



Japan Hotel REIT Investment Corporation (TSE: 8985)

Financial Results

FY12/2019 (20th Period) February 20, 2020

Japan Hotel REIT Investment Corporation
Japan Hotel REIT Advisors Co., Ltd.
<http://www.jhrth.co.jp/en/>

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I . Settlement of Accounts for FY12/2019 — Highlights

1. FY12/2019 Highlights

1. External Growth(*1)

► Strategic property replacement

End of FY12/2016 **41** properties/JPY**286.8**Bn

◆ Public Offering in June Acquisition in 2017

| | | | |
|------|--|-------------------------|---|
| 2017 | Acquired 3 properties/ JPY 32.6 Bn | Total Acquisition Price | Total Funds Raised through Public Offerings |
| | | JPY 32.6 Bn | JPY 18.6 Bn |

End of FY12/2017 **44** properties/JPY**319.4**Bn

◆ Sale of Properties in August Sale in 2018

| | | | |
|------|--|-------------------------------------|--------------------------------------|
| 2018 | Sold 3 properties/ -JPY 10.1 Bn(*1) Total gain on sale: JPY 1.9 Bn | Total Book Value of Sold Properties | Total Sales Price of Sold Properties |
| | | JPY 10.1 Bn | JPY 12.1 Bn |

End of FY12/2018 **41** properties/JPY**309.3**Bn

◆ Public Offering in January Acquisition in 2019

| | | | |
|------|--|-------------------------|---|
| 2019 | Acquired 2 properties/ JPY 65.1 Bn | Total Acquisition Price | Total Funds Raised through Public Offerings |
| | | JPY 65.1 Bn | JPY 33.3 Bn |

Hilton Tokyo Odaiba
Hotel Oriental Express
Osaka Shinsaibashi



End of FY12/2019 **43** properties/JPY**374.5**Bn

2. Internal Growth(*2,3)

► Improvement in hotel performance and increase of rent through Active Asset Management

◆ Track Record

The 21 Hotels with Variable Rent, etc.

| | 2018 | 2019 | Variance |
|---------------------|--------|---------------|----------|
| RevPAR (JPY) | 13,833 | 13,444 | (2.8%) |
| First Half | 12,817 | 12,765 | (0.4%) |
| Second Half | 14,831 | 14,113 | (4.8%) |
| GOP (JPY MM) | 17,911 | 17,270 | (3.6%) |

◆ Forecast for FY12/2020

The 20 Hotels with Variable Rent, etc.

| | 2019 | 2020 (forecast) | Variance |
|---------------------|---------------|-----------------|----------|
| RevPAR (JPY) | 13,272 | 14,061 | +5.9% |
| First Half | 12,491 | 12,506 | +0.1% |
| Second Half | 14,041 | 15,600 | +11.1% |
| GOP (JPY MM) | 15,722 | 16,345 | +4.0% |

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

(*2) The 21 Hotels with Variable Rent, etc. are the 11 HMJ Hotels plus ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, Mercure Yokosuka, the b ikebukuro, the b hachioji, the b hakata and the b suidobashi. The 11 HMJ Hotels are Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, Oriental Hotel Hiroshima, Okinawa Marriott Resort & Spa, ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel), Holiday Inn Osaka Namba, Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara. The same shall apply hereinafter.

(*3) The 20 Hotels with Variable Rent, etc. are 20 hotels excluding Namba Oriental Hotel, which is planning to implement large-scale renovation from November 2020 from The 21 Hotels with Variable Rent, etc. The same shall apply hereinafter.

3. Strengthening of Financial Base

► Conservative financial management

(as of the end of December 2019)

| LTV | Costs for Interest-bearing Debt | Average Life of Debt |
|-------|---------------------------------|----------------------|
| 40.6% | 1.0% | 5.2 years |

◆ Status of Credit Rating

| JCR | R&I |
|-------------|--------------|
| A+ (stable) | A (positive) |

※ The rating outlook of R&I changed to positive from stable in October 2019

◆ Reinforcement of Lender Formation

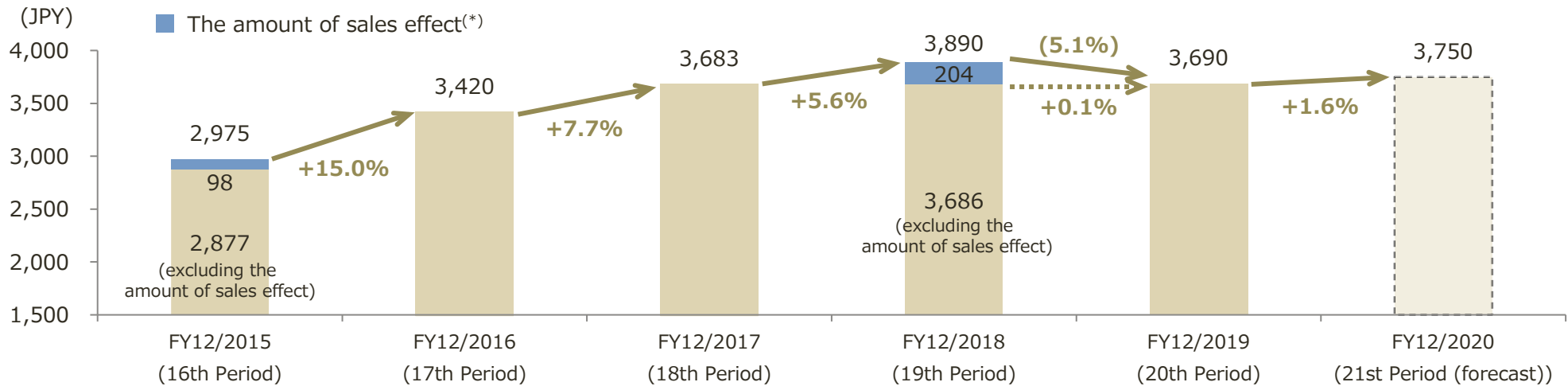
- Increased borrowings from Development Bank of Japan Inc.
⇒ 3.4% as of the end of December 2019 (Increased by 0.6% from the end of December 2018)

◆ Diversified Funding Methods by Issuance of Investment Corporation Bonds

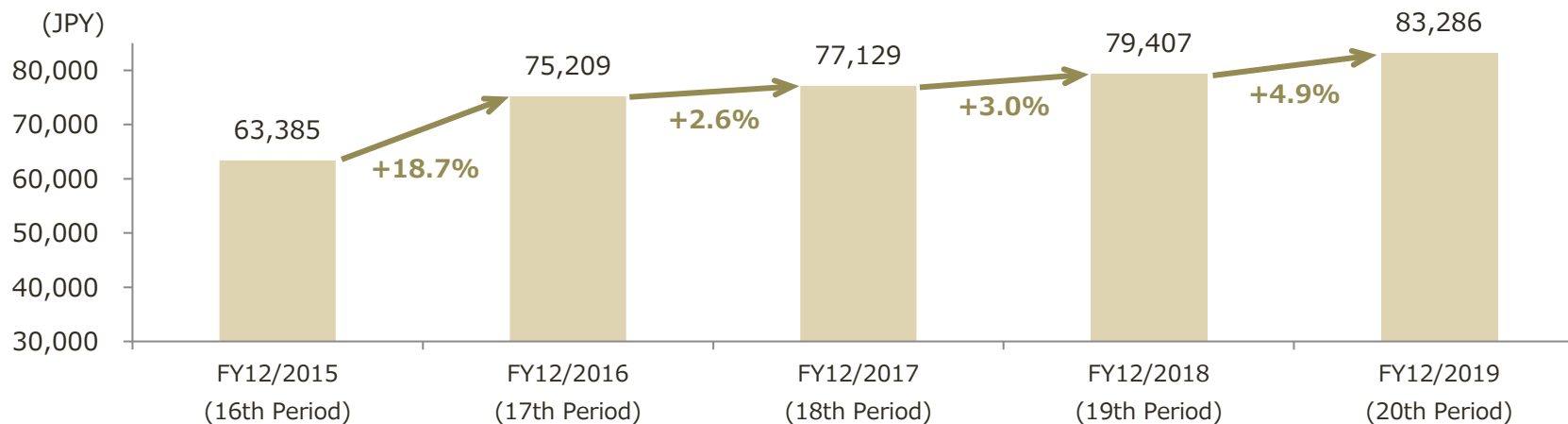
- Issuance of investment corporation bonds for individual investors (the fourth time) (June 2019): Total JPY8.0Bn
- Issuance of investment corporation bonds (Green Bonds) (the first time as J-REITs specializing in hotels) (July 2019): Total JPY2.0Bn
⇒ The proceeds were allocated to the funds for repayment of loans procured for renovation of Oriental Hotel Fukuoka Hakata Station and will be allocated for the funds for construction for renovation, etc. of other hotels

1. FY12/2019 Highlights (cont.)

Dividends per Unit Growth



NAV per Unit Growth



(*) The amount of sales effect represents dividends per unit which increased due to sales of properties.

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

1. Results for FY12/2019

(Unit: JPY MM)

| | | FY12/2018 (19th Period) | FY12/2019 (20th Period) | Variance | | Breakdown of Variance | | | |
|-----------------|---|----------------------------------|-------------------------------|----------|--------|---|--|--|--|
| | | Actual (A) | Actual ^(*1) (B) | (B)–(A) | % | Property Acquired in 2019 ^(*3) | Three Properties Sold in 2018 ^(*4) | Oriental Hotel Fukuoka Hakata Station ^(*5) | Existing Properties ^(*6) |
| Properties | No. of Properties | 41 | 43 | 2 | | 2 | – | | – |
| | Acquisition Price | 309,370 | 374,508 | 65,138 | 21.1% | 65,138 | – | | – |
| Profit and Loss | Operating Revenue | 28,253 | 28,278 | 24 | 0.1% | 2,374 | (2,214) | 150 | (286) |
| | Real Estate Operating Revenue | 26,318 | 28,278 | 1,959 | 7.4% | 2,374 | (279) | 150 | (286) |
| | Fixed Rent, etc. | 56.2% 14,788 | 60.5% 17,101 | 2,312 | 15.6% | 2,367 | (199) | 0 | 144 |
| | Variable Rent | 43.8% 11,529 | 39.5% 11,176 | (353) | (3.1%) | 7 | (79) | 150 | (430) |
| | Gain on Sale of Properties, etc. | 1,934 | – | (1,934) | – | – | (1,934) | 0 | – |
| | NOI ^(*2) | 22,104 | 24,087 | 1,983 | 9.0% | 2,368 | (251) | 151 | (284) |
| | NOI Yield | 7.1% | 6.4% | (0.7%) | | | | | |
| | Depreciation | 4,091 | 4,557 | 465 | | 197 | (34) | 130 | 171 |
| | Asset Retirement Obligations Expenses | 2 | 2 | 0 | | – | – | – | 0 |
| | Loss on Retirement of Noncurrent Assets | 35 | 246 | 210 | | – | – | 205 | 5 |
| | NOI after Depreciation ^(*2) | 17,974 | 19,281 | 1,306 | 7.3% | 2,170 | (216) | (185) | (461) |
| | NOI Yield after Depreciation | 5.8% | 5.1% | (0.7%) | | | | | |
| | Other Operating Expenses | 1,916 | 2,132 | 216 | – | | | | |
| | Operating Income | 17,993 | 17,148 | (844) | (4.7%) | | | | |
| | Ordinary Income | 16,211 | 15,291 | (920) | (5.7%) | | | | |
| | Net Income | 16,210 | 15,290 | (920) | (5.7%) | | | | |
| Dividend | Use of Negative Goodwill | 563 | 1,176 | 612 | 108.8% | | | | |
| | Reserve for Special Advanced Depreciation | (1,174) | – | 1,174 | – | | | | |
| | Total Dividends | 15,602 | 16,466 | 864 | 5.5% | | | | |
| | Number of Units Issued (Unit) | 4,010,847 | 4,462,347 | 451,500 | 11.3% | | | | |
| | Dividend per Unit (JPY) | 3,890 [3,686] ^(*7) | 3,690 | (200) | (5.1%) | | | | |

Major Causes of Variance of Existing Properties

Fixed rent, etc.

| | |
|---|-----------------|
| • Increase in fixed-rent | JPY124MM |
| • Increase in rent from office and commercial tenants, etc. | JPY27MM |
| • Utilities income, etc. | (JPY7MM) |
| Total | JPY144MM |

Variable rent

| | |
|---|-------------------|
| • Variable rent from the 21 Hotels with Variable Rent, etc. | (JPY569MM) |
| • Revenue sharing, etc. | JPY138MM |
| Total | (JPY430MM) |

Use of Negative Goodwill^(*8)

<FY12/2018>

| | |
|---|-----------------|
| 50-year amortization amount | JPY262MM |
| Correspondence to large-scale renovation work | JPY265MM |
| Loss on retirement of noncurrent assets | JPY35MM |
| Total | JPY563MM |

<FY12/2019>

| | |
|---|-------------------|
| 50-year amortization amount | JPY262MM |
| Correspondence to dilution, etc. | JPY310MM |
| Correspondence to large-scale renovation work | JPY357MM |
| Loss on retirement of noncurrent assets | JPY246MM |
| Total | JPY1,176MM |

(*1) For detail, please refer to Financial Report for the Fiscal Year Ended December 31, 2019 (January 1, 2019–December 31, 2019) dated February 20, 2020.

(*2) Each figure is calculated by 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) Representing Hilton Tokyo Odaiba and Hotel Oriental Express Osaka Shinsaibashi, which JHR acquired in FY12/2019 (20th Period). The same shall apply hereinafter.

(*4) Representing R&B Hotel Higashi-nihonbashi, the b akasaka-mitsuke and the b Ochanomizu, which JHR sold in FY12/2018 (19th Period).

(*5) Large-scale renovation works causing the suspension of hotel operation were implemented at Oriental Hotel Fukuoka Hakata Station from October 1, 2018 to April 8, 2019. Stating the amount of impact of the renovation. The same shall apply hereinafter.

(*6) "The existing properties" above refers to 40 properties which excludes properties acquired in 2019 and Oriental Hotel Fukuoka Hakata Station from 43 properties owned by JHR as of February 20, 2020. The same shall apply hereinafter.

(*7) [] represents the amount of dividend per unit excluding the amount of sales effect (reference).

(*8) Please refer to P.26 for the use of negative goodwill (reserve for temporary difference adjustment).

2. Revenue Forecast for FY12/2020

(Unit: JPY MM)

| | | FY12/2019 (20th Period) | FY12/2020 (21st Period) | Comparison with Previous Period | | | | |
|-----------------|---|----------------------------|--------------------------------|---------------------------------|----------|---------------------------------|---|------------------------|
| | | Actual (A) | Forecast ^(*) (B) | (B)-(A) | Variance | Property Acquired in 2019 | Oriental Hotel Fukuoka Hakata Station | Existing Properties |
| Proper ties | No. of Properties | 43 | 43 | - | | | | |
| | Acquisition Price | 374,508 | 374,508 | - | | | | |
| Profit and Loss | Operating Revenue | 28,278 | 29,971 | 1,692 | 6.0% | 950 | 480 | 261 |
| | Real Estate Operating Revenue | 28,278 | 29,971 | 1,692 | 6.0% | 950 | 480 | 261 |
| | Fixed Rent, etc. | 60.5% 17,101 | 60.0% 17,987 | 885 | 5.2% | 842 | 25 | 18 |
| | Variable Rent | 39.5% 11,176 | 40.0% 11,984 | 807 | 7.2% | 108 | 455 | 243 |
| | NOI | 24,087 | 25,273 | 1,185 | 4.9% | 670 | 471 | 43 |
| | NOI Yield | 6.4% | 6.7% | 0.3% | | | | |
| | Depreciation | 4,557 | 4,859 | 302 | | 139 | 55 | 108 |
| | Asset Retirement Obligations Expenses | 2 | 2 | 0 | | - | (0) | (0) |
| | Loss on Retirement of Noncurrent Assets | 246 | 18 | (228) | | - | (205) | (23) |
| | NOI after Depreciation | 19,281 | 20,392 | 1,111 | 5.8% | 531 | 621 | (41) |
| | NOI Yield after Depreciation | 5.1% | 5.4% | 0.3% | | | | |
| | Other Operating Expenses | 2,132 | 2,264 | 131 | - | | | |
| | Operating Income | 17,148 | 18,128 | 979 | 5.7% | | | |
| Dividend | Ordinary Income | 15,291 | 16,239 | 948 | 6.2% | | | |
| | Net Income | 15,290 | 16,238 | 948 | 6.2% | | | |
| | Use of Negative Goodwill | 1,176 | 496 | (679) | (57.8%) | | | |
| | Total Dividends | 16,466 | 16,733 | 267 | 1.6% | | | |
| | Number of Units Issued (Unit) | 4,462,347 | 4,462,347 | - | - | | | |
| | Dividend per Unit (JPY) | 3,690 | 3,750 | 60 | 1.6% | | | |

Major Causes of Variance of Existing Properties

Fixed rent

| | |
|--------------------------|----------------|
| • Fixed-rent increase | JPY29MM |
| • Utilities income, etc. | (JPY11MM) |
| Total | JPY18MM |

Variable rent

| | |
|---|-----------------|
| • The 20 Hotels with Variable Rent, etc. | JPY589MM |
| • Variable rent of Namba Oriental Hotel (planned to implement the large-scale renovation) | (JPY320MM) |
| • Revenue sharing, etc. | (JPY25MM) |
| Total | JPY243MM |

Use of Negative Goodwill^(*)

<FY12/2019>

| | |
|---|-------------------|
| 50-year negative goodwill amortization | JPY262MM |
| Adjustment for dilution | JPY310MM |
| Correspondence to large-scale renovation work | JPY357MM |
| Loss on retirement of noncurrent assets | JPY246MM |
| Total | JPY1,176MM |

<FY12/2020 (plan)>

| | |
|---|-----------------|
| 50-year negative goodwill amortization | JPY262MM |
| Correspondence to large-scale renovation work | JPY216MM |
| Loss on retirement of noncurrent assets | JPY18MM |
| Total | JPY496MM |

(*)1 For detail, please refer to Financial Report for the Fiscal Year Ended December 31, 2019 (January 1, 2019–December 31, 2019) dated February 20, 2020.

(*)2 Please refer to P.26 for the use of negative goodwill (reserve for temporary difference adjustment).

3. Balance Sheet

(Unit: JPY MM)

| (as of) | FY12/2018 End of Fiscal Year December 31, 2018 | FY12/2019 End of Fiscal Year December 31, 2019 | Variance |
|------------------------------------|--|--|----------------|
| ASSETS | | | |
| Current Assets | 40,266 | 37,762 | (2,503) |
| Cash and Deposits ^{(*)1} | 37,184 | 34,343 | (2,840) |
| Operating Accounts Receivables | 2,474 | 2,779 | 305 |
| Others | 607 | 638 | 31 |
| Noncurrent Assets | 309,993 | 377,608 | 67,614 |
| Net Property and Equipment | 272,889 | 340,522 | 67,633 |
| Buildings in Trust ^{(*)2} | 107,874 | 118,128 | 10,254 |
| Land in Trust | 163,151 | 219,901 | 56,749 |
| Others ^{(*)3} | 1,864 | 2,493 | 629 |
| Intangible Assets | 33,915 | 33,804 | (110) |
| Other Assets | 3,188 | 3,280 | 92 |
| Leasehold and Security Deposits | 162 | 162 | - |
| Others | 3,025 | 3,117 | 92 |
| Deferred Assets | 296 | 351 | 55 |
| TOTAL ASSETS | 350,556 | 415,722 | 65,165 |

| (as of) | FY12/2018 End of Fiscal Year December 31, 2018 | FY12/2019 End of Fiscal Year December 31, 2019 | Variance |
|---|--|--|---------------|
| LIABILITIES | | | |
| Current Liabilities | 17,020 | 16,627 | (393) |
| Operating Accounts Payable | 1,941 | 1,485 | (455) |
| Current Portion of Investment Corporate Bonds Payable | 2,000 | - | (2,000) |
| Current Portion of Long-term Loans Payable | 11,117 | 12,782 | 1,665 |
| Accounts Payable | 1,028 | 1,313 | 285 |
| Advances Received | 882 | 909 | 27 |
| Others | 52 | 137 | 84 |
| Long-term Liabilities | 130,163 | 162,572 | 32,408 |
| Investment Corporation Bonds | 31,600 | 41,600 | 10,000 |
| Long-term Loans Payable | 91,954 | 114,372 | 22,418 |
| Tenant Leasehold and Security Deposits | 5,634 | 5,722 | 87 |
| Derivative Liabilities | 514 | 416 | (97) |
| Others | 460 | 461 | 1 |
| TOTAL LIABILITIES | 147,184 | 179,200 | 32,015 |
| NET ASSETS | | | |
| Unitholders' Capital | 153,516 | 186,894 | 33,378 |
| Capital Surplus | 21,746 | 21,746 | - |
| Reserve for Temporary Difference Adjustment | 12,357 | 11,794 | (563) |
| Reserve for Special Account for Tax Purpose Reduction Entry | - | 1,174 | 1,174 |
| Unappropriated Retained Earnings | 16,213 | 15,290 | (923) |
| Others | (461) | (377) | 84 |
| TOTAL NET ASSETS | 203,372 | 236,522 | 33,150 |
| TOTAL LIABILITIES AND NET ASSETS | 350,556 | 415,722 | 65,165 |

(*)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.

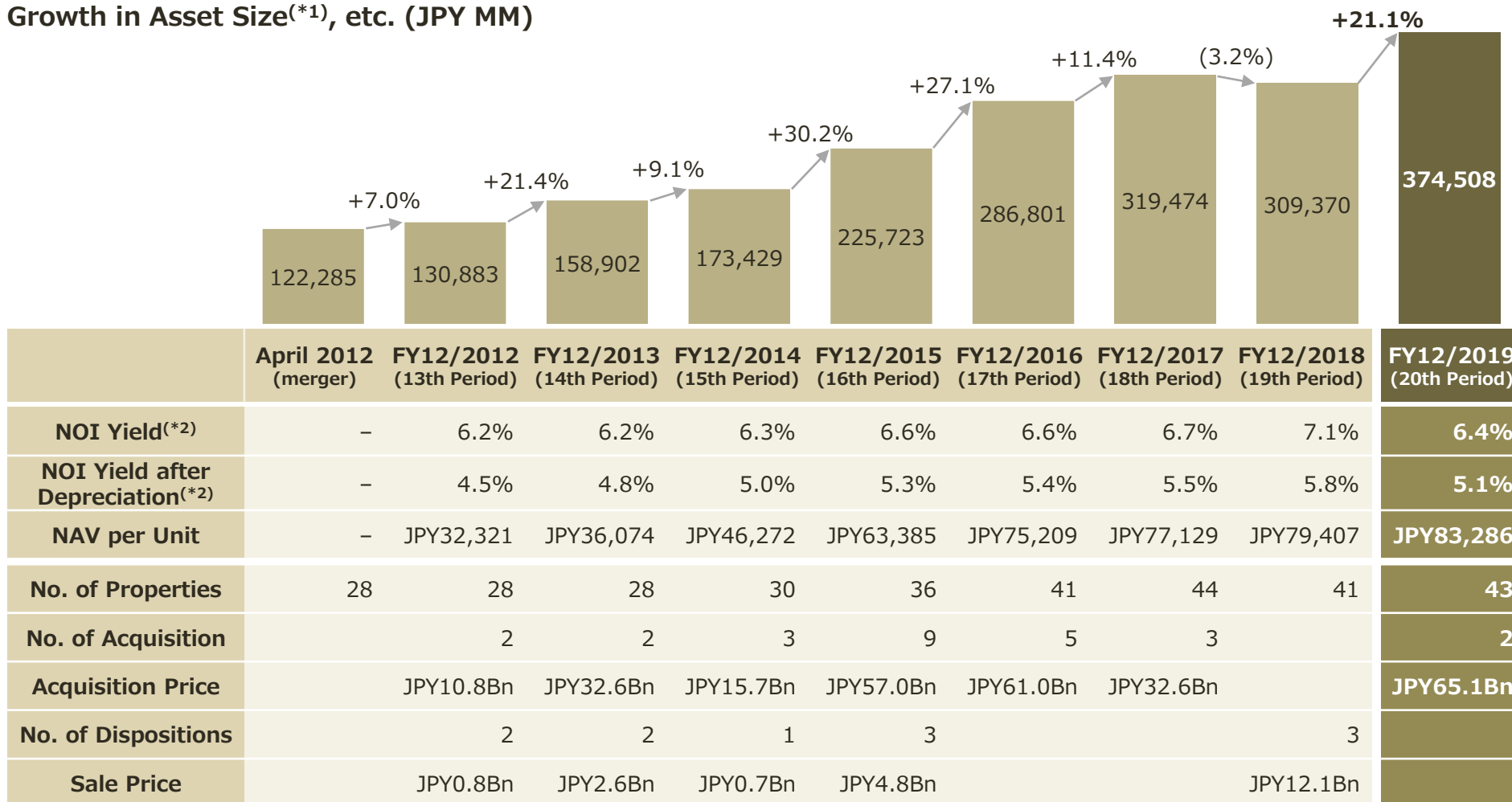
(*)3 The sum of machinery and equipment, tools, furniture and fixtures.

III. External Growth

1. Successive External Growth

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

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



Aim for Successive Growth

(*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 hypothetical annualized based on actual NOI after merger.

2. Two New Properties Acquired in 2019

- ◆ An acquisition of largest^(*1) asset in our portfolio and trophy asset for JHR
- ◆ Scarce large-scale full-service hotel in the middle of Tokyo

Hilton Tokyo Odaiba

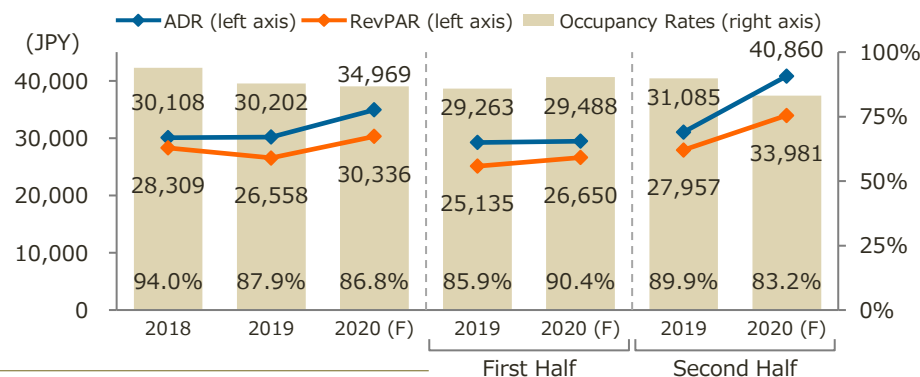


- ◆ Located in "Osaka Minami" area, one of Kansai's foremost tourist destinations
- ◆ Can accommodate two or more person in all guest rooms

Hotel Oriental Express Osaka Shinsaibashi



Changes in Major Indicators^(*2)



GOP (JPY MM) 3,097 2,642 3,423

% of Inbound Visitors^(*4) 54.0% 50.3% —

(*1) Based on the acquisition price.

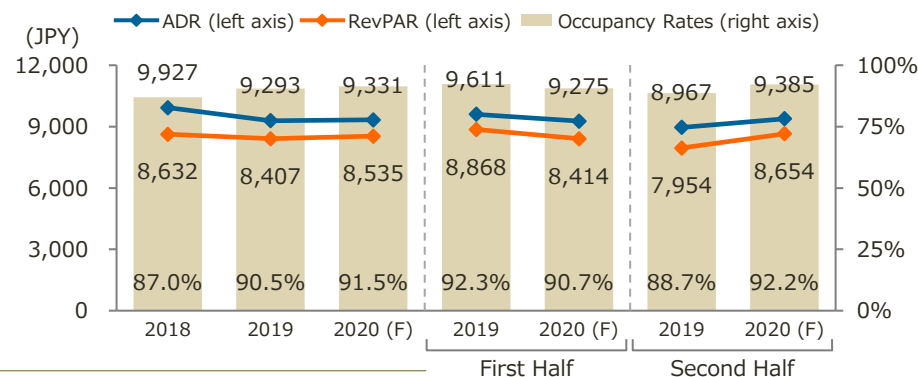
(*2) Hilton Tokyo Odaiba is planning to implement large-scale renovation works from September 2020 through December 2020.

(*3) Hotel Oriental Express Osaka Shinsaibashi opened in April 2018, the figures for 2018 state the figures from April to December 2018.

(*4) Based on numbers of guest rooms sold.

(*5) Based on room sales.

Changes in Major Indicators^(*3)



GOP (JPY MM) 104 156 151

% of Inbound Visitors^(*5) 94.4% 97.1% —

IV. Portfolio

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**374.5**Bn

No. of Hotels

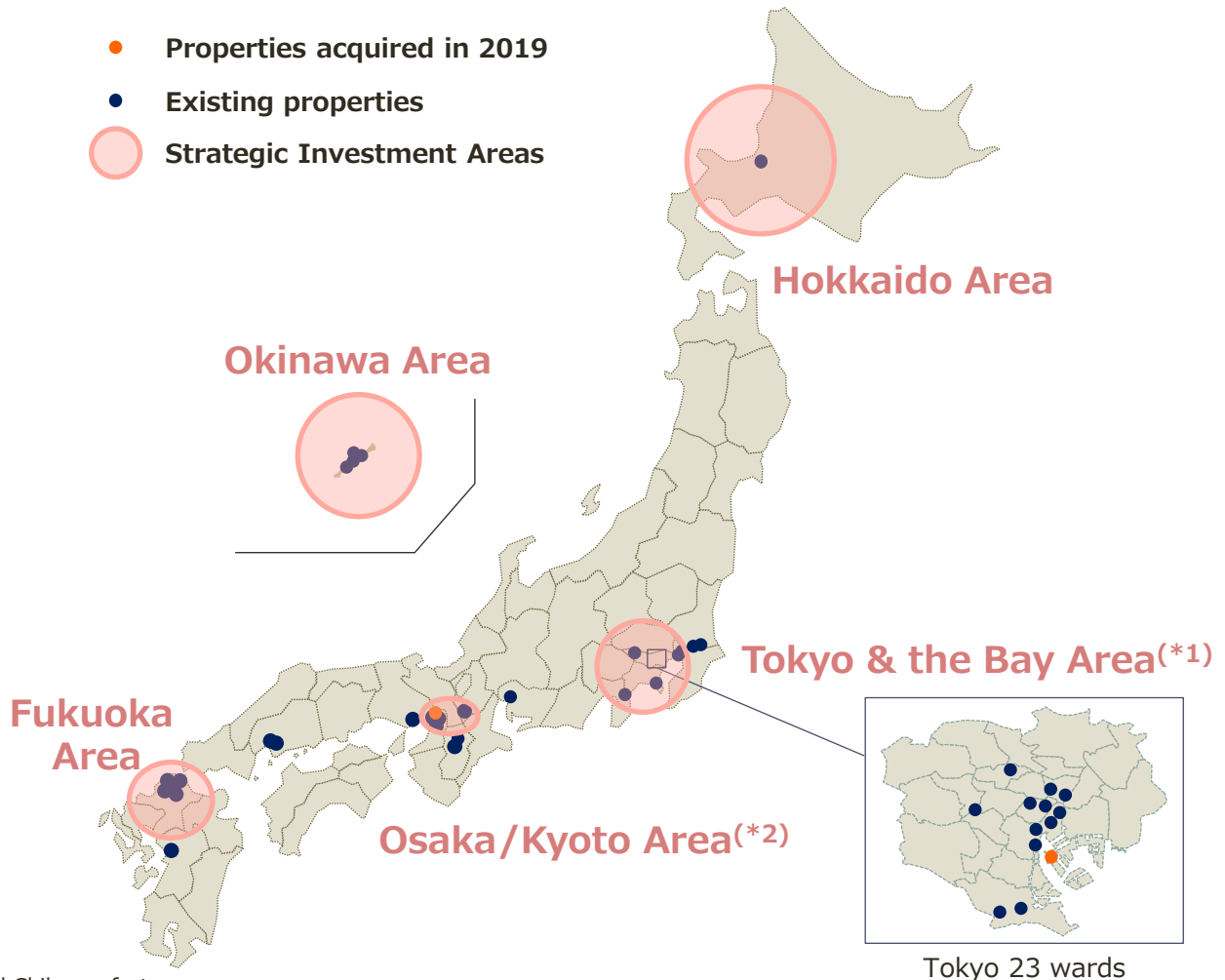
43 Hotels

(**34** in Strategic Investment Areas)

No. of Guest Rooms

11,705 Rooms

Strategic Investment Areas and Locations of Properties



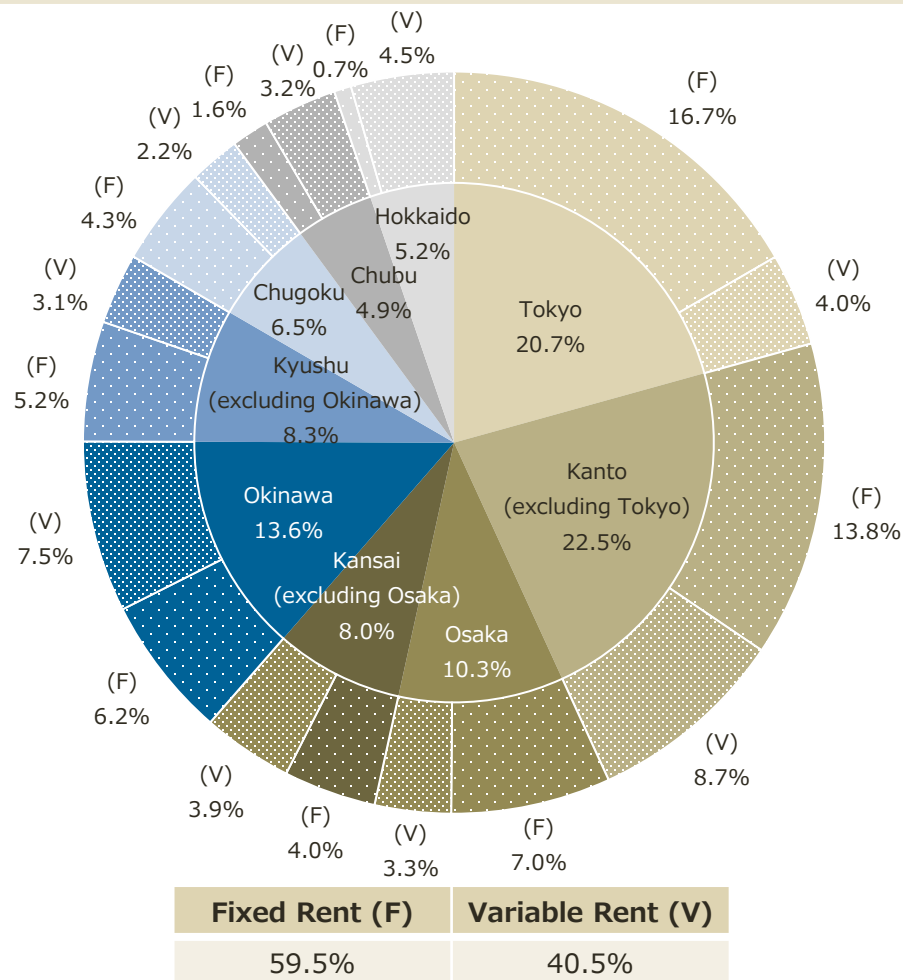
(^{*1}) Bay Area includes the coastal area of Tokyo Bay in Kanagawa and Chiba prefectures.

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

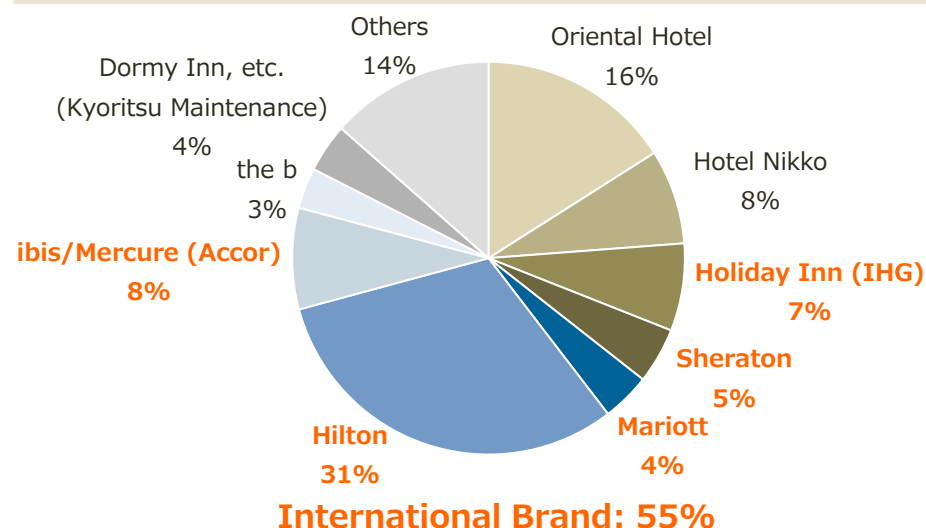
2. Portfolio Diversification

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

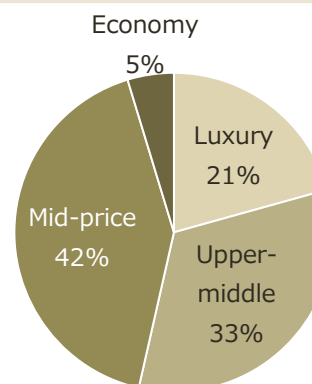
By Area and Rent(*1)



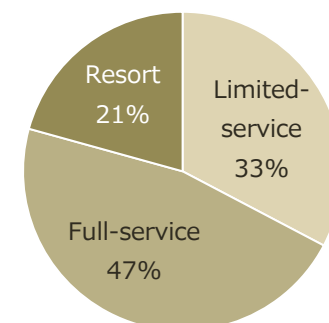
By Hotel Brand(*2)



By Grade(*2)



By Hotel Type(*2)



(*1) Based on the annualized rent in revenue forecast of FY12/2020

(*2) Based on the acquisition price

V . Internal Growth

1. Rent Structures

Stability



Upside

(FY12/2020 forecast)

| Rent Structure ^(*1) | | 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 (%) (annualized forecast for FY12/2020) | | JPY2,832MM (9.4%) | JPY3,927MM (13.0%) | JPY18,479MM (61.2%) | JPY1,894MM (6.3%) | JPY3,080MM (10.2%) | JPY30,214MM (100.0%) |
| (breakdown) | Fixed Rent, etc.^(*2) (%) | JPY2,832MM (9.4%) | JPY3,382MM (11.2%) | JPY10,796MM (35.7%) | JPY536MM (1.8%) | JPY439MM (1.5%) | JPY17,987MM (59.5%) |
| | Variable Rent (%) | — | JPY545MM (1.8%) | JPY7,682MM (25.4%) | JPY1,358MM (4.5%) | JPY2,641MM (8.7%) | JPY12,227MM (40.5%) |
| 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 | | 11 | 6 | 18 | 3 | 5 | 43 |
| Acquisition Price (%) | | JPY37,300MM (10.0%) | JPY44,216MM (11.8%) | JPY245,628MM (65.6%) | JPY17,723MM (4.7%) | JPY29,640MM (7.9%) | JPY374,508MM (100.0%) |
| Hotels | | The Beach Tower Okinawa Hotel Francs CANDEO HOTELS UENO-KOEN HOTEL ASCENT FUKUOKA and other hotels | Hilton Tokyo Bay Hotel Keihan Universal City Sotetsu Fresa Inn Shimbashi-Karasumoriguchi Smile Hotel Nihombashi Mitsukoshimae Hotel Vista Kamata Tokyo Comfort Hotel Tokyo Higashi Nihombashi | The Twelve HMJ Hotels ^(*3) the b ikebukuro the b hachioji the b hakata the b suidobashi Hilton Tokyo Odaiba Hotel Oriental Express Osaka Shinsaibashi | Hilton Nagoya Mercure Yokosuka 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.

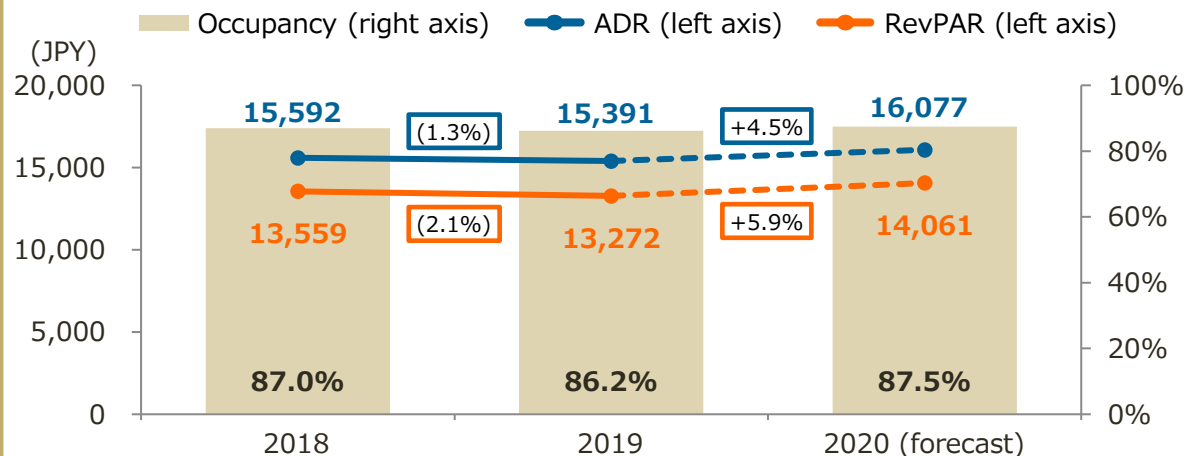
(*2) Fixed rent includes fixed rent and utility income based on rent contract of non-hotel portion (offices, signage, car parks, retail shops, etc.) of asset owned by JHR.

(*3) The Twelve HMJ Hotels are the 11 HMJ Hotels plus Oriental Hotel Fukuoka Hakata Station.

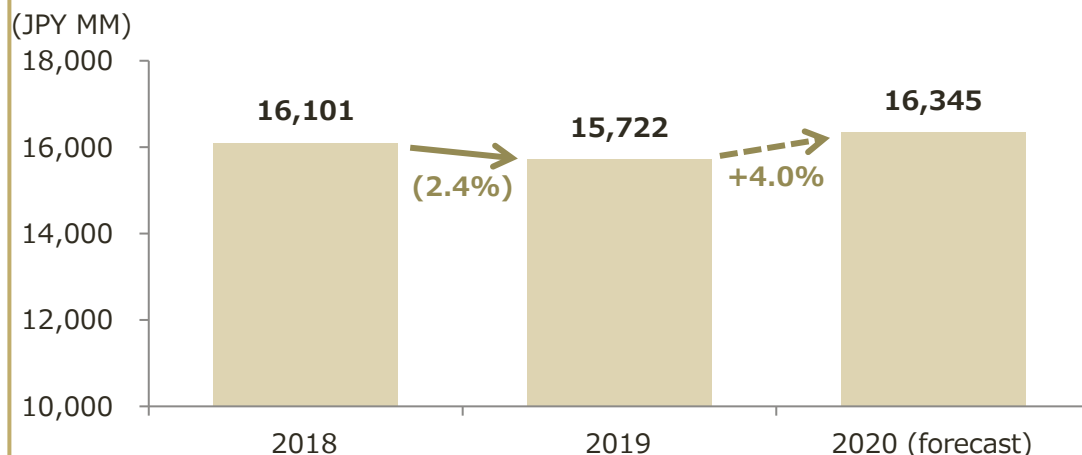
2. Performance of the 20 Hotels with Variable Rent, etc.

Total of the 20 Hotels with Variable Rent, etc.

Changes in Major Indicators

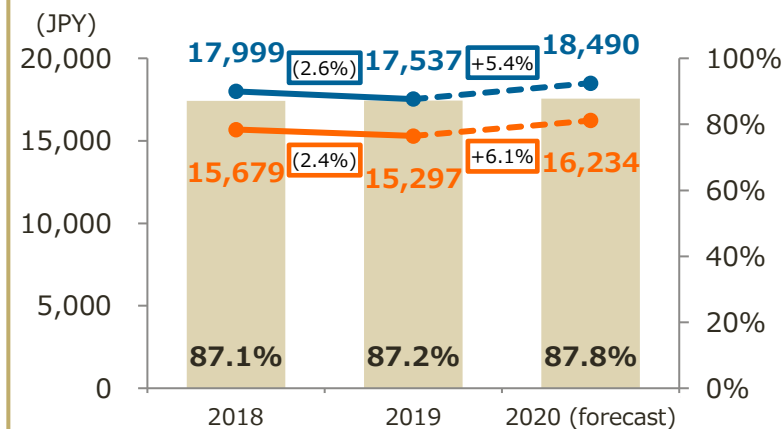


Changes in GOP

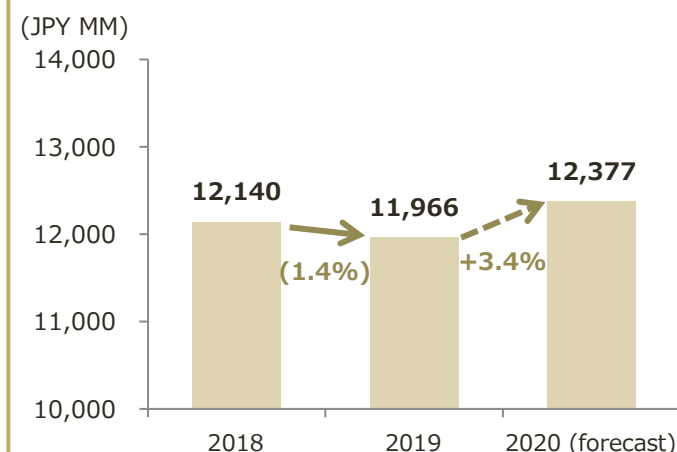


Total of the 10 HMJ(*) Hotels

Changes in Major Indicators



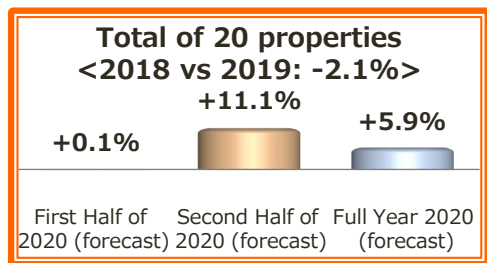
Changes in GOP



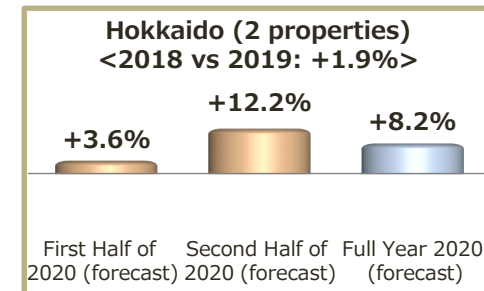
(*) The 10 HMJ Hotels are 10 hotels excluding Namba Oriental Hotel from the 11 HMJ Hotels.

3. RevPAR Variance to Previous Year by Region of the 20 Hotels with Variable Rent, etc. for 2020

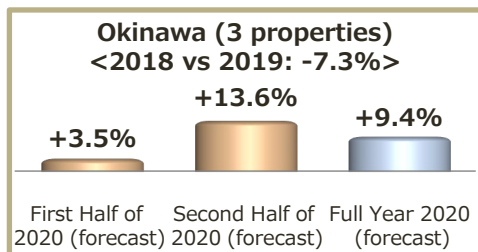
◆ Diverse Portfolio



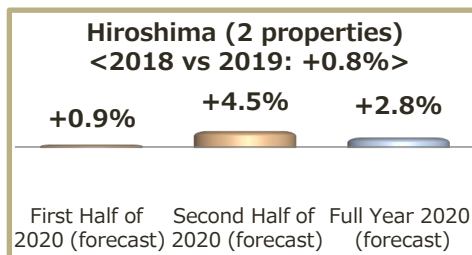
● Properties owned by JHR



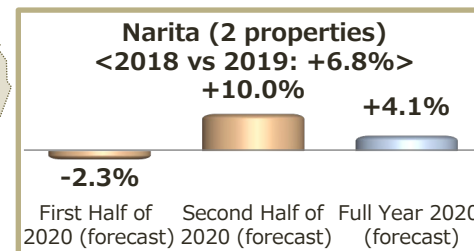
- ibis Styles Sapporo
- Mercure Sapporo



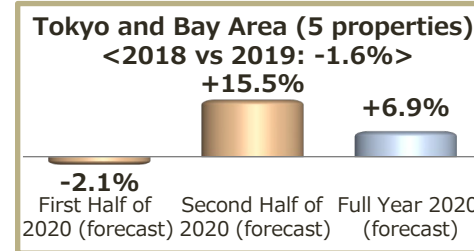
- Hotel Nikko Alivila
- Okinawa Marriott Resort & Spa
- Mercure Okinawa Naha



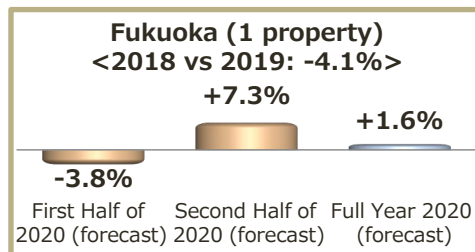
- Oriental Hotel Hiroshima
- ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)



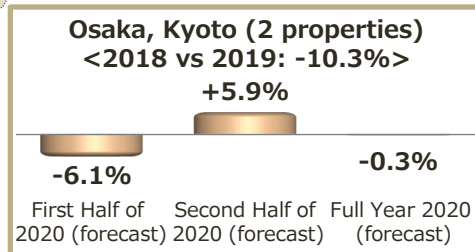
- Hilton Tokyo Narita Airport
- International Garden Hotel Narita



- Oriental Hotel Tokyo Bay
- ibis Tokyo Shinjuku
- the b Ikebukuro
- the b Hachioji
- the b Suidobashi



- the b Hakata



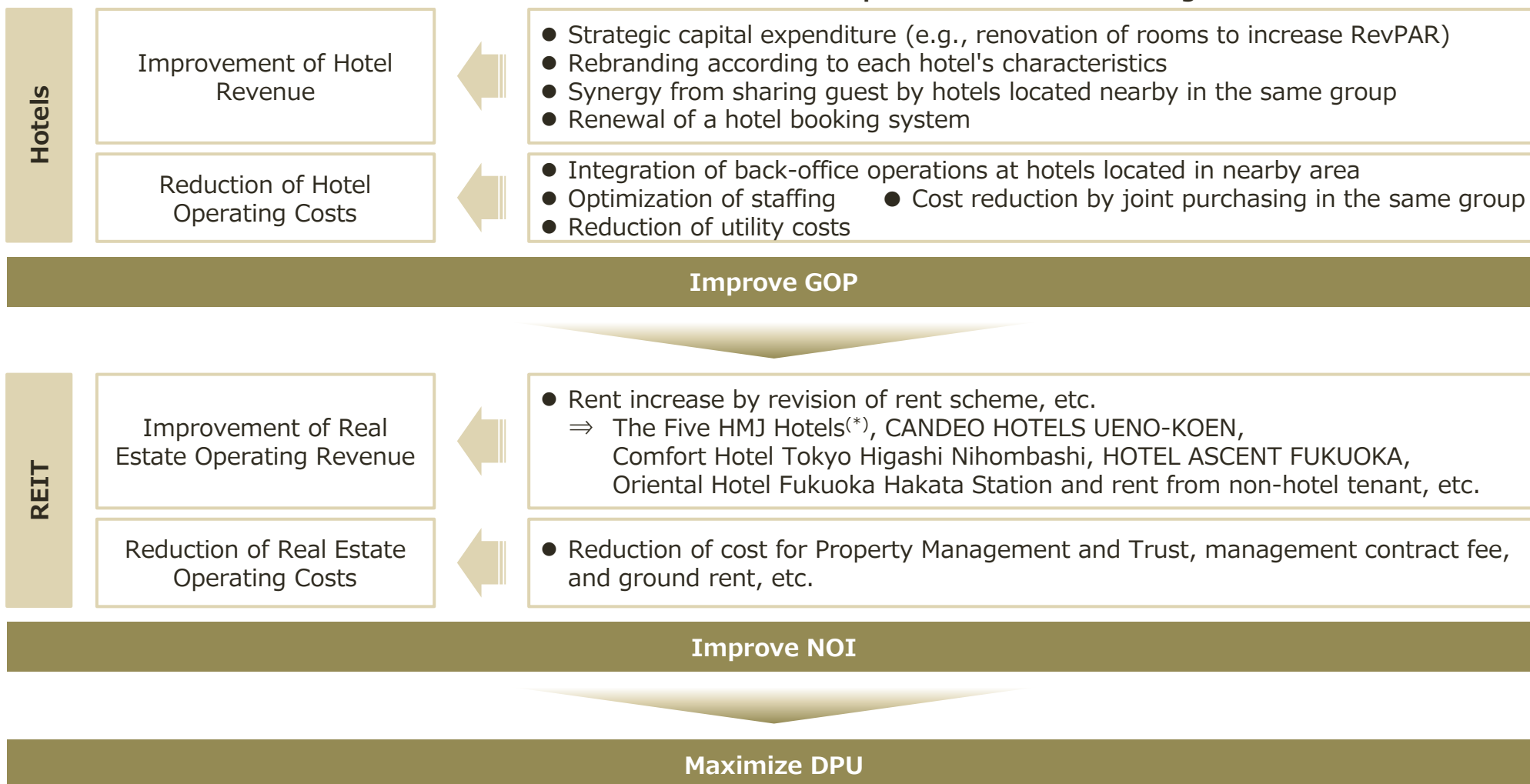
- Holiday Inn Osaka Namba
- ibis Styles Kyoto Station

(*) Stating major hotels in each area out of the 20 Hotels with Variable Rent, etc.

4. Active Asset Management

- ◆ Implement Active Asset Management at both hotel and REIT sides
- ◆ Accelerate internal growth through both revenue enhancement and cost control

Examples of Active Asset Management



(*) The Five HMJ Hotels are Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivilla and Oriental Hotel Hiroshima.

4. Active Asset Management (cont.)

- ◆ Promote internal growth through renovation and rebrand, etc.
- ◆ Plan to appropriate the negative goodwill in case the operation is suspended due to large-scale renovations

Hilton Tokyo Odaiba

Completed Project
(December 2019 to February 2020)

Summary

Amount invested: JPY92MM

Scope: Banquet hall ("Seaside Banquet Rooms" with Tokyo Bay views)

Aim

- Maximize the spectacular ocean view of Rainbow Bridge by removing the window frames
 - Creating an open banquet hall with a sense of unity with a wide seaside-facing balcony
- ⇒ Increase the number of banquets and weddings

Future Project
(September 2020 to December 2020)

Summary

Amount to invest: Approximately JPY3.0Bn (plan)

Scope: Guest room, front lobby, exterior pedestrian alley from station, pool

Aim

- Improve ADR by differentiating itself through renovation taking advantage of one of the world's most spectacular panoramic ocean view
- Provide consistent quality for guest stay and increase value to stay at the hotel

Namba Oriental Hotel

Future Project
(November 2020 to March 2021)

Summary

Amount to invest: Approximately JPY2.6Bn (plan)

Scope: Guest room, front lobby, hotel entrance, tenant area, etc.

※The entire building is expected to close during the renovation period

Aim

- Improve ADR by differentiating itself through renovation with a superior design in a favorable location in central Namba
- Add value by renovating the lobby and the garden
- Improve operating efficiency and reducing costs by changing the layout

Renovation of Banquet Halls at Hilton Tokyo Odaiba

<Before>



<After>



<After>



4. Active Asset Management (cont.)

◆ Promote internal growth through renovation, rebrand, etc.

◆ Increase rent through revision of rent scheme, etc.

Oriental Hotel Fukuoka Hakata Station

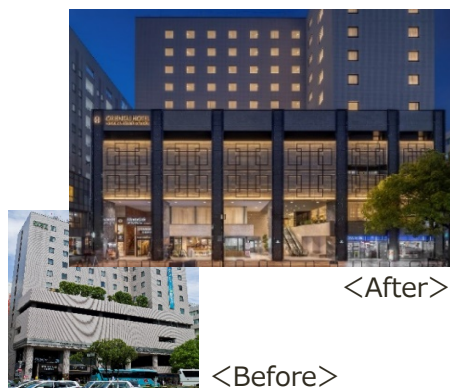
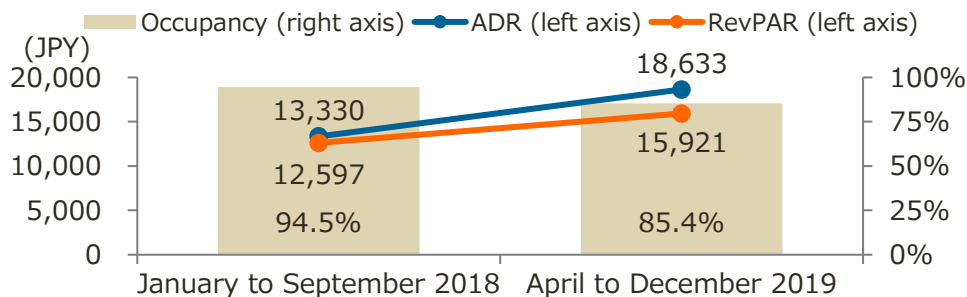
Summary

Renovation Term: October 1, 2018 to April 8, 2019

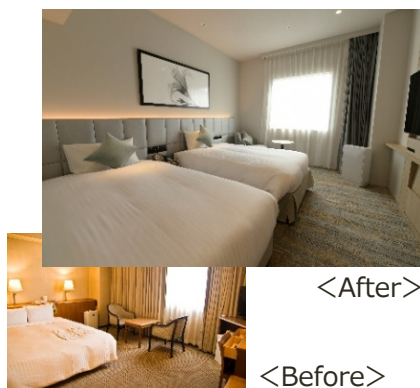
※ Hotel operation was suspended during the renovation period

Investment: Approximately JPY3.1Bn

- Renovated the whole building and rebranded including an increase in the number of guest rooms
- Changed the hotel grade from mid-price to upper-grade hotel
- Sustained DPU level by utilizing the negative goodwill during the suspension of the hotel operation



<After>



<After>

Track Record of Rent Scheme Revision (after Apr. 2014)

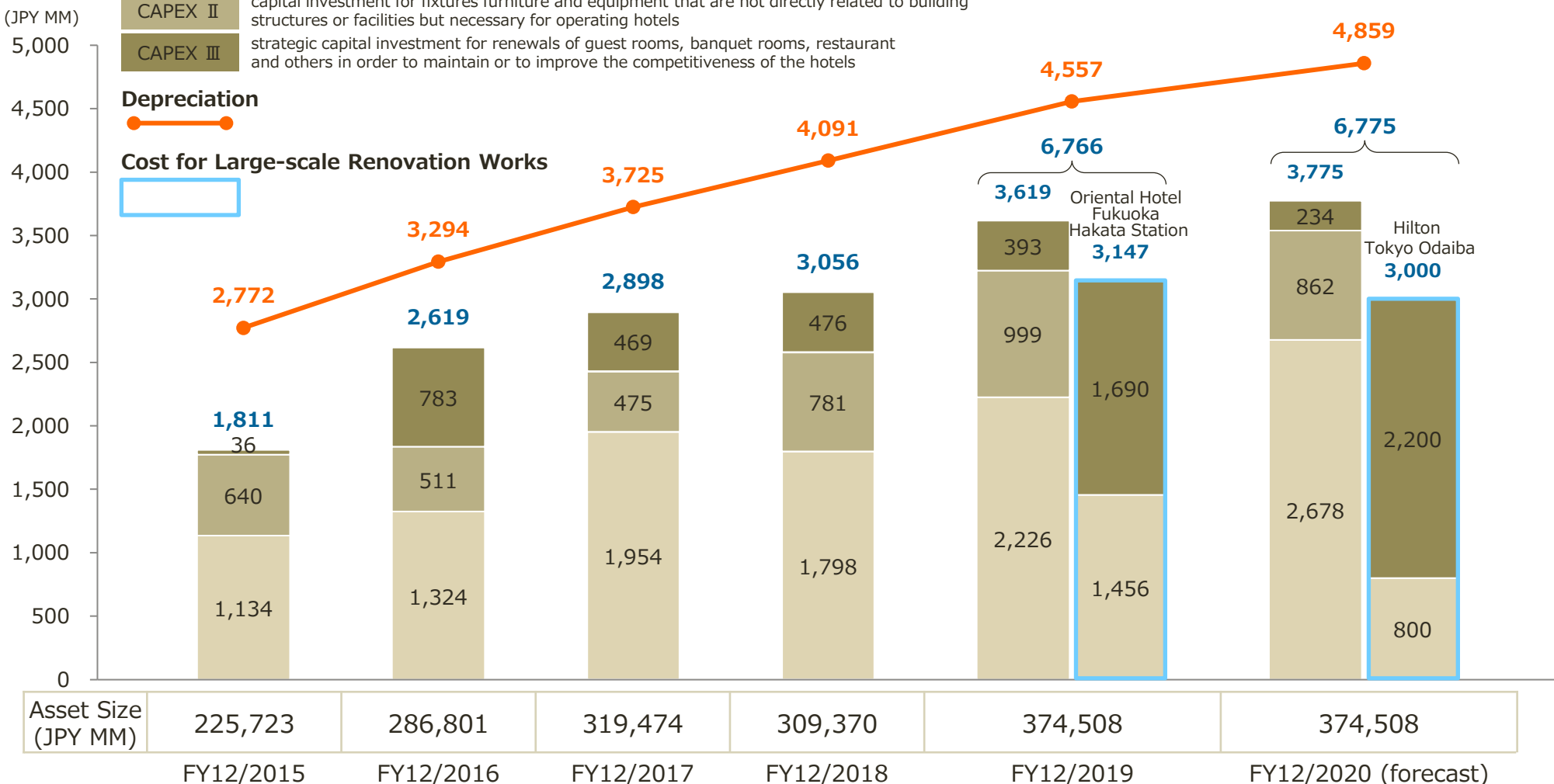
| | | | |
|-----------|--|---|-------------------------------------|
| Apr. 2014 | Smile Hotel Nihombashi Mitsukoshimae | Fixed-rent | Fixed and Revenue Sharing |
| Jul. 2014 | Hotel Keihan Universal City | Fixed-rent | Fixed and Revenue Sharing |
| Dec. 2014 | ibis Styles Sapporo | Changed to Management Contract | |
| Jul. 2015 | the b suidobashi | Fixed-rent | Fixed and Variable-rent |
| Jul. 2017 | CANDEO HOTELS UENO-KOEN | Fixed-rent Increase | |
| Jan. 2018 | Comfort Hotel Tokyo Higashi Nihombashi | Fixed-rent | Fixed and Revenue Sharing |
| Jan. 2019 | ibis Styles Kyoto Station | Reduction of Management Contract Fee | |
| Jan. 2019 | Hilton Tokyo Bay | Revision of Rent (Increase) | |
| Apr. 2019 | HOTEL ASCENT FUKUOKA | Fixed-rent/ Traditional Lease | Fixed-rent Increase/ Fixed-lease |
| Aug. 2019 | Mercure Yokosuka | Revision of Rent (Effectively increase) | |
| Oct. 2019 | the b suidobashi | Revision of Rent (Increase) | |
| Dec. 2019 | Oriental Hotel Fukuoka Hakata Station | Revision of Rent (Increase) | |
| Dec. 2019 | ibis Styles Sapporo | Reduction of Management Contract Fee | |
| Dec. 2019 | Mercure Sapporo | Reduction of Management Contract Fee | |

5. Capital Expenditures and Depreciation

◆ Strengthen competitiveness and improve asset value by continuing investment in CAPEX

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 |

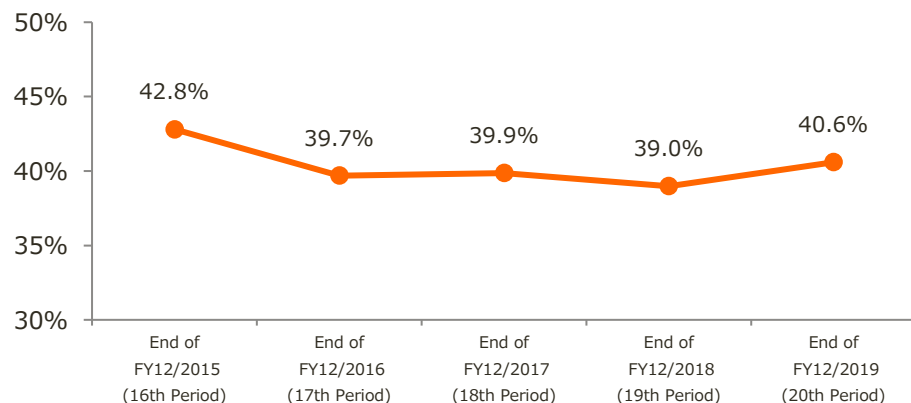


(*) The planned amount of large-scale renovation works for the entire property of Namba Oriental Hotel is not included in the capital expenditure for FY12/2020 due to the construction being scheduled for completion in March 2021.

VI. Financial Conditions

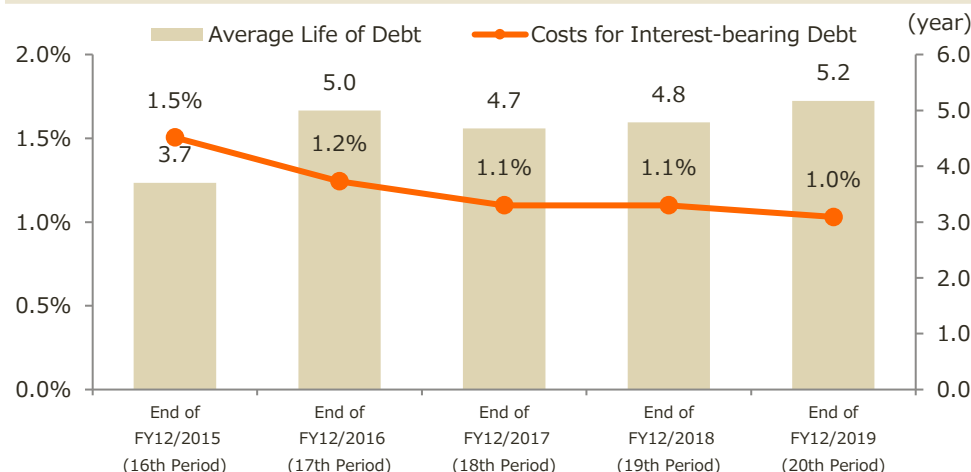
1. Financial Conditions

Changes in LTV (total asset base)



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

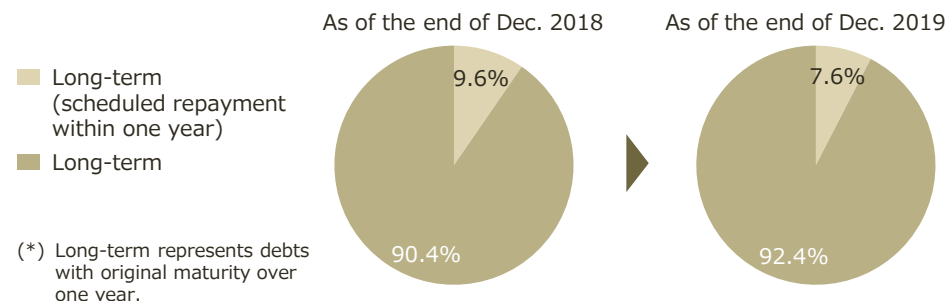
Changes in Costs for Interest-bearing Debt^(*) and Average Life of Debt^(*)



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

(*)2 Average life of debt as of the end of each period

Term of Interest-bearing Debt

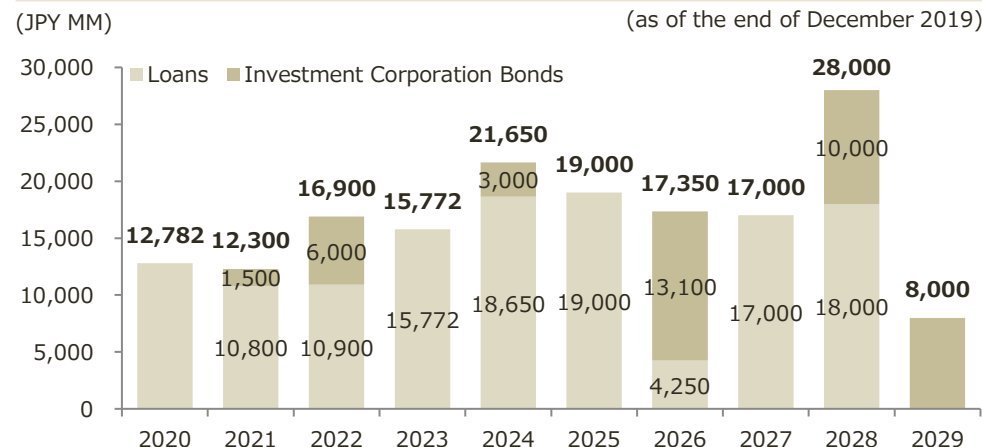


(*) Long-term represents debts with original maturity over one year.

Fixed Interest Rate Ratio



Repayment Schedule of Interest-bearing Debt



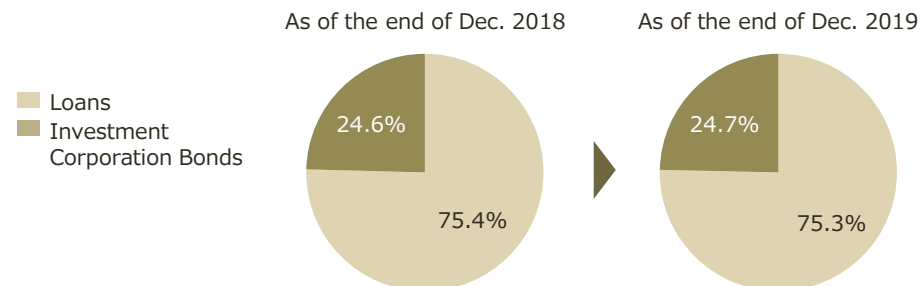
1. Financial Conditions (cont.)

Lender List for Interest-bearing Debt

(Unit: JPY MM)

| Lenders/Bond Name | Balance (as of the end of December 2018) | | Balance (as of the end of December 2019) | | Variance |
|--|--|---------------|--|---------------|---------------|
| | Balance | % | Balance | % | |
| Sumitomo Mitsui Banking Corporation | 26,431 | 19.3% | 31,901 | 18.9% | 5,470 |
| Shinsei Bank, Ltd. | 15,035 | 11.0% | 19,015 | 11.3% | 3,980 |
| Mizuho Bank, Ltd. | 15,030 | 11.0% | 19,000 | 11.3% | 3,970 |
| Sumitomo Mitsui Trust Bank, Limited | 10,540 | 7.7% | 13,640 | 8.1% | 3,100 |
| Resona Bank, Limited | 9,360 | 6.8% | 10,126 | 6.0% | 766 |
| Development Bank of Japan Inc. | 3,780 | 2.8% | 5,750 | 3.4% | 1,970 |
| Fukuoka Bank, Ltd. | 3,610 | 2.6% | 4,750 | 2.8% | 1,140 |
| The Nomura Trust and Banking Co., Ltd. | 4,190 | 3.1% | 4,660 | 2.8% | 470 |
| MUFG Bank, Ltd. | 4,135 | 3.0% | 4,135 | 2.5% | 0 |
| Aozora Bank, Ltd. | 2,435 | 1.8% | 3,435 | 2.0% | 1,000 |
| The Chiba Bank, Ltd. | 2,670 | 2.0% | 3,100 | 1.8% | 430 |
| Hiroshima Bank, Ltd. | 2,927 | 2.1% | 2,892 | 1.7% | (35) |
| The Nishi-Nippon City Bank, Ltd. | 1,600 | 1.2% | 2,750 | 1.6% | 1,150 |
| Sompo Japan Nipponkoa Insurance Inc. | 828 | 0.6% | 1,500 | 0.9% | 672 |
| The Shizuoka Bank, Ltd. | 500 | 0.4% | 500 | 0.3% | 0 |
| Total of Bank Loans | 103,071 | 75.4% | 127,154 | 75.3% | 24,083 |
| Investment Corporation Bonds (for institutional investors) | | | | | |
| 3rd Investment Corporation Bonds without Collateral | 2,000 | 1.5% | - | - | (2,000) |
| 4th Investment Corporation Bonds without Collateral | 1,500 | 1.1% | 1,500 | 0.9% | 0 |
| 6th Investment Corporation Bonds without Collateral | 3,000 | 2.2% | 3,000 | 1.8% | 0 |
| 8th Investment Corporation Bonds without Collateral | 1,100 | 0.8% | 1,100 | 0.7% | 0 |
| 9th Investment Corporation Bonds without Collateral | 1,000 | 0.7% | 1,000 | 0.6% | 0 |
| 12th Investment Corporation Bonds without Collateral | - | - | 2,000 | 1.2% | 2,000 |
| Total of Investment Corporation Bonds (for institutional investors) | 8,600 | 6.3% | 8,600 | 5.1% | 0 |
| Investment Corporation Bonds (for individual investors) | | | | | |
| 5th Investment Corporation Bonds without Collateral | 6,000 | 4.4% | 6,000 | 3.6% | 0 |
| 7th Investment Corporation Bonds without Collateral | 9,000 | 6.6% | 9,000 | 5.3% | 0 |
| 10th Investment Corporation Bonds without Collateral | 10,000 | 7.3% | 10,000 | 5.9% | 0 |
| 11th Investment Corporation Bonds without Collateral | - | - | 8,000 | 4.7% | 8,000 |
| Total of Investment Corporation Bonds (for individual investors) | 25,000 | 18.3% | 33,000 | 19.6% | 8,000 |
| Total of Investment Corporation Bonds | 33,600 | 24.6% | 41,600 | 24.7% | 8,000 |
| Total of Interest-bearing Debt | 136,671 | 100.0% | 168,754 | 100.0% | 32,083 |

Breakdown of Interest-bearing Debt



Status of Credit Rating

Japan Credit Rating Agency, Ltd.
(JCR)

A+ (stable)

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

A (positive)

※ The rating outlook of R&I changed to positive from stable in October 2019

Status of Reserve for Special Advanced Depreciation

◆ A part of gain on sale of three properties sold in 2018 are retained

Reserve for special
advanced depreciation

JPY1,174MM

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 FY12/2019>

| | |
|---|---------------------|
| 50-year amortization amount on negative goodwill | : JPY262MM |
| Adjustment for dilution | : JPY310MM |
| Cope with large-scale renovation works | : JPY357MM |
| Cope with loss on retirement of noncurrent assets | : JPY246MM |
| Total amount | : JPY1,176MM |

| | |
|--|--------------------|
| Balance of Negative Goodwill after the end of December 2019 | JPY10,617MM |
|--|--------------------|

<Amount to be used in FY12/2020>

| | |
|---|-------------------|
| 50-year amortization amount on negative goodwill | : JPY262MM |
| Cope with large-scale renovation works | : JPY216MM |
| Cope with loss on retirement of noncurrent assets | : JPY18MM |
| Total amount | : JPY496MM |

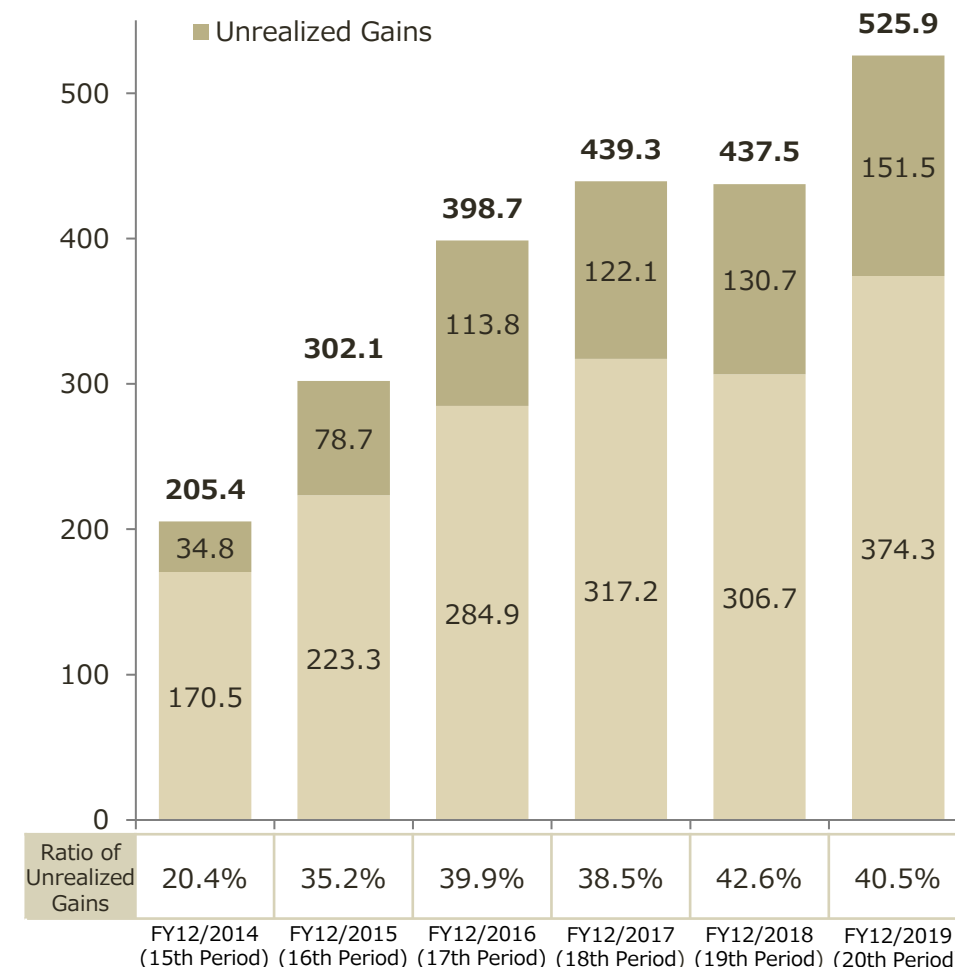
| | |
|---|--------------------|
| Balance of Negative Goodwill after the end of December 2020 (forecast) | JPY10,120MM |
|---|--------------------|

(*) The breakdown of the amount used for "cope with large-scale renovation works" in FY12/2019: JPY357MM for Oriental Hotel Fukuoka Hakata Station
The breakdown of the amount to be used for "cope with large-scale renovation works" in FY12/2020: JPY44MM for Hilton Tokyo Odaiba, and JPY172MM for Namba Oriental Hotel

Changes in Appraisal Value (Unrealized Gains)

(JPY Bn)

■ Book Value
■ Unrealized Gains

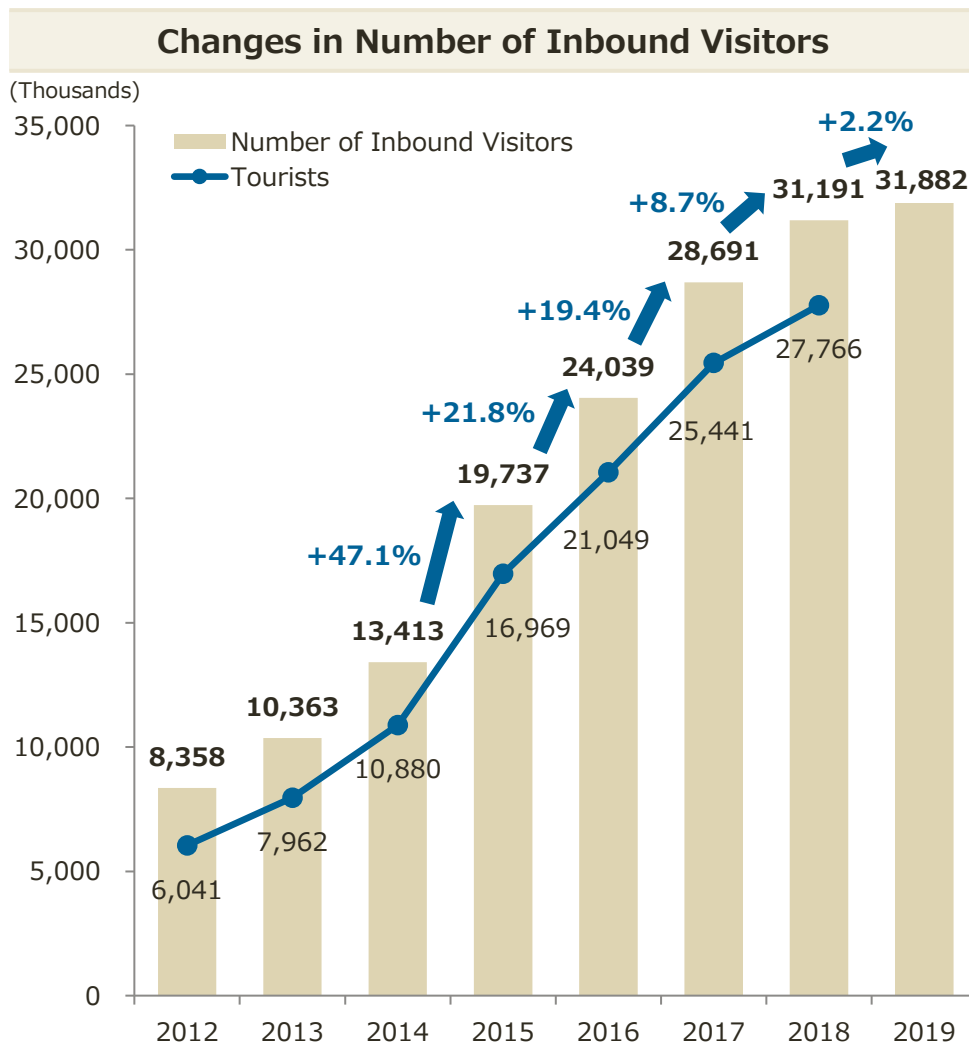


(*) Unrealized gains are calculated by subtracting book value from appraisal value.

VII. Market Environment

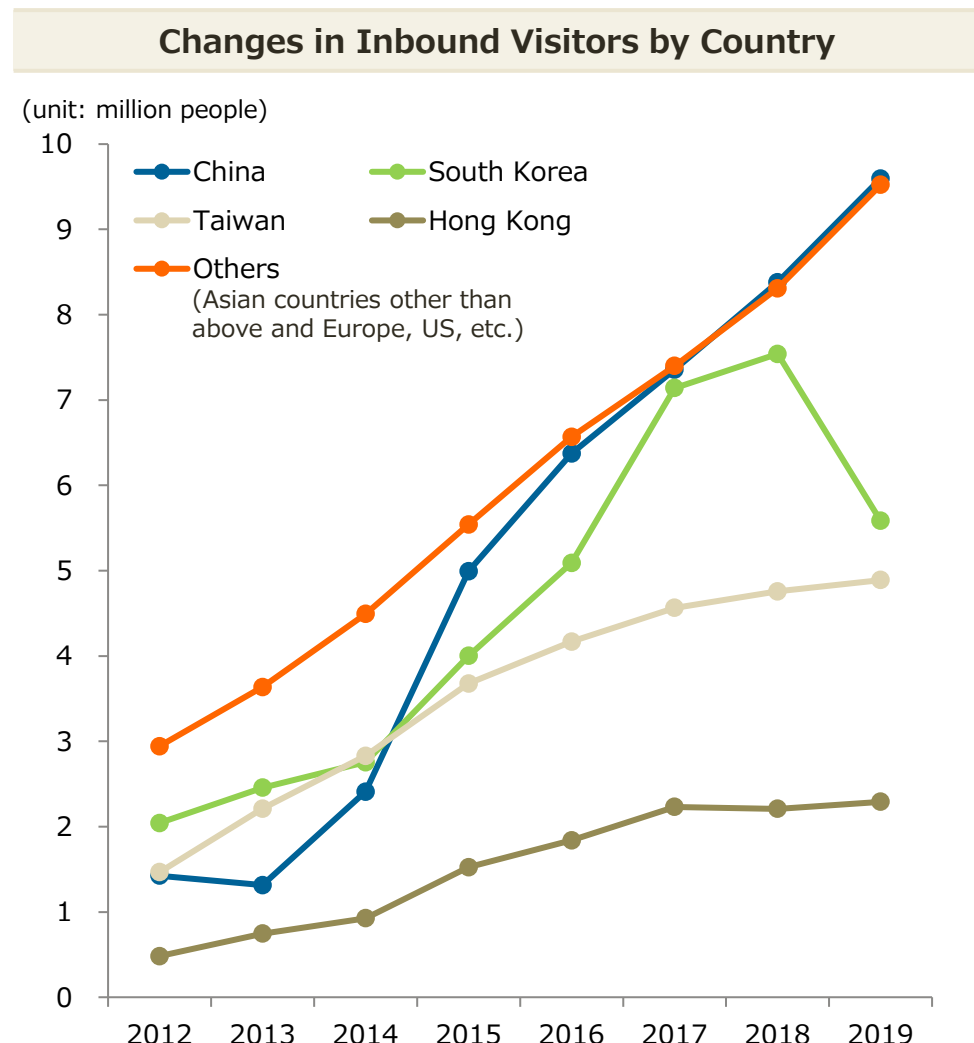
1. Market Environment

◆ The number of inbound visitors continues to increase



Source: Number of International Visitors to Japan by Japan National Tourism Organization (JNTO)
 (*) The numbers for Jan.-Oct. 2019 are provisional numbers, and Nov.-Dec. are estimated numbers.

◆ While the number of inbound visitors from South Korea significantly decreased, inbound visitors from China and many other countries reached a record high



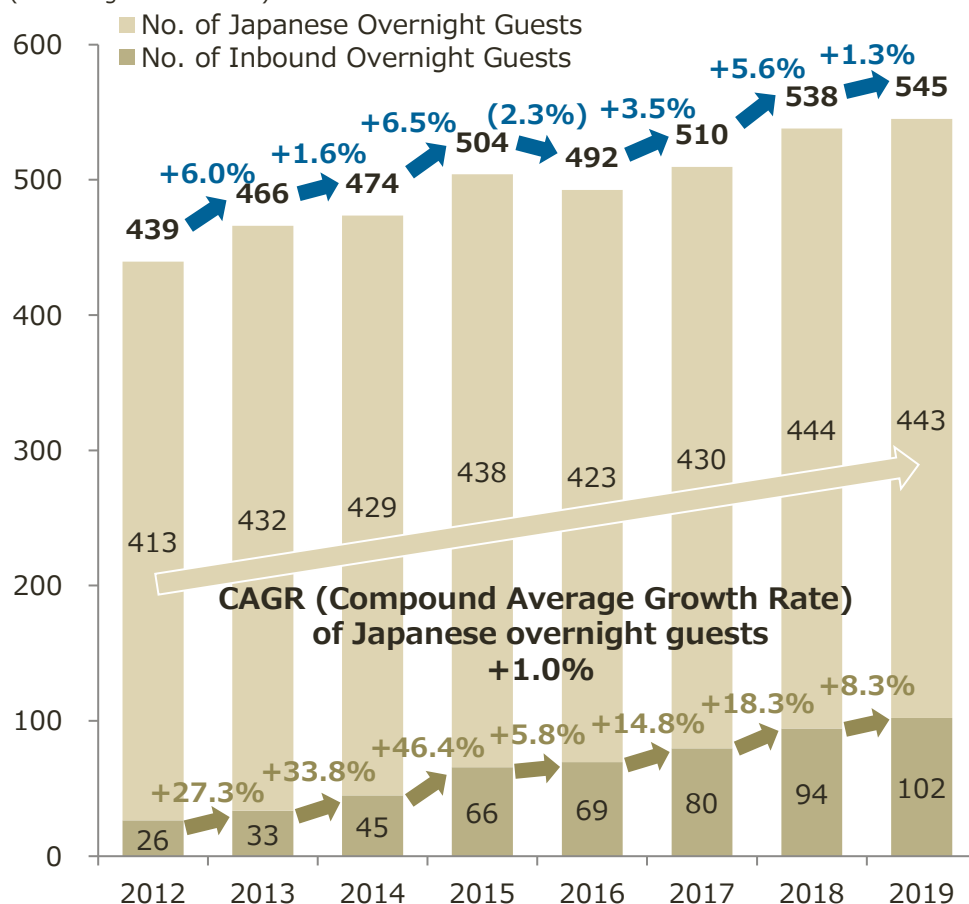
Source: Visitor Arrivals by Country/Area & Purpose of Visit (provisional figures) by Japan National Tourism Organization (JNTO)
 (*) The numbers for Jan.-Oct. 2019 are provisional numbers, and Nov.-Dec. are estimated numbers.

1. Market Environment (cont.)

- ◆ Lodging demand increased due to inbound visitors
- ◆ The number of overnight guests has been solid

Changes in Number of Overnight Guests in Japan

(Guest nights in millions)



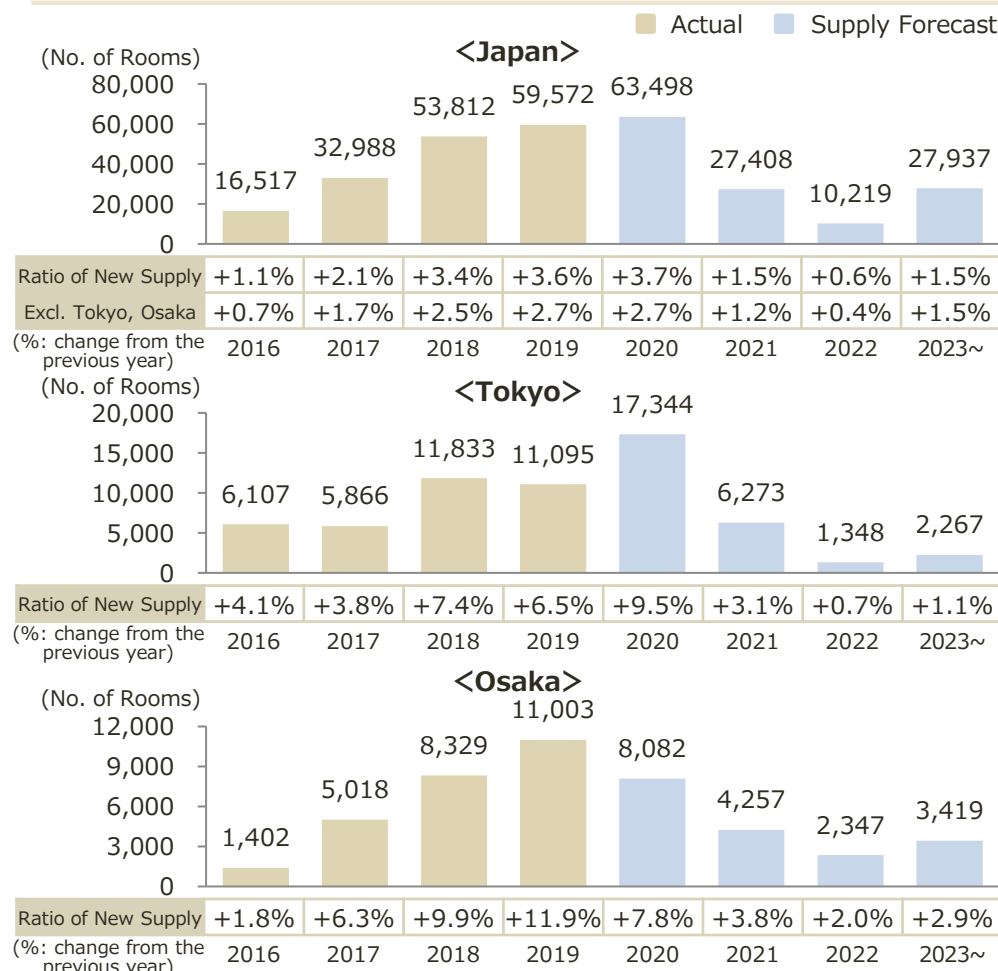
Source: Statistics of Overnight Travel by Japan Tourism Agency

(*) Rounded off to the nearest millions of people.

Numbers for Jan.-Nov. 2019 are second preliminary figure, numbers for Dec. 2019 are first preliminary figure. The annual revised report, which reflects newly opened hotels in 2019, etc. is schedule to be released on June 30, 2020.

- ◆ Supply of rooms has been increasing, mainly in Tokyo and Osaka, but the supply after 2021 is expected to decrease

Supply of Rooms in Hotels/Ryokans in Japan

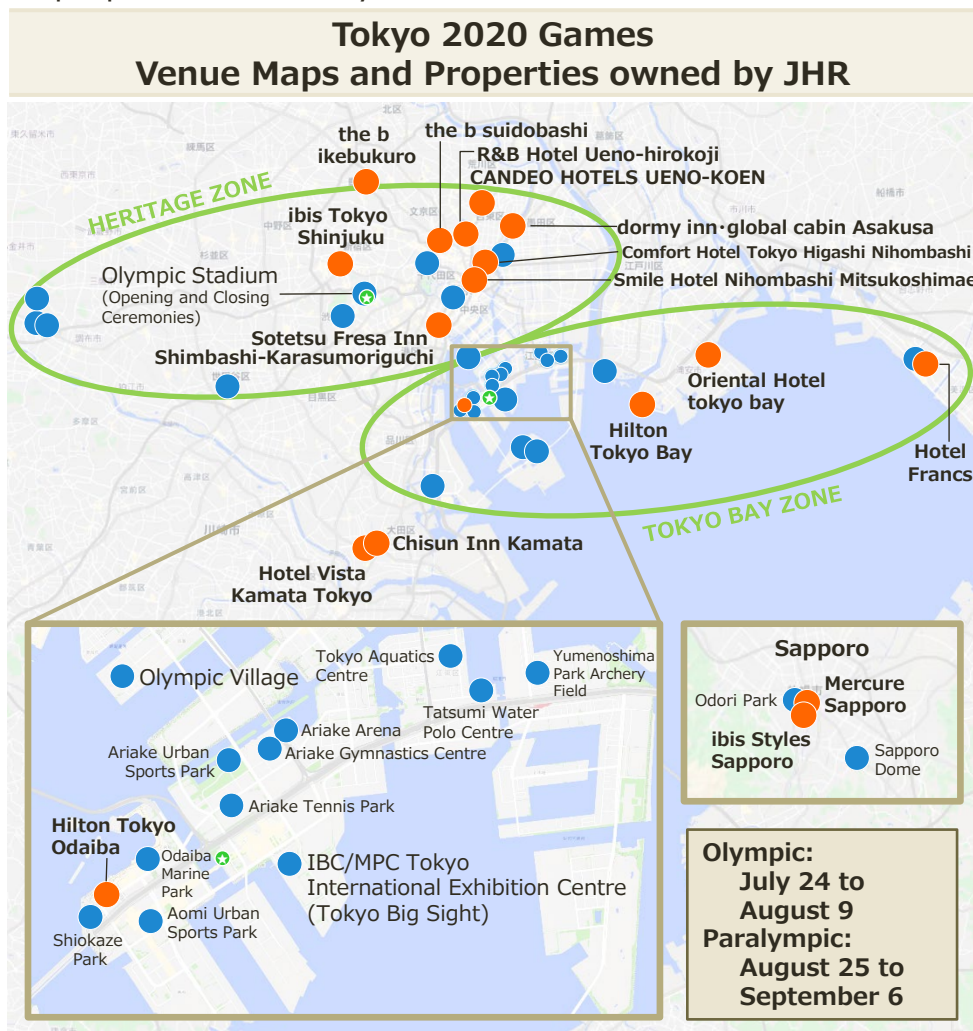


Source: Estimated by the Asset Management Company using data from "Public Health Administration Report" by Ministry of Health, Labour and Welfare (MHLW), a weekly hotel & restaurant magazine (HOTERES), and Nikkei Telecom.

(*) 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.

1. Market Environment (cont.)

- ◆ Many venues are located in Tokyo, where there are many properties owned by JHR



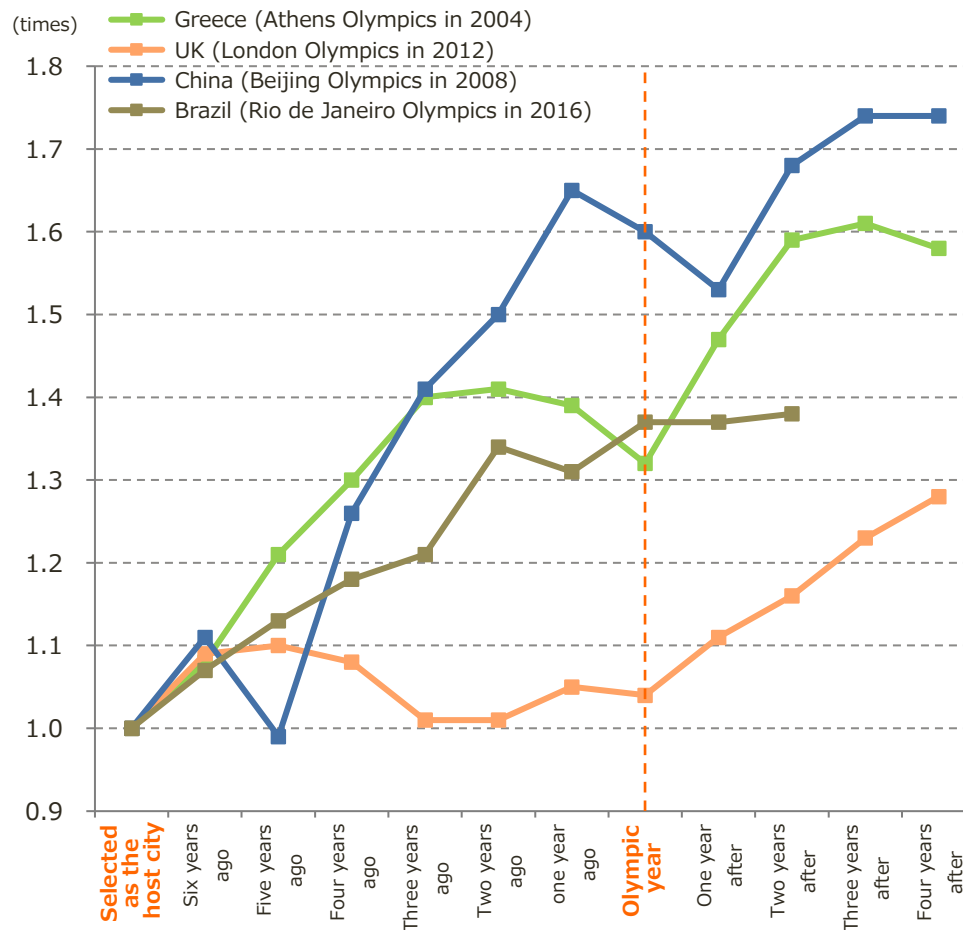
Source: Prepared by the Asset Management Company based on the official website by The Tokyo Organising Committee of the Olympic and Paralympic Games

(*) Tokyo 2020 Games represents Tokyo Olympics and Paralympics

●: Properties owned by JHR, ●: Venues for games or facilities related to the Olympics, ●: Places where the cauldrons would be placed

- ◆ The number of inbound visitors in past host countries has increased even after the Olympics

Changes in Number of International Tourist Arrivals after Olympics and Paralympics



Source: Prepared by the Asset Manager based on the data from "International tourism, number of arrivals" by World Bank and "Tourism Highlights 2019 Edition" by UNWTO

(*) The data were statistics in the past and those will be not guaranteed for the change after Tokyo Olympics and Paralympics.

(*) Figures for two years after in Brazil are preliminary figures.

1. Market Environment (cont.)

- ◆ Various international events, conferences and infrastructure improvements are scheduled in and after 2020. Further growth of the tourism industry is expected

Coming Major Events Related to Tourism, etc. in Japan

| | International Events, Conferences, etc. | Others |
|------|--|--|
| 2020 | • Tokyo Olympics and Paralympics Games (nationwide) (July 24 to August 9, August 25 to September 6) | <ul style="list-style-type: none"> • "Large-scale Development at Tokyo Disneyland", new areas and facilities are planned to open (Beauty and the Beast, etc. is themed) • New area is planned to open in Universal Studio Japan (Nintendo-themed) • Tokyo International Cruise Terminal is planned to open in Odaiba (July) |
| 2021 | <ul style="list-style-type: none"> • World Masters Games 2021 Kansai (May 14 to May 30) • 19th FINA World Aquatics Championships 2021 Fukuoka (July to August) | |
| 2022 | <ul style="list-style-type: none"> • Badminton World Championships (Tokyo) | <ul style="list-style-type: none"> • New Shinkansen route opens in Kyushu (Takeo Onsen~Nagasaki) • Extension of Hokuriku Shinkansen (Kanazawa and Tsuruga) • Tokyo BRT (Bus Rapid Transit) service starts (Tokyo city center~Seaside "Rinkai" area) |
| 2023 | | <ul style="list-style-type: none"> • "Large-scale expansion project at Tokyo Disney Sea", new theme port is planned to open ("Fantasy Springs") |
| 2024 | | <ul style="list-style-type: none"> • Mixed-use infrastructure development including a convention center in Rinku Central Park (Izumisano-City, Osaka) • Openings of Yumeshima Station of Osaka Metro Line and tower building at Yumeshima Station |
| 2025 | • World EXPO 2025 in Osaka, Kansai (184 days) (April 13 to October 13) | • Integrated Resorts start their operations (Undecided) |
| 2027 | | <ul style="list-style-type: none"> • Linear Chuo Shinkansen line commences operation |
| 2029 | | <ul style="list-style-type: none"> • Open of Haneda Airport Access Line |
| 2031 | | <ul style="list-style-type: none"> • Extension of the Hokkaido Shinkansen line to Sapporo (Shin Hakodate Hokuto~Sapporo) |

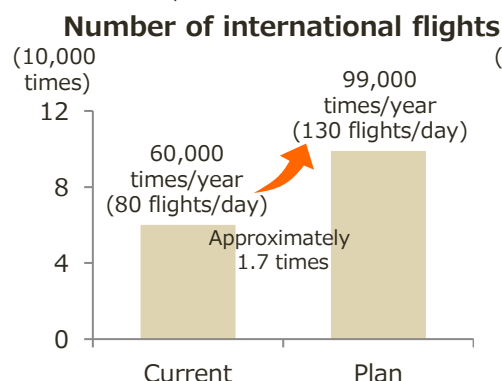
(*) As events are those scheduled as of January 31, 2020 and may be changed.

- ◆ Major domestic airports are expected to attract more inbound visitors by increasing the number of the international flights
- ◆ Haneda and Narita Airports in Tokyo metropolitan area are expected to reach 1 million flights per year as total

Future Airport Development Plan for Major Domestic Airport

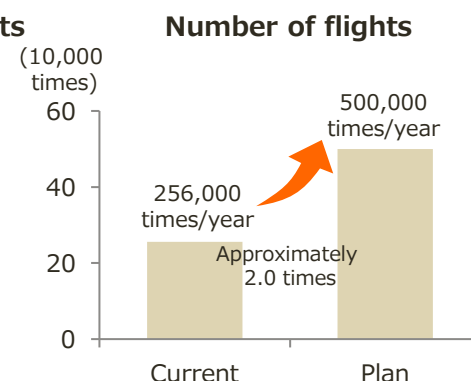
Haneda Airport

- March 29, 2020
Setting up new flight and increase the number of flights to cities in North America, Europe, Australia and Asia, etc.



Narita International Airport

- 2029
Construction of a new runway and extension of the existing runways



※ <Reference> London Area Airports: 1,210,000 times/year
New York Area Airports: 1,320,000 times/year

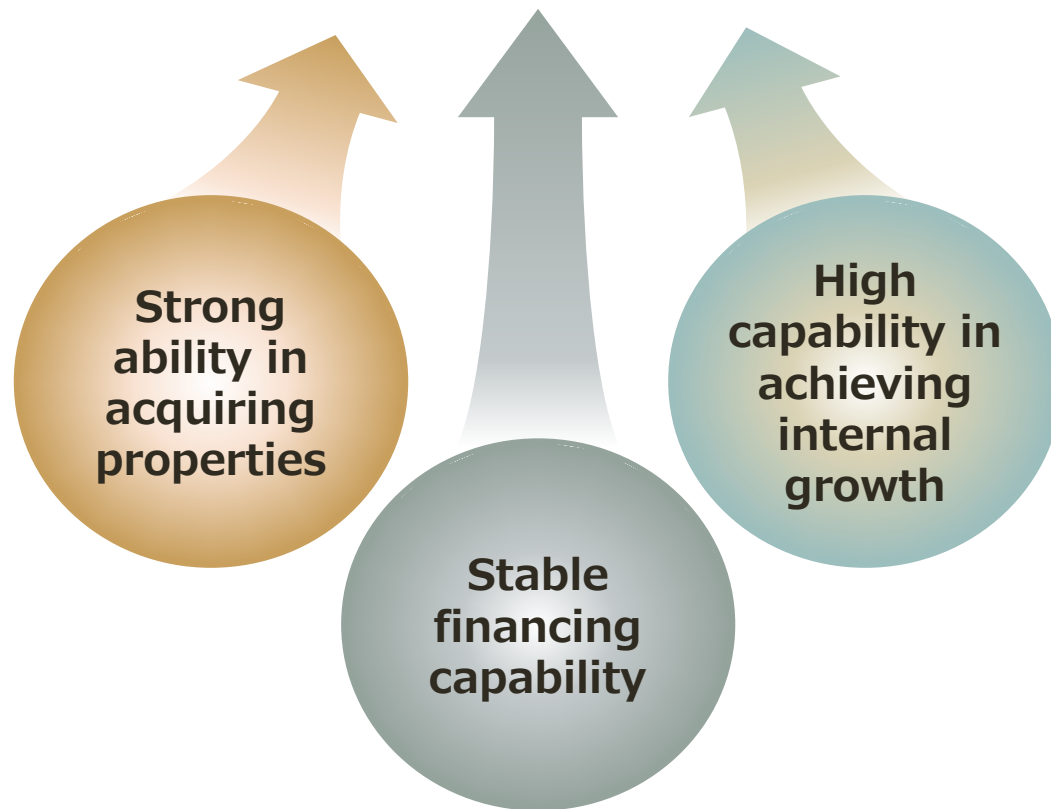
Other Airport Development Plan

| | | |
|-------------------------------------|------------------|--|
| Naha Airport | March 26, 2020 | • Operating of the second runway |
| | around July 2020 | • Expand the CIQ (Customs, Immigration, and Quarantine) |
| Kansai International Airport | 2021 to 2025 | <ul style="list-style-type: none"> • Large-scale renovation is planned for the first time since its opening in 1994 • Renovation of Terminal 1 |
| Fukuoka Airport | March 2025 | • Operating of the second runway |

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

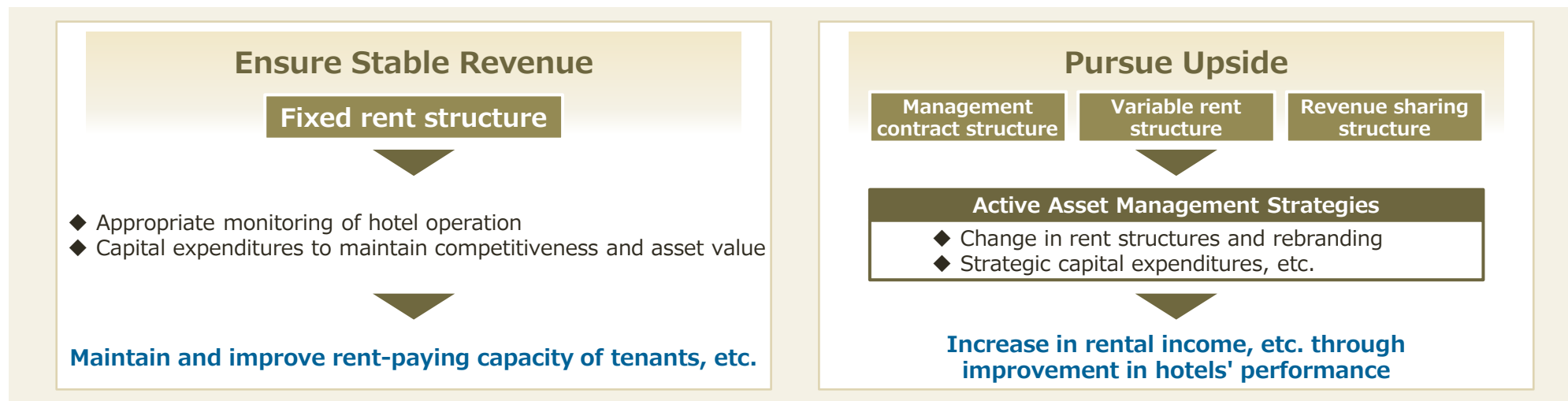
- Management approach through active asset management strategies that achieves a good balance between stability and upside potential
- Increase in hotel revenue through collaboration with high-quality operators
- Attract inbound demand through enhanced international brand portfolio
- Strengthen and maintain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

Stable financing capability

- Secure sound and stable finance
- Diversify financing methods

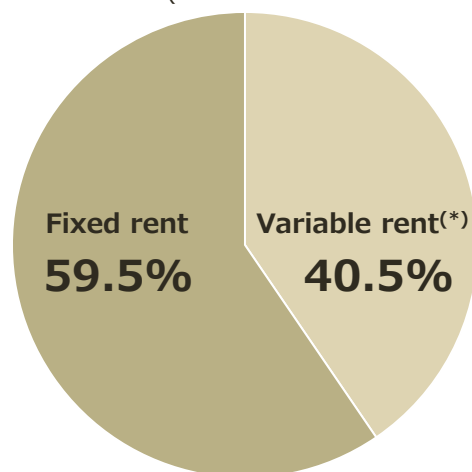
2. Simultaneous Pursuit of Stability and Upside Potential

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



Proportion of Rental Income

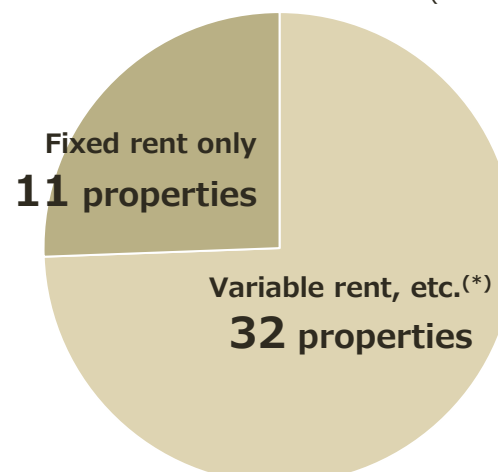
(Annualized effect of forecast for FY12/2020)



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

Proportion of Rent Structures

(as of February 20, 2020)



(*) 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

- Amid gradually recovering economy, domestic leisure demand remained firm. However, hotel revenue in some area showed a sluggish growth due to factors such as a decline in inbound visitors to Japan in some regions by the political issue between Japan and South Korea, and natural disasters, etc.
- However, following the last year's Rugby World Cup 2019 in Japan, the Tokyo Olympic and Paralympic Games are scheduled to be held this year, and hotel assets continue to attract strong attention as an investment target. In addition, competition for acquisitions in the hotel investment market is severe, due to the decline in yields on other asset classes and the increase in the number of players in hotel investment and hotel development, including new private funds.
- As inbound visitors have trended upward, new hotel supply continues to increase at a certain volume, and the competitiveness of the hotel is becoming clearer depending on the hotel's specifications, locations, and the capabilities of the hotel operators, making it important to differentiate each hotel from its competitors.

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

Recognition of External Environment

Hotel Market Environment

- In addition to stable domestic leisure demand, due to the government policy to promote tourism nation, the number of inbound tourists, mainly from Asian countries, is continuing to rise. Amid such growth expectation for Japan's tourism and hotel industries, although there are needs to carefully monitor some impact by supply of new hotels and Minpaku (private lodging for a fee), demand for accommodation is expected to stay firm.

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
 - 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
 - Increase hotel revenue through collaboration with high-quality operators
- 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

- In 2019, both the number of public offerings (including IPOs) and the amount of fund procured by J-REIT were below the previous year's level, but the Tokyo Stock Exchange REIT Index remained firm and conditions remained favorable.
- As for investment corporation bonds, issuance of green bonds increased. Long-term interest rates continued to be low and interest rate for bonds remained low.
- There is no particular change in the lending attitude of financial institutions. Both short-term and long-term interest rates remain at low levels. Although drastic change may not happen in the financial environment, some attention should be paid to fluctuations in long-term interest rates mainly due to international factors.

Basic Policies

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



Key Measures

- 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 including green bonds
- Improve financial stability by extending and diversifying repayment periods and fixing interest rates, etc.
- Optimize borrowing costs

6. Sustainability Initiatives

Aiming for achieving a mid to long-term growth that coexists with society and environment and enhancing sustainability through appropriate actions for ESG issues

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

Acquisition of BELS Certification(*1)

- ◆ JHR obtained a BELS certification for two properties, Hotel Nikko Alivila and Mercure Okinawa Naha, for the first among J-REIT owned hotels

Hotel Nikko Alivila



Mercure Okinawa Naha



GRESB Real Estate Assessment(*2)

- ◆ JHR received a "Green Star" designation. It was highly evaluated in both "Management & Policy" and "Implementation & Measurement" areas with regards to initiatives for environmental considerations and sustainability (September 2019)

- ▶ Highest ranking

Acquired **Green Star**

- ▶ "GRESB Rating"

Acquired **3-star**



SMBC Environment Assessment Loan(*3)

- ◆ Acquisition of "A" grade

- SMBC Environmental Assessment Loan evaluated JHR's excellent initiatives for environmental considerations in asset management (March 2018)



Issuance of Green Bonds

- ◆ Issuance of unsecured investment corporation bonds as Green Bonds for the first among J-REITs specializing in hotels (July 2019)
 - Amount: JPY2.0Bn
 - Duration: 5 years
- ◆ Usage of the Green Bonds proceeds
 - For refinance of loans for renovation of Oriental Hotel Fukuoka Hakata Station
 - To fund construction works, etc. for renovation etc. of the other hotels

(*1) BELS (Building-Housing Energy-Efficiency Labeling System) is a display system of energy conservation performance of a building set by Ministry of Land, Infrastructure, Transport and Tourism.

(*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) "SMBC Environmental Assessment Loan" assesses status of corporate initiatives for environmental considerations, on loan execution and establishment of lending conditions, based on environmental assessment criteria developed independently by Sumitomo Mitsui Banking Corp. and the Japan Research Institute, Limited.

6. Sustainability Initiatives (cont.)

Energy-saving Work for Restaurant Renovations For Okinawa Marriott Resort & Spa

◆ Renovation for All-Day Dining (July 2019)

- Introduced highly energy-efficient equipment for kitchen and air-conditioning, etc.
- Enhancing customer satisfaction as well as considering the environment
 - Introduction of LED lightings
⇒ **75%** reduction of CO₂ emissions after the renovation
 - Replacement of air conditionings
⇒ **46%** reduction of CO₂ emissions after the renovation
 - Upgrade of washing and sterilizing equipment
⇒ **45%** reduction of CO₂ emissions figures after the renovation

<Entrance>



<Interior>



(*) These figures related to the CO₂ emissions are estimated by the Asset Management Company based on expert reports.

Energy-saving Work for Large-scale Renovations For Oriental Hotel Fukuoka Hakata Station

◆ Rebranded and Reopened (April 2019)

- Changed from central air conditioning to individual air conditioning
 - Changed all lightings to LEDs
 - Replaced plumbing installation to improve water efficiency
- ⇒ **16%** reduction of CO₂ emissions after renovation of the entire building

<After>



<Before>



Initiatives for smoking ban for all rooms

◆ The 21 Hotels with Variable Rent, etc.

- JHR has been successively implementing to convert all hotel rooms into non-smoking rooms at all owned hotels
 - Non-smoking room ratio (based on the room numbers):
89% (the beginning of 2018) ⇒ **97%** (the end of December 2019)
- ⇒ Promote to provide a healthy and comfortable environment for both hotel guests and hotel staff

7. Benefits Program for Unitholders

JHR implemented benefits program for unitholders to obtain a better understanding, improve their satisfaction and expand the investor base. JHR also expanded the benefits program in 2019 by adding two newly acquired hotels, aggregated coverage to 20 hotels.

◆ 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)
<FY2019>

Eligible unitholders: 12,120

Valid period: One year between October 1, 2019 to September 30, 2020

◆ 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

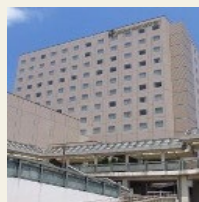
(*) Complimentary coupons for restaurants are only available at selected hotels.

Hotels that offer the Benefits Program

The 14 HMJ Hotels



Kobe Meriken Park
Oriental Hotel



Oriental Hotel
Tokyo Bay



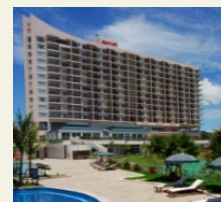
Namba
Oriental Hotel



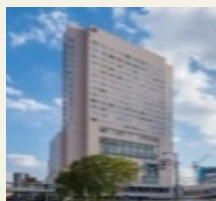
Oriental Hotel
Hiroshima



Hotel Nikko Aliviva



Okinawa Marriott
Resort & Spa



ACTIVE-INTER CITY
HIROSHIMA (Sheraton
Grand Hiroshima Hotel)



Oriental Hotel Fukuoka
Hakata Station



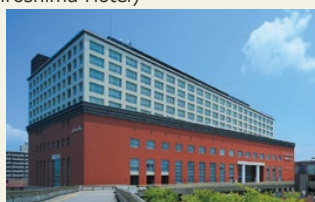
Holiday Inn
Osaka Namba



Hilton Tokyo
Narita Airport



International Garden Hotel Narita



Hotel Nikko Nara

Newly Added

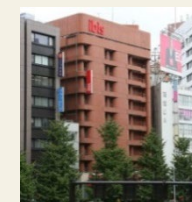


Hilton Tokyo Odaiba



Hotel Oriental Express Osaka Shinsaibashi

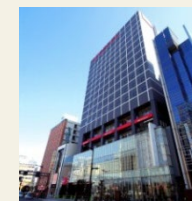
The Six Accor Hotels



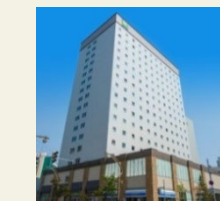
ibis Tokyo Shinjuku



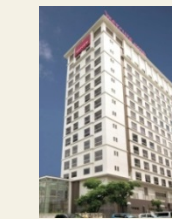
ibis Styles Kyoto Station



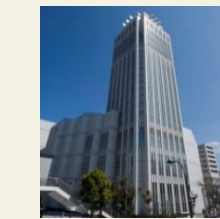
Mercure Sapporo



ibis Styles Sapporo



Mercure Okinawa Naha



Mercure Yokosuka

Appendix 2

Information on Properties

1. Property List (1/2)

(as of the end of December 2019)

| 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) |
|-----|---|--------------------|---------------|--------------------------|-----------|-------------|--|--------------------------------|--------------------------------------|----------|--|----------|-----------------------------|--|---------------------------|--|-------------------------------|
| | | | | | | | | | 20th Period (as of June 30, 2019) | | 20th Period (as of December 31, 2019) | | | | | | |
| | | | | | | | | | Appraisal Value (JPY MM) | CAP Rate | Appraisal Value (JPY MM) | CAP Rate | | | | | |
| 1 | Kobe Meriken Park Oriental Hotel (*9) | Full-service | Upper-middle | 323 | Hyogo | 24.5 | 10,900 | 9,888 | 16,200 | 5.1% | 16,200 | 4.8% | 2.9% | 1,256,795 | 1,003,298 | 669,037 | 9.2% |
| 2 | Oriental Hotel tokyo bay | Full-service | Mid-price | 511 | Chiba | 24.7 | 19,900 | 17,699 | 34,900 | 4.4% | 37,800 | 4.4% | 5.3% | 1,883,870 | 1,765,658 | 1,357,731 | 8.9% |
| 3 | Namba Oriental Hotel | Limited-service | Mid-price | 258 | Osaka | 23.8 | 15,000 | 14,640 | 32,900 | 4.1% | 32,900 | 4.1% | 4.0% | 1,406,836 | 1,299,612 | 1,139,547 | 8.7% |
| 4 | Oriental Hotel Hiroshima | Full-service | Upper-middle | 227 | Hiroshima | 26.3 | 4,100 | 4,171 | 4,370 | 7.5% | 4,400 | 4.9% | 1.1% | 472,555 | 428,306 | 340,288 | 10.4% |
| 5 | Hotel Nikko Alivila | Resort | Luxury | 397 | Okinawa | 25.8 | 18,900 | 18,168 | 32,900 | 4.8% | 32,900 | 4.8% | 5.0% | 1,977,644 | 1,829,606 | 1,512,840 | 9.7% |
| 6 | The Beach Tower Okinawa | Resort | Mid-price | 280 | Okinawa | 15.8 | 7,610 | 6,587 | 10,000 | 4.4% | 10,100 | 4.4% | 2.0% | 511,028 | 468,191 | 335,312 | 6.2% |
| 7 | Hakone Setsugetsuka | Resort | Mid-price | 158 | Kanagawa | 13.3 | 4,070 | 3,696 | 5,300 | 4.9% | 5,310 | 4.9% | 1.1% | 294,957 | 271,037 | 177,854 | 6.7% |
| 8 | Dormy Inn Kumamoto | Limited-service | Mid-price | 291 | Kumamoto | 11.9 | 2,334 | 2,139 | 3,060 | 5.6% | 3,060 | 5.6% | 0.6% | 194,460 | 173,568 | 130,770 | 7.4% |
| 9 | the b suidobashi | Limited-service | Mid-price | 99 | Tokyo | 33.4 | 1,120 | 1,213 | 1,940 | 4.1% | 2,440 | 4.1% | 0.3% | 103,848 | 89,840 | 61,793 | 8.0% |
| 10 | dormy inn・global cabin Asakusa (*10) | Limited-service | Economy | 75 | Tokyo | 22.8 | 999 | 941 | 1,330 | 3.9% | 1,330 | 3.9% | 0.3% | 63,995 | 54,899 | 41,359 | 5.5% |
| 11 | Hakata Nakasu Washington Hotel Plaza | Limited-service | Mid-price | 247 | Fukuoka | 24.8 | 2,130 | 2,022 | 4,520 | 4.4% | 4,520 | 4.4% | 0.6% | 240,000 | 224,000 | 198,000 | 10.5% |
| 12 | Nara Washington Hotel Plaza | Limited-service | Mid-price | 204 | Nara | 19.8 | 2,050 | 1,800 | 2,440 | 5.0% | 2,440 | 5.0% | 0.5% | 151,000 | 134,000 | 97,000 | 6.6% |
| 13 | R&B Hotel Ueno-hirokoji | Limited-service | Economy | 187 | Tokyo | 17.8 | 1,720 | 1,822 | 2,010 | 3.9% | 2,010 | 3.9% | 0.5% | 97,292 | 83,017 | 66,694 | 4.8% |
| 14 | Comfort Hotel Tokyo Higashi Nihombashi | Limited-service | Economy | 259 | Tokyo | 11.9 | 3,746 | 3,527 | 5,830 | 4.3% | 5,830 | 4.3% | 1.0% | 287,814 | 256,887 | 220,539 | 6.9% |
| 15 | Smile Hotel Nihombashi Mitsukoshimae | Limited-service | Economy | 164 | Tokyo | 22.8 | 2,108 | 2,022 | 3,160 | 4.0% | 3,160 | 4.0% | 0.6% | 154,623 | 138,482 | 118,017 | 6.6% |
| 16 | Toyoko Inn Hakata-guchi Ekimae | Limited-service | Economy | 257 | Fukuoka | 18.3 | 1,652 | 1,419 | 2,780 | 4.5% | 2,750 | 4.5% | 0.4% | 141,039 | 127,703 | 109,484 | 7.7% |
| 17 | Hotel Keihan Universal City | Resort | Mid-price | 330 | Osaka | 18.5 | 6,000 | 5,905 | 13,900 | 4.9% | 13,900 | 4.9% | 1.6% | 746,118 | 668,997 | 583,302 | 11.1% |
| 18 | Chisun Inn Kamata | Limited-service | Economy | 70 | Tokyo | 16.7 | 823 | 772 | 1,450 | 4.5% | 1,430 | 4.5% | 0.2% | 80,876 | 73,891 | 62,713 | 9.0% |
| 19 | Hotel Vista Kamata Tokyo | Limited-service | Economy | 105 | Tokyo | 27.9 | 1,512 | 1,453 | 2,040 | 4.5% | 1,990 | 4.5% | 0.4% | 112,476 | 98,166 | 72,951 | 6.5% |
| 20 | Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (*11) | Limited-service | Mid-price | 220 | Tokyo | 11.8 | 4,800 | 4,802 | 8,970 | 3.9% | 8,950 | 3.9% | 1.3% | 446,477 | 383,039 | 361,093 | 8.0% |
| 21 | Hilton Tokyo Bay | Resort | Luxury | 828 | Chiba | 31.5 | 26,050 | 26,422 | 40,400 | 4.3% | 40,500 | 4.3% | 7.0% | 2,220,187 | 1,938,334 | 1,765,290 | 7.4% |
| 22 | ibis Tokyo Shinjuku | Limited-service | Mid-price | 206 | Tokyo | 39.3 | 7,243 | 8,013 | 10,200 | 4.0% | 10,200 | 4.0% | 1.9% | 704,537 | 497,729 | 385,256 | 6.9% |
| 23 | ibis Styles Kyoto Station | Limited-service | Mid-price | 215 | Kyoto | 10.8 | 6,600 | 6,675 | 11,600 | 4.3% | 10,900 | 4.3% | 1.8% | 459,002 | 412,032 | 373,486 | 6.2% |
| 24 | ibis Styles Sapporo | Limited-service | Mid-price | 278 | Hokkaido | 9.4 | 6,797 | 6,601 | 11,200 | 4.7% | 11,200 | 4.7% | 1.8% | 661,063 | 525,459 | 442,798 | 7.7% |

1. Property List (2/2)

(as of the end of December 2019)

| (as of the end of December 2019) | | | | | | | | | | | | | | | | | |
|----------------------------------|---|--------------------|---------------|--------------------------|-----------|-------------|--|--------------------------------|--------------------------------------|----------|--|----------|-----------------------------|--|---------------------------|--|-------------------------------|
| 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) |
| | | | | | | | | | 20th Period (as of June 30, 2019) | | 20th Period (as of December 31, 2019) | | | | | | |
| | | | | | | | | | Appraisal Value (JPY MM) | CAP Rate | Appraisal Value (JPY MM) | CAP Rate | | | | | |
| 25 | Mercure Sapporo | Limited-service | Mid-price | 285 | Hokkaido | 10.7 | 6,000 | 5,857 | 11,000 | 4.6% | 11,000 | 4.6% | 1.6% | 797,832 | 523,042 | 430,996 | 8.7% |
| 26 | Mercure Okinawa Naha | Limited-service | Mid-price | 260 | Okinawa | 10.4 | 3,000 | 2,887 | 7,760 | 4.6% | 7,190 | 4.6% | 0.8% | 342,013 | 270,481 | 209,569 | 9.0% |
| 27 | the b ikebukuro | Limited-service | Mid-price | 175 | Tokyo | 37.5 | 6,520 | 6,608 | 7,350 | 4.2% | 7,350 | 4.2% | 1.7% | 356,173 | 328,770 | 296,705 | 5.0% |
| 28 | the b hachioji | Limited-service | Mid-price | 196 | Tokyo | 33.4 | 2,610 | 2,699 | 2,790 | 5.1% | 2,790 | 5.1% | 0.7% | 185,672 | 160,629 | 129,084 | 6.2% |
| 29 | the b hakata | Limited-service | Mid-price | 175 | Fukuoka | 22.3 | 2,300 | 2,361 | 4,710 | 4.3% | 4,610 | 4.3% | 0.6% | 228,379 | 215,725 | 194,131 | 9.4% |
| 30 | Hotel Francs | Full-service | Mid-price | 222 | Chiba | 28.4 | 3,105 | 3,178 | 4,090 | 4.6% | 4,140 | 4.6% | 0.8% | 300,000 | 237,023 | 193,824 | 7.6% |
| 31 | Mercure Yokosuka | Full-service | Mid-price | 160 | Kanagawa | 26.2 | 1,650 | 1,658 | 3,000 | 4.6% | 3,590 | 4.6% | 0.4% | 360,970 | 250,373 | 212,998 | 15.2% |
| 32 | Okinawa Marriott Resort & Spa | Resort | Upper-middle | 361 | Okinawa | 14.9 | 14,950 | 15,106 | 18,700 | 4.9% | 17,900 | 4.9% | 4.0% | 937,465 | 853,261 | 569,108 | 5.7% |
| 33 | ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) | Full-service | Luxury | 238 | Hiroshima | 9.3 | 17,320 | 17,436 | 21,700 | 4.5% | 21,900 | 4.5% | 4.6% | 1,624,836 | 1,182,632 | 966,133 | 6.8% |
| 34 | CANDEO HOTELS UENO-KOEN | Limited-service | Mid-price | 268 | Tokyo | 10.0 | 6,705 | 6,652 | 7,630 | 4.0% | 7,650 | 4.0% | 1.8% | 349,975 | 323,962 | 283,942 | 4.8% |
| 35 | Oriental Hotel Fukuoka Hakata Station (*12) | Full-service | Upper-middle | 221 | Fukuoka | 34.5 | 7,197 | 9,847 | 14,000 | 4.6% | 15,300 | 4.6% | 1.9% | 740,062 | 494,731 | (65,231) | 6.9% |
| 36 | Holiday Inn Osaka Namba | Limited-service | Mid-price | 314 | Osaka | 11.4 | 27,000 | 27,126 | 27,200 | 4.3% | 27,200 | 4.3% | 7.2% | 967,957 | 920,119 | 728,343 | 3.4% |
| 37 | HOTEL ASCENT FUKUOKA | Limited-service | Economy | 263 | Fukuoka | 20.7 | 4,925 | 5,161 | 6,630 | 4.8% | 6,620 | 4.8% | 1.3% | 447,198 | 302,154 | 266,423 | 6.1% |
| 38 | Hilton Nagoya | Full-service | Luxury | 460 | Aichi | 30.9 | 15,250 | 15,651 | 16,000 | 4.2% | 15,700 | 4.2% | 4.1% | 1,452,768 | 746,661 | 591,860 | 4.9% |
| 39 | Hilton Tokyo Narita Airport | Full-service | Upper-middle | 548 | Chiba | 26.4 | 13,175 | 13,499 | 13,700 | 4.6% | 13,700 | 4.6% | 3.5% | 912,491 | 826,763 | 621,261 | 6.3% |
| 40 | International Garden Hotel Narita | Full-service | Mid-price | 463 | Chiba | 23.6 | 9,125 | 9,245 | 9,650 | 4.8% | 9,660 | 4.8% | 2.4% | 604,422 | 560,153 | 422,311 | 6.1% |
| 41 | Hotel Nikko Nara | Full-service | Upper-middle | 330 | Nara | 21.8 | 10,373 | 10,442 | 11,200 | 4.8% | 10,900 | 4.8% | 2.8% | 625,869 | 576,007 | 434,069 | 5.6% |
| 42 | Hotel Oriental Express Osaka Shinsaibashi | Limited-service | Mid-price | 124 | Osaka | 1.9 | 2,738 | 2,829 | 3,050 | 4.6% | 2,990 | 4.6% | 0.7% | 109,991 | 107,162 | 95,381 | – |
| 43 | Hilton Tokyo Odaiba | Full-service | Upper-middle | 453 | Tokyo | 24.0 | 62,400 | 63,652 | 69,400 | 3.7% | 69,500 | 3.7% | 16.7% | 2,264,830 | 2,261,016 | 2,075,257 | – |
| Total or Average (43 properties) | | – | – | 11,705 | – | 21.8 | 374,508 | 374,314 | 522,960 | 4.5% | 525,910 | 4.5% | 100.0% | 28,278,550 | 24,087,502 | 19,281,141 | 6.4% |

(*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 2019.

(*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 2019. 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. Since No.42 and 43 were acquired during the period, numbers after acquisition is indicated.

(*8) NOI yield for the portfolio is calculated as follows: Total NOI for FY12/2019 (actual) ÷ total acquisition price of properties held as of the end of FY12/2019. As No. 42 and 43 were acquired during the period, NOI yield (actual) is not calculated.

(*9) The number of guest rooms at Kobe Meriken Park Oriental Hotel was changed from 319 to 323 on December 30, 2019.

(*10) The name of the hotel was changed from Dormy Inn EXPRESS Asakusa on August 4, 2019.

(*11) The name of the hotel was changed from Hotel Sunroute Shinbashi on April 23, 2019.

(*12) The name of the hotel was changed from Hotel Centraza Hakata on April 9, 2019. The hotel grade was changed from "Mid-price" to "Upper-middle."

2. Summary of Lease Contracts (1/2)

(as of the end of December 2019)

| 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 (2020 to 2021) | |
|-----|---|-------------|-------------------------|--|--|-------------------|-----------------------------|---|---|---|-----------------------------------|---|----------------------|
| | | | | | | | | | | Timing | Condition | 2020 | 2021 |
| 1 | Kobe Meriken Park Oriental Hotel | Fixed-lease | Fixed + Variable | Hotel Management Japan Co., Ltd. | Okura Nikko Hotel Management Co., Ltd. | 15 | Dec. 2034 | (Fixed rent) JPY3,221MM/year + (Variable rent) When the total GOP of The Five HMJ Hotels exceeds GOP base amount (JPY3,351MM), the excess x 85% is paid | In principle, the same rent will be applied until expiration of the contract. | Jan. 2020 | Same | Renewed | - |
| 2 | Oriental Hotel tokyo bay | | | | | | | | | | | | |
| 3 | Namba Oriental Hotel | | | | | | | | | | | | |
| 4 | Oriental Hotel Hiroshima | | | | | | | | | | | | |
| 5 | Hotel Nikko Alivila | | | | | | | | | | | | |
| 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. 2017 | Same | Under discussion (Apr.) | - | |
| 9 | dormy inn・global cabin Asakusa | Lease | Fixed | | 20 | Mar. 2020 | JPY5MM/month | Rent can be modified through mutual agreement every three years. | Apr. 2017 | Same | To be expired (Mar.) | - | |
| 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 | 20 | | Mar. 2020 | JPY11MM/month | Rent can be modified through mutual agreement. | - | - | To be expired (Mar.) | - | |
| 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%) | - | - | |
| 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 | | 20 | Mar. 2020 | JPY11MM/month + Revenue sharing | Rent can be modified through mutual agreement. | Apr. 2017 | Same | To be expired (Mar.) | - |
| 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%) | - | - |
| 16 | Hotel Keihan Universal City | Lease | Fixed + Revenue sharing | K.K. Hotel Keihan | | 20 | Jun. 2021 | Nondisclosure ^(*) | Nondisclosure ^(*) | Jul. 2014 | Modified Structure | - | To be expired (Jun.) |
| 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 zero, it will be JPY0) | - | Jan. 2020 | Same | Renewed | - |
| 18 | Hotel Vista Kamata Tokyo | Lease | Fixed + Revenue sharing | Vista Hotel Management Co., Ltd. | | 4 | Dec. 2021 | JPY7MM/month + Revenue sharing | In principle, the same rent will be applied until expiration of the contract. | Jul. 2015 | Modified Structure | - | To be expired (Dec.) |
| 19 | Sotetsu Fresa Inn Shimbashi-Karasumoriguchi | Fixed-lease | Fixed + Revenue sharing | Sotetsu Hotel Development Co., Ltd. ^(*) | | 15 | Mar. 2023 | JPY18MM/month + Revenue sharing | No rule has been stipulated. | - | - | - | - |
| 20 | 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) | - | - |
| 21 | ibis Tokyo Shinjuku | - | Management contract | - | AAPC Japan K.K. | 12 | Jun. 2024 | Amount equivalent to hotel GOP | - | Jul. 2012 | Modified Structure | - | - |
| 22 | ibis Styles Kyoto Station | - | Management contract | | | 5 | Dec. 2024 | Amount equivalent to hotel GOP | - | - | - | - | - |
| 23 | ibis Styles Sapporo | - | Management contract | | | 5 | Dec. 2024 | Amount equivalent to hotel GOP | - | - | - | - | - |
| 24 | Mercure Sapporo | - | Management contract | | | 15 | Sep. 2029 | Amount equivalent to hotel GOP | - | - | - | - | - |
| 25 | Mercure Okinawa Naha | - | Management contract | | | 10 | Apr. 2024 | Amount equivalent to hotel GOP | - | - | - | - | - |
| 26 | 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 (Effectively increased) | - | - |
| 27 | the b ikebukuro | Fixed-lease | Fixed + Variable | Ishin Ikebukuro Operations K.K. | | 7 | Jan. 2022 | JPY163MM/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 28 | the b hachioji | Fixed-lease | Fixed + Variable | Ishin Hachioji Operations, Y.K. | | 7 | Jan. 2022 | JPY98MM/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 29 | the b hakata | Fixed-lease | Fixed + Variable | Ishin Hakata Operations K.K. | | 7 | Jan. 2022 | JPY82MM/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 30 | the b suidobashi | Fixed-lease | Fixed + Variable | Ishin Suidobashi Operations K.K. | | 7 | Dec. 2026 | JPY85MM/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | Jan. 2020 | Conditions changed (Increased) | Renewed | - |

2. Summary of Lease Contracts (2/2)

(as of the end of December 2019)

| 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 (2020 to 2021) | |
|-----|--|-------------|---------------------|-------------------------------------|---|----------------|-----------------------------|---|---|---|--------------------------------|---|------|
| | | | | | | | | | | Timing | Condition | 2020 | 2021 |
| 31 | 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. | - | - | - | - |
| 32 | Okinawa Marriott Resort & Spa | Fixed-lease | Fixed + Variable | Lagoon resort Nago Co., Ltd. | | 5 | Dec. 2020 | (Fixed rent) JPY550MM/year + (Variable rent) When the total GOP exceeds GOP base amount (JPY700MM), the excess x 90% is paid | In principle, the same rent will be applied until expiration of the contract. | - | - | To be expired (Dec.) | - |
| 33 | 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 | (Fixed rent) JPY348MM/year + (Variable rent) When the total GOP exceeds GOP base amount (JPY468MM), the excess x 82.5% is paid | In principle, the same rent will be applied until expiration of the contract. | - | - | - | - |
| 34 | CANDEO HOTELS UENO-KOEN | Fixed-lease | Fixed | Candeo Hospitality Management, Inc. | | 20 | Feb. 2030 | Nondisclosure ^(*4) | Rent can be modified through mutual agreement every three years. | Jul. 2016 | Nondisclosure ^(*4) | - | - |
| 35 | Oriental Hotel Fukuoka Hakata Station | Fixed-lease | Fixed + Variable | Hotel Centraza Co., Ltd. | | 15 | Dec. 2034 | (Fixed rent) JPY425MM/year + (Variable rent) When the total GOP exceeds GOP base amount (JPY442MM), the excess x 98% is paid | In principle, the same rent will be applied until expiration of the contract. | Jan. 2020 | Conditions changed (Increased) | Renewed | - |
| 36 | Holiday Inn Osaka Namba | Fixed-lease | Fixed + Variable | OW Hotel Operations KK | | 15 | Oct. 2031 | (Fixed rent) JPY576MM/year + (Variable rent) When the total GOP exceeds GOP base amount (JPY650MM), the excess x 92.5% is paid | In principle, the same rent will be applied until expiration of the contract. | - | - | - | - |
| 37 | HOTEL ASCENT FUKUOKA | Fixed-lease | Fixed | K.K.ASCENT. | | 7 | Mar. 2026 | (Fixed rent) ① JPY17MM per month from April 1, 2019 to April 30, 2019, ② JPY20MM per month from May 1, 2019 to March 30, 2020, ③ JPY22MM per month from April 1, 2020 to March 31, 2026 | Rent can be modified through mutual agreement every three years. | Apr. 2019 | Renewed (Increased) | - | - |
| 38 | Hilton Nagoya | Lease | Variable | Nagoya Hilton Co., Ltd. | Hilton International Company | 41 | Dec. 2029 | Nondisclosure ^(*4) | Rent can be modified through mutual agreement. | - | - | - | - |
| 39 | Hilton Tokyo Narita Airport | Fixed-lease | Fixed + Variable | KK NaritaKosuge Operations | | 20 | Jun. 2037 | (Fixed rent) JPY444MM/year + (Variable rent) When the total GOP exceeds GOP base amount (JPY550MM), the excess x 86.5% is paid | In principle, the same rent will be applied until expiration of the contract. | - | - | - | - |
| 40 | International Garden Hotel Narita | Fixed-lease | Fixed + Variable | KK NaritaYoshikura Operations | | 10 | Jun. 2027 | (Fixed rent) JPY336MM/year + (Variable rent) When the total GOP exceeds GOP base amount (JPY360MM), the excess x 98% is paid | In principle, the same rent will be applied until expiration of the contract. | - | - | - | - |
| 41 | Hotel Nikko Nara | Fixed-lease | Fixed + Variable | Hotel Management Co., Ltd. | Okura Nikko Hotel Management Co., Ltd. | 3 | Dec. 2020 | (Fixed rent) JPY420MM/year + (Variable rent) When the total GOP exceeds GOP base amount (JPY470MM), the excess x 91.5% is paid | In principle, the same rent will be applied until expiration of the contract. | - | - | To be expired (Dec.) | - |
| 42 | Hotel Oriental Express Osaka Shinsaibashi | Fixed-lease | Fixed + Variable | K.K. HOTEL ORIENTAL EXPRESS | | 10 | Mar. 2028 | (Fixed rent) JPY110MM/year + (Variable rent) When the total GOP exceeds GOP base amount (JPY128MM), the excess x 91% is paid | In principle, the same rent will be applied until expiration of the contract. | - | - | - | - |
| 43 | Hilton Tokyo Odaiba | Fixed-lease | Fixed + Variable | Tokyo Humania Enterprise Inc. | | 11 | Dec. 2029 | (Fixed rent) JPY3,100MM/year, JPY1,600MM/year on and after January 1, 2022 (Variable rent) • Until December 31, 2019: When AGOP ^(*5) exceeds AGOP base amount (JPY2,450MM), the excess x 30% is paid • On and after January 1, 2020: When AGOP exceeds AGOP base amount (JPY2,970MM), the excess x 30% is paid • On and after January 1, 2022: When AGOP exceeds AGOP base amount (JPY1,660MM), the excess x 98% is paid | In principle, the same rent will be applied until expiration of the contract. | - | - | - | - |

(*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 lessee is changed to Sotetsu Hotel Management CO., LTD. on May 1, 2019.
 (*4) The detailed content of the contract is not disclosed as consent on disclosure has not been obtained from the lessee.
 (*5) AGOP (adjusted GOP) is the amount calculated by subtracting certain fees and other items from GOP.
 (*6) The conditions of the new contracts are stated for the following properties which contracts were expired on and before December 31, 2019 and the new contracts were signed or renewed, and started from January 1, 2020: No.1-5, 17, 30, 35

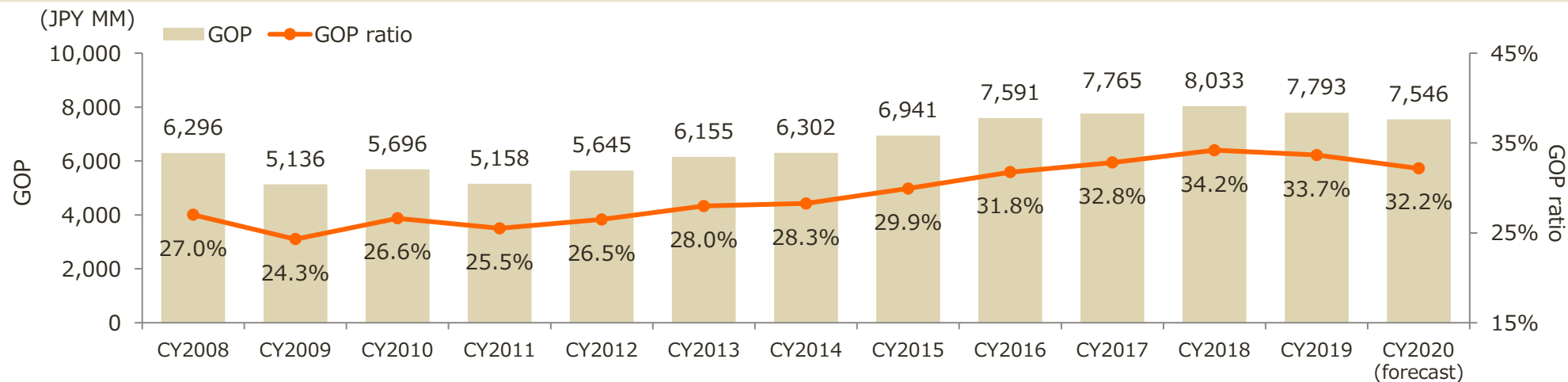
3. Major CAPEX Ⅲ by Hotels

* (Numbers in parentheses are CAPEX amounts: JPY MM)

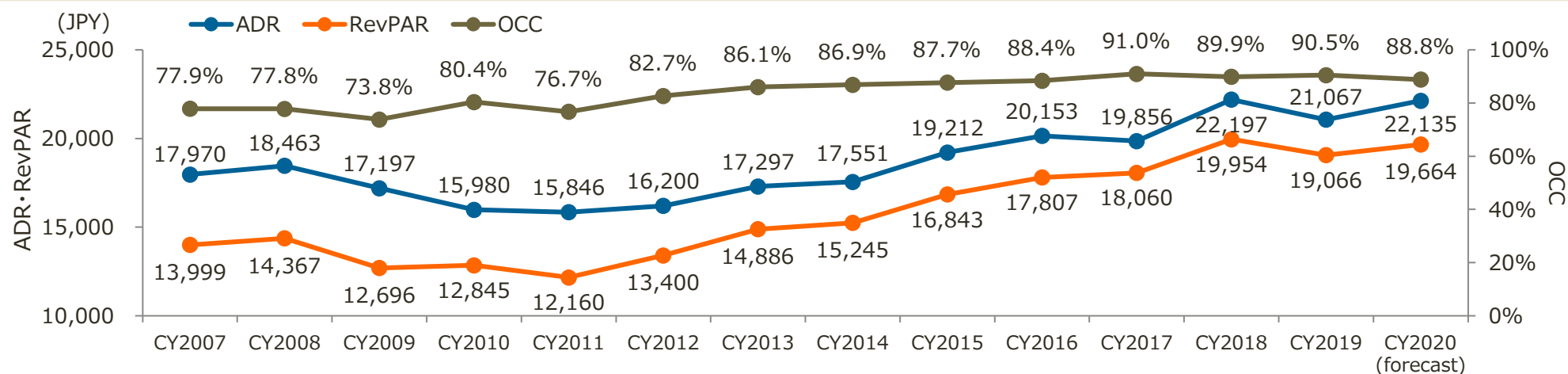
| | FY12/2012 | FY12/2013 | FY12/2014 | FY12/2015 | FY12/2016 | FY12/2017 | FY12/2018 | FY12/2019 | FY12/2020 Plan |
|---------------------------------------|---|-------------------------------|--|-------------|--|--------------------------------|--|---|--|
| Kobe Meriken Park Oriental Hotel | - | - | - | 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) | Conversion of space of backyard to guest rooms (120) |
| 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) | Guest rooms on 17F to 18F (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) Large-scale renovation works (3,000) |

4. The Five HMJ Hotels — Highlights

Change in GOP and GOP ratio



Change in KPI



(*) Namba Oriental Hotel is planned to close the entire building and suspend its hotel operation due to the large-scale renovation from November 2020 through March 2021. Stating the figures reflecting the impact of the suspension of hotel sales for the fiscal year ending December 2020.

5. Portfolio Map

Total Assets

JPY**374.5**Bn

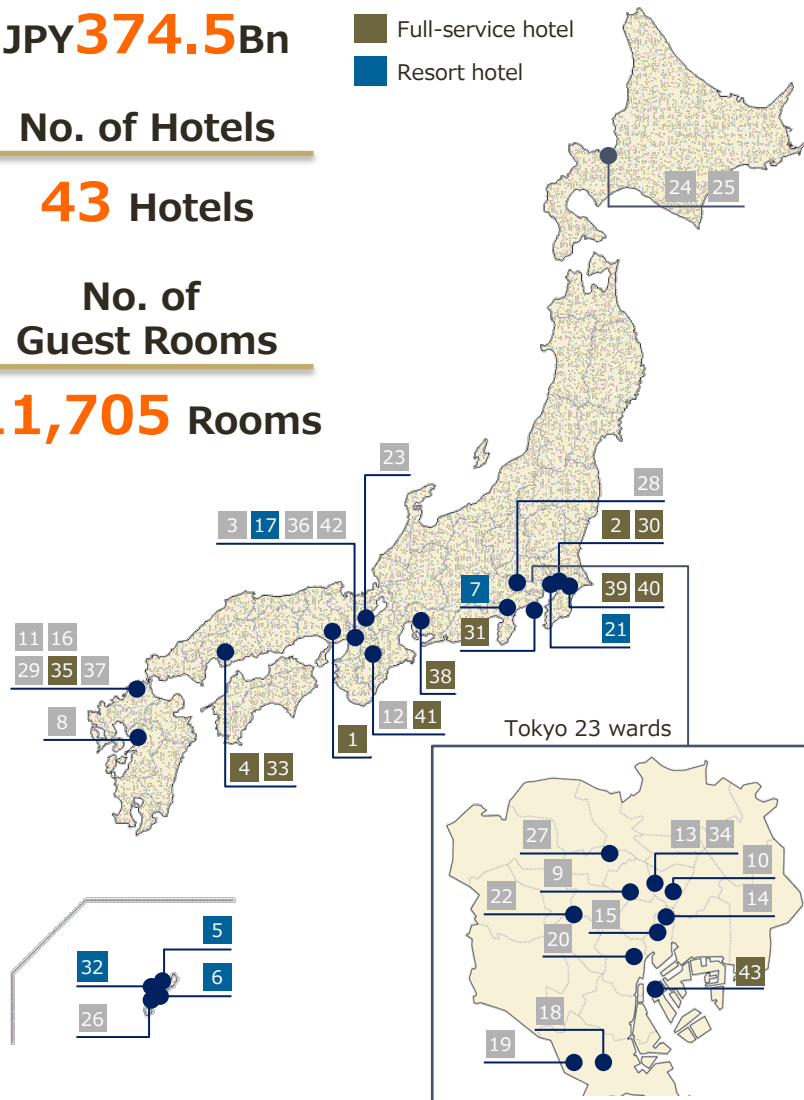
No. of Hotels

43 Hotels

No. of Guest Rooms

11,705 Rooms

- Limited-service hotel
- Full-service hotel
- Resort hotel



(as of February 20, 2020)



Acquisition in 2019

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 2019

| Rank | Name | No. of Units | % ^(*) |
|--------------|---|------------------|------------------|
| 1 | The Master Trust Bank of Japan, Ltd. (Trust) | 721,861 | 16.17 |
| 2 | Japan Trustee Service Bank, Ltd. (Trust) | 531,521 | 11.91 |
| 3 | J.P. Morgan Bank Luxembourg S.A. 384500 | 337,322 | 7.55 |
| 4 | The Nomura Trust and Banking Co., Ltd. (Investment Trust) | 195,422 | 4.37 |
| 5 | Trust and Custody Services Bank, Ltd. (Securities Investment Trust) | 131,797 | 2.95 |
| 6 | BNYM AS AGT Clients 10 PERCENT | 122,142 | 2.73 |
| 7 | State Street Bank and Trust Company 505223 | 64,452 | 1.44 |
| 8 | State Street Bank West Client-Treaty 505234 | 64,127 | 1.43 |
| 9 | Shikoku Railway Company | 56,989 | 1.27 |
| 10 | CBNY DFA International Real Estate Securities Portfolio | 54,823 | 1.22 |
| Total | | 2,280,456 | 51.10 |

As of the end of December 2019

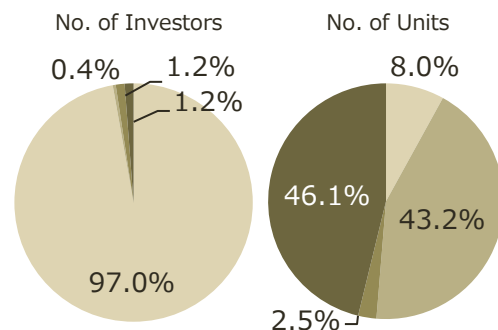
| Rank | Name | No. of Units | % ^(*) |
|--------------|---|------------------|------------------|
| 1 | The Master Trust Bank of Japan, Ltd. (Trust) | 697,102 | 15.62 |
| 2 | Japan Trustee Service Bank, Ltd. (Trust) | 526,839 | 11.80 |
| 3 | J.P. Morgan Bank Luxembourg S.A. 384500 | 334,947 | 7.50 |
| 4 | The Nomura Trust and Banking Co., Ltd. (Investment Trust) | 213,302 | 4.78 |
| 5 | BNYM AS AGT Clients 10 PERCENT | 140,401 | 3.14 |
| 6 | Trust and Custody Services Bank, Ltd. (Securities Investment Trust) | 134,779 | 3.02 |
| 7 | State Street Bank West Client-Treaty 505234 | 59,918 | 1.34 |
| 8 | Shikoku Railway Company | 56,989 | 1.27 |
| 9 | JPMorgan Securities Japan Co., Ltd. | 52,951 | 1.18 |
| 10 | Japan Securities Finance Co., Ltd. | 46,600 | 1.04 |
| Total | | 2,263,828 | 50.73 |

(*) The total units held by each investor to the total units issued by JHR as of the end of June 2019 and the end of December 2019 respectively. (Rounded off to two decimal places.)

Owners of the Investment Units

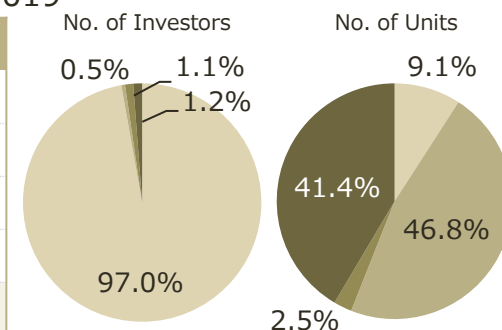
As of the end of June 2019

| Owners | No. of Investors | No. of Units |
|---|------------------|------------------|
| Individuals & Others | 28,383 | 358,329 |
| Financial Institutions (Incl. Securities Firms) | 138 | 1,930,626 |
| Other Domestic Firms | 352 | 113,176 |
| Foreign Firms & Individuals | 370 | 2,060,216 |
| Total | 29,243 | 4,462,347 |



As of the end of December 2019

| Owners | No. of Investors | No. of Units |
|---|------------------|------------------|
| Individuals & Others | 29,670 | 406,900 |
| Financial Institutions (Incl. Securities Firms) | 155 | 2,090,477 |
| Other Domestic Firms | 357 | 113,795 |
| Foreign Firms & Individuals | 392 | 1,851,175 |
| Total | 30,574 | 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)

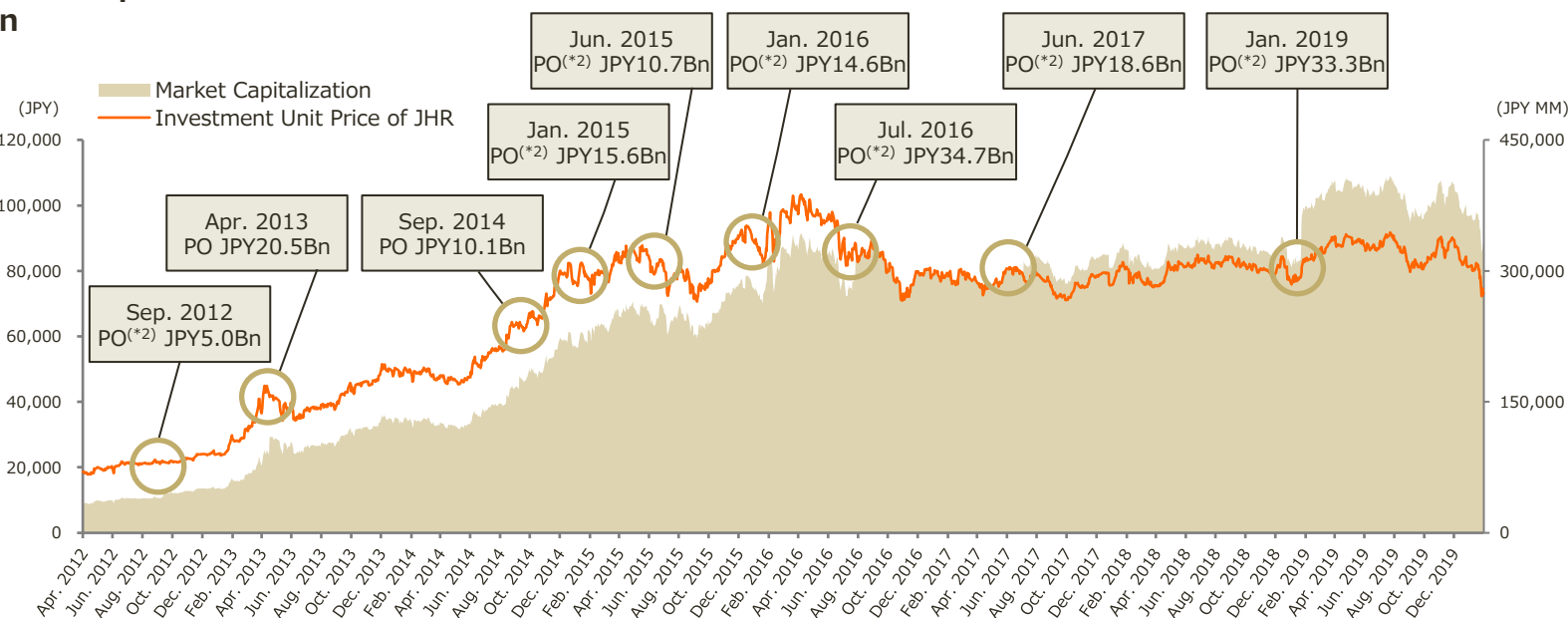
Price of the investment unit:
JPY73,100

Total market capitalization:
JPY326.1Bn

(Based on the closing price of January 31, 2020)

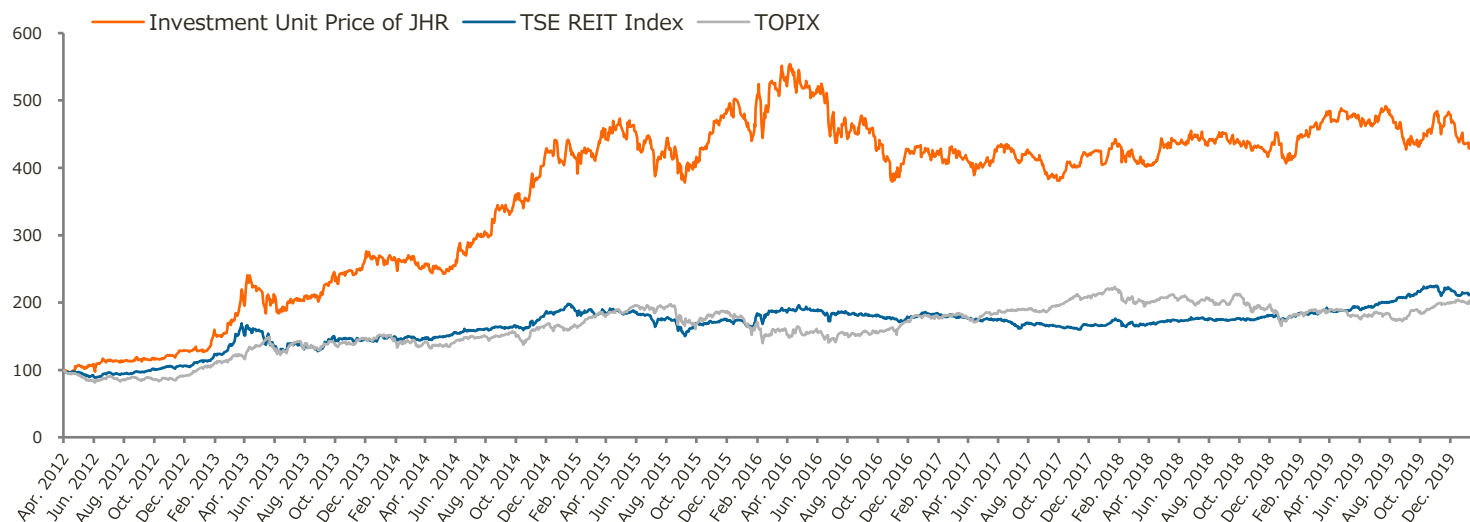
(*1) Price of the real estate investment securities may fall depending on the fluctuations of price of the real estate under management or profitability, etc., and investors may suffer losses. Investors may also suffer losses through the bankruptcy or deteriorated financial condition of the issuer. With reference to the risk of investment in JHR units, please see Securities Report dated March 20, 2019 and Midterm Securities Report dated September 18, 2019.

(*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.



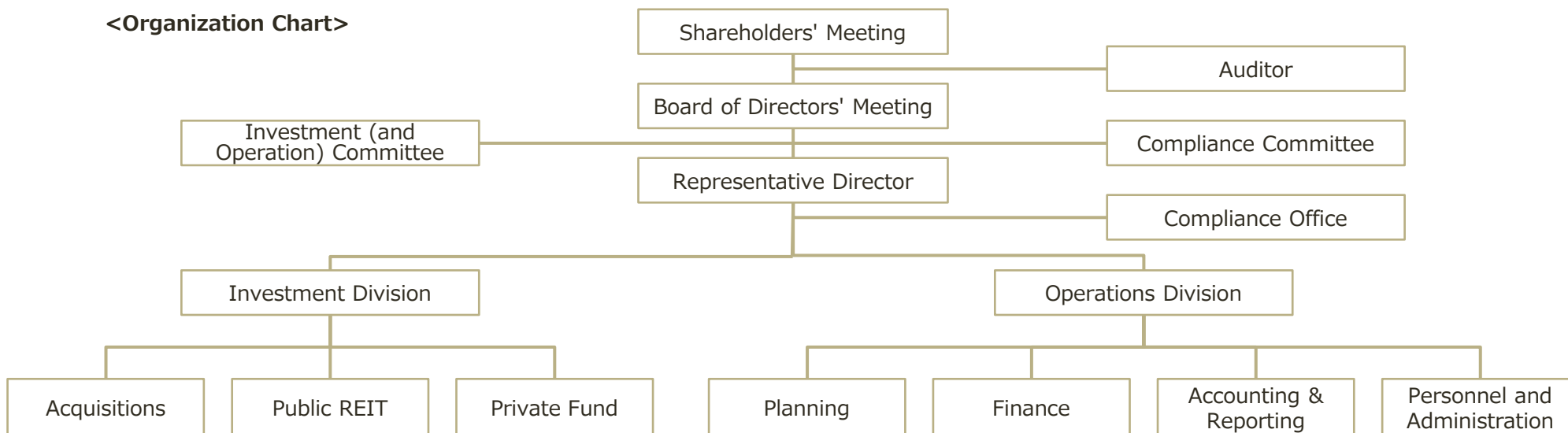
Appendix 4

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, 2019 |
| 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 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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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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