024 (extended by two and a half years)
	the b suidobashi	January 1, 2020 to December 31, 2026

Vista Hotel Management

Accepted a request for early-cancellation and changed the lessee to Sorale Hotels and Resorts Co., Ltd.

	After	Before
Name of hotel	Chisun Hotel Kamata	Hotel Vista Kamata Tokyo
Lessee	Solare Hotels & Resorts Co., Ltd.	Vista Hotel Management Co., Ltd.
Contract scheme	Fixed-term lease contract	Ordinary lease contract
Contract term	January 1, 2021 to December 31, 2025	January 1, 2019 to December 30, 2021 (terminated on December 31, 2020)
Rent scheme	Variable rent (GOP x 86.0%)	Fixed rent + Revenue sharing

Other Operators

Under discussion with several operators based on the policy for negotiation with operators

4. Change in Lessees/Rebranding①

- ◆ Significant upside is expected in the hotel market recovery period by utilizing the HMJ platform and adopting a rent structure that adopts an appropriate rent burden ration, etc.
- ◆ Record a certain amount of rent as revenue in the current hotel market due to free rent for a certain period after rebranding

Hotel Oriental Express Fukuoka Tenjin (current HOTEL ASCENT FUKUOKA)

- Aiming to improve profitability by upgrading from economy to mid-price
- Efficient management through the standardization of back offices with Oriental Hotel Fukuoka Hakata Station in the same area

Major Changes

	After	Before
Lessee	Hotel operator belonging to HMJ Group	K.K. Ascent
Hotel grade	Mid-price	Economy
Contract scheme	Fixed-term lease contract	Fixed-term lease contract
Contract term	June 18, 2021 to December 31, 2031 (10.5 years)	April 1, 2019 to December 31, 2026 (the contract was cancelled)
Rent scheme	Fixed rent + Variable rent ^(*) (JPY150MM/year + Excess of GOP amount of JPY165MM x 97%)	to March 2020 Fixed rent (JPY246MM/year) from April 2020 Fixed rent (JPY270MM/year)

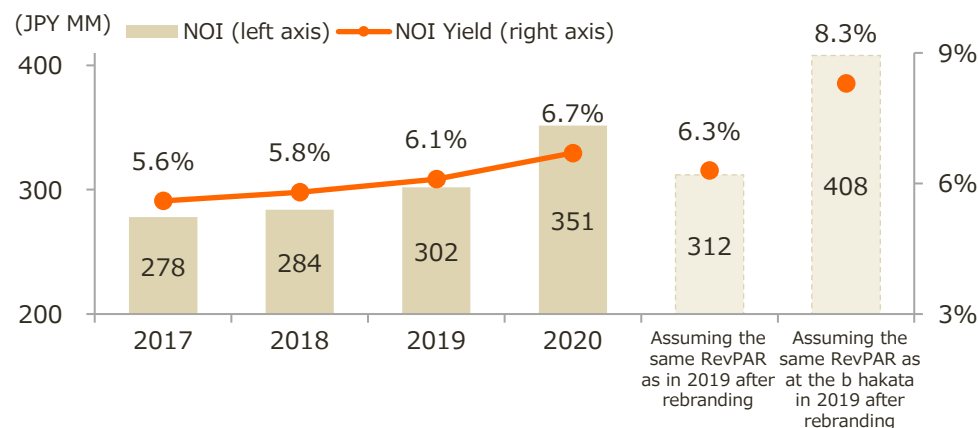
Comparison with the b hakata

	HOTEL ASCENT FUKUOKA	the b hakata
KPI (2019)		
OCC	86.1%	84.8%
ADR	JPY7,224	JPY8,978
RevPAR	JPY6,220	JPY7,610
Hotel type	Limited-service	Limited-service
Hotel grade	Economy	Mid-price
Average size of guest room	15.2㎡	15.6㎡
Age	21.7 years	23.3 years

➡ Aiming to upgrade the hotel grade by rebranding and to improve RevPAR by increasing ADR

(*) Fixed rent is waived from June 18, 2021 to June 30, 2022 as a free rent period. The rent to be recorded for the fiscal year ending December 2021 is expected to be JPY72MM, which is equivalent to average monthly fixed rent of JPY11MM multiplied by 6.4 months. The average monthly rent is calculated by prorating the total fixed rent of JPY1,425MM for the entire lease term. From the fiscal year ending December 2022 onwards, JPY136MM, the average monthly fixed rent of JPY11MM multiplied by 12 months is expected to be recorded.

Change in NOI and NOI Yield



(*) The lease contract was changed from the ordinary lease contract to fixed-term lease contract in order to increase fixed rent in April 2019.

Estimate of Rent

	Rent	NOI ^(*)	NOI Yield
2019	JPY235MM	JPY302MM	6.1%
Assuming the same RevPAR as in 2019 after rebranding	JPY245MM	JPY312MM	6.3%
Assuming the same RevPAR as at the b hakata in 2019 after rebranding	JPY341MM	JPY408MM	8.3%

(*) The rent from tenants other than operators are included.

4. Change in Lessees/Rebranding②

Hotel Keihan Universal City (new hotel name is undecided)

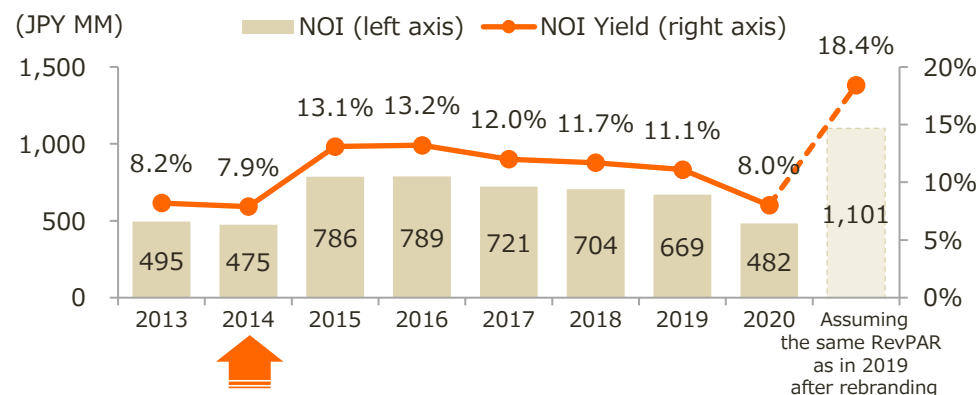
- Aiming to maximize revenue in the recovery period of domestic demand as a theme park hotel adjacent to USJ
- Efficient management utilizing the management resources of the three properties operated in Osaka

Major Changes

	After	Before
Lessee	Hotel operator belonging to HMJ group	K.K. Hotel Keihan
Contract scheme	Fixed-term building lease contract	Ordinary building lease contract
Contract term	July 1, 2021 to December 31, 2031 (10.5 years)	July 1, 2001 to June 30, 2021 (The contract was terminated upon expiration)
Rent scheme	Fixed rent + Variable rent ^(*) (JPY350MM/year + Excess of GOP amount of JPY370MM x 95%)	Fixed rent + Revenue sharing

(*) Fixed rent is waived from July 1, 2021 to June 30, 2022 as a free rent period. The rent to be recorded for the fiscal year ending December 2021 is expected to be JPY158MM, which is equivalent to average monthly fixed rent of JPY26MM multiplied by 6 months. The average monthly rent is calculated by prorating the total fixed rent of JPY3,325MM for the entire lease term. From the fiscal year ending December 2022 onwards, JPY316.7MM, the average monthly fixed rent of JPY26MM multiplied by 12 months is expected to be recorded.

Change in NOI and NOI Yield



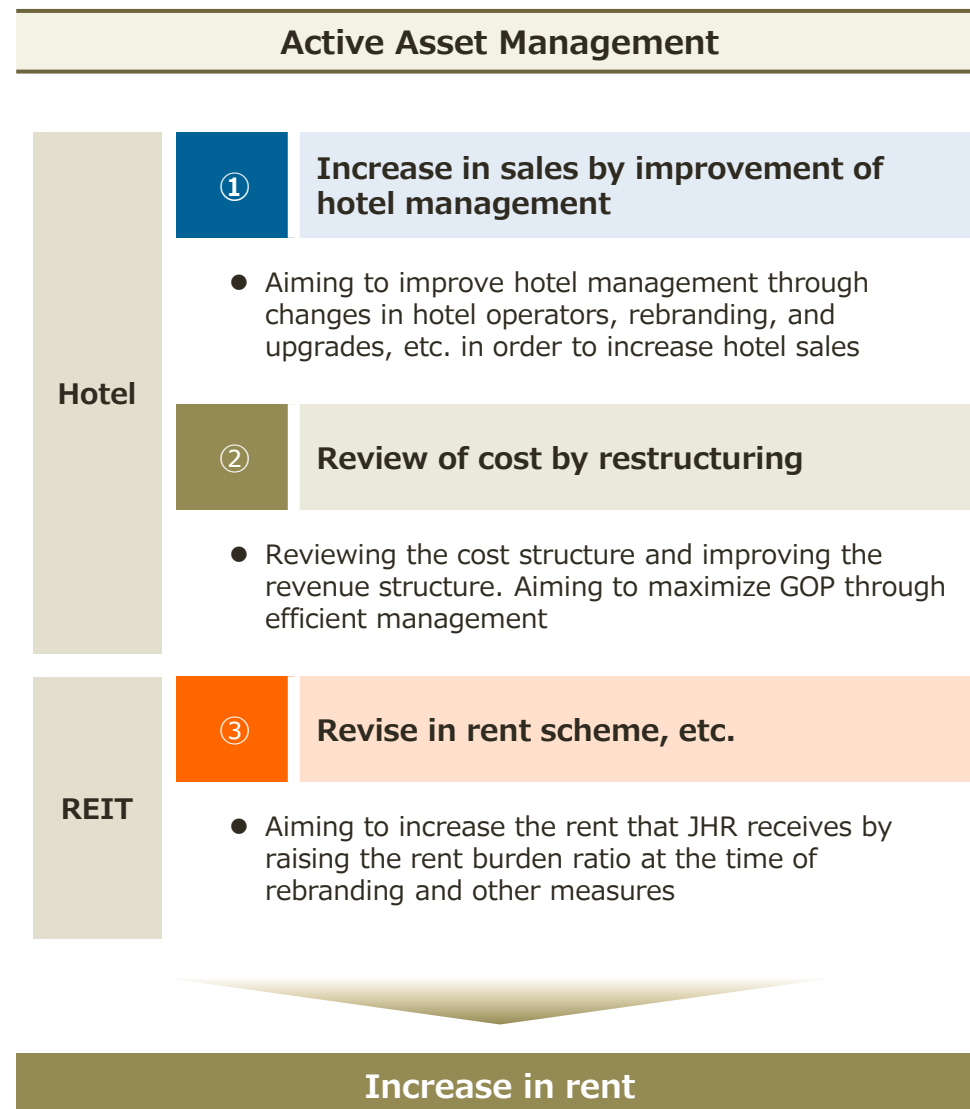
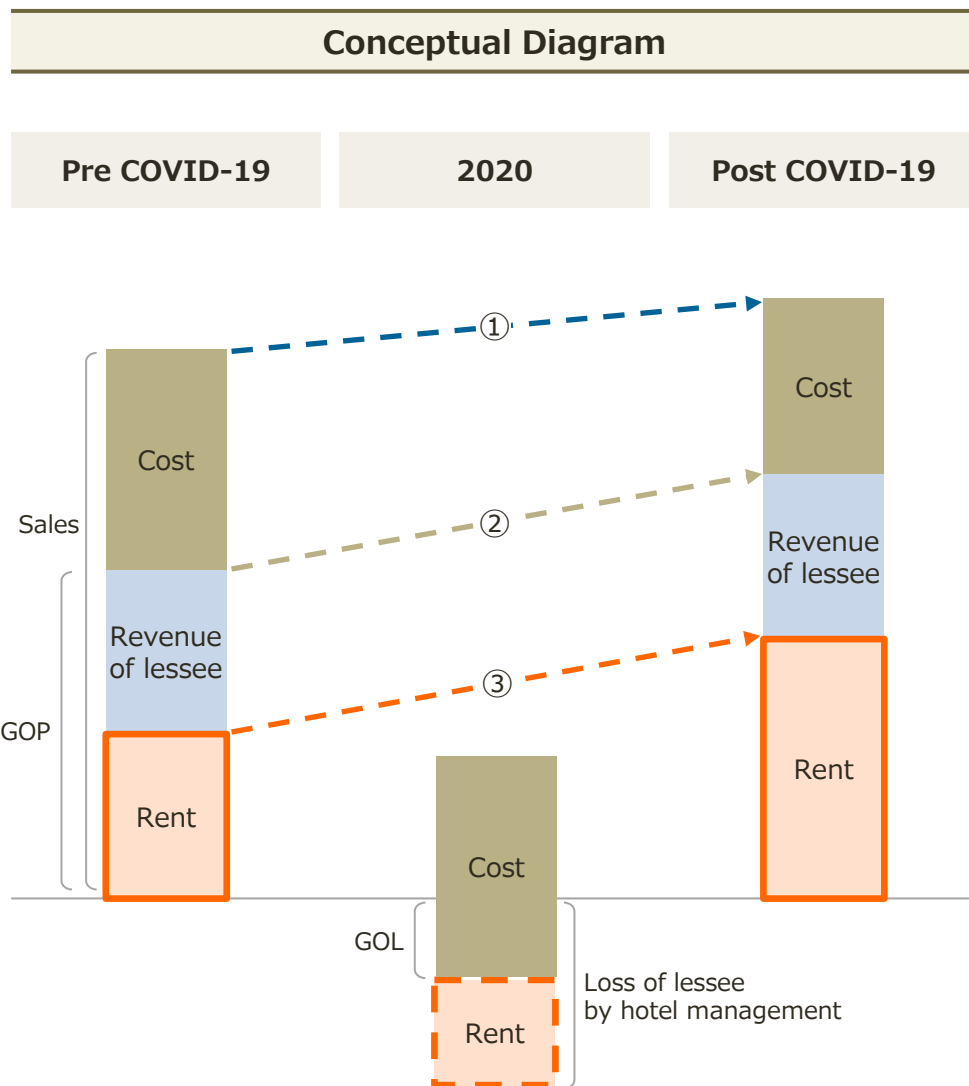
The rent scheme was changed in July 2014
(Fixed rent to Fixed rent + Revenue sharing)

Estimate of Rent

	Rent	NOI	NOI Yield
2019	Not disclosed	JPY669MM	11.1%
Assuming the same RevPAR as in 2019 after rebranding	JPY1,133MM	JPY1,101MM	18.4%

5. Active Asset Management for Post COVID-19

◆ Potential upside by active asset management



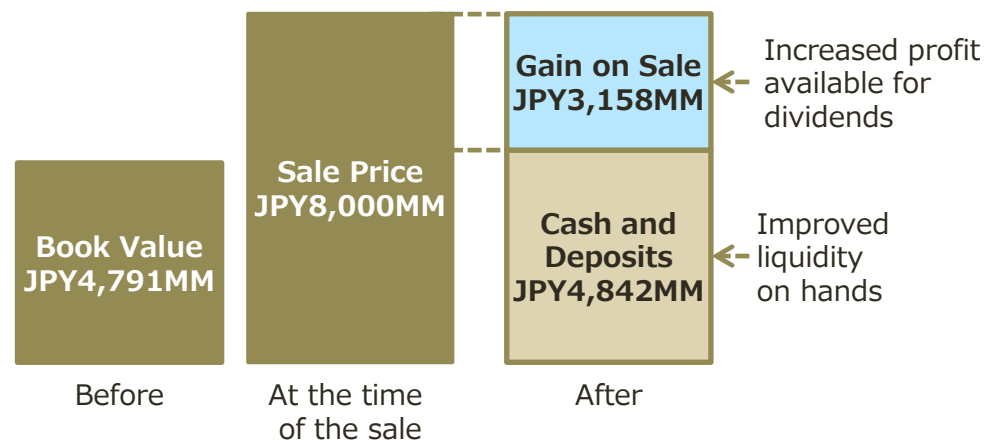
6. Sale and Acquisition of Property

Sale of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (July 2020)

- ◆ Sold a large, limited-service hotel in Tokyo, which has a large amount of unrealized gain
- ◆ Improved liquidity of cash on hand to increase dividend

Sotetsu Fresa Inn Shimbashi-Karasumoriguchi

Sale Price	JPY8,000MM
Acquisition Price	JPY4,800MM
Book Value	JPY4,790MM
Gain on Sale	JPY3,158MM
Amount of Impact on Dividend per Unit	JPY707

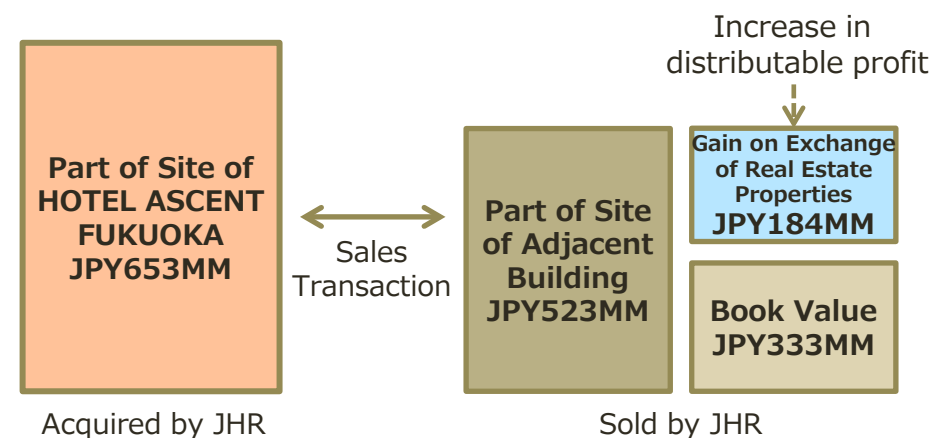


Exchange of Part of Site of HOTEL ASCENT FUKUOKA (October 2020)

- ◆ Agreed on exchange part of the site of HOTEL ASCENT FUKUOKA
- ◆ The mutual leasehold relationship was terminated and JHR acquired the full ownership of HOTEL ASCENT FUKUOKA

HOTEL ASCENT FUKUOKA

Sale Price	JPY523MM
Acquisition Price	JPY653MM
Book Value	JPY333MM
Gain on Exchange of Real Estate Properties	JPY184MM
Amount of Impact on Dividend per Unit	JPY41

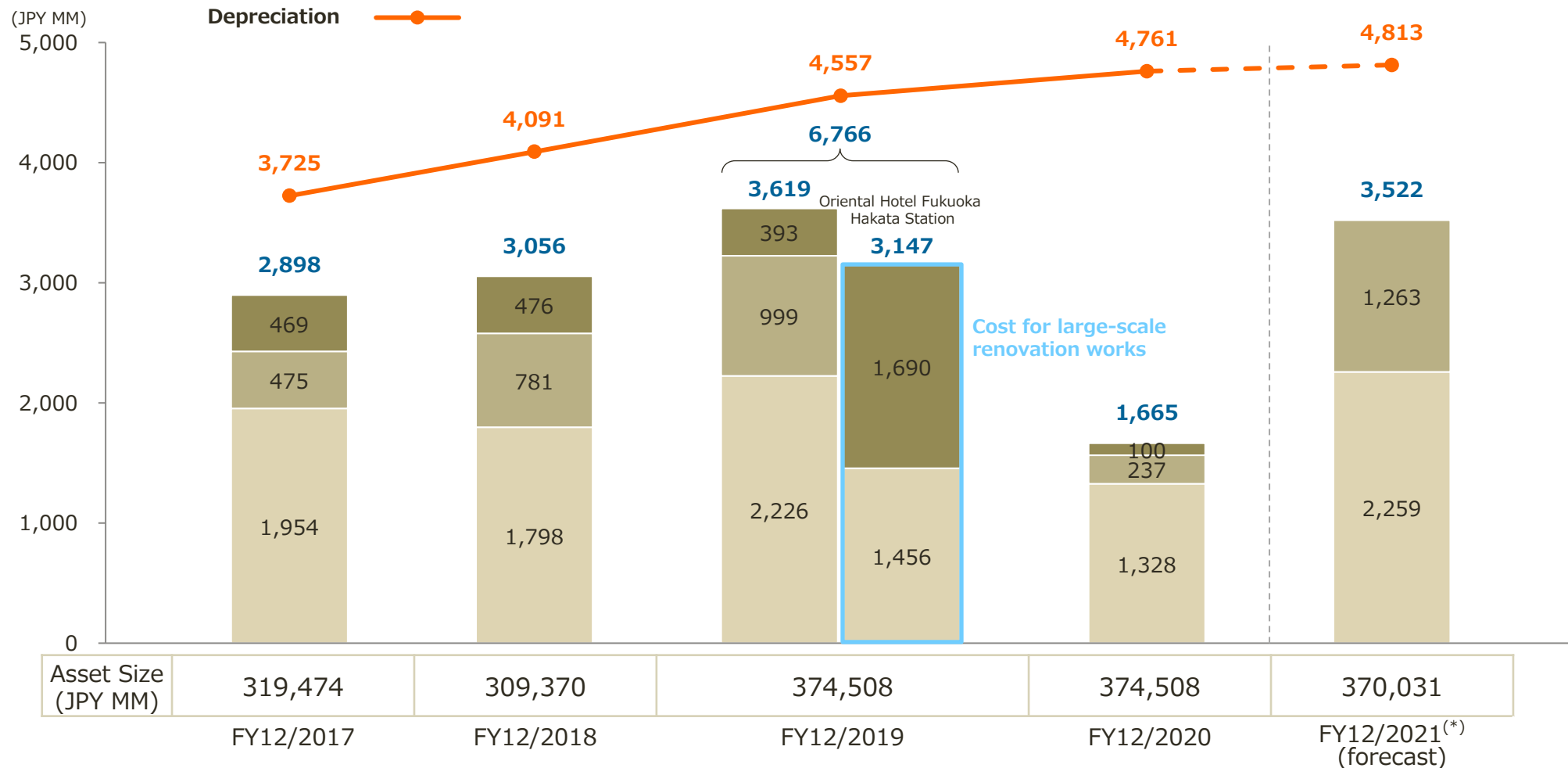


7. Capital Expenditure and Depreciation

◆ Prioritize securing liquidity of cash on hand by restraining mainly CAPEX Ⅲ, taking into account the conditions of the hotel market

Clarification of CAPEX

CAPEX I	capital investment related to renewal of buildings, facilities, and equipment which is required to maintain proper values of properties
CAPEX II	capital investment for fixtures furniture and equipment that are not directly related to building structures or facilities but necessary for operating hotels
CAPEX Ⅲ	strategic capital investment for renewals of guest rooms, banquet rooms, restaurant and others in order to maintain or to improve the competitiveness of the hotels



(*) Capital expenditures for the fiscal year ending December 2021 (forecast) include expenses for rebranding of HOTEL ASCENT FUKUOKA (JPY365MM) and Hotel Keihan Universal City (JPY283MM) (total JPY648MM).

8. Sustainability Initiatives

In order to achieve a mid to long-term growth that coexists with society and environment aiming to enhance sustainability through appropriate actions for ESG issues^(*1)

GRESB Real Estate Assessment^(*2)

- ◆ Acquired **"Green Star"** for three consecutive years from 2018

- ▶ In 2020, JHR was selected for **"Sector Leader"**

as a participant who received the highest ranking in Asian hotel sector

- ▶ Acquired **"4-star"**

in GRESB Rating



CASBEE Certification for Buildings^(*3)

- ◆ Hilton Tokyo Odaiba received CASBEE Certification for Buildings, (B+: Good) for the first time as existing hotel in April 2020



Accommodation of COVID-19 Patients

- ◆ Accommodation of COVID-19 patients with mild or no symptoms at two hotels

- Of COVID-19 patients in Tokyo, two hotels have accommodated patients with mild or no symptoms
- Introduced cleaning and welcoming robots to make stay at hotels safer and more comfortable



Sustainability Policy

- ◆ JHR and JHRA stipulated "Sustainability Policy," which defines material issues and initiatives for sustainability in our business

Sustainability Policy

- | | |
|--|--|
| ➤ Monitoring and improvement of environmental performance in our portfolio | ➤ Consideration for and contribution to local communities |
| ➤ Promotion of comfortable, healthy, secure and safe hotels | ➤ Initiatives for our officers and employees |
| ➤ Promotion of ESG in value chains | ➤ Compliance as corporate citizens |
| | ➤ Improvement of transparency and engagement with our stakeholders |

(*1) For sustainability policy and examples of initiatives by JHR, please see websites of JHR (<https://www.jhrth.co.jp/en/about/sustainability.html>).

(*2) The GRESB is an annual benchmarking program to evaluate ESG considerations of property companies and real estate funds. The GRESB Real Estate Assessment is distinguished by its comprehensive evaluation of initiatives for sustainability of property companies, REITs and real estate funds, not of individual properties. GRESB rating is a relative evaluation based on comprehensive scores and the highest being "5-stars."

(*3) CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a method for evaluating and rating the environmental performance of buildings. CASBEE Certification for Buildings is granted for assessment results provided by CASBEE for New Construction, Existing Buildings, and Renovation. Assessment results by CASBEE are indicated in a scale of the following five ranks: "S: Superior," "A: Very Good," "B+: Good," "B-: Slightly Poor," and "C: Poor."

8. Sustainability Initiatives (cont.)

JHR is also working on measures to prevent the infections of COVID-19

Infection Prevention Measures at The HMJ Group Hotels

- ◆ HMJ provides customers with safe and secure stays by implementing the measures in highest level to prevent COVID-19

Guest Room

- ▶ Introduction of electrostatic sprayers to ensure thorough disinfection of guest rooms, etc.



< Okinawa Marriott Resort & Spa >

- ▶ Introduction of automatic sanitation equipment for guestroom keys



< Oriental Hotel tokyo bay >

- ▶ Placing a room seal on doors to indicate rooms are thoroughly cleaned as one of the Hilton CleanStay program



< Hilton Tokyo Odaiba >

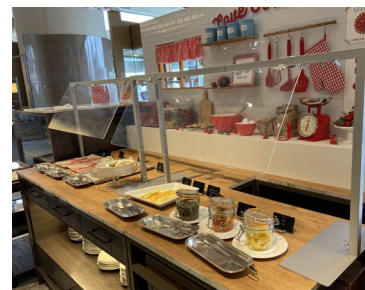
- ▶ Distribution of portable alcohol antibacterial gels to all guests for a limited period



< Oriental Hotel tokyo bay >

Restaurant and Public Space, etc.

- ▶ Acrylic panels for anti-spill measures are installed at all breakfast buffet tables of The HMJ Group Hotels
- ▶ Installed QR code to access the menu at restaurant tables at restaurant



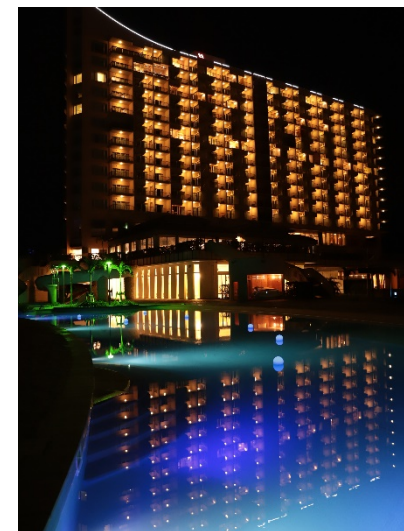
< Hilton Tokyo Odaiba >



< Hotel Nikko Alivila >

< Okinawa Marriott Resort & Spa >

- ▶ Held an event to light up the garden pool in "blue" and "green" colors and convey appreciation to healthcare professionals and local businesses



IV. Financial Conditions

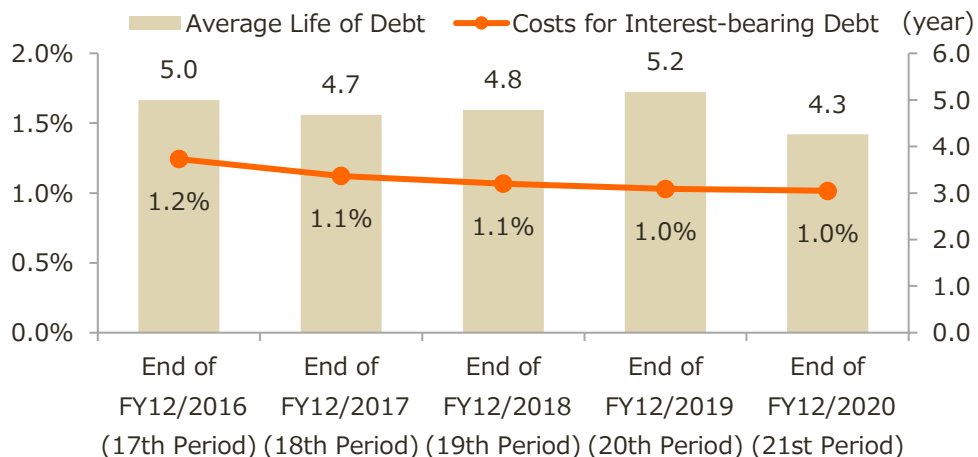
1. Financial Conditions

Main Financial Indicators

(as of the end of December 2020)

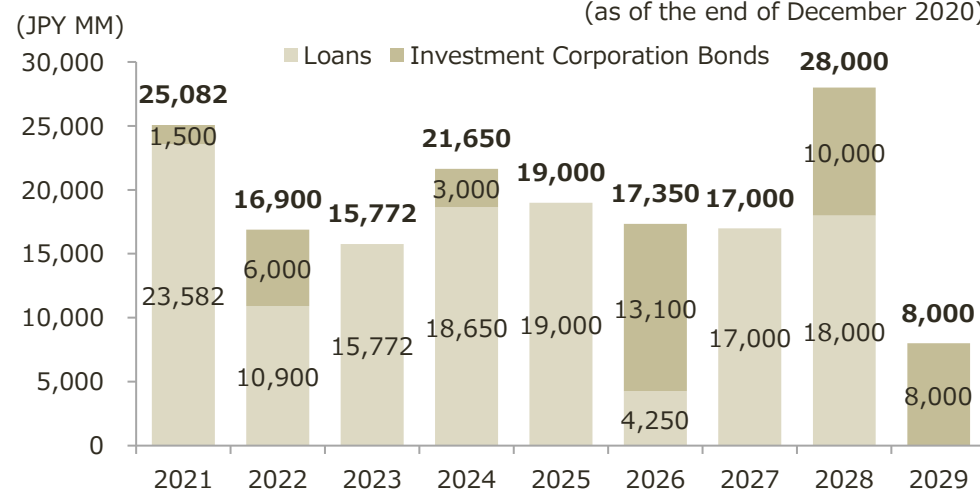
LTV (total asset base)	42.2%
Cost for all interest-bearing debt	1.0%
Average life of debt	4.3 years
Free cash after deducting dividends as of the end of December 2020 ^(*1)	JPY17.0Bn
Unrealized gain	JPY126.5Bn

Changes in Costs for Interest-bearing Debt^(*2) and Average Life of Debt^(*3)



Repayment Schedule of Interest-bearing Debt

(as of the end of December 2020)



Refinancing Schedule in 2021

Repayment Date	Balance	Cost
First Half	JPY7,735MM	1.26%
Second Half	JPY17,347MM	
Total	JPY25,082MM	

(*1) Represent cash and deposits, excluding various reserves for trust and amount equivalent to dividends to be paid, etc.

(*2) Weighted-average costs for interest-bearing debt (including up-front fee, etc.) as of the end of each period/year. Rounded off to one decimal place.

(*3) Average life of debt as of the end of each year.

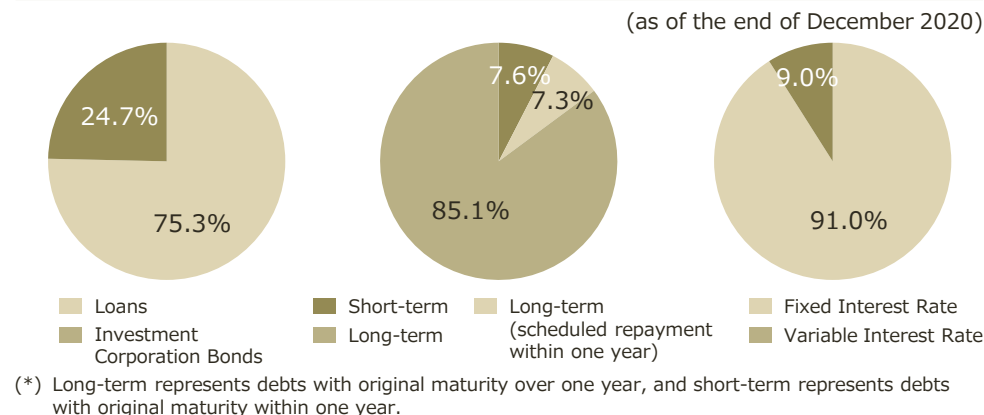
1. Financial Conditions (cont.)

Lender List for Interest-bearing Debt

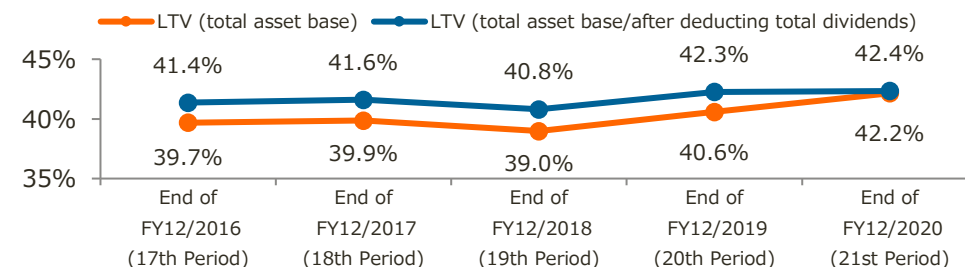
(Unit: JPY MM)

Lenders/Bond Name	Balance (as of the end of December 2019)		Balance (as of the end of December 2020)		Variance
	Balance	%	Balance	%	
Sumitomo Mitsui Banking Corporation	31,901	18.9%	32,388	19.2%	487
Mizuho Bank, Ltd.	19,000	11.3%	19,370	11.5%	370
Shinsei Bank, Ltd.	19,015	11.3%	19,015	11.3%	-
Sumitomo Mitsui Trust Bank, Limited	13,640	8.1%	13,825	8.2%	185
Resona Bank, Limited	10,126	6.0%	10,126	6.0%	-
Development Bank of Japan Inc.	5,750	3.4%	5,900	3.5%	150
Fukuoka Bank, Ltd.	4,750	2.8%	4,750	2.8%	-
The Nomura Trust and Banking Co., Ltd.	4,660	2.8%	4,660	2.8%	-
MUFG Bank, Ltd.	4,135	2.5%	4,135	2.5%	-
Aozora Bank, Ltd.	3,435	2.0%	3,435	2.0%	-
The Chiba Bank, Ltd.	3,100	1.8%	2,900	1.7%	(200)
The Nishi-Nippon City Bank, Ltd.	2,750	1.6%	2,750	1.6%	-
Hiroshima Bank, Ltd.	2,892	1.7%	1,900	1.1%	(992)
Sompo Japan Insurance Inc.	1,500	0.9%	1,500	0.9%	-
The Shizuoka Bank, Ltd.	500	0.3%	500	0.3%	-
Total of Bank Loans	127,154	75.3%	127,154	75.3%	-
Investment Corporation Bonds (for institutional investors)					
4th Investment Corporation Bonds without Collateral	1,500	0.9%	1,500	0.9%	-
6th Investment Corporation Bonds without Collateral	3,000	1.8%	3,000	1.8%	-
8th Investment Corporation Bonds without Collateral	1,100	0.7%	1,100	0.7%	-
9th Investment Corporation Bonds without Collateral	1,000	0.6%	1,000	0.6%	-
12th Investment Corporation Bonds without Collateral	2,000	1.2%	2,000	1.2%	-
Total of Investment Corporation Bonds (for institutional investors)	8,600	5.1%	8,600	5.1%	-
Investment Corporation Bonds (for individual investors)					
5th Investment Corporation Bonds without Collateral	6,000	3.6%	6,000	3.6%	-
7th Investment Corporation Bonds without Collateral	9,000	5.3%	9,000	5.3%	-
10th Investment Corporation Bonds without Collateral	10,000	5.9%	10,000	5.9%	-
11th Investment Corporation Bonds without Collateral	8,000	4.7%	8,000	4.7%	-
Total of Investment Corporation Bonds (for individual investors)	33,000	19.6%	33,000	19.6%	-
Total of Investment Corporation Bonds	41,600	24.7%	41,600	24.7%	-
Total of Interest-bearing Debt	168,754	100.0%	168,754	100.0%	-

Breakdown of Interest-bearing Debt



Changes in LTV (total asset base)



(*) LTV as of the end of each year.

Status of Credit Rating

Japan Credit Rating Agency, Ltd.
(JCR)

A+ (negative)

Rating and Investment Information, Inc.
(R&I)

A (negative)

1. Financial Conditions (cont.)

Negative Goodwill

<Policy for Use of Negative Goodwill>

1. Add JPY262 million (50-year amortization amount of negative goodwill) to dividends every period
2. In addition to above, dividends will be increased in response to the following

- Cope with losses caused by property dispositions
- Cope with loss on retirement of noncurrent assets
- Cope with dilution of dividend per unit
- Cope with inconsistency between tax and accounting treatments (Amortization of fixed-term leasehold of land, amortization of asset retirement obligations, etc.)
- Cope with suspension of sales and such due to large-scale renovation works with significant impact on revenues

<Amount used in FY12/2020>

50-year amortization amount on negative goodwill :	JPY262MM
Cope with loss on retirement of noncurrent assets :	JPY5MM
Amortization of trademark rights :	JPY37MM
Total amount :	JPY305MM

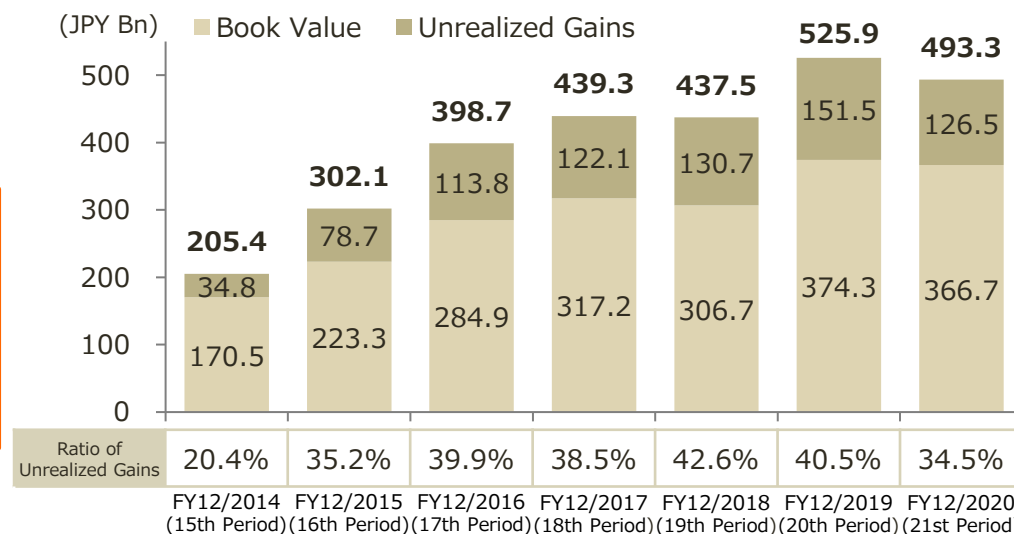
Balance of Negative Goodwill after the end of December 2020	JPY10,311MM
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<Amount to be used in FY12/2021>

50-year amortization amount on negative goodwill :	JPY262MM
Cope with loss on retirement of noncurrent assets :	JPY11MM
Amortization of trademark rights :	JPY56MM
Total amount (plan) :	JPY330MM

Balance of Negative Goodwill after the end of December 2021 (forecast)	JPY9,981MM
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Changes in Appraisal Value (Unrealized Gains)



(*) Unrealized gains are calculated by subtracting book value from appraisal value.

Change in Appraisal Value

(as of December 31, 2020)

	No. of Property (*1)	Acquisition Price (JPY MM)	Appraisal					
			Appraisal Value (JPY MM)	Variance of Appraisal Value	CAP Rate (*2)	Variance of Cap Rate (*2)	Net Cash Flow (JPY MM)	Variance of Net Cash Flow
End of December 2020	42	370,031	493,330	(0.3%)	4.6%	+0.0pt	22,566	+0.6%
End of June 2020	42	369,708	494,690	(4.3%)	4.5%	+0.1pt	22,422	(2.9%)
End of December 2019	42	369,708	515,960	-	4.5%	-	23,098	-

(*1) Stating figures for 42 properties excluding Sotetsu Fresa Inn Shimbashi-Karasumoriguchi.

(*2) Cap rate and variance of cap rate are rounded off.

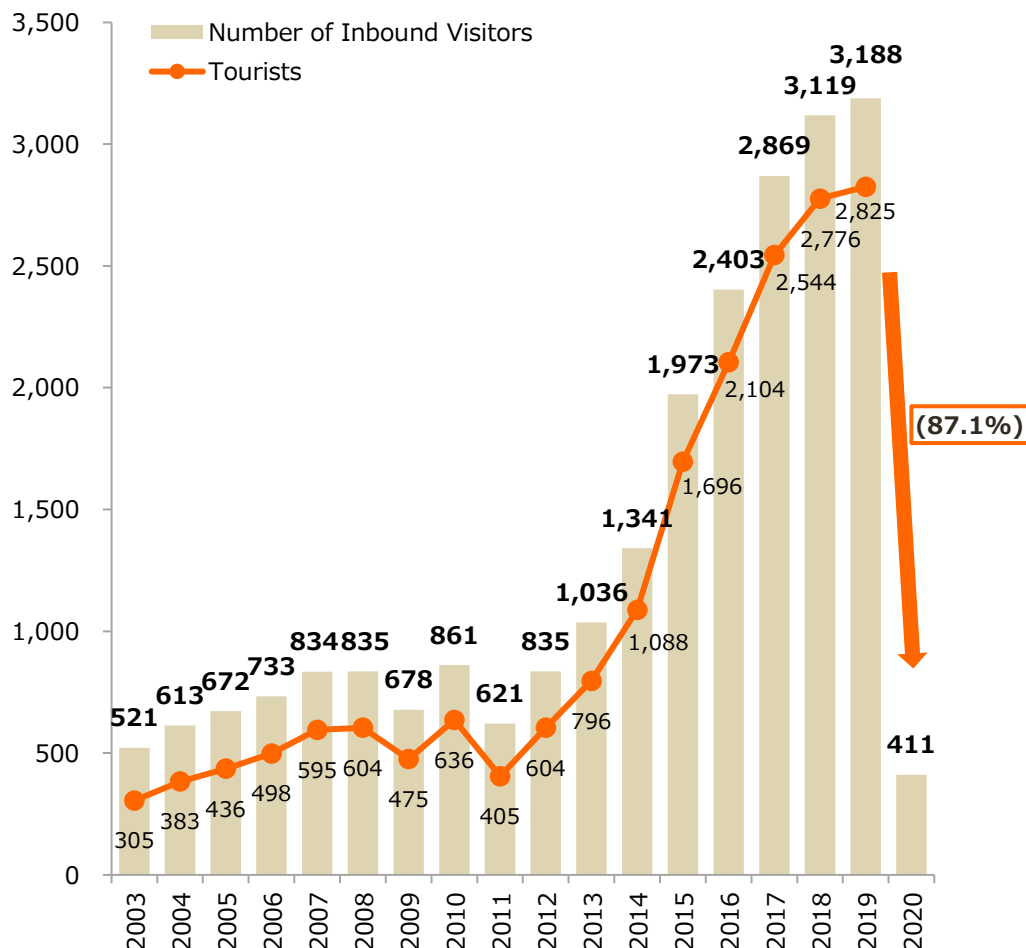
V . Market Environment

1. Market Environment

- ◆ The number of inbound visitors in 2020 fell significantly from last year. Resumption of entry of inbound tourists is awaited

Changes in Number of Inbound Visitors

(Ten thousands)

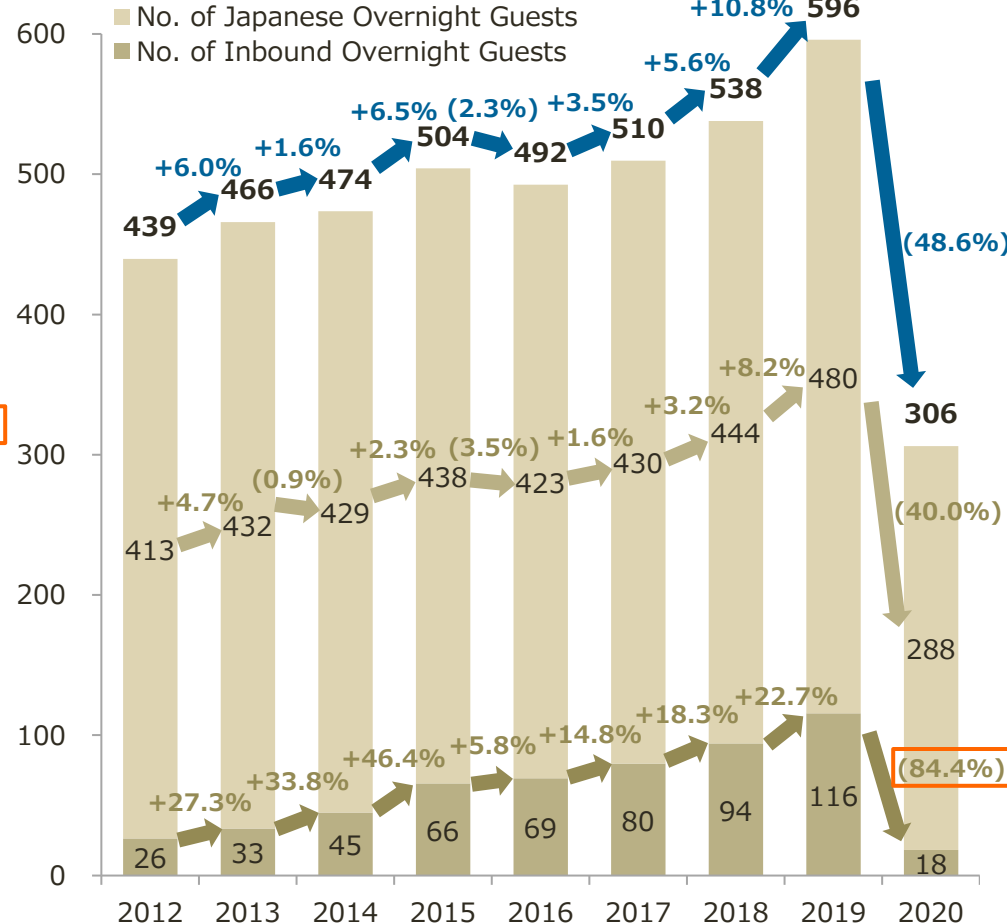


Source: Number of International Visitors to Japan by Japan National Tourism Organization (JNTO)
 (*) The numbers for Jan.-Nov. 2020 are provisional numbers, and December 2020 are estimated numbers.

- ◆ The number of total overnight guests decreased by 48.6% YoY and especially, the number of inbound overnight guests decreased by 84.4%. Therefore, the situation continues to be severe

Changes in Number of Overnight Guests in Japan

(Guest nights in millions)

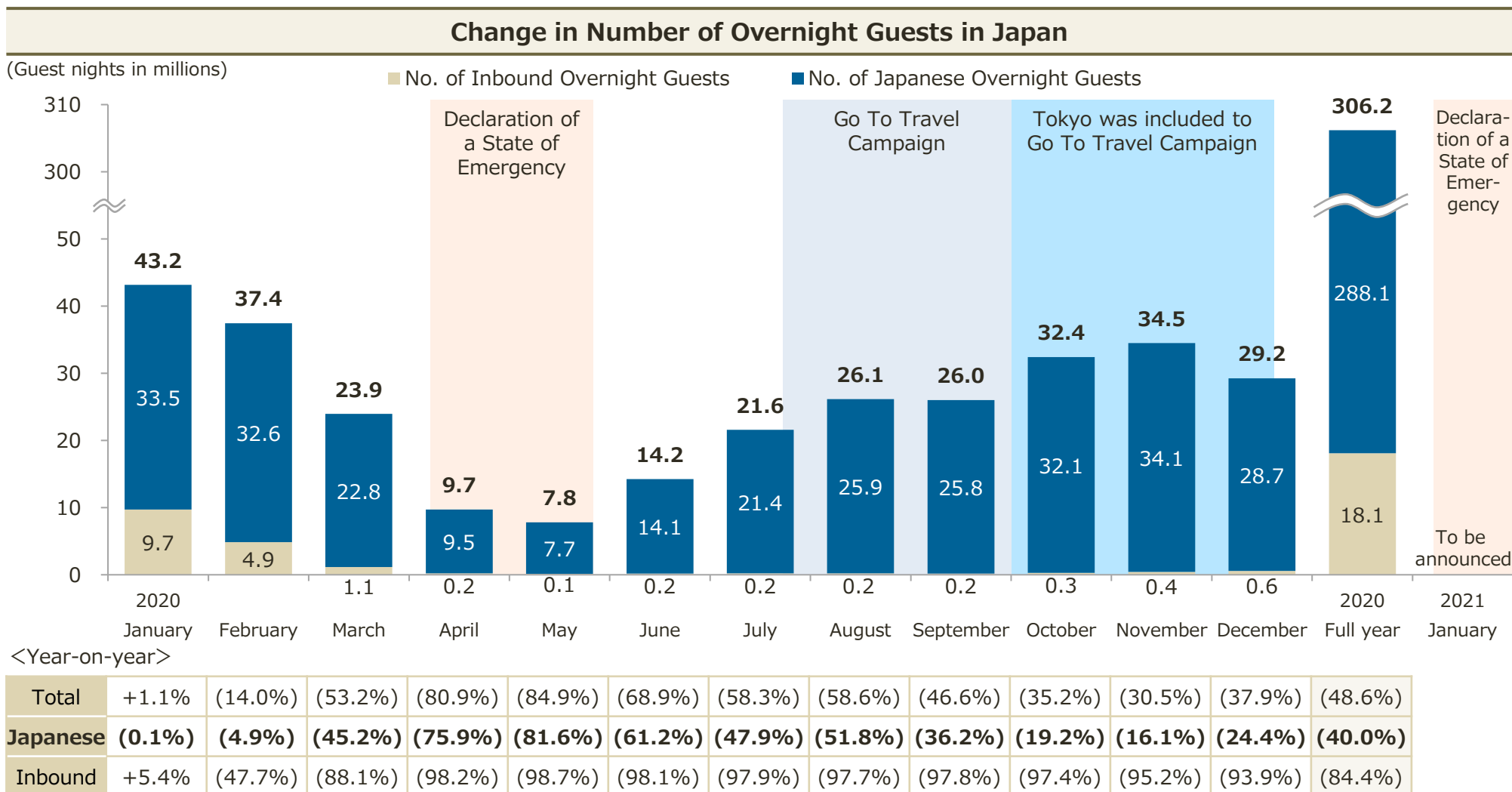


Source: Statistics of Overnight Travel by Japan Tourism Agency
 (*) Rounded off to the nearest millions of people.

Numbers for Jan.-Nov. 2020 are second preliminary figures, numbers for Dec. 2020 are first preliminary figures. The annual revised report, which reflects newly opened hotels in 2020, etc. is scheduled to be released on June 30, 2021.

1. Market Environment (cont.)

- ◆ Domestic accommodation demand is expected to recover if the number of new cases of COVID-19 is under control and sentiment toward travel improves



Source: Statistics of Overnight Travel by Japan Tourism Agency

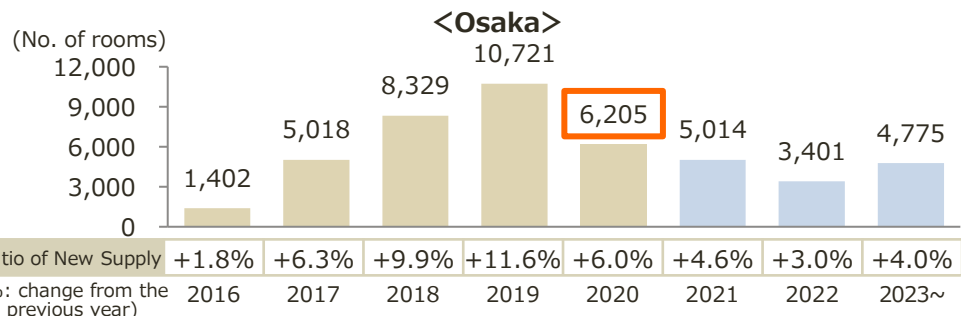
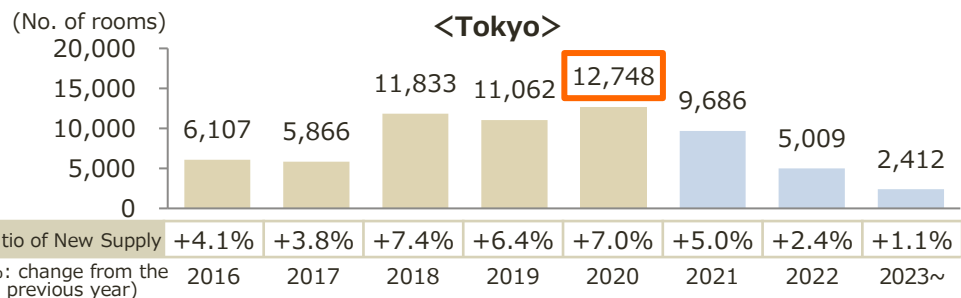
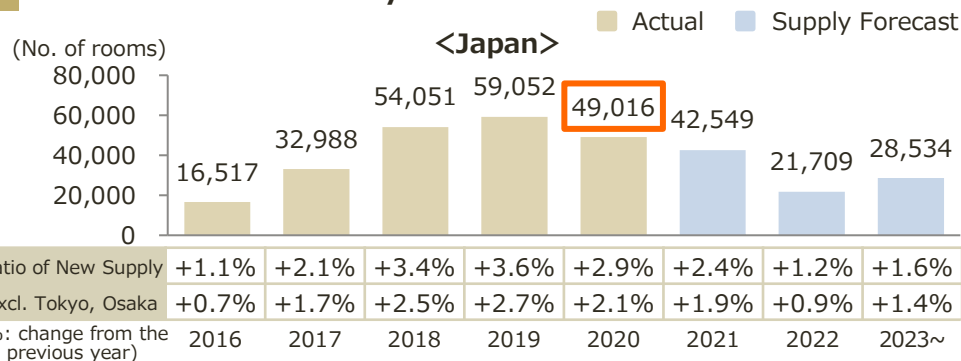
(*) Rounded off to the nearest millions of people. Numbers for Jan.– Nov. 2020 are the second preliminary figures and numbers for December 2020 are the first preliminary figure. The annual revised report, which reflects newly opened hotels in 2020, etc. is schedule to be released on June 30, 2021.

1. Market Environment (cont.)

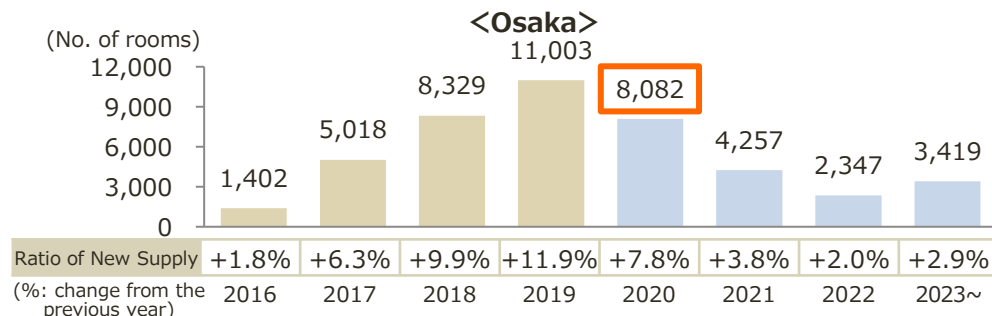
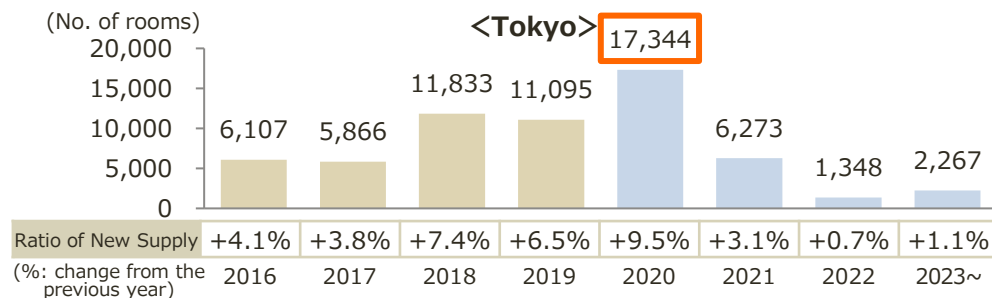
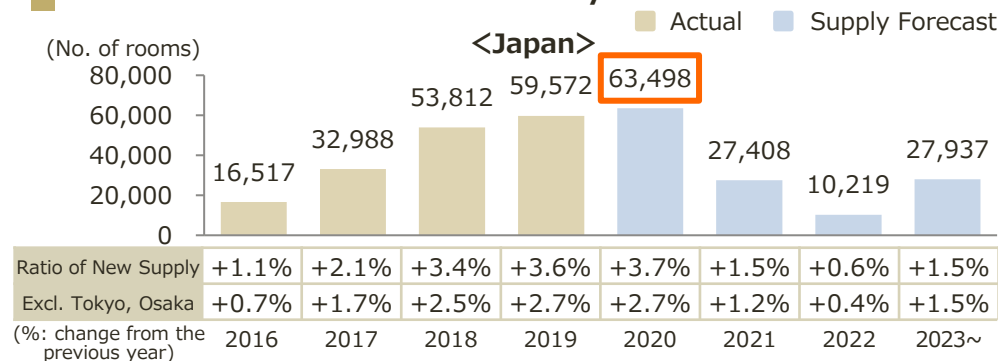
◆ New supply in 2020 decreased by more than 10,000 rooms compared to the forecast of a year ago due to COVID-19

Supply of Rooms in Hotels/Ryokans in Japan

As of the end of January 2021



Reference: as of the end of January 2020(*2)



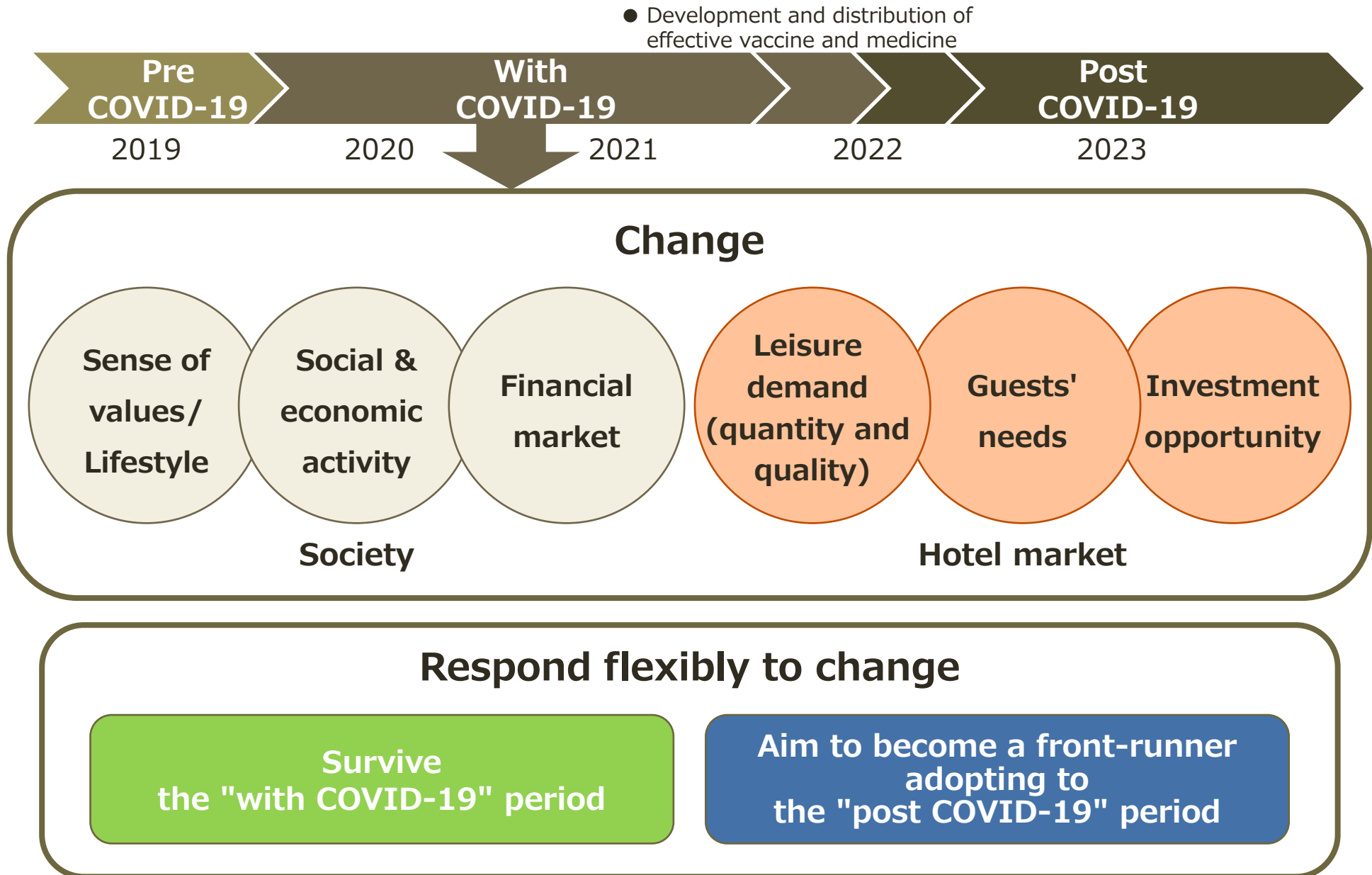
Source: Estimated by the Asset Management Company using data from "Public Health Administration Report" by Ministry of Health, Labour and Welfare (MHLW), a weekly hotel & restaurant magazine (HOTERES), and Nikkei Telecom.

(*1) Ratio of new supply is the ratio of new rooms to be supplied in a year to the stock of rooms at the beginning of the year. With regard to the above data, please note that in case the number of rooms are stated as "to be determined" by hotels, the asset management company has used 180, the average number of new supply of hotel rooms, for calculation.

(*2) The figures were announced in the Financial Results Briefing for the fiscal year ended December 2019.

VI. Takeaways

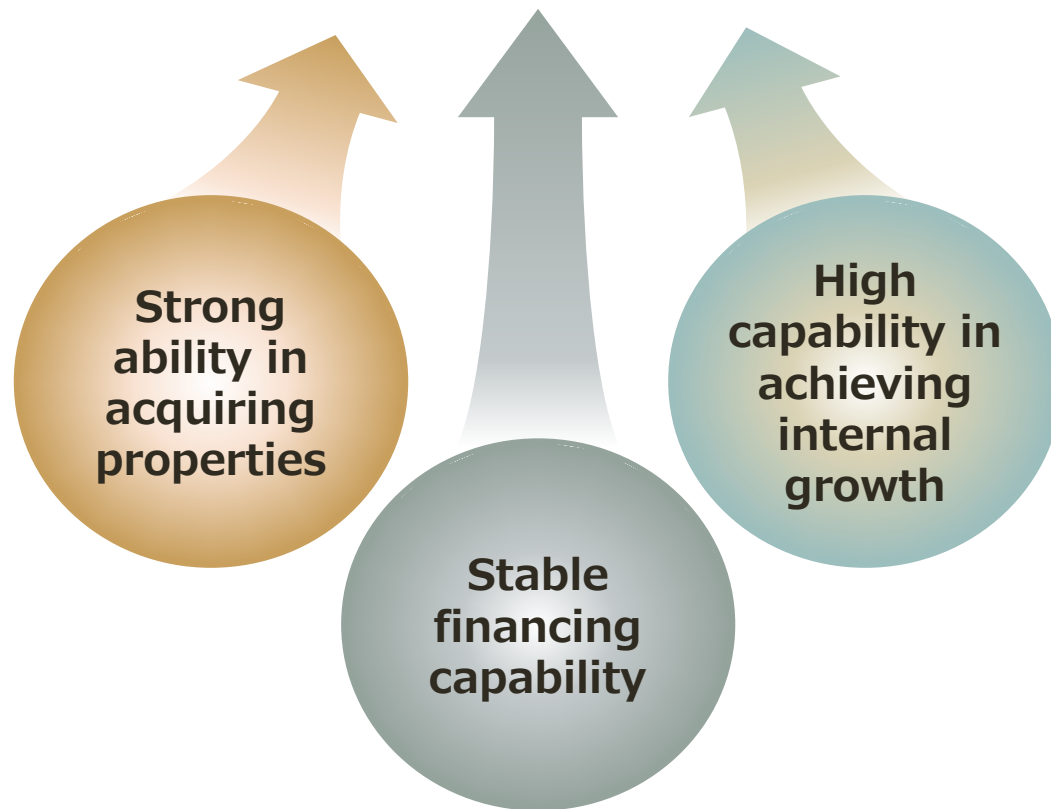
1. Takeaways



Appendix 1

JHR's Characteristics and Strategy

Aim to increase dividend for mid to long term



Strong ability in acquiring properties

- Highly recognized as Japan's largest J-REIT specializing in hotels
- High presence and credibility in the property market by continuously acquiring properties
- Capability to propose various acquisition schemes and to execute acquisitions

High capability in achieving internal growth

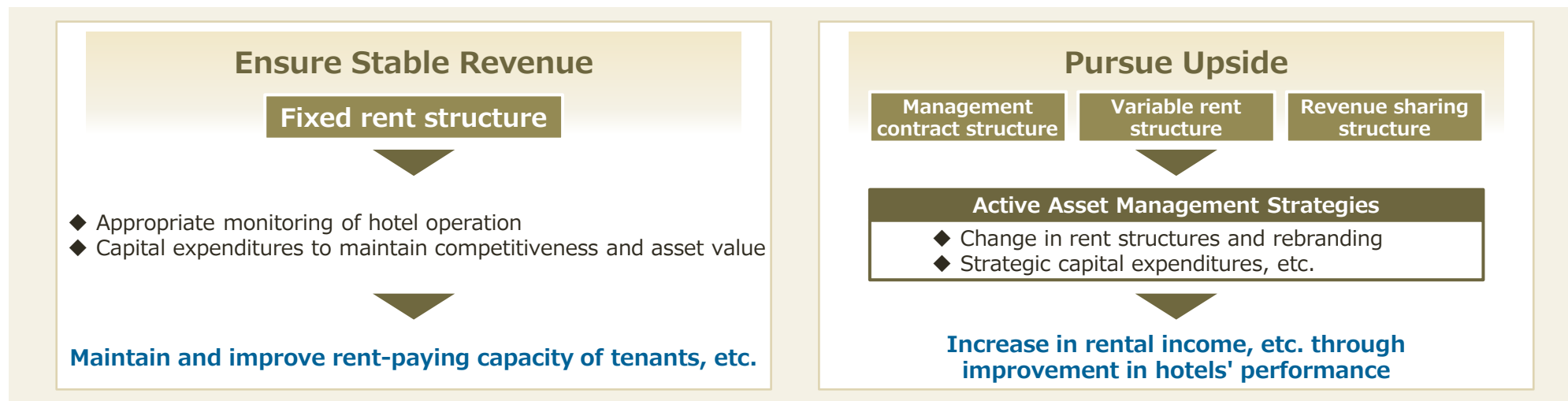
- Management approach through active asset management strategies that achieves a good balance between stability and upside potential
- Increase in hotel revenue through collaboration with high-quality operators
- Attract inbound demand through enhanced international brand portfolio
- Strengthen and maintain competitiveness by investing in appropriate capital expenditures

Stable financing capability

- Secure sound and stable finance
- Diversify financing methods

2. Simultaneous Pursuit of Stability and Upside Potential

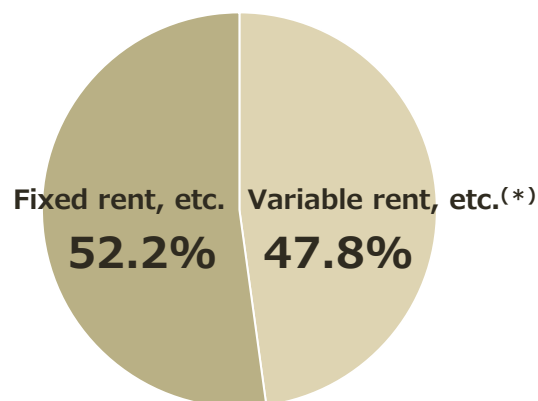
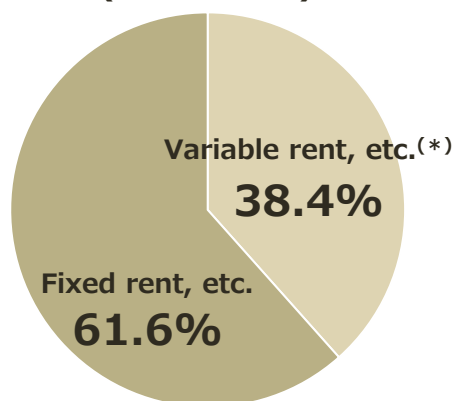
◆ JHR pursues both stability and upside potential by steadily implementing growth strategies



Proportion of Rental Income

2019 Results
(annualized)

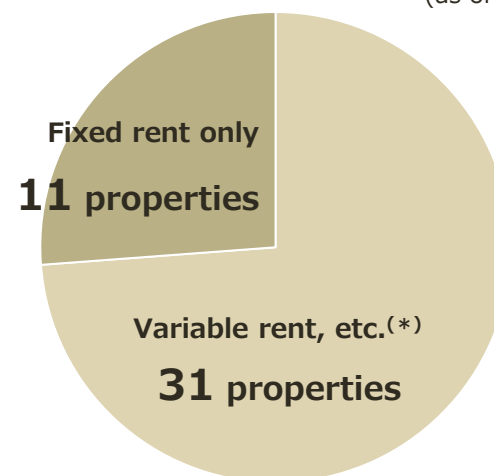
2021 Forecast



(*) Variable rent, Rent from revenue sharing and Income from management contracts

Proportion of Rent Structures

(as of February 25, 2021)



(*) Fixed rent + variable rent structure
Fixed rent + revenue sharing structure
Variable rent structure and management contract structure

Recognition of External Environment

Trend of the Hotel Investment Market

- Due to the impact of COVID-19, self-restraint of economic activity and economic downturn has been continuing and hotel revenues have been severely hit. Such situation has been causing events such as a request by tenant to reduce rent or cancel the contracts and credit uncertainty of hotel operators. The hotel market has been continuing to face challenging management environment.
- In the short term, both sellers and buyers are quiet due to the uncertainty about the market conditions, and hotel transactions are stagnant.
- For medium to long term, demand for domestic and overseas accommodations is expected to recover as a result of the development and commercialization of vaccines and treatments for COVID-19. As the market recovers, the hotel investment may be revitalized again. However, the competitiveness of hotels is becoming more evident in accordance with the hotel specifications, locations, and the abilities of hotel operators, and it is important to differentiate each hotel.

Basic Policies

- Acquire highly competitive hotel real estate, etc. in areas that have potential to attract "demand by both domestic and inbound leisure customers" in the medium to long-term
- Improve profitability, stability, and quality of the overall portfolio

Key Measures

- Emphasize the superiority of buildings and facilities (infrastructure), operations (services), and locations of hotel real estate, etc.
 - The prime investment targets are "full-service hotels" and "resort hotels" that have high barriers to entry due to operation and management know-how, capital outlay and locations
 - In the case of "limited-service hotels," the creditworthiness of the hotel lessee, the age of the building, location, guest room composition and profitability are important
 - For limited-service hotels specialized in selling single rooms, consider acquisition individually, taking into account the hotel specifications and the possibility of achieving the upside
 - Especially, proactively review the purchase of hotels that have potential for internal growth by implementing active asset management or the possibility of synergy effect with the existing properties
- Strategic investment areas
 - Hokkaido area, Tokyo and bay area, Osaka/Kyoto area, Fukuoka area, and Okinawa area
- Investigation and planning of the internal growth strategy upon property acquisition
 - Investigate the appropriate rent level and rent structure upon renewal, etc., cost reduction possibilities, and possibilities to improve buildings and facilities
 - Particularly, if the hotel pays variable rent, etc., promote internal growth through collaboration with lessees and/or operators
- Use HMJ's efficient hotel operation platform, etc. to respond to new investment opportunities (such as sales of hotels without operators, etc.) caused by the impact of COVID-19

Recognition of External Environment

Hotel Market Environment

- Due to the spread of COVID-19, both inbound and domestic demand have been declined significantly, and the Japanese tourism and hotel industries are expected to remain stagnant for the time being. On the other hand, inbound and domestic demand are also expected to gradually recover due to the development and distribution of vaccines and measures by the national and local governments to stimulate demand.
- Although there are supply-demand imbalances depending on the market due to the continued supply of new hotels against the backdrop of robust hotel demand in recent years, there are no changes to the medium to long term trend of expansion in the tourism market accompanying economic growth in the Asia region.
- As hotel operators are temporarily exposed to significant deterioration in the market environment, they must adopt a defensive strategy to maintain sound management and respond flexibly to changes.

Basic Policies

- Pursue both stability and upside potential by steadily implementing active asset management strategies



Key Measures

- Planning and execution of the active asset management in order to realize pursuit in upside revenue
 - Make strategic CAPEX which will improve profitability and strengthen competitiveness mainly at hotels with high growth potential
 - Raise rent and change to rent structures that can achieve upside revenue
 - Reduction of management contract fee of properties under management contract
 - Increase hotel revenue through collaboration with high-quality operators
 - Attract inbound demand through rebranding to international brands
 - Make proactive proposals to build effective hotel operating structures which aim to maximize GOP, from the perspective of both hotel sales and expenses
 - Stimulate and capture domestic demand by creating products utilizing the characteristics of each hotel in line with the current market environment
- Planning and execution of strategic CAPEX which secure steady revenue, and monitoring of lessees
 - Analyze the creditworthiness of hotel lessees, understand hotel income and expenditures, closely observe and improve rent-paying capacity
 - Maintain and improve rent-paying capacity of tenants, etc. through capital expenditures, which lead to maintain and improve competitiveness and asset value

Recognition of External Environment

Trend of Financing Environment and Interest Rates

- Although the number of public offering of J-REITs in 2020 fell from the previous year's level, the amount of funds procured by J-REITs increased due to a series of large-scale offerings. The TSE REIT Index fell sharply in the middle of March 2020 and subsequently recovered, but underperformed in comparison with TOPIX for the full year.
- Although there has been no change in supportive attitude by financial institutions. However, some sectors, such as hotels, have seen a cautious stance toward long-term loan and upward pressure on interest rates due to the spread of infection by COVID-19.
- Both short-term and long-term interest rates remain at low levels due to the monetary easing policy.
- As for investment corporation bonds, the amount of issuance of investment corporation bonds increased from the previous year. The Green, Social and Sustainability Bonds accounted for more than 60% of the amount issued.

Basic Policies

- Ensure healthy and stable finance
- Strengthen lender formation and relationships with financial institutions
- Diversify financing methods



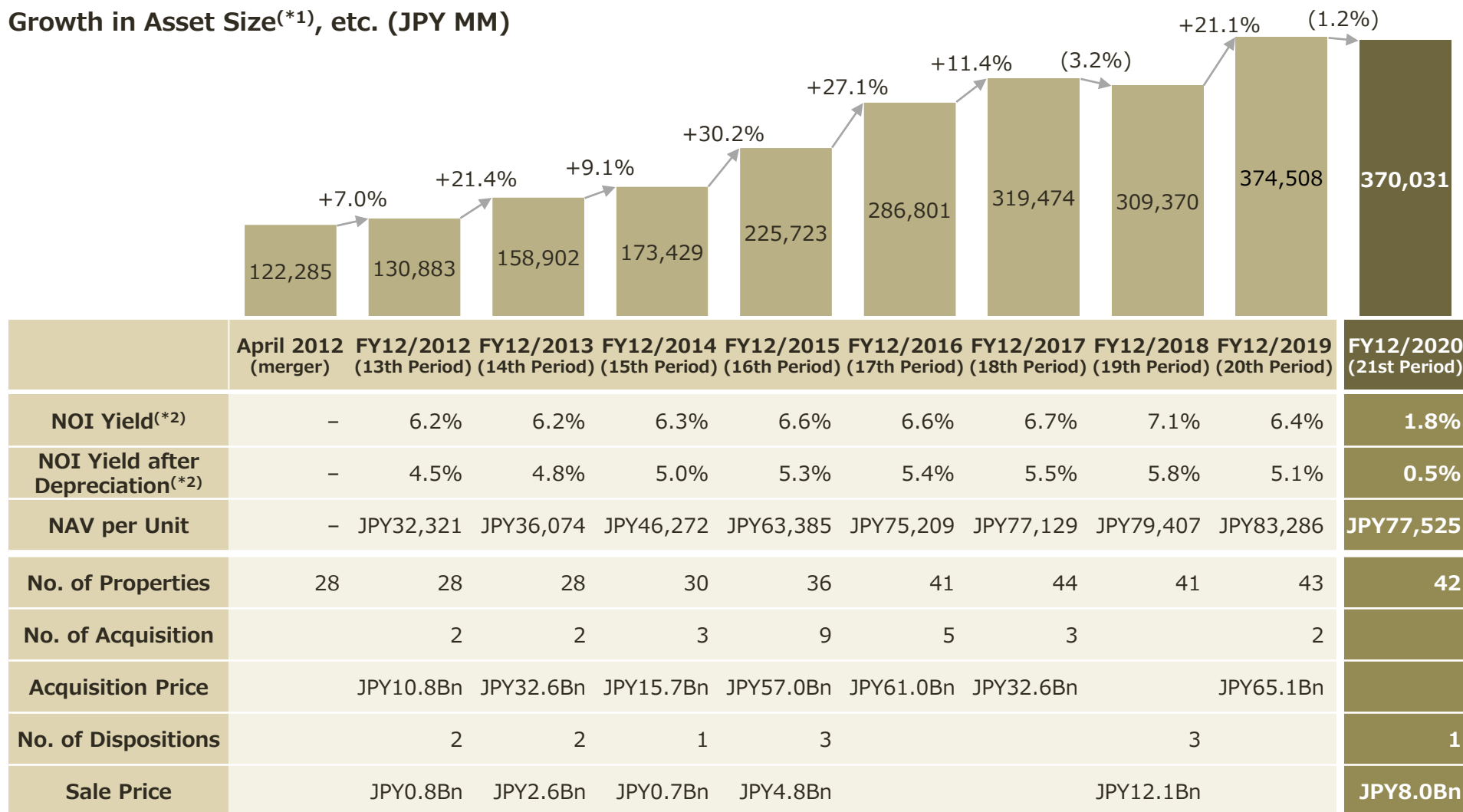
Key Measures

- Secure the internal reserve and further strengthen the financial base by controlling capital expenditures, etc.
- Maintain LTV level at a maximum of 50% (total asset base) for the time being
- Diversify financing methods such as public offerings and issuance of investment corporation bonds
- Improve financial stability by diversifying repayment periods and fixing interest rates, etc. as necessary
- Optimize borrowing costs

6. Change in Asset Size

◆ Improvement of the quality of JHR's portfolio and successive external growth through strategic asset replacement

Growth in Asset Size^(*1), etc. (JPY MM)



(*1) Asset size is based on the aggregate acquisition price of the properties at the end of each fiscal period. The same shall apply hereinafter.

(*2) NOI yield for FY12/2012 is hypothetically annualized based on actual NOI after merger.

7. Benefits Program for Unitholders

JHR implemented benefits program for unitholders to obtain a better understanding, improve their satisfaction and expand the investor base

◆ Eligible recipients of complimentary coupons

Complimentary coupons will be sent to those who hold ten or more JHR units at the end of June every year (end of the midterm settlement)
<FY2020>

Eligible unitholders: 16,369

Valid period: One year between October 1, 2020 to September 30, 2021

◆ Details of the benefits program

Five complimentary coupons for accommodations and five complimentary coupons for restaurants(*)
10% discount from the best rate for accommodation by each hotel and 10% discount for restaurants

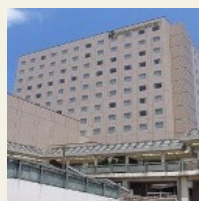
(*) Complimentary coupons for restaurants are only available at selected hotels.

Hotels that offer the Benefits Program

The HMJ Group Hotels



Kobe Meriken Park
Oriental Hotel



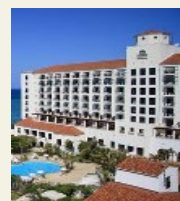
Oriental Hotel
Tokyo Bay



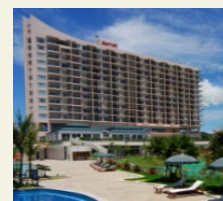
Namba
Oriental Hotel



Oriental Hotel
Hiroshima



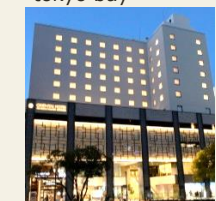
Hotel Nikko Alivila



Okinawa Marriott
Resort & Spa



ACTIVE-INTER CITY
HIROSHIMA (Sheraton
Grand Hiroshima Hotel)



Oriental Hotel Fukuoka
Hakata Station



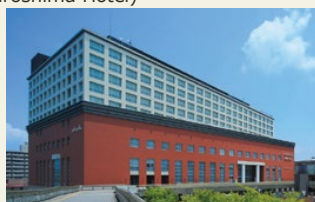
Holiday Inn
Osaka Namba



Hilton Tokyo
Narita Airport



International Garden Hotel Narita



Hotel Nikko Nara

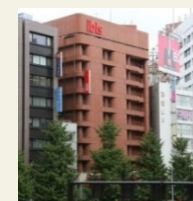


Hilton Tokyo Odaiba



Hotel Oriental Express Osaka Shinsaibashi

The Accor Group Hotels



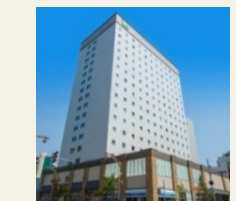
ibis Tokyo Shinjuku



ibis Styles Kyoto Station



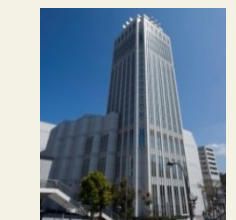
Mercure Sapporo



ibis Styles Sapporo



Mercure Okinawa Naha



Mercure Yokosuka

Appendix 2

Information on Properties

1. Portfolio

- ◆ Portfolio consisting of competitive hotels in areas with strong leisure lodging demand
- ◆ Selectively invest in locations with high growth potential of leisure demand such as Strategic Investment Areas

Portfolio Summary

Total Assets

JPY**370.0**Bn

No. of Hotels

42 Hotels

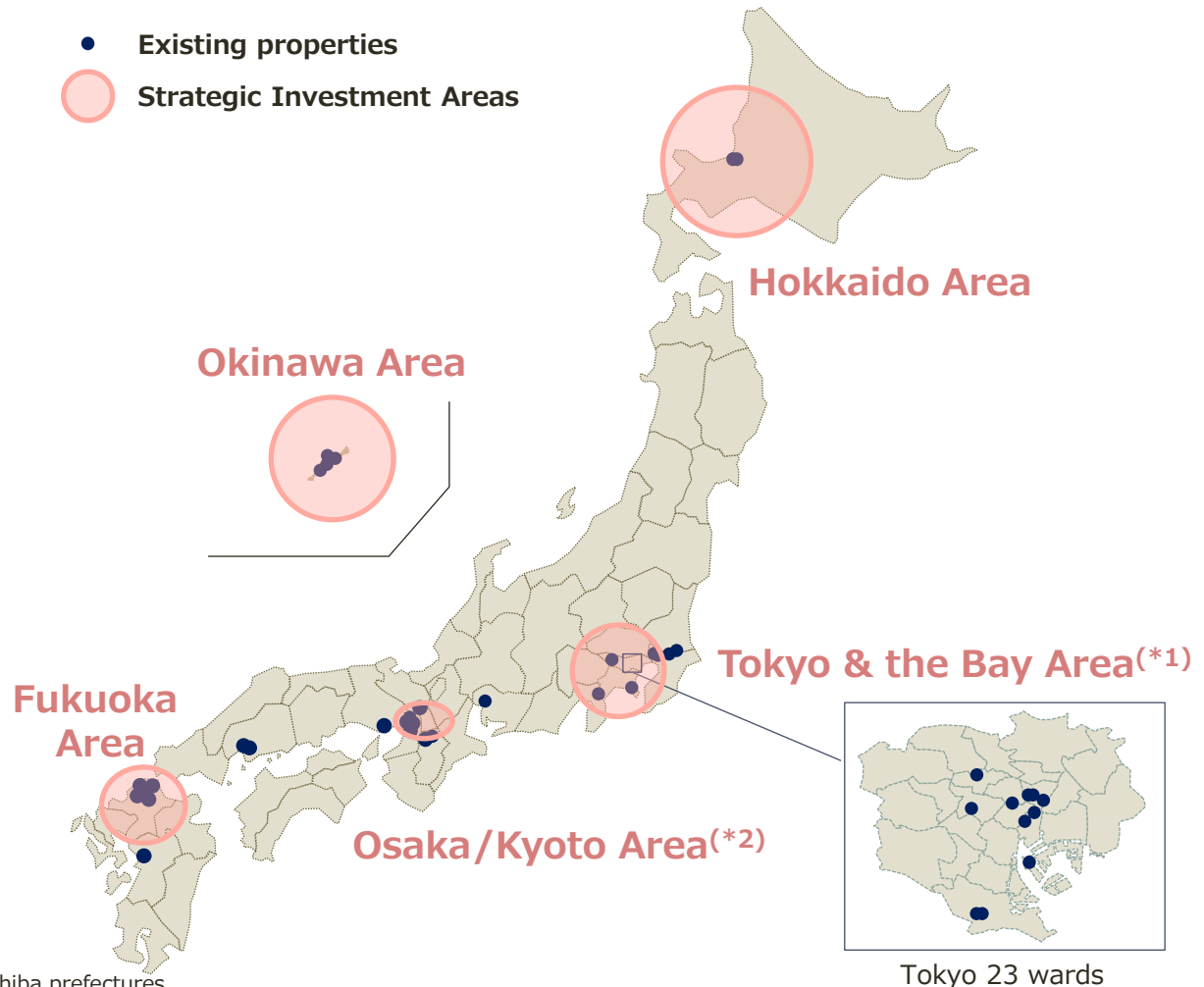
(**33** in Strategic Investment Areas)

No. of Guest Rooms

11,485 Rooms

Strategic Investment Areas and Locations of Properties

- Existing properties
- Strategic Investment Areas



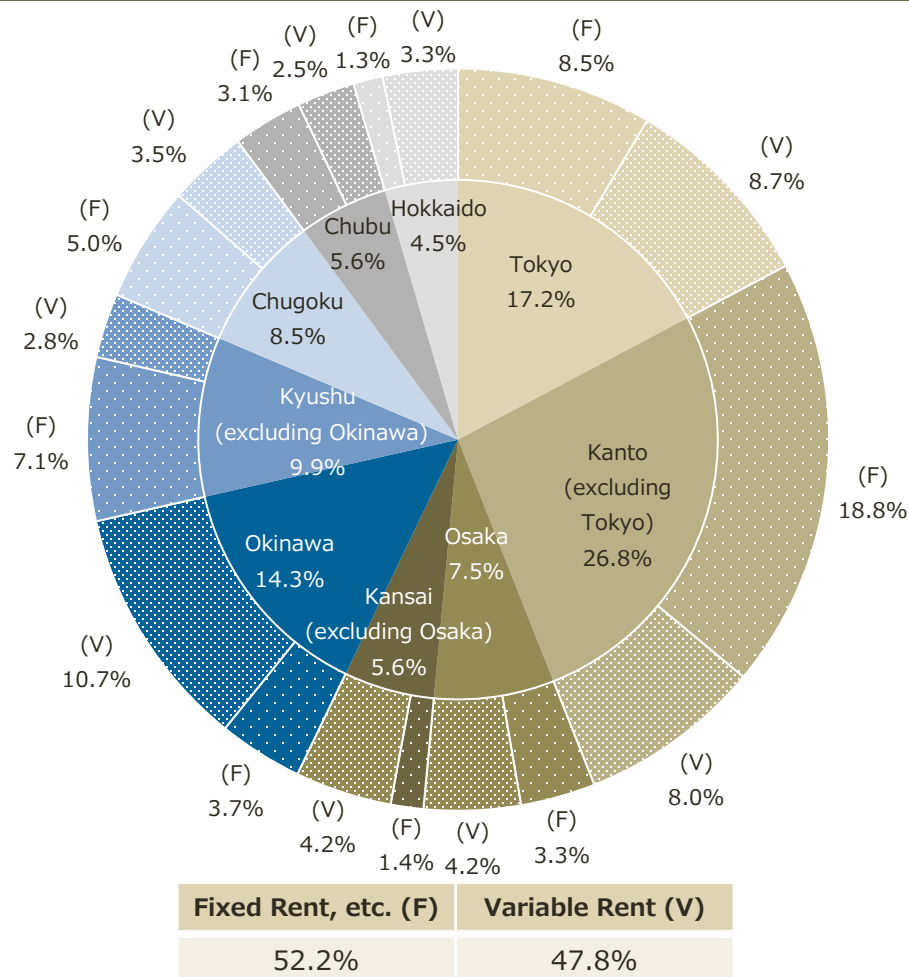
(*1) Bay Area includes the coastal area of Tokyo Bay in Kanagawa and Chiba prefectures.

(*2) Osaka/Kyoto Area refers to Osaka and Kyoto prefectures.

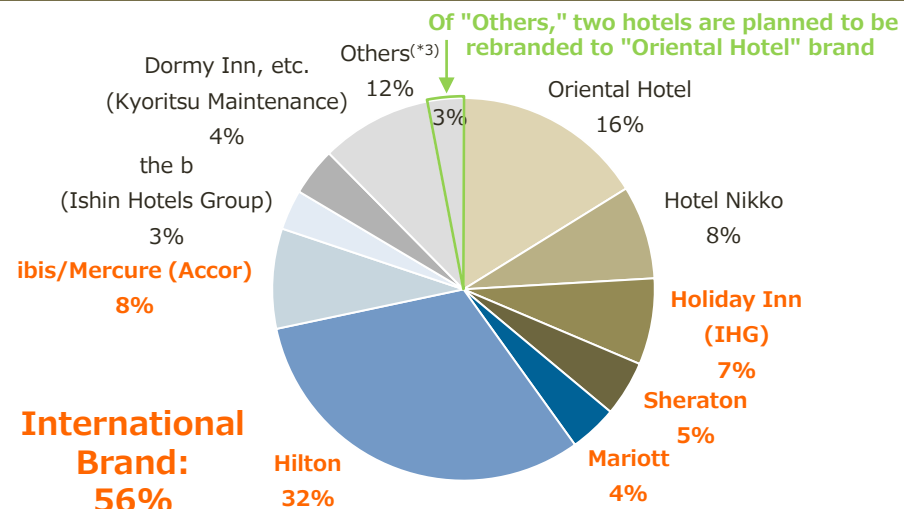
2. Portfolio Diversification

- ◆ Widely diversified and high-quality portfolio
- ◆ Appeal to inbound visitors by international brands

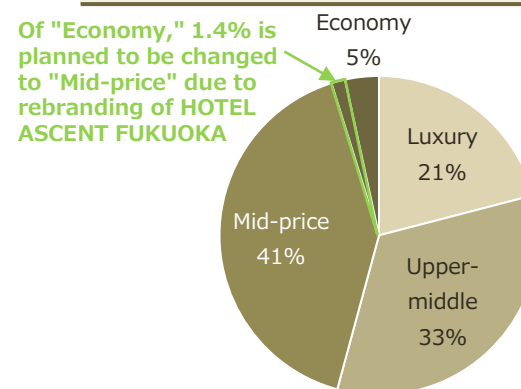
By Area and Rent^(*1)



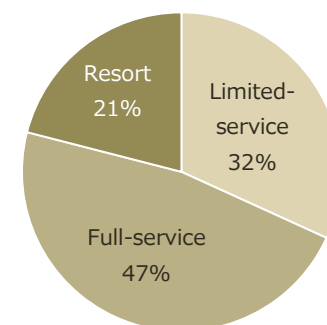
By Hotel Brand^(*2)



By Grade^(*2)



By Hotel Type^(*2)



(*1) Based on the rent in revenue forecast of FY12/2021.

(*2) Based on the acquisition price.

(*3) Of "Others," HOTEL ASCENT FUKUOKA and Hotel Keihan Universal City are planned to be rebranded to "Oriental Hotel" brand in June 2021 and July 2021, respectively.

3. Rent Structures

Stability

Upside

(FY12/2021 forecast)

Rent Structure ^(*)		Fixed rent	Fixed rent + Revenue sharing	Fixed rent + Variable rent	Variable rent	Management contract	Total
Type of Contract		Lease contract	Lease contract	Lease contract	Lease contract	Management contract	
Type of Rent	Fixed	○	○	○	–	–	–
	Variable	–	A certain percentage of sales exceeding the threshold	A certain percentage of hotel GOP	A certain percentage of hotel revenue or hotel GOP	Hotel GOP	–
Real Estate Operating Revenue ^(*) (%) (forecast for FY12/2021)		JPY2,344MM (16.9%)	JPY2,384MM (17.2%)	JPY7,142MM (51.4%)	JPY972MM (7.0%)	JPY1,047MM (7.5%)	JPY13,890MM (100.0%)
(breakdown)	Fixed Rent, etc. ^(*) (%)	JPY2,344MM (16.9%)	JPY2,384MM (17.2%)	JPY1,705MM (12.3%)	JPY463MM (3.3%)	JPY350MM (2.5%)	JPY7,247MM (52.2%)
	Variable Rent (%)	–	0 (0%)	JPY5,437MM (39.1%)	JPY509MM (3.7%)	JPY696MM (5.0%)	JPY6,642MM (47.8%)
Involvement in Hotel Operation		Low	Low	High	High	High	–
CAPEX Paid by JHR		1) Renewal of building and facilities	1) Renewal of building and facilities <3) Strategic investment>	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	–
No. of Properties		10	3	20	4	5	42
Acquisition Price (%)		JPY32,375MM (8.7%)	JPY31,904MM (8.6%)	JPY256,876MM (69.4%)	JPY19,235MM (5.2%)	JPY29,640MM (8.0%)	JPY370,031MM (100.0%)
Hotels		The Beach Tower Okinawa Hotel Francs CANDEO HOTELS UENO-KOEN and other hotels	Hilton Tokyo Bay Smile Hotel Nihombashi Mitsukoshimae Comfort Hotel Tokyo Higashi Nihombashi	The HMJ Group Hotels ^(*) The Ishin Group Hotels Hotel Keihan Universal City HOTEL ASCENT FUKUOKA	Hilton Nagoya Mercure Yokosuka Chisun Hotel Kamata Chisun Inn Kamata	ibis Tokyo Shinjuku ibis Styles Kyoto Station ibis Styles Sapporo Mercure Sapporo Mercure Okinawa Naha	–

(*)1 Rent structure is categorized according to the rent contract for hotels of each asset owned by JHR.

(*)2 Revenue from trademark rights is excluded from the real estate operating revenue in the table above.

(*)3 Fixed rent includes fixed rent and utility income based on rent contract of non-hotel portion (offices, signage, car parks, retail shops, etc.) of asset owned by JHR.

(*)4 The rent structure for The HMJ Group Hotels is only variable rent in 2021.

4. Property List (1/2)

(as of the end of December 2020)

No.	Property Name	Hotel Type (*1)	Grade (*2)	No. of Guest Rooms	Location	Age (*3)	Acquisition Price (JPY MM) (*4)	Book Value (JPY MM) (*5)	Appraisal Value				Investment Ratio (*6)	Revenue from Real Estate Operation (JPY1,000) (*7)	NOI (JPY1,000) (*7)	P/L from Real Estate Operation (JPY1,000) (*7)	NOI Yield (actual) (*8)
									21st Period (as of June 30, 2020)		21st Period (as of December 31, 2020)						
									Appraisal Value (JPY MM)	CAP Rate	Appraisal Value (JPY MM)	CAP Rate					
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	323	Hyogo	25.5	10,900	9,654	14,600	4.8%	13,900	4.8%	2.9%	176,149	(75,480)	(372,925)	(0.7%)
2	Oriental Hotel tokyo bay	Full-service	Mid-price	511	Chiba	25.7	19,900	17,367	32,100	4.4%	32,100	4.4%	5.4%	(134,058)	(253,226)	(621,781)	(1.3%)
3	Namba Oriental Hotel	Limited-service	Mid-price	258	Osaka	24.8	15,000	14,513	31,400	4.1%	31,400	4.1%	4.1%	415,818	310,818	147,170	2.1%
4	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Hiroshima	27.3	4,100	4,112	4,370	4.9%	4,130	4.9%	1.1%	(96,585)	(141,251)	(230,949)	(3.4%)
5	Hotel Nikko Alivila	Resort	Luxury	397	Okinawa	26.8	18,900	18,019	28,900	4.8%	28,800	4.8%	5.1%	263,662	114,808	(182,738)	0.6%
6	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	16.8	7,610	6,495	10,100	4.4%	10,000	4.4%	2.1%	511,008	467,758	333,365	6.1%
7	Hakone Setsugetsuka	Resort	Mid-price	158	Kanagawa	14.3	4,070	3,622	5,310	4.9%	5,300	4.9%	1.1%	294,940	270,927	176,232	6.7%
8	Dormy Inn Kumamoto	Limited-service	Mid-price	291	Kumamoto	12.9	2,334	2,170	2,990	5.7%	3,030	5.6%	0.6%	194,460	171,991	126,234	7.4%
9	the b suidobashi	Limited-service	Mid-price	99	Tokyo	34.4	1,120	1,186	2,420	4.1%	2,280	4.1%	0.3%	21,249	10,443	(17,711)	0.9%
10	dormy inn-global cabin Asakusa	Limited-service	Economy	75	Tokyo	23.8	999	934	1,280	4.0%	1,280	4.0%	0.3%	63,995	55,087	41,283	5.5%
11	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Fukuoka	25.8	2,130	2,038	4,510	4.4%	4,510	4.4%	0.6%	240,000	224,000	199,000	10.5%
12	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Nara	20.8	2,050	1,765	2,430	5.0%	2,430	5.0%	0.6%	150,000	134,000	98,000	6.5%
13	R&B Hotel Ueno-hirokoji	Limited-service	Economy	187	Tokyo	18.7	1,720	1,806	1,910	4.0%	1,910	4.0%	0.5%	97,300	82,881	66,292	4.8%
14	Comfort Hotel Tokyo Higashi Nihombashi	Limited-service	Economy	259	Tokyo	12.9	3,746	3,491	5,390	4.4%	5,390	4.4%	1.0%	272,674	242,314	205,537	6.5%
15	Smile Hotel Nihombashi Mitsukoshimae	Limited-service	Economy	164	Tokyo	23.8	2,108	2,042	2,930	4.1%	2,930	4.1%	0.6%	147,047	130,833	109,802	6.2%
16	Toyoko Inn Hakata-guchi Ekimae	Limited-service	Economy	257	Fukuoka	19.3	1,652	1,401	2,750	4.5%	2,750	4.5%	0.4%	141,039	126,347	108,128	7.6%
17	Hotel Keihan Universal City	Resort	Mid-price	330	Osaka	19.5	6,000	5,833	13,400	4.9%	15,400	5.0%	1.6%	558,039	481,584	392,871	8.0%
18	Chisun Inn Kamata	Limited-service	Economy	70	Tokyo	17.7	823	771	1,370	4.6%	1,370	4.6%	0.2%	22,167	15,131	5,399	1.8%
19	Chisun Hotel Kamata (*9)	Limited-service	Economy	105	Tokyo	28.9	1,512	1,458	1,930	4.6%	2,010	4.8%	0.4%	97,501	82,544	56,407	5.5%
20	Hilton Tokyo Bay	Resort	Luxury	828	Chiba	32.5	26,050	26,301	40,000	4.3%	39,900	4.3%	7.0%	1,978,209	1,694,658	1,509,889	6.5%
21	ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	40.3	7,243	7,903	9,900	4.1%	9,900	4.1%	2.0%	141,133	11,211	(102,802)	0.2%
22	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kyoto	11.8	6,600	6,641	10,200	4.3%	10,200	4.3%	1.8%	45,934	(1,980)	(40,372)	0.0%
23	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	10.4	6,797	6,522	11,100	4.7%	11,100	4.7%	1.8%	92,940	14,694	(68,172)	0.2%

4. Property List (2/2)

(as of the end of December 2020)

(as of the end of December 2020)																	
No.	Property Name	Hotel Type (*1)	Grade (*2)	No. of Guest Rooms	Location	Age (*3)	Acquisition Price (JPY MM) (*4)	Book Value (JPY MM) (*5)	Appraisal Value				Investment Ratio (*6)	Revenue from Real Estate Operation (JPY1,000) (*7)	NOI (JPY1,000) (*7)	P/L from Real Estate Operation (JPY1,000) (*7)	NOI Yield (actual) (*8)
									21st Period (as of June 30, 2020)		21st Period (as of December 31, 2020)						
									Appraisal Value (JPY MM)	CAP Rate	Appraisal Value (JPY MM)	CAP Rate					
24	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	11.7	6,000	5,789	10,600	4.7%	10,500	4.7%	1.6%	154,080	14,691	(80,122)	0.2%
25	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	11.4	3,000	2,841	6,950	4.7%	6,940	4.7%	0.8%	0	(47,747)	(113,015)	(1.6%)
26	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	38.5	6,520	6,593	7,280	4.2%	6,980	4.2%	1.8%	187,555	159,712	127,477	2.4%
27	the b hachioji	Limited-service	Mid-price	196	Tokyo	34.4	2,610	2,681	2,770	5.1%	2,560	5.1%	0.7%	204,505	175,614	142,101	6.7%
28	the b hakata	Limited-service	Mid-price	175	Fukuoka	23.3	2,300	2,347	4,550	4.3%	4,330	4.3%	0.6%	33,079	19,660	(2,580)	0.9%
29	Hotel Francs	Full-service	Mid-price	222	Chiba	29.4	3,105	3,145	4,120	4.6%	4,080	4.6%	0.8%	300,000	237,804	192,619	7.7%
30	Mercure Yokosuka	Full-service	Mid-price	160	Kanagawa	27.2	1,650	1,634	3,450	4.6%	3,310	4.6%	0.4%	112,624	10,456	(24,779)	0.6%
31	Okinawa Marriott Resort & Spa	Resort	Upper-middle	361	Okinawa	15.9	14,950	14,878	17,500	4.9%	17,200	4.9%	4.0%	45,833	(38,612)	(329,030)	(0.3%)
32	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Full-service	Luxury	238	Hiroshima	10.3	17,320	17,294	21,200	4.6%	21,000	4.6%	4.7%	895,756	511,061	290,487	3.0%
33	CANDEO HOTELS UENO-KOEN	Limited-service	Mid-price	268	Tokyo	11.0	6,705	6,613	7,610	4.0%	7,430	4.0%	1.8%	349,971	323,336	283,025	4.8%
34	Oriental Hotel Fukuoka Hakata Station	Full-service	Upper-middle	221	Fukuoka	35.5	7,197	9,473	15,200	4.6%	15,200	4.6%	1.9%	373,331	124,751	(284,573)	1.7%
35	Holiday Inn Osaka Namba	Limited-service	Mid-price	314	Osaka	12.4	27,000	26,941	26,500	4.3%	26,500	4.3%	7.3%	48,000	(1,019)	(192,538)	0.0%
36	HOTEL ASCENT FUKUOKA (*10)	Limited-service	Economy	263	Fukuoka	21.7	5,248	5,451	6,530	4.8%	6,650	4.8%	1.4%	468,119	351,497	315,876	6.7%
37	Hilton Nagoya	Full-service	Luxury	460	Aichi	31.9	15,250	15,696	15,000	4.2%	15,000	4.2%	4.1%	816,688	201,653	33,609	1.3%
38	Hilton Tokyo Narita Airport	Full-service	Upper-middle	548	Chiba	27.4	13,175	13,343	13,500	4.6%	13,400	4.6%	3.6%	123,748	35,932	(185,608)	0.3%
39	International Garden Hotel Narita	Full-service	Mid-price	463	Chiba	24.6	9,125	9,196	9,500	4.8%	9,500	4.8%	2.5%	136,052	91,442	(56,863)	1.0%
40	Hotel Nikko Nara	Full-service	Upper-middle	330	Nara	22.8	10,373	10,357	9,840	4.8%	9,790	4.8%	2.8%	35,000	(13,029)	(159,944)	(0.1%)
41	Hotel Oriental Express Osaka Shinsaibashi	Limited-service	Mid-price	124	Osaka	2.9	2,738	2,816	2,900	4.6%	2,840	4.7%	0.7%	9,200	(2,050)	(14,942)	(0.1%)
42	Hilton Tokyo Odaiba	Full-service	Upper-middle	453	Tokyo	25.0	62,400	63,607	68,400	3.7%	68,100	3.7%	16.9%	258,300	6,320	(267,118)	0.0%
Total or Average (42 properties)		—	—	11,485	—	22.9	370,031	366,760	494,690	4.5%	493,330	4.6%	100.0%	10,247,822	6,332,403	1,613,071	1.8%

(*1) Under the category of Hotel Type, "Full-service" is full-service hotel, "Resort" is resort hotel, and "Limited-service" is limited-service hotel.

(*2) Mainly based on ADR, etc., JHR has classified the hotels into four categories as "luxury," "upper-middle," "mid-price," and "economy."

(*3) Average age: Weighted average calculated as follows. The sum of (acquisition price of each property x property age)/total acquisition price.

(*4) The acquisition price in the Purchase & Sale Agreement for the Beneficial Interest in Trust, etc. is indicated. (Consumption tax, amount equivalent to consumption tax, brokerage fee, and other purchase-related costs are excluded.)

(*5) Book value as of the end of December 2020.

(*6) Investment ratio indicate percentage of the acquisition price of each asset to the total acquisition price. Numbers beyond one decimal place is rounded off.

(*7) Actual for one year from January to December 2020. Since the lessees did not agree to disclose numbers in units of JPY1,000 for No. 11 and 12, amounts are rounded down to the nearest JPY million.

(*8) NOI yield for the portfolio is calculated as follows: Total NOI for FY12/2020 (actual) (6,547,992 thousand yen)/total acquisition price of properties held as of the end of FY12/2020.

(*9) The name has changed from Hotel Vista Kamata Tokyo on January 1, 2021.

(*10) The acquisition price of HOTEL ASCENT FUKUOKA was changed due to the exchange transaction of part of site on October 29, 2020.

(*11) Sotetsu Fresa Inn Shimbashi-Karsumoriguchi was sold on July 1, 2020.

5. Summary of Lease Contracts (1/3)

(as of the end of December 2020)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/Hotel Consulting and Management Company	Lease/MC Term	Expiration Date of Contract	Contractual Rent (*2)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2021 to 2022)	
										Timing	Condition	2021	2022
1	Kobe Meriken Park Oriental Hotel	Fixed-lease	Fixed + Variable	Hotel Management Japan Co., Ltd.		15	Dec. 2034	[2021] Hotel AGOP x 86% (If the amount is below JPY0, it will be JPY0) [2022] The Five HMJ Hotels amount (JPY3,221MM/year) + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid	In principle, the same rent will be applied until expiration of the contract.	Aug. 2020	Modified Structure (variable rent only from February 2020 to December 2021) (variable rent ratio will be changed in 2022 onwards)	-	-
2	Oriental Hotel tokyo bay							[2021] Hotel AGOP x 79% (If the amount is below JPY0, it will be JPY0) [2022] The Five HMJ Hotels amount (JPY3,221MM/year) + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid					
3	Namba Oriental Hotel							[2021] Hotel AGOP x 91% (If the amount is below JPY0, it will be JPY0) [2022] The Five HMJ Hotels amount (JPY3,221MM/year) + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid					
4	Oriental Hotel Hiroshima							[2021] Hotel AGOP x 89% (If the amount is below JPY0, it will be JPY0) [2022] The Five HMJ Hotels amount (JPY3,221MM/year) + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid					
5	Hotel Nikko Alivila				Okura Nikko Hotel Management Co., Ltd.			[2021] Hotel AGOP x 74% (If the amount is below JPY0, it will be JPY0) [2022] The Five HMJ Hotels amount (JPY3,221MM/year) + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid					
6	The Beach Tower Okinawa	Fixed-lease	Fixed	Kyoritsu Maintenance Co., Ltd.		20	Jun. 2026	JPY42MM/month	The same rent will be applied until expiration of the contract.	-	-	-	-
7	Hakone Setsugetsuka	Fixed-lease	Fixed			20	Oct. 2026	JPY24MM/month	The same rent will be applied until expiration of the contract.	-	-	-	-
8	Dormy Inn Kumamoto	Fixed-lease	Fixed			12	Mar. 2023	JPY16MM/month	Rent can be modified through mutual agreement every three years.	Apr. 2020	Same	-	-
9	dormy inn-global cabin Asakusa	Lease	Fixed			3	Mar. 2023	JPY5MM/month	Rent can be modified through mutual agreement every three years.	Apr. 2020	Same	-	-
10	Hakata Nakasu Washington Hotel Plaza	Lease	Fixed	Washington Hotel K.K.		3	Mar. 2021	JPY20MM/month	Rent can be modified through mutual agreement.	Apr. 2018	Same	To be expired (Mar.)	-
11	Nara Washington Hotel Plaza	Lease	Fixed			3	Mar. 2023	JPY11MM/month	Rent can be modified through mutual agreement.	Mar. 2020	Same	-	-
12	R&B Hotel Ueno-hirokoji	Lease	Fixed			20	Apr. 2022	JPY8MM/month	Rent can be modified through mutual agreement.	Apr. 2011	Increased (+3.0%)	-	To be expired (Apr.)
13	Comfort Hotel Tokyo Higashi Nihombashi	Fixed-lease	Fixed + Revenue sharing	Greens Co., Ltd.		20	Jan. 2028	JPY21MM/month + Revenue sharing	Rent can be modified through mutual agreement every five years.	Apr. 2018	Same (Introduced revenue sharing)	-	-
14	Smile Hotel Nihombashi Mitsukoshimae	Lease	Fixed + Revenue sharing	THE KAMOGAWA GRAND HOTEL, LTD.		3	Mar. 2023	JPY11MM/month + Revenue sharing	Rent can be modified through mutual agreement.	Mar. 2020	Same	-	-
15	Toyoko Inn Hakata-guchi Ekimae	Lease	Fixed	Toyoko Inn Co., Ltd.		30	Sep. 2031	JPY11MM/month	No rule has been stipulated.	Oct. 2007	Increased (+9.4%)	-	-

5. Summary of Lease Contracts (2/3)

(as of the end of December 2020)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/ Hotel Consulting and Management Company	Lease/ MC Term	Expiration Date of Contract	Contractual Rent (*2)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2021 to 2022)	
										Timing	Condition	2021	2022
16	Hotel Keihan Universal City	Lease	Fixed + Revenue sharing	K.K. Hotel Keihan		20	Jun. 2021	Nondisclosure ^{(*)3}	Nondisclosure ^{(*)3}	Jul. 2014	Modified Structure	Lessee changed and Modified Structure (from Jul.)	-
17	Chisun Inn Kamata	Fixed-lease	Variable	Solare Hotels & Resorts Co., Ltd.	SHR Hotels, Co., Ltd.	7	Dec. 2026	Hotel GOP x 86% (If the amount is below JPY0, it will be JPY0)	-	Jan. 2020	Same	-	-
18	Chisun Hotel Kamata (*4)	Fixed-lease	Variable			5	Dec. 2025	Hotel GOP x 86% (If the amount is below JPY0, it will be JPY0)	-	Jul. 2015	Modified Structure	Lessee changed and Modified Structure (from Jan.)	-
19	Hilton Tokyo Bay	Fixed-lease	Fixed + Revenue sharing	THE DAI-ICHI BUILDING CO., LTD.	Hilton International Company	4	Dec. 2022	JPY163MM/month + Revenue sharing	Rent can be modified through mutual agreement.	Jan. 2019	Renewed (Increased)	-	To be expired (Dec.)
20	ibis Tokyo Shinjuku	-	Management contract	-	AAPC Japan K.K.	12	Jun. 2024	Amount equivalent to hotel GOP	-	Jul. 2012	Modified Structure	-	-
21	ibis Styles Kyoto Station	-	Management contract			5	Dec. 2024	Amount equivalent to hotel GOP	-	-	-	-	-
22	ibis Styles Sapporo	-	Management contract			5	Dec. 2024	Amount equivalent to hotel GOP	-	-	-	-	-
23	Mercure Sapporo	-	Management contract			15	Sep. 2029	Amount equivalent to hotel GOP	-	-	-	-	-
24	Mercure Okinawa Naha	-	Management contract			10	Apr. 2024	Amount equivalent to hotel GOP	-	-	-	-	-
25	Mercure Yokosuka	Fixed-lease	Variable	AAPC Japan K.K.		5	Aug. 2024	Linked to hotel GOP	The same rent will be applied until expiration of the contract.	Aug. 2019	Renewed (Increased)	-	-
26	the b ikebukuro	Fixed-lease	Fixed + Variable	Ishin Ikebukuro Operations K.K.		9.5	Jul. 2024	[2021]JPY38MM/year + Linked to hotel AGOP [2022]JPY80MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	-
27	the b hachioji	Fixed-lease	Fixed + Variable	Ishin Hachioji Operations, Y.K.		9.5	Jul. 2024	[2021]JPY21MM/year + Linked to hotel AGOP [2022]JPY45MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	-
28	the b hakata	Fixed-lease	Fixed + Variable	Ishin Hakata Operations K.K.		9.5	Jul. 2024	[2021]JPY28MM/year + Linked to hotel AGOP [2022]JPY59MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	-
29	the b suidobashi	Fixed-lease	Fixed + Variable	Ishin Suidobashi Operations K.K.		5	Dec. 2026	[2021]JPY13MM/year + Linked to hotel AGOP [2022]JPY30MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	-
30	Hotel Francs	Fixed-lease	Fixed	K.K. Bridal Produce		19	Oct. 2024	JPY25MM/month	The same rent will be applied until expiration of the contract.	-	-	-	-
31	Okinawa Marriott Resort & Spa	Fixed-lease	Fixed + Variable	Lagoon resort Nago Co., Ltd.		10	Dec. 2030	[2021]Hotel AGOP x 89% (If the amount is below JPY0, it will be JPY0) [2022]JPY550MM/year + when Hotel AGOP exceeds JPY655MM, the excess x 95% is paid	In principle, the same rent will be applied until expiration of the contract.	Aug. 2020	Modified Structure (variable rent only from February 2020 to December 2021) (variable rent ratio will be changed in 2022 onwards)	-	-
32	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Fixed-lease	Fixed + Variable	K.K. A.I.C Hiroshima Management	Luxury Hotels International of Hong Kong Limited	11	Dec. 2026	[2021]Hotel AGOP x 93% (If the amount is below JPY0, it will be JPY0) [2022]JPY348MM/year + when Hotel AGOP exceeds JPY360MM, the excess x 90% is paid	In principle, the same rent will be applied until expiration of the contract.	Aug. 2020	Modified Structure (variable rent only from February 2020 to December 2021) (variable rent ratio will be changed in 2022 onwards)	-	-

5. Summary of Lease Contracts (3/3)

(as of the end of December 2020)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/Hotel Consulting and Management Company	Lease/MC Term	Expiration Date of Contract	Contractual Rent (*2)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2021 to 2022)	
										Timing	Condition	2021	2022
33	CANDEO HOTELS UENO-KOEN	Fixed-lease	Fixed	Candeo Hospitality Management, Inc.		20	Feb. 2030	Nondisclosure ^{(*)3}	Rent can be modified through mutual agreement every three years.	Jul. 2016	Nondisclosure ^{(*)3}	-	-
34	Oriental Hotel Fukuoka Hakata Station	Fixed-lease	Fixed + Variable	Hotel Centraza Co., Ltd.		15	Dec. 2034	[2021]Hotel AGOP x 97% (If the amount is below JPY0, it will be JPY0) [2022]JPY425MM/year + when Hotel AGOP exceeds JPY442MM, the excess x 98% is paid	In principle, the same rent will be applied until expiration of the contract.	Aug. 2020	Modified Structure (variable rent only from February 2020 to December 2021) (variable rent ratio will be changed in 2022 onwards)	-	-
35	Holiday Inn Osaka Namba	Fixed-lease	Fixed + Variable	OW Hotel Operations KK		15	Oct. 2031	[2021]Hotel AGOP x 98% (If the amount is below JPY0, it will be JPY0) [2022]JPY576MM/year + when Hotel AGOP exceeds JPY580MM, the excess x 97% is paid	In principle, the same rent will be applied until expiration of the contract.	Aug. 2020	Modified Structure (variable rent only from February 2020 to December 2021) (variable rent ratio will be changed in 2022 onwards)	-	-
36	HOTEL ASCENT FUKUOKA	Fixed-lease	Fixed	K.K.ASCENT.		7	Jun. 2021	[Fixed rent] ① May 1, 2019 to March 31, 2020: JPY20MM/month ② April 1, 2020 to March 31, 2026: JPY22MM/month	The same rent will be applied until expiration of the contract.	Apr. 2019	Renewed (Increased)	Lessee changed and Modified Structure (from Jun.)	-
37	Hilton Nagoya	Lease	Variable	Nagoya Hilton Co., Ltd.	Hilton International Company	41	Dec. 2029	Nondisclosure ^{(*)3}	Rent can be modified through mutual agreement.	-	-	-	-
38	Hilton Tokyo Narita Airport	Fixed-lease	Fixed + Variable	KK NaritaKosuge Operations		20	Jun. 2037	[2021]Hotel AGOP x 95% (If the amount is below JPY0, it will be JPY0) [2022]JPY444MM/year + when Hotel AGOP exceeds JPY450MM, the excess x 93% is paid	In principle, the same rent will be applied until expiration of the contract.	Aug. 2020	Modified Structure (variable rent only from February 2020 to December 2021) (variable rent ratio will be changed in 2022 onwards)	-	-
39	International Garden Hotel Narita	Fixed-lease	Fixed + Variable	KK NaritaYoshikura Operations		10	Jun. 2027	[2021]Hotel AGOP x 95% (If the amount is below JPY0, it will be JPY0) [2022]JPY336MM/year + when Hotel AGOP exceeds JPY360MM, the excess x 98% is paid	In principle, the same rent will be applied until expiration of the contract.	Aug. 2020	Modified Structure (variable rent only from February 2020 to December 2021) (variable rent ratio will be changed in 2022 onwards)	-	-
40	Hotel Nikko Nara	Fixed-lease	Fixed + Variable	Hotel Management Co., Ltd.	Okura Nikko Hotel Management Co., Ltd.	10	Dec. 2030	[2021]Hotel AGOP x 95% (If the amount is below JPY0, it will be JPY0) [2022]JPY440MM/year + when Hotel AGOP exceeds JPY440MM, the excess x 95% is paid	In principle, the same rent will be applied until expiration of the contract.	Aug. 2020	Modified Structure (variable rent only from February 2020 to December 2021) (variable rent ratio will be changed in 2022 onwards)	-	-
41	Hotel Oriental Express Osaka Shinsaibashi	Fixed-lease	Fixed + Variable	K.K. HOTEL ORIENTAL EXPRESS		10	Mar. 2028	[2021]Hotel AGOP x 87% (If the amount is below JPY0, it will be JPY0) [2022]JPY110.4MM/year + when Hotel AGOP exceeds JPY128MM, the excess x 91% is paid	In principle, the same rent will be applied until expiration of the contract.	Aug. 2020	Modified Structure (variable rent only from February 2020 to December 2021) (variable rent ratio will be changed in 2022 onwards)	-	-
42	Hilton Tokyo Odaiba	Fixed-lease	Fixed + Variable	Tokyo Humania Enterprise Inc.		11	Dec. 2029	[2021]Hotel AGOP x 97% (If the amount is below JPY0, it will be JPY0) [2022]JPY1,600MM/year + when Hotel AGOP exceeds JPY1,660MM, the excess x 98% is paid	In principle, the same rent will be applied until expiration of the contract.	Aug. 2020	Modified Structure (variable rent only from February 2020 to December 2021) (variable rent ratio will be changed in 2022 onwards)	-	-

(*1) Rent structure is as follows:

Fixed: Fixed rent

Variable: Variable rent

Management contract: Management contract

Fixed + Variable: Property paying both fixed and variable rent

Fixed + Revenue sharing: When the sales of the hotel exceed pre-determined amount, additional rent is paid

(*2) Amount including car park and CAM without tax

(*3) The detailed content of the contract is not disclosed as consent on disclosure has not been obtained from the lessee.

(*4) The name was changed from Hotel Vista Kamata Tokyo on January 1, 2021 and the conditions of the new contract are stated.

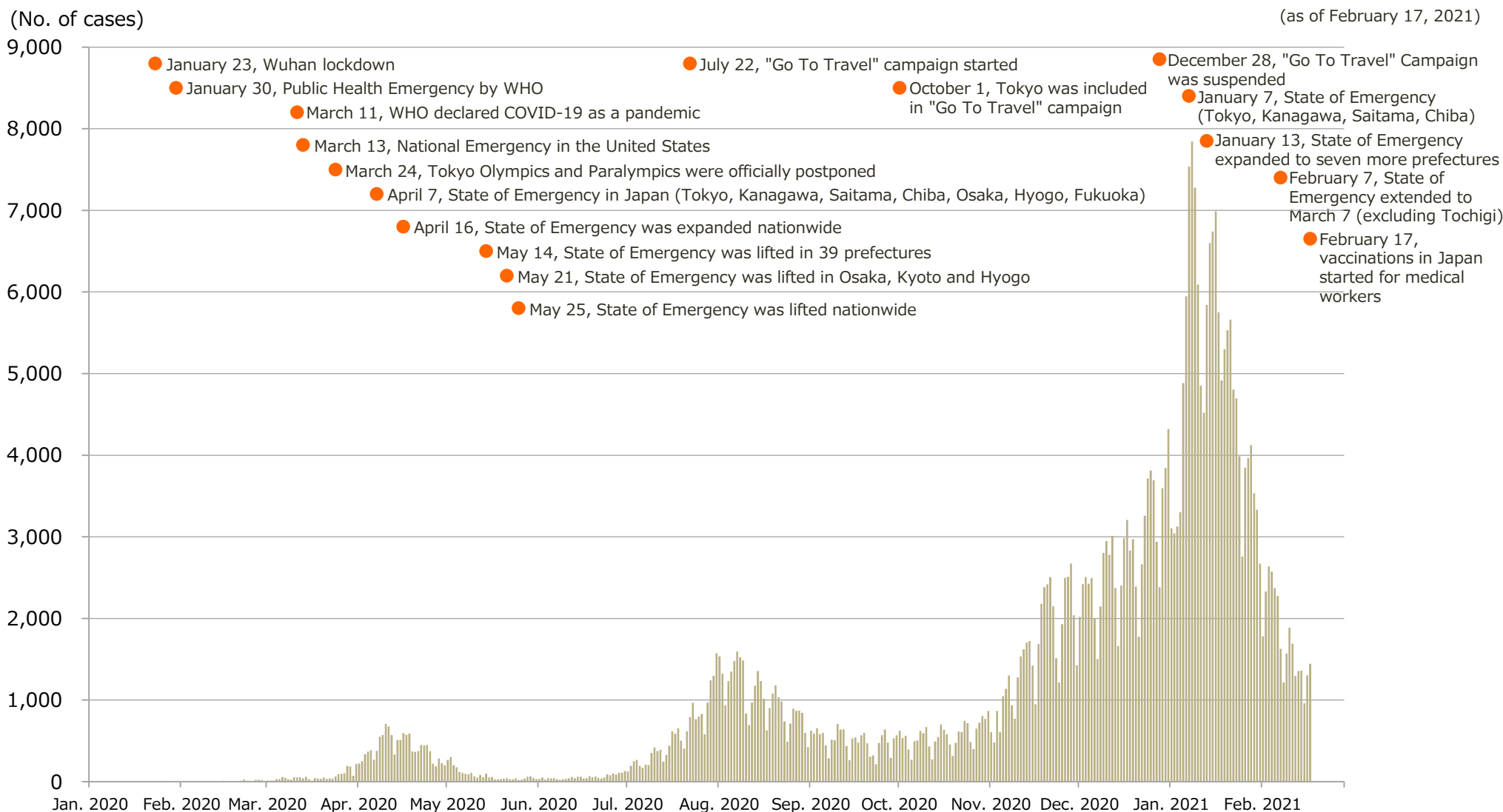
6. Major CAPEX Ⅲ by Hotels

(Numbers in parentheses are CAPEX amounts: JPY MM)

	FY12/2012	FY12/2013	FY12/2014	FY12/2015	FY12/2016	FY12/2017	FY12/2018	FY12/2019	FY12/2020
Kobe Meriken Park Oriental Hotel	-	-	-	Chapel (36)	Guest rooms on 7F (50) Balconies on each floor (62) Bar (85)	Bridal salon (76)	Private rooms at restaurant and balcony, etc. on 3F (19)	Restaurant (30) Conversion of brides' room to guest rooms (40)	-
Oriental Hotel tokyo bay	-	Restaurant (45)	-	-	Guest rooms on 4F (101)	-	Guest rooms on 11F to 12F (140)	-	-
Namba Oriental Hotel	-	Corner rooms on 5F to 8F (10)	-	-	Guest rooms on 9F (91)	Guest rooms on 7F (77)	Guest rooms on 6F (78)	-	-
Hotel Nikko Alivila	-	-	Guest rooms on 3F to 8F of North building and 3F to 5F of central building (333)	-	Guest rooms on 9F (55) Restaurant (31)	-	Guest rooms on 1F, etc. (16)	-	-
Oriental Hotel Hiroshima	-	-	Banquet room on 23F (10)	-	Guest rooms on 7F to 10F (43) Banquet room on 4F (38)	-	Chapel (10)	Guest rooms on 13F to 14F (14)	Increase number of seats in café (8.5)
Ibis Tokyo Shinjuku	Lobby and restaurant on 2F, and guest rooms on 3,5,7,9F (170)	-	-	-	Guest rooms on 3F to 10F (192)	Guest rooms on 3F to 10F (312)	-	-	-
Holiday Inn Osaka Namba	-	-	-	-	-	-	Guest rooms on 4,6,7,12F (115)	Guest rooms on 10F to 11F (72) Guest rooms on 8F to 9F (72)	-
ibis Styles Sapporo	-	-	-	-	-	-	Vacant space on 1F (28)	-	-
Mercure Hotel Sapporo	-	-	-	-	-	-	Banquet room (15)	-	-
the b Ikebukuro	-	-	-	-	-	-	Guest rooms on 3F to 10F, etc. (18)	-	-
Okinawa Marriott Resort & Spa	-	-	-	-	-	-	-	Restaurant (142)	-
Oriental Hotel Fukuoka Hakata Station	-	-	-	-	-	-	-	Large-scale renovation works (1,690)	-
Hilton Tokyo Odaiba	-	-	-	-	-	-	-	-	Banquet room (92)

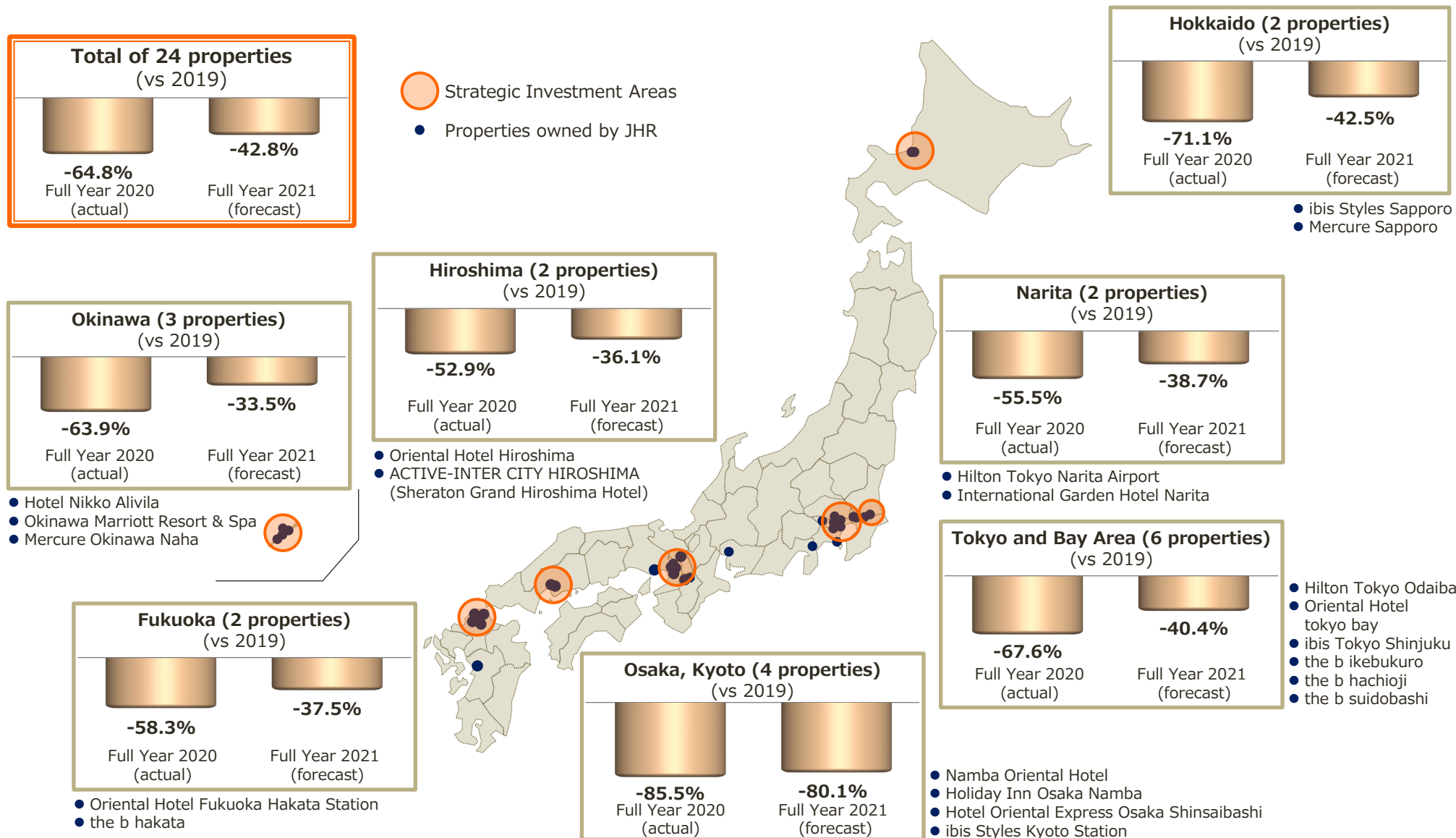
7. Change in Number of COVID-19 Cases and Major Events

Number of New Cases of COVID-19 in Japan



8. RevPAR Variance to Previous Year by Region of The 24 Hotels with Variable Rent, etc.

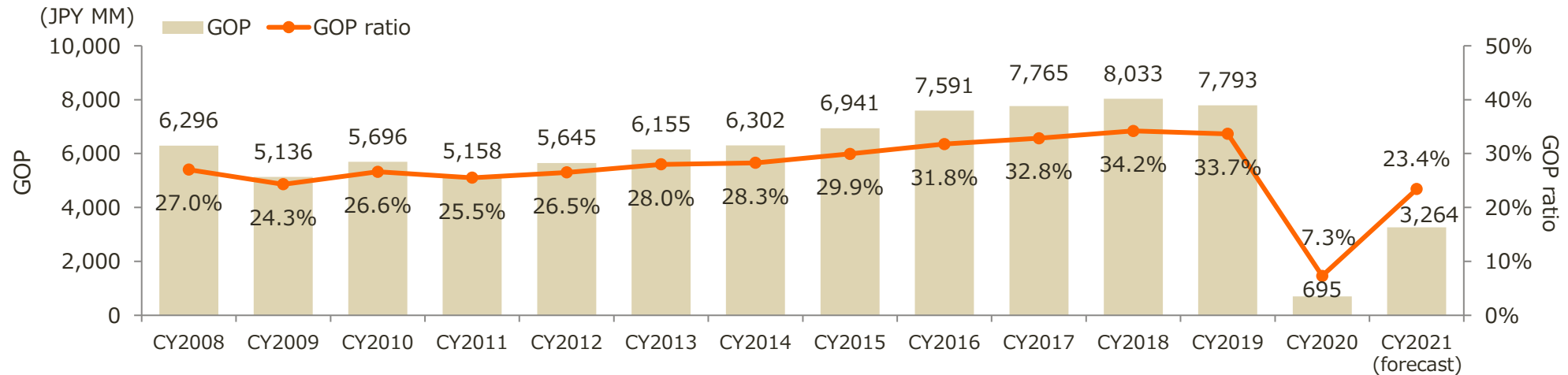
◆ Diversified Portfolio



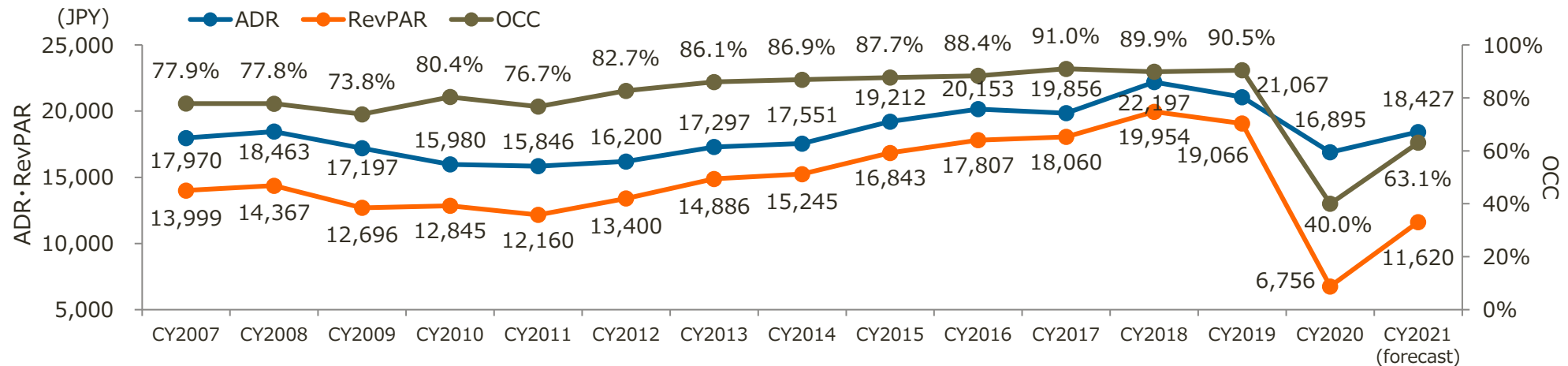
(*) Stating major hotels in each area out of The 24 Hotels with Variable Rent, etc.

9. The Five HMJ Hotels — Highlights

Change in GOP and GOP ratio



Change in KPI



10. Balance Sheet

(Unit: JPY MM)

(as of)	FY12/2019 End of Fiscal Year December 31, 2019	FY12/2020 End of Fiscal Year December 31, 2020	Variance
ASSETS			
Current Assets	37,762	29,841	(7,921)
Cash and Deposits ^(*1)	34,343	28,553	(5,790)
Operating Accounts Receivables	2,779	672	(2,107)
Others	638	615	(23)
Noncurrent Assets	377,608	370,221	(7,386)
Net Property and Equipment	340,522	333,303	(7,219)
Buildings in Trust ^(*2)	118,128	114,887	(3,241)
Land in Trust	219,901	216,410	(3,490)
Others ^(*3)	2,493	2,006	(487)
Intangible Assets	33,804	33,991	186
Other Assets	3,280	2,926	(354)
Leasehold and Security Deposits	162	162	–
Others	3,117	2,763	(354)
Deferred Assets	351	233	(118)
TOTAL ASSETS	415,722	400,296	(15,426)

(as of)	FY12/2019 End of Fiscal Year December 31, 2019	FY12/2020 End of Fiscal Year December 31, 2020	Variance
LIABILITIES			
Current Liabilities	16,627	28,922	12,295
Operating Accounts Payable	1,485	2,654	1,169
Short-term Loans	–	12,782	12,782
Current Portion of Investment Corporation Bond	–	1,500	1,500
Current Portion of Long-term Loans Payable	12,782	10,800	(1,982)
Accounts Payable	1,313	672	(641)
Advances Received	909	423	(485)
Others	137	90	(46)
Long-term Liabilities	162,572	150,172	(12,400)
Investment Corporation Bonds	41,600	40,100	(1,500)
Long-term Loans Payable	114,372	103,572	(10,800)
Tenant Leasehold and Security Deposits	5,722	5,397	(325)
Derivative Liabilities	416	767	351
Others	461	335	(126)
TOTAL LIABILITIES	179,200	179,095	(104)
NET ASSETS			
Unitholders' Capital	186,894	186,894	–
Capital Surplus	21,746	21,746	–
Reserve for Temporary Difference Adjustment	11,794	10,617	(1,176)
Reserve for Special Advanced Depreciation	–	1,174	1,174
Reserve for Special Account for Tax Purpose Reduction Entry	1,174	–	(1,174)
Unappropriated Retained Earnings	15,290	1,527	(13,762)
Others	(377)	(759)	(382)
TOTAL NET ASSETS	236,522	221,201	(15,321)
TOTAL LIABILITIES AND NET ASSETS	415,722	400,296	(15,426)

(*1) Cash and deposits in trust is included.

(*2) The sum of buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, and construction in progress in trust.

(*3) The sum of machinery and equipment, tools, furniture and fixtures, and construction in progress.

12. Portfolio Map

- ◆ Portfolio consisting of competitive hotels in areas with strong leisure lodging demand
- ◆ Selectively invest in locations with high growth potential of leisure demand such as Strategic Investment Areas

Total Assets

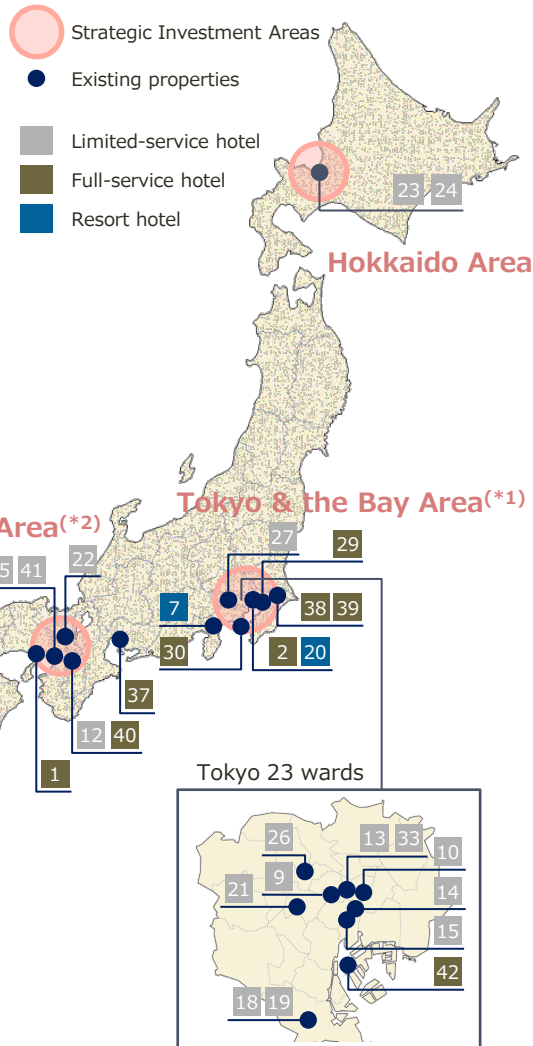
JPY**370.0**Bn

No. of Hotels

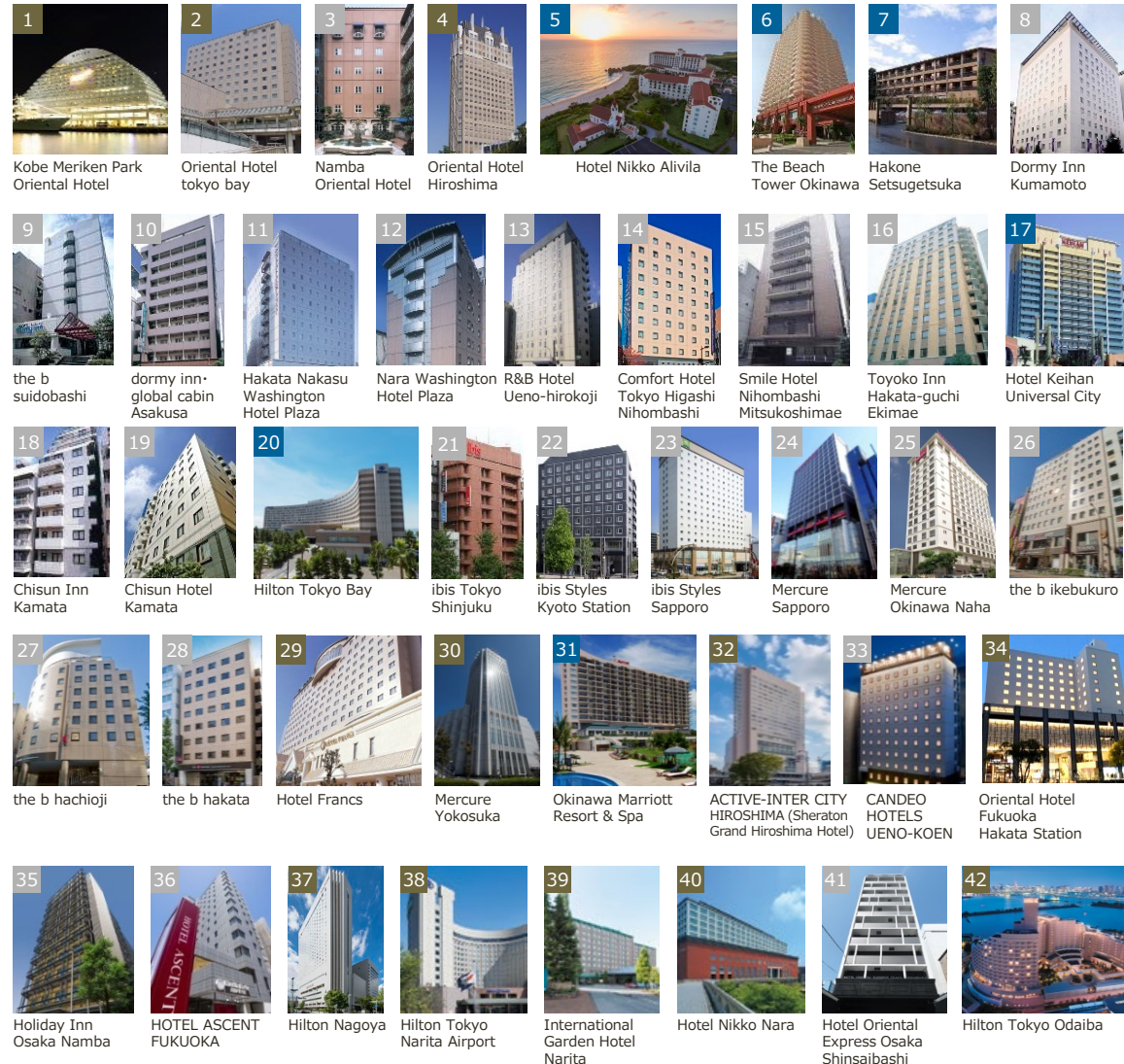
42 Hotels

No. of Guest Rooms

11,485 Rooms



(as of February 25, 2021)



(*1) Bay Area includes the coastal area of Tokyo Bay in Kanagawa and Chiba prefectures.

(*2) Osaka/Kyoto Area refers to Osaka and Kyoto prefectures.

Appendix 3

Investors Composition and Investment Unit Price

1. Major Unitholders and Classifications of Unitholders

Top 10 Major Unitholders

As of the end of June 2020

Rank	Name	No. of Units	% ^(*)
1	The Master Trust Bank of Japan, Ltd. (Trust)	621,578	13.92
2	Japan Trustee Service Bank, Ltd. (Trust)	462,840	10.37
3	STICHTING PGGM DEPOSITARY PGGM LISTED REAL ESTATE PF FUND	350,747	7.86
4	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	190,091	4.25
5	BNYM AS AGT/CLTS 10 PERCENT	186,509	4.17
6	THE CHASE MANHATTAN BANK, N.A. LONDON SPECIAL ACCOUNT NO.1	184,356	4.13
7	Trust and Custody Services Bank, Ltd. (Securities Investment Trust)	140,364	3.14
8	STATE STREET BANK WEST CLIENT - TREATY 505234	59,561	1.33
9	Shikoku Railway Company	56,989	1.27
10	THE BANK OF NEW YORK MELLON 140044	50,763	1.13
Total		2,303,798	51.62

As of the end of December 2020

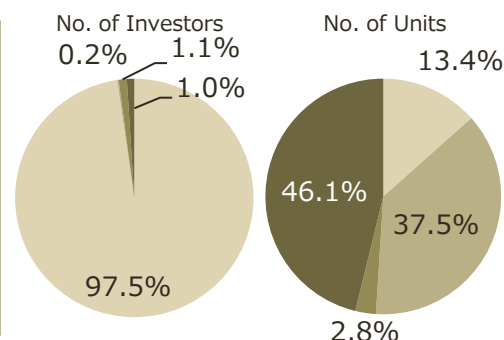
Rank	Name	No. of Units	% ^(*)
1	The Master Trust Bank of Japan, Ltd. (Trust)	739,108	16.56
2	Custody Bank of Japan, Ltd. (Trust)	429,005	9.61
3	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	226,474	5.07
4	Custody Bank of Japan, Ltd. (Securities Investment Trust)	162,196	3.63
5	BNYM AS AGT/CLTS 10 PERCENT	158,778	3.55
6	SDSS K INVESTCO LIMITED	117,567	2.63
7	ELLIOTT INTERNATIONAL LP	93,886	2.10
8	THE BANK OF NEW YORK 133970	67,259	1.50
9	THE BANK OF NEW YORK MELLON 140044	63,797	1.42
10	STATE STREET BANK WEST CLIENT - TREATY 505234	63,476	1.42
Total		2,121,546	47.54

(*) The total units held by each investor to the total units issued by JHR as of the end of June 2020 and the end of December 2020, respectively. (Rounded off to two decimal places.)

Owners of the Investment Units

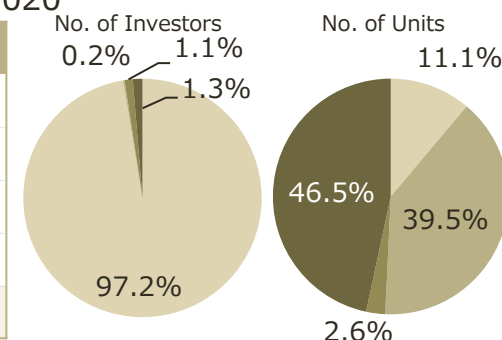
As of the end of June 2020

Owners	No. of Investors	No. of Units
Individuals & Others	39,485	598,621
Financial Institutions (Incl. Securities Firms)	100	1,675,074
Other Domestic Firms	462	127,579
Foreign Firms & Individuals	445	2,061,073
Total	40,492	4,462,347



As of the end of December 2020

Owners	No. of Investors	No. of Units
Individuals & Others	34,136	498,318
Financial Institutions (Incl. Securities Firms)	83	1,765,849
Other Domestic Firms	412	119,807
Foreign Firms & Individuals	486	2,078,373
Total	35,117	4,462,347



(*) Percentage of investors is percentage of owners in each segment to the total number of investors in JHR, and percentage of investment units is percentage of investment units owned by each segment to the total investment units issued as of respective date (both rounded off to one decimal place).

2. Changes in Investment Unit Price and Market Capitalization

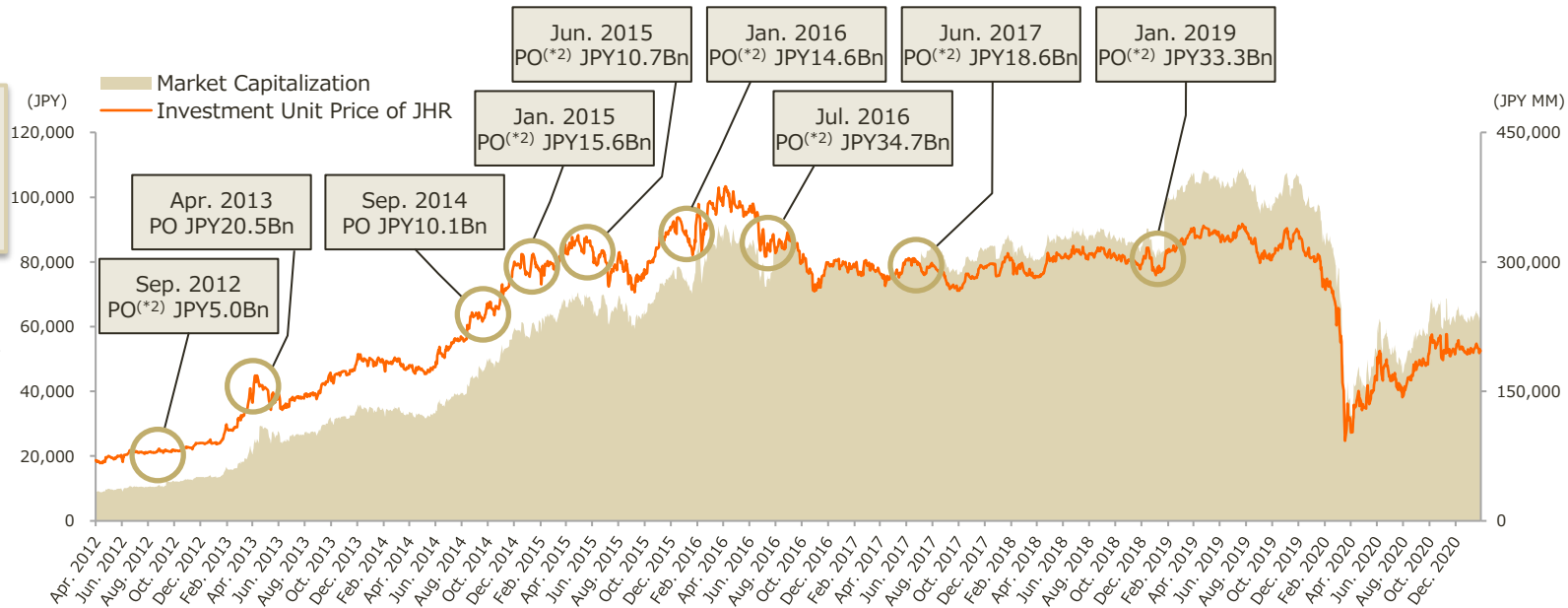
Changes in the investment unit price and market capitalization (Based on the closing price)

Price of the investment unit:
JPY52,500

Total market capitalization:
JPY234.2Bn
(based on the closing price of January 29, 2021)

(*1) Price of the real estate investment securities may fall depending on the fluctuations of price of the real estate under management or profitability, etc., and investors may suffer losses. Investors may also suffer losses through the bankruptcy or deteriorated financial condition of the issuer. With reference to the risk of investment in JHR units, please see Securities Report dated March 27, 2020 and Midterm Securities Report dated September 24, 2020.

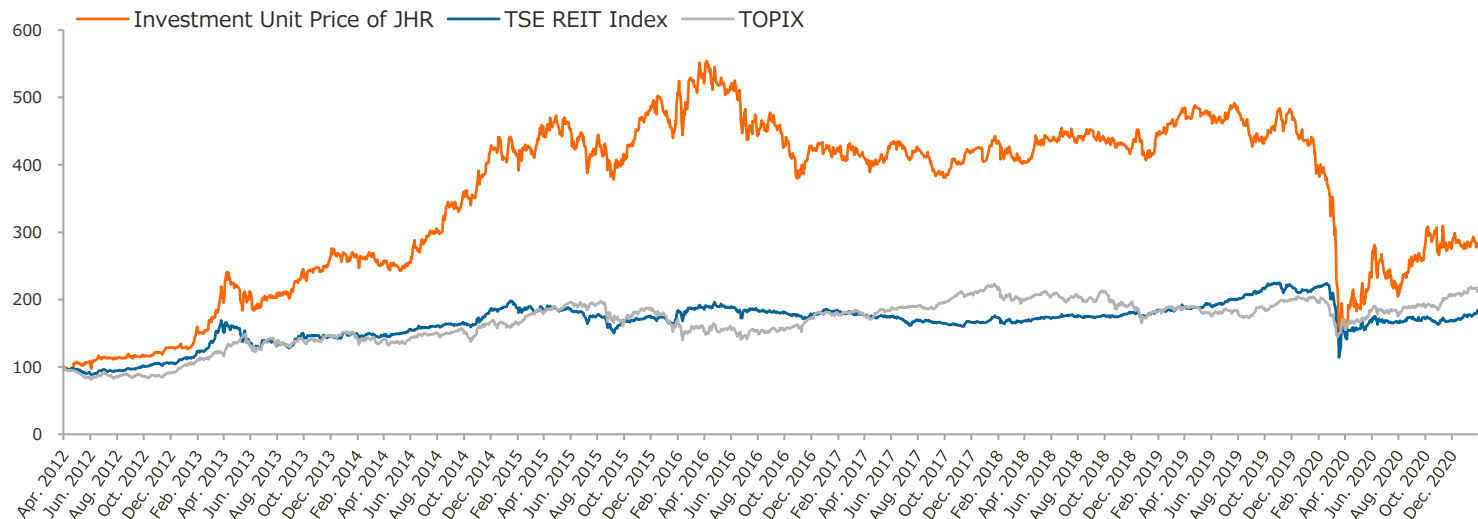
(*2) Including OA



Comparison with REIT Index and TOPIX of Tokyo Stock Exchange (TSE)

(*) 100 is the closing price of JHR unit, REIT index and TOPIX at TSE dated April 2, 2012.

REIT Index of TSE is an index of a weighted average of the market capitalization of all REITs listed on TSE.



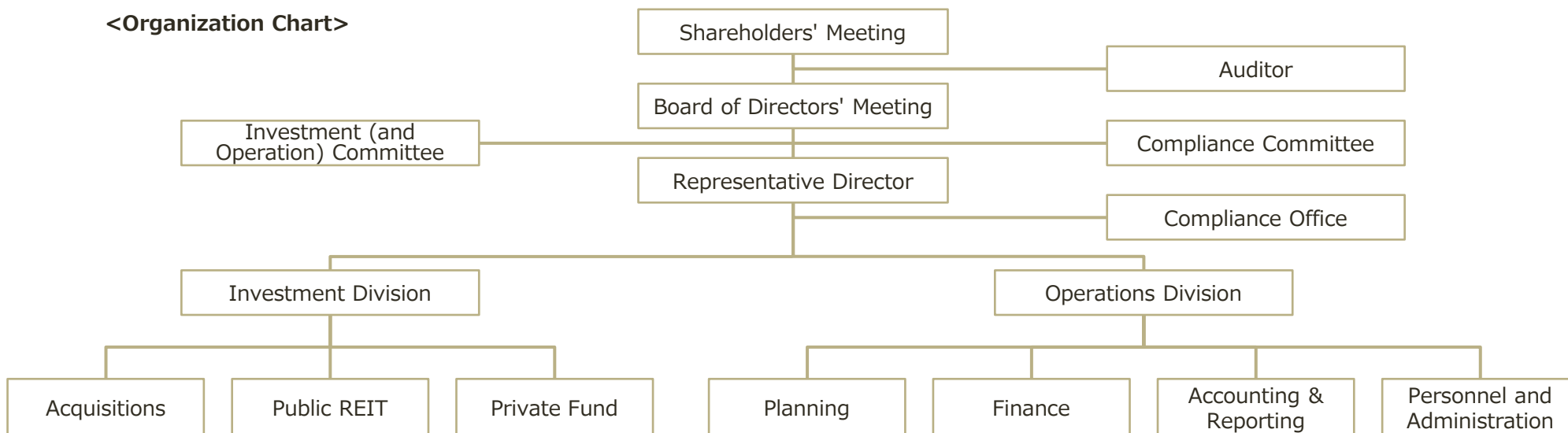
Appendix 4

Summary of the Asset Management Company

1. Summary of the Asset Management Company

Company	Japan Hotel REIT Advisors Co., Ltd.
Location	Ebisu Neonato 4F, 4-1-18 Ebisu, Shibuya-ku, Tokyo 150-0013
Establishment	August 10, 2004
Capital	JPY300MM as of December 31, 2020
Shareholders	Rockrise Sdn Bhd, Kyoritsu Maintenance Co., Ltd., ORIX Corporation
Representative Director	Hisashi Furukawa
Registration and Licenses	Building Lots and Buildings Transaction Business Operator, Governor of Tokyo (4) No. 83613 Discretionary Transaction Agent by Minister of Land, Infrastructure, Transport and Tourism No. 38 Financial Instruments Trading Company, Director-General of Kanto Local Finance Bureau No. 334 Member of The Investment Trusts Association, Japan Member of The Japan Investment Advisers Association

<Organization Chart>



Mission Statement

"Provide attractive hotel investment opportunities to investors as specialist in investment and management of hotel assets. Gain trust from our stakeholders, and contribute to local communities and society through investing and managing hotel assets."

Code of Conduct

As an independent asset management company, all employees and officers at JHRA should have a **"spirit of challenge"** aiming to constantly provide high added value.

Also, **"teamwork"** is inevitable to provide high added value.

JHRA recognizes **"challenge"** and **"teamwork"** as essential value which our code of conduct is based upon.

Challenge

- Be a self-starter, take initiative and demonstrate drive
- Set high goal and strive
- Respect creativity and innovation
- Promote challenge, free from fear of failure

Teamwork

- Respect teamwork and collaborate with team-mates
- Respect others. Respect values and opinions of others
- Promote "sharing" (idea, knowledge, information, goal, achievement, joy of achievement, lesson, etc.)
- Make effort for open, frank and sincere communication

Advanced Expertise

- ◆ Ability to propose transaction scheme, execute transaction, and plan and execute unprecedented measures of asset management based on in-depth understanding of hotel operation and track record of such asset management.
- ◆ Extensive experience of renovation and rebranding through collaboration with many hotel lessees and hotel operators.
- ◆ Strong and long-term relationships with a large number of hotel lessees and hotel operators.
- ◆ High analytical skills and accurate judgement capacity based on rich information and data obtained through a broad network and high credibility.

Ensured Independence

- ◆ No director and employee of JHRA is a seconded employee from sponsor.
- ◆ Part-time directors from our main sponsor, SC CAPITAL PARTNERS group and non-sponsor-related full-time directors each account for half of JHRA's board of directors.
- ◆ With regard to transactions with sponsor-related parties and JHR, JHRA has set strict decision-making rules. In principle, in addition to obtaining approval by Compliance Committee which includes an outside specialist, who is authorized to dismiss proposals, JHRA is required to obtain approval from JHR's board of directors' meetings (directors are all third-party members who do not have any relationship with the sponsor-related parties).
- ◆ As our main sponsor, SC CAPITAL PARTNERS group is also an independent asset management company, it fully understands and respects importance of JHRA's independency. JHRA conducts asset management business based upon its own judgement.

This material is prepared and provided solely for the purpose of providing information and not to offer, solicit, or do business, etc. with specific products including purchase of investment units, investment unit subscription rights, or investment corporation bonds of Japan Hotel REIT Investment Corporation ("JHR") or any other particular products. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

This material is neither a disclosure document nor an investment report required under or prepared pursuant to the Financial Instruments and Exchange Act, Act on Investment Trusts and Investment Corporations and related government ordinances, Cabinet Office regulations, listing rules by Tokyo Stock Exchange, Regulations of The Investment Trusts Association, Japan, or other related rules and regulations.

This material contains forward-looking statements about financial conditions, operational results, and businesses of JHR, as well as plans and intentions of JHR and its asset management company, Japan Hotel REIT Advisors Co., Ltd ("JHRA"). Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or performance of JHR to materially differ from those expressed or implied forecasts. Those forecasts are made based on JHR's present and future business strategies and assumptions relating to the political and economic circumstances surrounding JHR in the future.

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Regarding the offering and trading of investment units, investment unit subscription rights or investment corporation bonds, financial institutions may charge you pre-determined handling fees and other charges aside from the price of the investment units, investment unit subscription rights or investment corporation bonds. Since neither JHR nor JHRA handles the offering and trading of investment units, investment unit subscription rights or investment corporation bonds, please ask financial institutions for the amount, upper limit, and calculation methods of such fees and other charges.

JHR mainly invests in real estate-related assets, primarily hotels which are subject to change in values. Therefore, unitholders, holders of investment unit subscription rights and investment corporation bonds may suffer losses due to economic conditions of the real estate market or securities market, economic situations including interest rate environment, the nature of investment units, investment unit subscription rights, and investment corporation bonds, dependency on mechanisms and related persons of investment corporations, changes in legal systems related to real estate (include tax regulations, building regulations and others), damage caused to the real estate-related assets by natural disasters, fluctuation in prices or profitability of the real estate-related assets, nature of the trust beneficiary rights under management, delisting of the investment units, or worsening financial position or insolvency of JHR. For details, please refer to the Articles of Incorporation, Securities Registration Statement, Annual Securities Report and Extraordinary Report, etc. of JHR.

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