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February 20, 2020

Financial Report for the Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)

Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange
Securities code: 8985
URL: <http://www.jhrth.co.jp/en/>
Representative: Kaname Masuda, Executive Director

Asset Management Company: Japan Hotel REIT Advisors Co., Ltd.
Representative: Hisashi Furukawa, President & CEO
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Scheduled date to file Securities Report: March 27, 2020
Scheduled date to start dividend payment: March 19, 2020

Preparation of supplementary material on financial report: Yes
Schedule for presentation of financial results: Yes (Analysts and institutional investors only)

(Amounts are rounded down to the nearest million yen)

1. Status summary of operation and assets for the fiscal year ended December 31, 2019 (January 1, 2019 – December 31, 2019)

(1) Operating results

(Percentages show changes from the previous year)

	Operating revenue		Operating income		Ordinary income		Net income	
Fiscal year ended	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%
December 31, 2019	28,278	0.1	17,148	(4.7)	15,291	(5.7)	15,290	(5.7)
December 31, 2018	28,253	10.9	17,993	14.2	16,211	15.7	16,210	15.7

	Net income per unit	Return on equity (ROE)	Ordinary income to total assets	Ordinary income to operating revenue
Fiscal year ended	JPY	%	%	%
December 31, 2019	3,447	7.0	4.0	54.1
December 31, 2018	4,041	8.0	4.6	57.4

(Note) Net income per unit is calculated based on the period-average number of investment units issued.

(2) Cash distributions

	Dividend per unit (Excess of earnings exclusive)	Total dividends (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings	Total dividends from excess of earnings	Payout ratio	Dividend to net assets
Fiscal year ended	JPY	JPY1M	JPY	JPY1M	%	%
December 31, 2019	3,690	16,466	-	-	107.7	7.1
December 31, 2018	3,890	15,602	-	-	96.2	7.7

(Note 1) The source of dividends for the fiscal year ended December 31, 2019 is calculated by adding appropriation for dividends (¥1,176 million) to unappropriated retained earnings. For details of the appropriation for dividends, please refer to “<Reference Information 3> Dividend per unit and appropriation for dividends” on page 20.

(Note 2) The source of dividends for the fiscal year ended December 31, 2018 is calculated by deducting ¥1,174 million of the reserve for special advanced depreciation from the amount obtained by adding appropriation for dividends (¥563 million) to unappropriated retained earnings. For details of the appropriation for dividends, please refer to “<Reference Information 3> Dividend per unit and appropriation for dividends” on page 20.

(Note 3) Payout ratio is calculated using the following formula, rounded off to one decimal place.

Total dividends (total dividends from excess of earnings exclusive) ÷ Net income × 100

(3) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
Fiscal year ended	JPY1M	JPY1M	%	JPY
December 31, 2019	415,722	236,522	56.9	53,004
December 31, 2018	350,556	203,372	58.0	50,705

(Note) Net assets per unit are calculated based on the total number of investment units issued and outstanding at the end of the fiscal year.

(4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	JPY1M	JPY1M	JPY1M	JPY1M
December 31, 2019	20,000	(72,464)	49,623	34,343
December 31, 2018	30,938	(3,110)	(18,563)	37,184

2. Operating forecast for the fiscal year ending December 31, 2020 (January 1, 2020 – December 31, 2020)

(Percentages show changes from the previous year)

	Operating revenue		Operating income		Ordinary income		Net income		Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%	JPY	JPY
Midterm	13,539	6.4	7,895	8.3	6,972	9.7	6,972	9.7	-	-
Full year	29,971	6.0	18,128	5.7	16,239	6.2	16,238	6.2	3,750	-

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2020 (full year) ¥3,638

(Calculated based on the estimate of period-average number of investment units of 4,462,347.)

(Note) Reserve for temporary difference adjustment in the amount of ¥496 million is planned to be the source of dividend payment.

*** Other**

- (1) Changes in accounting policies, changes in accounting estimates, and restatement of financial statements for prior period after error corrections
 - (a) Changes in accounting policies due to revisions to accounting standards and other regulations: No change
 - (b) Changes in accounting policies due to other reasons than above (a): No change
 - (c) Changes in accounting estimates: No change
 - (d) Restatement of financial statements for prior period after error corrections: No change
- (2) Total number of investment units issued and outstanding
 - (a) Total number of investment units issued and outstanding at the end of the fiscal year
(including investment units owned by Japan Hotel REIT Investment Corporation)

As of December 31, 2019	4,462,347 units
As of December 31, 2018	4,010,847 units
 - (b) Number of JHR's own investment units held at the end of the fiscal year

As of December 31, 2019	0 units
As of December 31, 2018	0 units

(Note) For the number of investment units serving as the basis of computation of net income per unit, please refer to "Notes on per unit information" on page 40.

*** Financial reports are exempt from the audit by a certified public accountant or an auditing firm.**

*** Special items**

Forward-looking statements presented in this financial report including operating forecasts are based on information currently available to us and on certain assumptions we deem to be reasonable. As such, actual operating and other results may differ materially from these forecasts due to a number of factors. Furthermore, we do not intend to guarantee any dividend amount by this forecast. For the assumptions of the operating forecast and notes for the use of operating forecast, please refer to "1. Operating results; (1) Operating results; (B) Outlook for the next fiscal period" on page 6 and "Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2020 (21st period)" on page 10.

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1. Operating results

(1) Operating results

(A) Overview of the fiscal year under review

(a) Brief history and principal activities

Japan Hotel REIT Investment Corporation (hereinafter referred to as “JHR”) was established under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter referred to as the “Investment Trusts Act”) on November 10, 2005 and was listed on the Real Estate Investment Trust (REIT) section of the Tokyo Stock Exchange (Securities code: 8985) on June 14, 2006.

JHR entrusts the asset management to Japan Hotel REIT Advisors Co., Ltd. (hereinafter referred to as the “Asset Management Company”). Focusing on importance of hotels as social infrastructure and their profitability as investment real estate properties, JHR has primarily invested in real estate related assets which are in themselves wholly or partially used as hotels or real estate equivalents of such real estate or which are backed by such real estate or real estate equivalents (hereinafter referred to as the “Real Estate for Hotels, etc.”).

JHR, the former Nippon Hotel Fund Investment Corporation (hereinafter referred to as the “former NHF”), merged with the former Japan Hotel and Resort, Inc. (hereinafter referred to as the “former JHR”) with an effective date of April 1, 2012 (hereinafter referred to as the “Merger”) and changed its name to Japan Hotel REIT Investment Corporation. Since the Merger, JHR has carried out nine public offerings for capital increase and continuously acquired “highly-competitive hotels” in mainly “strategic investment target areas” where domestic and inbound leisure demand can be expected over the medium to long term.

By implementing the aforementioned growth strategy, JHR has expanded its asset size while improving the quality of its portfolio through new property acquisitions of 26 properties amounting to ¥275,160 million (acquisition price basis) in total in a little less than eight years since the Merger to the end of the fiscal year under review (December 31, 2019). As a result, JHR had a portfolio of 43 properties with a combined acquisition price of ¥374,508 million, and the total number of investment units issued and outstanding stood at 4,462,347 units at the end of the fiscal year under review.

(b) Investment performance for the fiscal year under review

In 2019, the domestic tourism market have remained strong although the impact of the future course of trade issues on the world economy and the impact of future prospects of the Chinese economy among others were carefully watched. The demand for accommodation remained solid as the cumulative number of overnight guests at domestic accommodation facilities in 2019 totaled 545 million guest nights (preliminary release), surpassing the figure for 2018 when the figure reached record high. The number of foreign visitors to Japan (hereinafter referred to as “inbound”) was estimated 31.88 million (up 2.2% from the previous year) during the year marking a record high, due to a large increase in the number of visitors from China, Southeast Asia, the U.S. and Europe offsetting the significant drop in the number of visitors from South Korea. On the other hand, as new supply of hotels increased against the backdrop of strong demand for accommodation, the loosening supply-demand balance resulted in weak accommodation market particularly in the Kansai area.

The hotel investment market continued to be in a brisk state, with continual attention paid to Japan’s tourism industry and hotel industry against the backdrop of the expected growth in demand for accommodation. JHR has continuously expanded its asset size capitalizing on the strengths such as high recognition as Japan’s largest J-REIT specializing in hotels, capability to propose various acquisition schemes and cooperation with Hotel Management Japan Co., Ltd. (hereinafter referred to as “HMJ”), a group company of the Asset Management Company.

During the fiscal year under review, JHR acquired Hilton Tokyo Odaiba (acquisition price: ¥62,400 million), a scarce large-scale full-service hotel positioned as JHR’s flagship property; and Hotel Oriental Express Osaka Shinsaibashi (acquisition price: ¥2,738 million), a hotel which HMJ has been involved with since the beginning of development and has managed utilizing its market knowledge and operational knowhow. Amid some overheated mood in the hotel investment market, JHR improved the portfolio quality through acquisitions of highly competitive properties that can differentiate themselves from others.

As to the performance of hotels owned by JHR, RevPAR (Note 1) and GOP (gross operating profit) of the 21 hotels with variable rent, etc. (Note 2) fell below the previous year mainly due to a decrease in room sales at some hotels impacted by factors such as the increase in new hotel supply and the decrease of visitors from South Korea.

While taking measures to increase fixed and variable rent, etc. through the active asset management strategy, which is the aggressive and proactive pursuit of greater profitability and asset value of owned hotels such as the large-scale renovation of Oriental Hotel Fukuoka Hakata Station (formerly Hotel Centraza Hakata) (Note 3) which just reopened in April 2019 after the renovation, JHR has endeavored to generate greater earnings by appropriately reviewing the costs of each item such as real estate operating costs, general and administrative expenses and borrowing costs through negotiations with relevant parties and other measures. For further details of management indicators for the 21 hotels with variable rent, etc., please refer to “<Reference Information 2> Hotel operation indexes, sales and GOP” on page 15.

(Note 1) RevPAR: Represents revenue per available room, which is calculated by dividing revenue for rooms for a certain period (including service charges) by the total number of rooms available for sale during the period. Revenue per available room given the product of ADR and occupancy rate. The same shall apply hereinafter.

(Note 2) The hotel group combining the hotels which JHR leases to HMJ (Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima, (hereinafter referred to as “The Five HMJ hotels”)), with the hotels which JHR leases to HMJ subsidiaries (Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (main facility of ACTIVE-INTER CITY HIROSHIMA), Oriental Hotel Fukuoka Hakata Station, Holiday Inn Osaka Namba, Hilton Tokyo Narita Airport, International Garden Hotel Narita, Hotel Nikko Nara, Hotel Oriental Express Osaka Shinsaibashi and Hilton Tokyo Odaiba) is called the HMJ Group Hotels. 12 Hotels excluding Hotel Oriental Express Osaka Shinsaibashi and Hilton Tokyo Odaiba from HMJ Group Hotels are called The Twelve HMJ Hotels. The 21 hotels with variable rent, etc. refers to the HMJ Group Hotels excluding Oriental Hotel Fukuoka Hakata Station, Hotel Oriental Express Osaka Shinsaibashi and Hilton Tokyo Odaiba which cannot be compared with the previous fiscal year due to renovation or new acquisition, plus ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, Mercure Yokosuka, the b Suidobashi, the b Ikebukuro, the b Hachioji and the b Hakata. The same shall apply hereinafter.

(Note 3) Former Hotel Centraza Hakata underwent large-scale renovation work accompanying the suspension of hotel operations from October 1, 2018, and has been operated as Oriental Hotel Fukuoka Hakata Station since April 9, 2019. The same shall apply hereinafter.

(c) Funding conditions

JHR took out loans of ¥30,000 million in total in April 2019, in addition to procuring ¥33,378 million by way of capital increase through public offering in January 2019 and third-party allotment in February 2019; and acquired two properties, Hotel Oriental Express Osaka Shinsaibashi and Hilton Tokyo Odaiba in February and April 2019, respectively.

In March 2019, JHR took out loans of ¥6,000 million in total mainly to refinance existing investment corporation bonds that had matured and existing borrowings that were due for repayment. Furthermore, JHR took out loans of ¥1,800 million mainly for renovation of Oriental Hotel Fukuoka Hakata Station. JHR issued investment corporation bonds of ¥8,000 million targeting individual investors in June 2019 and allocated the funds to the prepayment of existing loans.

In addition, in July 2019, JHR issued green bonds (investment corporation bonds for institutional investors) of ¥2,000 million for the first time among J-REITs specializing in hotels mainly for the purpose of repaying existing borrowings allocated to capital expenditures and constructions of equipment which contribute to environment, including reduction of CO2 and water consumption, out of the renovation cost for Oriental Hotel Fukuoka Hakata Station.

Furthermore, JHR took out loans of ¥7,200 million for the refinance and partial prepayment of existing loans in September 2019.

Consequently, as of the end of the fiscal year under review, balance of interest-bearing debt totaled ¥168,754 million, including current portion of long-term loans payable of ¥12,782 million, long-term loans payable of ¥114,372 million and investment corporation bonds of ¥41,600 million, and the ratio of interest-bearing debt to total assets at end of year (Note) stood at 40.6%.

JHR reduced borrowing costs and extended maturity dates through the aforementioned series of fund procurement. Along with such, JHR concluded loans with fixed interest rates as well as interest rate swap contracts to hedge against risks of interest rates rising in the future. These actions brought the fixed rate ratio on total interest-bearing debt at the end of the fiscal year under review to 97.8%.

(Note) Ratio of interest-bearing debt to total assets at end of year = Balance of interest-bearing debt at end of year ÷ Total assets at end of year
× 100

As of December 31, 2019, JHR's issuer ratings were as follows.

Rating and Investment Information, Inc. changed the outlook of issuer rating for JHR from "stable" to "positive" on October 17, 2019.

Rating agency	Rating	
Japan Credit Rating Agency, Ltd.	A+	(Stable)
Rating and Investment Information, Inc.	A	(Positive)

(d) Financial results

As a result of the abovementioned asset management, operating revenue, operating income and ordinary income were ¥28,278 million, ¥17,148 million and ¥15,291 million, respectively, for the fiscal year under review (12-month period from January 1, 2019 to December 31, 2019). Net income was ¥15,290 million. With regard to dividends, it was decided that ¥16,466 million will be distributed, which was calculated by adding a reversal of reserve for temporary difference adjustment (appropriation for dividends) of ¥1,176 million to unappropriated retained earnings of ¥15,290 million. Consequently, the dividend per unit came to ¥3,690. For details of the appropriation for dividends for the fiscal year under review, please refer to "<Reference Information 3> Dividend per unit and appropriation for dividends" on page 20.

(B) Outlook for the next fiscal period

(a) Investment policies and issues to be addressed

As for the environment surrounding the tourism industry, JHR anticipates continued expansion of national tourism policies as the budget of the Japan Tourism Agency for the fiscal year 2020 was increased by 2.2% year on year to ¥68.0 billion (except reconstruction budget), marking a record high. Furthermore, the major event, Tokyo 2020 Olympic and Paralympic Games, is expected to provide a further boost to the tourism industry. On the other hand, however, close attention should be paid to the impact of an increase in supply from new hotels following trends of increase in inbound tourism on the supply-demand balance as well as the impact of a decrease in the number of visitors from South Korea and the impact of novel coronavirus outbreak in China in December 2019. The supply-demand balance appears to be loosening in certain areas negatively affecting hotel earnings, whereas high-grade hotels with limited supply are anticipated to continue growing. As such, JHR believes that the location and competitiveness of individual hotels and operator's capability to differentiate their hotels from others and to improve earning capability by controlling costs, etc. are the factors to widen the difference in performance among the hotels. Under recognition of such circumstances, JHR intends to work with the Asset Management Company to implement strategies to differentiate hotels owned by JHR in the market by utilizing experience which JHR has cultivated as J-REIT specializing in hotel investment, and manage assets based on the approach described below.

Internal growth

JHR will work to secure "stability" mainly with fixed rent contracts, while at the same time aim for "upside potential" through implementation of active asset management strategy, which proactively pursues greater profitability and asset value of its properties by way of a variety of measures such as expanding international brands and coordinating with HMJ.

For properties with fixed rent contracts, JHR will focus on setting, maintaining and increasing appropriate rents based on the rent levels in the market where respective hotels are located or each tenant's ability to bear the rent costs, and plans to aim at raising rents (including introduction of revenue sharing structure) in accordance with the conditions of the accommodation market.

For hotels under variable rent contracts and under a management contract structure, JHR is working to increase variable rent and reduce management contract fees by implementing the active asset management strategy.

i) Properties under variable rent contracts

JHR works to enhance the profitability of its properties under variable rent contracts through its active asset management strategy. JHR has adopted world-leading international brands such as Hilton, Marriott, Sheraton, Mercure and Holiday Inn or leading brands in Japan including Oriental Hotel and Hotel Nikko that are operated in various areas throughout the country and, together with excellent operators, aims to increase variable rent through improved performance of these hotels. JHR coordinates with the operators in an effort to enhance the hotel performances by requesting them to implement marketing initiatives to attract a wider range of demand with considerations given to solid domestic leisure demand and increasing leisure demand from inbound visitors, measures to maintain and increase room rates, and realization of the synergy effects like cost reductions from owning multiple properties, among other issues. Moreover, JHR conducts strategic capital expenditure such as renovating guest rooms, etc. for improving property competitiveness primarily for hotels with high growth expectations, in an attempt to further enhance hotel earnings led by the growth in RevPAR. As such, JHR plans to implement large-scale renovation for Hilton Tokyo Odaiba and Namba Oriental Hotel in 2020.

ii) Properties under fixed rent contracts

JHR will increase its efforts to appropriately monitor operating conditions of these hotels and, by paying careful attention to each tenant's ability to bear the rent costs, conduct negotiations with the hotels at which the ability to bear rent costs has been enhanced through better performances so that the improvement in hotel earnings would lead to an increase in JHR's earnings, such as revising rents upward and introducing revenue sharing structure. In addition, JHR will carry out investments for the purpose of continuous facility maintenance and improvement to ensure each hotel becomes prominent in the market and to maintain and increase the value of its assets.

External growth

In terms of external growth strategy, JHR will keep target to acquire highly-competitive Real Estate for Hotels, etc. (Hotel Assets) in areas which can expect "domestic and inbound leisure demand" over the medium to long term as JHR has done to date. In addition, JHR will build a portfolio which can secure stable revenues and with future growth potential in mind in order to achieve upside gains.

Upon acquiring properties, JHR will focus on the infrastructure aspects of the relevant Hotel Assets such as buildings and facilities, the services aspects such as the credibility of the hotel lessee and operator (including the ability of the hotel lessee to bear rent costs) as well as operation and management capabilities, and the properties' location superiority that serves as the base for demand stability and growth potential.

Specifically, JHR will target to invest in "full-service hotels" and "resort hotels" that pose barriers to new opening due to such factors as operation and management know-how required for operating the hotels and limitations in terms of invested capital and location. As for "limited-service hotels," JHR emphasizes the credibility and operation capabilities of the hotel lessee and operator as well as the building age, location, guestroom composition and profitability of the properties. Moreover, JHR will take a particularly selective approach to hotels specialized for accommodation and of a budget type (low price zone) that mainly offers single rooms and where the source of competitiveness relies only on prices.

In the hotel investment market, harsh competition over acquisition is ongoing due in part to competitions with J-REITs and non-listed private J-REITs that invest in hotels, overseas investors and others. JHR will aim for expansion of asset size that accompanies an improvement in the quality of its portfolio by acquiring highly competitive properties while leveraging its strength and advantages and also utilizing the HMJ platform in some cases.

Finance strategy

Under the basic policy of carrying out conservative financial strategy which places importance on securement of financial stability and soundness, JHR intends to maintain and enhance the relationships of trust with existing financial institutions with which it does business while endeavoring to diversify the means of financing. It aims to conduct financial operations by keeping the ratio of interest-bearing debt to total assets at no larger than 50% as in the past. In addition, when seeking new borrowing for property acquisitions or refinancing existing debt, JHR will work to disperse maturity dates of its debt as well as further reinforce and expand its base of lenders and further diversify funding methods, such as issuance of investment corporation bonds (including green bonds), while considering the balance with the funding costs.

Moreover, while JHR understands that no abrupt change is likely to occur to the interest rate level in the current situation, it aims to further improve its financial foundation by managing risk of interest rates market through extending maturity dates and fixing rates, etc., in preparation for addressing any change in the financial market environment.

Policy on handling of negative goodwill

From the fiscal year ended December 31, 2017 (18th period), JHR started appropriation for dividends through reversal of reserve for temporary difference adjustment in connection with partial amendments to the “Ordinance on Accounting of Investment Corporations” (Cabinet Office Ordinance No. 47 of 2006, as amended; hereinafter referred to as the “Ordinance on Accountings of Investment Corporations”) and the “Regulation for Real Estate Investment Trusts and Real Estate Investment Corporations” of The Investment Trusts Association, Japan. JHR stipulated a policy to reverse ¥262 million (hereinafter called the “50-year amortization amount of negative goodwill”), which is an amount equivalent to 2% (1/50) of the balance of the reserve for temporary difference adjustment for the fiscal year ended December 31, 2017, to pay out as dividends every year, with the balance of the reserve for temporary difference adjustment remaining at the time of reversal set as the maximum reversal amount (Note).

Furthermore, in cases of incurrence of losses caused by property dispositions, impairment loss of assets, dilution of dividend per unit due to the issuance of new investment units through public offerings, etc., loss on retirement of noncurrent assets, and suspension of sales and such due to large-scale renovations with significant impact on revenues, JHR stipulated a policy to reverse additional portion of the negative goodwill on top of the 50-year amortization amount of negative goodwill (¥262 million) (Note). As for the fiscal year ending December 31, 2020 (21st period), JHR expects ¥496 million, which is the total of the 50-year amortization amount of negative goodwill (¥262 million), loss on retirement of noncurrent assets (¥18 million) and the correspondence to the large-scale renovation at Hilton Tokyo Odaiba (¥44 million) and at Namba Oriental Hotel (¥172 million) as additional amounts to dividends by reversing negative goodwill.

(Note) The policy may change due to a resolution of the board of directors, and it does not guarantee the method of reversing the reserve for temporary difference adjustment, and amounts to be reversed, etc., in the future.

Initiatives for Sustainability

In recent years, there has been growing importance of the risks and opportunities of ESG (Environment, Social and Governance) issues in the investment management industry from the standpoint of long-term sustainability. JHR recognizes that conducting real estate investment management based on consideration for ESG is important to enhance unitholder value and to further raise the attractiveness of JHR. In addition, JHR believes that it is indispensable to establish favorable relationships with its stakeholders including unitholders, hotel users (guests), lessees, operators, business partners including property managers, etc., local communities, officers and employees of the Asset Management Company and others and to fulfill our social responsibilities expected from each of them.

In order to put such ideas into practice, JHR, along with the Asset Management Company, has established a “Sustainability Policy” as guidance to ESG initiatives. We have promoted efforts to reduce environmental impact at properties in our portfolio based on this policy, and received the Building-Housing Energy-efficiency Labeling System (BELS) evaluation for the two properties of Hotel Nikko Alivila and Mercure Okinawa Naha in February 2018 as first such cases for J-REIT’s hotel properties (Note 1). Moreover, in September 2018, JHR became the first J-REIT specializing in hotels (Note 1) to be recognized by GRESB for its environmental awareness and sustainability initiatives, acquiring “Green Star,” the highest ranking, in the GRESB Real Estate Assessment (Note 2). JHR was evaluated as “3 Stars” in GRESB Rating in September 2019.

Furthermore, JHR issued green bonds in July 2019 to allocate funds mainly to refinance loans procured for funding capital expenditures and constructions cost, etc. which contribute to environment, including reduction of CO2 and water consumption in the renovation work at Oriental Hotel Fukuoka Hakata Station. It was the first case of a J-REIT specializing in hotels issuing green bonds.

Recognizing its social responsibility towards local communities as a J- REIT specializing in hotels, JHR will proactively carry out social contribution activities capitalizing on the characteristics of the hotel sector and each hotel.

(Note 1) Investigated by the Asset Management Company based on disclosed information.

(Note 2) GRESB, which stands for Global Real Estate Sustainability Benchmark, is an annual benchmarking program to evaluate Environment, Social and Governance (ESG) awareness of real estate companies and funds. It evaluates initiatives for sustainability of real estate

companies, REITs and real estate funds, not of individual properties. The GRESB Rating makes relative assessment based on total scores, with 5 Stars being the highest ranking.

(b) Significant subsequent events

Not applicable.

(c) Operating forecast

The following is JHR's operating forecast for the midterm of the fiscal year ending December 31, 2020 (21st period) and the full year of the fiscal year ending December 31, 2020 (21st period). For the assumptions of the operating forecast, please refer to "Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2020 (21st period)" on page 10.

Midterm of the fiscal year ending December 31, 2020 (21st period)

Operating revenue	¥13,539million
Operating income	¥7,895 million
Ordinary income	¥6,972 million
Midterm net income	¥6,972 million

Full year of the fiscal year ending December 31, 2020 (21st period)

Operating revenue	¥29,971 million
Operating income	¥18,128 million
Ordinary income	¥16,239million
Net income	¥16,238million
Dividend per unit	¥3,750
Dividend per unit resulting from excess of earnings	¥-

(Note) The forecast figures above are the current forecasts calculated based on certain assumptions. As such, actual operating revenue, operating income, ordinary income, net income (midterm / full year), dividend per unit and dividend per unit resulting from excess of earnings may vary due to changes in the circumstances. Furthermore, the forecasts are not intended to guarantee any dividend amount.

Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2020 (21st period)

Item	Assumptions																																																																																																																																																																										
Calculation period	<ul style="list-style-type: none"> Midterm (21st Period) : January 1, 2020 through June 30, 2020 (182 days) Full year (21st Period) : January 1, 2020 through December 31, 2020 (366 days) 																																																																																																																																																																										
Assets under management	<ul style="list-style-type: none"> The 43 properties owned by JHR as of today are assumed. It is assumed that there will be no change (acquisition of new property or disposition of the existing properties, etc.) in assets under management through the end of the fiscal year ending December 31, 2020 (21st period). However, the actual results may fluctuate depending on the changes in assets under management that may take place. 																																																																																																																																																																										
Operating revenue	<ul style="list-style-type: none"> Operating revenue is calculated based on leases and other contracts effective as of today and in consideration of competitiveness of hotels, market environment and other factors. If there are lease contracts with regards to facilities other than hotels, such as retail facilities and offices, etc., operating revenue calculated based on the said lease contracts is included. Rents, etc. of the main hotels are calculated based on the following assumptions. <p>(1) The 21 Hotels with Variable Rent, etc. and Oriental Hotel Fukuoka Hakata Station</p> <p>① The Twelve HMJ Hotels</p> <p>The assumptions of the fixed rent and variable rent are as follows.</p> <p>Total rent = Fixed rent + Variable rent</p> <p>Variable rent = [Total GOP of the hotels – GOP base amount] × Variable rent ratio (%)</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table> <tr> <th></th><th></th><th>Total GOP of the hotel(s)</th><th>GOP base amount</th><th>Variable rent ratio</th><th>Variable rent</th><th>Fixed rent</th><th>Total rent</th></tr> <tr> <td rowspan="2">The Five HMJ Hotels (*1)</td><td>Midterm</td><td>3,007</td><td>1,675</td><td rowspan="2">85.0%</td><td>1,132</td><td>1,610</td><td>2,743</td></tr> <tr> <td>Full year</td><td>7,546</td><td>3,351</td><td>3,566</td><td>3,221</td><td>6,787</td></tr> <tr> <td rowspan="2">Okinawa Marriott Resort & Spa</td><td>Midterm</td><td>384</td><td>350</td><td rowspan="2">90.0%</td><td>30</td><td>274</td><td>305</td></tr> <tr> <td>Full year</td><td>1,354</td><td>700</td><td>589</td><td>550</td><td>1,139</td></tr> <tr> <td rowspan="2">Sheraton Grand Hiroshima Hotel (*2)</td><td>Midterm</td><td>499</td><td>234</td><td rowspan="2">82.5%</td><td>218</td><td>174</td><td>392</td></tr> <tr> <td>Full year</td><td>1,093</td><td>468</td><td>515</td><td>348</td><td>863</td></tr> <tr> <td rowspan="2">Oriental Hotel Fukuoka Hakata Station (*3)</td><td>Midterm</td><td>602</td><td>221</td><td rowspan="2">98.0%</td><td>373</td><td>212</td><td>586</td></tr> <tr> <td>Full year</td><td>1,253</td><td>442</td><td>795</td><td>425</td><td>1,220</td></tr> <tr> <td rowspan="2">Holiday Inn Osaka Namba</td><td>Midterm</td><td>512</td><td>325</td><td rowspan="2">92.5%</td><td>173</td><td>288</td><td>461</td></tr> <tr> <td>Full year</td><td>1,053</td><td>650</td><td>373</td><td>576</td><td>949</td></tr> <tr> <td rowspan="2">Hilton Tokyo Narita Airport</td><td>Midterm</td><td>437</td><td>275</td><td rowspan="2">86.5%</td><td>140</td><td>222</td><td>362</td></tr> <tr> <td>Full year</td><td>1,122</td><td>550</td><td>495</td><td>444</td><td>939</td></tr> <tr> <td rowspan="2">International Garden Hotel Narita</td><td>Midterm</td><td>314</td><td>180</td><td rowspan="2">98.0%</td><td>131</td><td>168</td><td>299</td></tr> <tr> <td>Full year</td><td>675</td><td>360</td><td>309</td><td>336</td><td>645</td></tr> <tr> <td rowspan="2">Hotel Nikko Nara</td><td>Midterm</td><td>307</td><td>235</td><td rowspan="2">91.5%</td><td>66</td><td>210</td><td>276</td></tr> <tr> <td>Full year</td><td>701</td><td>470</td><td>211</td><td>420</td><td>631</td></tr> <tr> <td rowspan="2">Sub Total</td><td>Midterm</td><td>6,065</td><td>—</td><td>—</td><td>2,267</td><td>3,160</td><td>5,427</td></tr> <tr> <td>Full year</td><td>14,801</td><td>—</td><td>—</td><td>6,856</td><td>6,320</td><td>13,176</td></tr> <tr> <td rowspan="2">ACTIVE-INTER CITY HIROSHIMA (Office and commercial tenants)</td><td>Midterm</td><td>—</td><td>—</td><td rowspan="2">—</td><td>5</td><td>233</td><td>238</td></tr> <tr> <td>Full year</td><td>—</td><td>—</td><td>10</td><td>467</td><td>478</td></tr> <tr> <td rowspan="2">Total</td><td>Midterm</td><td>—</td><td>—</td><td>—</td><td>2,272</td><td>3,393</td><td>5,666</td></tr> <tr> <td>Full year</td><td>—</td><td>—</td><td>—</td><td>6,867</td><td>6,787</td><td>13,655</td></tr> </table> <p>(*1) Namba Oriental Hotel, one of The Five HMJ hotels is planning to implement large-scale renovation</p>									Total GOP of the hotel(s)	GOP base amount	Variable rent ratio	Variable rent	Fixed rent	Total rent	The Five HMJ Hotels (*1)	Midterm	3,007	1,675	85.0%	1,132	1,610	2,743	Full year	7,546	3,351	3,566	3,221	6,787	Okinawa Marriott Resort & Spa	Midterm	384	350	90.0%	30	274	305	Full year	1,354	700	589	550	1,139	Sheraton Grand Hiroshima Hotel (*2)	Midterm	499	234	82.5%	218	174	392	Full year	1,093	468	515	348	863	Oriental Hotel Fukuoka Hakata Station (*3)	Midterm	602	221	98.0%	373	212	586	Full year	1,253	442	795	425	1,220	Holiday Inn Osaka Namba	Midterm	512	325	92.5%	173	288	461	Full year	1,053	650	373	576	949	Hilton Tokyo Narita Airport	Midterm	437	275	86.5%	140	222	362	Full year	1,122	550	495	444	939	International Garden Hotel Narita	Midterm	314	180	98.0%	131	168	299	Full year	675	360	309	336	645	Hotel Nikko Nara	Midterm	307	235	91.5%	66	210	276	Full year	701	470	211	420	631	Sub Total	Midterm	6,065	—	—	2,267	3,160	5,427	Full year	14,801	—	—	6,856	6,320	13,176	ACTIVE-INTER CITY HIROSHIMA (Office and commercial tenants)	Midterm	—	—	—	5	233	238	Full year	—	—	10	467	478	Total	Midterm	—	—	—	2,272	3,393	5,666	Full year	—	—	—	6,867	6,787	13,655
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	<p>accompanying the suspension of hotel operations from November 2020 through March 2021. Taking into consideration impact on dividend due to the renovation, reserve for temporary difference adjustment (negative goodwill) will be appropriated.</p> <p>(*2) Rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA, is stated.</p> <p>(*3) The fixed-term lease agreement for Oriental Hotel Fukuoka Hakata Station was renewed on December 20, 2019 and the amount of fixed rent, GOP base amount and variable rent ratio were changed from January 1, 2020.</p> <p>② Income from management contracts (*4) and variable rent for the 21 hotels with Variable Rent, etc. excluding The Twelve HMJ Hotels</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table><tr><th></th><th>Midterm</th><th>Full year</th></tr><tr><td>ibis Tokyo Shinjuku</td><td>248</td><td>547</td></tr><tr><td>ibis Styles Kyoto Station</td><td>179</td><td>364</td></tr><tr><td>ibis Styles Sapporo</td><td>268</td><td>666</td></tr><tr><td>Mercure Sapporo</td><td>288</td><td>688</td></tr><tr><td>Mercure Okinawa Naha</td><td>179</td><td>374</td></tr><tr><td>Mercure Yokosuka</td><td>178</td><td>298</td></tr><tr><td>the b suidobashi</td><td>19</td><td>70</td></tr><tr><td>the b ikebukuro</td><td>65</td><td>179</td></tr><tr><td>the b hachioji</td><td>26</td><td>67</td></tr><tr><td>the b hakata</td><td>66</td><td>138</td></tr><tr><td>Total</td><td>1,520</td><td>3,395</td></tr></table> <p>(*4)For income from management contracts, it is assumed that each hotel's GOP amount is recognized as income from management contracts and the management contract fees to be paid by JHR are recognized as an operating expense.</p> <p>(2) The Two New HMJ Hotels (Acquired Assets)</p> <p>1. Hotel Oriental Express Osaka Shinsaibashi</p> <p>The assumptions of the fixed rent and variable rent are as follows.</p> <p>Total rent = Fixed rent + Variable rent</p> <p>Variable rent = [Total GOP of the hotels – GOP base amount] × Variable rent ratio (%)</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table><tr><th></th><th></th><th>Total GOP of the hotel</th><th>GOP base amount</th><th>Variable rent ratio</th><th>Variable rent</th><th>Fixed rent</th><th>Total rent</th></tr><tr><td rowspan="2">Hotel Oriental Express Osaka Shinsaibashi</td><td>Midterm</td><td>72</td><td>64</td><td rowspan="2">91.0%</td><td>8</td><td>55</td><td>63</td></tr><tr><td>Full year</td><td>151</td><td>128</td><td>21</td><td>110</td><td>131</td></tr></table> <p>2. Hilton Tokyo Odaiba</p> <p>The assumptions of the fixed rent and variable rent are as follows.</p> <p>Total rent = Fixed rent + Variable rent</p> <p>Variable rent = [Total AGOP of the hotels (*1) – AGOP base amount] × Variable rent ratio (%)</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table><tr><th></th><th></th><th>AGOP of the hotel</th><th>AGOP base amount</th><th>Variable rent ratio</th><th>Variable rent</th><th>Fixed rent</th><th>Total rent</th></tr><tr><td rowspan="2">Hilton Tokyo Odaiba (*2)</td><td>Midterm</td><td>1,163</td><td>1,485</td><td rowspan="2">30.0%</td><td>-</td><td>1,549</td><td>1,549</td></tr><tr><td>Full year</td><td>3,283</td><td>2,970</td><td>94</td><td>3,100</td><td>3,194</td></tr></table> <p>(*1) AGOP (adjusted GOP) is the amount calculated by subtracting certain fees and other items from GOP. The same shall apply hereinafter.</p> <p>(*2) Hilton Tokyo Odaiba is planning to implement large-scale renovation works accompanying the suspension of sale in part of hotel rooms from September 2020 through December 2020.</p> <p>(3) Other hotels with variable rent</p>		Midterm	Full year	ibis Tokyo Shinjuku	248	547	ibis Styles Kyoto Station	179	364	ibis Styles Sapporo	268	666	Mercure Sapporo	288	688	Mercure Okinawa Naha	179	374	Mercure Yokosuka	178	298	the b suidobashi	19	70	the b ikebukuro	65	179	the b hachioji	26	67	the b hakata	66	138	Total	1,520	3,395			Total GOP of the hotel	GOP base amount	Variable rent ratio	Variable rent	Fixed rent	Total rent	Hotel Oriental Express Osaka Shinsaibashi	Midterm	72	64	91.0%	8	55	63	Full year	151	128	21	110	131			AGOP of the hotel	AGOP base amount	Variable rent ratio	Variable rent	Fixed rent	Total rent	Hilton Tokyo Odaiba (*2)	Midterm	1,163	1,485	30.0%	-	1,549	1,549	Full year	3,283	2,970	94	3,100	3,194
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Operating Expenses	<ul style="list-style-type: none">• With respect to real estate leasing expenses, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation.• It is assumed that ¥1,921 million will be recognized as expenses for fixed asset tax, city planning tax and other taxes and public dues.• In general, fixed asset tax and city planning tax and other taxes and public dues on acquired assets are settled with the previous owners at the time of acquisition, calculated on a pro rata basis of the holding period. For JHR, such settlement amount is included in the acquisition price, and it will not be recognized as expenses for the calculation period.• Capital expenditure is assumed to be ¥6,775 million (¥3,478 million for capital expenditure I, ¥862 million for capital expenditure II, ¥2,434million for capital expenditure III, include ¥3,000 million (¥800 million for capital expenditure I and ¥2,200 million for capital expenditure III for the renovation work at Hilton Tokyo Odaiba) for the fiscal year ending December 31, 2020 (21st period). Moreover, ¥2,600 million for the renovation work at Namba Oriental Hotel is expected for the fiscal year ending December 31, 2021 (22nd period).• (*) JHR classifies capital expenditures into the following three categories. (I) Capital investment related to renewal of buildings, facilities, and equipment which is required to maintain proper values of properties, (II) capital investment for fixtures and furniture that are not directly related to building structure or facilities but necessary for operating hotels, and (III) strategic capital investment such as renovating guest rooms, etc. for maintaining / improving the competitiveness of the hotels.• Depreciation is calculated using the straight-line method including the planned capital expenditures above, and is assumed to be ¥4,859million.• Repair expenses for buildings are recognized as expenses in the estimated amount necessary for each operating period. Please note that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as; (1) Emergency repair expenses may be necessary due to damage to buildings from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required on a regular basis.																																																
Non-operating expenses	<ul style="list-style-type: none">• ¥1,888 million is expected for all non-operating expenses, including cost related to debt such as interest expense, arrangement fee, amortization for the following (1) handling fees and (2) derivative instruments and other non-operating expenses.• Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method.																																																
Interest-	<ul style="list-style-type: none">• The balance of interest-bearing debt (sum of loans and investment corporation bonds) as of the end of December																																																

Item	Assumptions																		
bearing debt	<p>2019 was ¥168,754million. It is assumed that the balance of interest-bearing debt as of the end of December 2020 is unchanged at ¥168,754 million.</p> <ul style="list-style-type: none"> It is assumed that JHR will refinance all loans in the amount of ¥12,782 million, which mature within the fiscal year ending December 31, 2020 (21st period). 																		
Issuance of investment units	<ul style="list-style-type: none"> The number of investment units issued as of today (4,462,347 units) is assumed. It is assumed that there will be no additional issuance of investment units through to the end of the fiscal year ending December 31, 2020 (21st period). 																		
Dividend per unit	<ul style="list-style-type: none"> Dividend per unit for the fiscal year ending December 31, 2020 (21st period) is calculated based on the following assumptions. <table> <tr> <td>Net income</td><td>¥16,238million</td></tr> <tr> <td>Reversal of reserve for temporary difference adjustment (negative goodwill)</td><td></td></tr> <tr> <td> 50-year amortization amount of negative goodwill (*1)</td><td>¥262 million</td></tr> <tr> <td> Loss on retirement of noncurrent assets (*2)</td><td>¥18 million</td></tr> <tr> <td> Correspondence to large-scale renovation works at Hilton Tokyo Odaiba (*3)</td><td>¥44 million</td></tr> <tr> <td> Correspondence to large-scale renovation works at Namba Oriental Hotel (*4)</td><td>¥172 million</td></tr> <tr> <td>Distributable amount</td><td>¥16,735 million</td></tr> <tr> <td>Total number of investment units issued</td><td>4,462,347 units</td></tr> <tr> <td>Dividend per unit</td><td>¥3,750</td></tr> </table> <p>(*1) ¥262 million (hereinafter called “50-year amortization amount of negative goodwill”) is scheduled to be paid out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount, for every fiscal year.</p> <p>(*2) The amount recognized as a loss on retirement of noncurrent assets will be appropriated by reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on dividend per unit.</p> <p>(*3) Implementation of large-scale renovation work is planned at Hilton Tokyo Odaiba during September 2020 through December 2020. Taking into consideration the impact on dividend due to the renovation, reserve for temporary difference adjustment (negative goodwill) will be appropriated.</p> <p>(*4) Implementation of large-scale renovation work accompanied with suspension of hotel operation is planned at Namba Oriental Hotel during November 2020 through March 2021. Taking into consideration the impact on dividend due to the renovation, reserve for temporary difference adjustment (negative goodwill) will be appropriated.</p> <ul style="list-style-type: none"> Dividend per unit may fluctuate due to various causes, such as fluctuation of rent revenue resulting from transfer of assets under management, change of tenants, etc. at hotels, change in the business environment surrounding tenants, etc. of hotels, unexpected repairs, and actual number of new units issued, etc. The remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 31, 2020 (21st period) is expected to be ¥10,120 million. 	Net income	¥16,238million	Reversal of reserve for temporary difference adjustment (negative goodwill)		50-year amortization amount of negative goodwill (*1)	¥262 million	Loss on retirement of noncurrent assets (*2)	¥18 million	Correspondence to large-scale renovation works at Hilton Tokyo Odaiba (*3)	¥44 million	Correspondence to large-scale renovation works at Namba Oriental Hotel (*4)	¥172 million	Distributable amount	¥16,735 million	Total number of investment units issued	4,462,347 units	Dividend per unit	¥3,750
Net income	¥16,238million																		
Reversal of reserve for temporary difference adjustment (negative goodwill)																			
50-year amortization amount of negative goodwill (*1)	¥262 million																		
Loss on retirement of noncurrent assets (*2)	¥18 million																		
Correspondence to large-scale renovation works at Hilton Tokyo Odaiba (*3)	¥44 million																		
Correspondence to large-scale renovation works at Namba Oriental Hotel (*4)	¥172 million																		
Distributable amount	¥16,735 million																		
Total number of investment units issued	4,462,347 units																		
Dividend per unit	¥3,750																		
Dividend per unit resulting from excess of earnings	<ul style="list-style-type: none"> It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed. 																		
Other	<ul style="list-style-type: none"> It is assumed that revision in law, tax system, accounting standard, regulations of the listing, regulations of The Investment Trusts Association, Japan that may impact the forecast above will not be made. It is assumed that unexpected major incident will not occur in the general economy, real estate market and hotel business environment, etc. The numerical values are rounded down to the nearest millions of yen in the assumptions above. 																		

<Reference Information 1> Highlights of the operating forecast and forecast of dividend

- (1) The following is a comparison and major causes of variance between the actual results for the fiscal year ended December 31, 2019 (20th period) and the forecast for the fiscal year ending December 31, 2020 (21st period)

(Unit: millions of yen)

		2019	2020	Comparison with the Previous Period		Properties Acquired in 2019 (*1)	Oriental Hotel Fukuoka Hakata Station (*2)	Existing Properties (*3)	Factors Causing Variance
		Actual (A)	Forecast This time (B)						
Properties	No. of Properties	43	43	-	-	-	-	-	
	Acquisition Price	374,508	374,508	-	-	-	-	-	
Profit and Loss Statement	Operating Revenue	28,278	29,971	1,692	6.0%	950	480	261	
	Real Estate	28,278	29,971	1,692	6.0%	950	480	261	
	Fixed Rent, etc. Composition	17,101 60.5%	17,987 60.0%	885	5.2%	842	25	18	
	Variable Rent Composition	11,176 39.5%	11,984 40.0%	807	7.2%	108 (*6)	455	243	1. Increase in variable rent, etc. from the 20 Hotels with Variable Rent, etc. (*5) by JPY589 MM 2. Decrease in variable rent from Namba Oriental Hotel by JPY320 MM 3. Decrease in rent from other hotels with revenue sharing, etc. by JPY25 MM
	Gain on Sale of Real Estate Properties	-	-	-	-	-	-	-	
	NOI (*4)	24,087	25,273	1,185	4.9%	670	471	43	
	NOI Yield	6.4%	6.7%	0.3%			(*7)		
	NOI after Depreciation (*4)	19,281	20,392	1,111	5.8%	531	621	(41)	
	NOI Yield after Depreciation	5.1%	5.4%	0.3%			(*7)		
	Operating Income	17,148	18,128	979	5.7%				
	Ordinary Income	15,291	16,239	948	6.2%				
	Net Income	15,290	16,238	948	6.2%				
Dividend	Reserve for Temporary Difference Adjustments (Negative Goodwill)	1,176	496	(679)	(57.8%)	Amount to be reversed from reserve for temporary difference adjustments 2019: 50-year amortization amount of negative goodwill: JPY262 MM Loss on retirement of noncurrent assets: JPY246 MM Correspondence to large-scale renovation works at Oriental Hotel Fukuoka Hakata Station: JPY357 MM Correspondence to dilution: JPY310 MM			
	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%	2020: 50-year amortization amount of negative goodwill: JPY262 MM Loss on retirement of noncurrent assets: JPY18 MM Correspondence to large-scale renovation works at Hilton Tokyo Odaiba: JPY44 MM Correspondence to large-scale renovation works at Namba Oriental Hotel: JPY172 MM			

- (*1) Stating the impact of the Hotel Oriental Express Osaka Shinsaibashi and Hilton Tokyo Odaiba acquired during fiscal year ended December 31, 2019.
- (*2) Oriental Hotel Fukuoka Hakata Station implemented large-scale renovation work accompanied by suspension of hotel operation during October 1, 2018 through April 8, 2019. Impact by the renovation is stated.
- (*3) “The existing properties” above refers to properties excluding the properties acquired in 2019 and Hotel Oriental Fukuoka Hakata station from 43 properties owned by JHR as of December 31, 2019.
- (*4) Each numbers are calculated by 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.
 NOI yield after depreciation = NOI after depreciation ÷ (Anticipated) acquisition price
- (*5) Implementation of the large-scale renovation work accompanied with suspension of hotel operation is planned at Namba Oriental Hotel during November 2020 through March 2021. Therefore, Namba Oriental Hotel is excluded from calculation of the 21 Hotels with Variable Rent, etc. The 20 Hotels with Variable Rent, etc. are 20 hotels excluding Namba Oriental Hotel from the 21 Hotels with Variable Rent, etc.
- (*6) Decrease of variable rent in amount of ¥44 million is assumed for Hilton Tokyo Odaiba due to implementation of the large-scale renovation work accompanied with suspension of a part of room sales which planned during September 2020 through December 2020.
- (*7) Due to the renovation at Oriental Hotel Fukuoka Hakata Station, loss on retirement of noncurrent asset in amount of ¥202 million was recorded.

<Reference Information 2> Hotel operation indexes, sales and GOP

The numeral figures are based on figures obtained from hotel lessees, etc. Please note that these figures have not been audited nor have they gone through other procedures. No guarantee is made as to the accuracy or completeness of the figures and information.

ADR and RevPAR are rounded off to the nearest yen. Sales and GOP are rounded off to the nearest million yen. Occupancy rate and comparison with the previous period are rounded off to one decimal place.

<1> The 21 Hotels with Variable Rent, etc.

		Fiscal year ended December 2018		Fiscal year ended December 2019	
		Actual	Comparison with previous period	Actual	Comparison with previous period
Occupancy Rate	First half of the year	87.3%	0.3pt	86.5%	(0.7pt)
	Second half of the year	87.1%	(1.4pt)	86.5%	(0.6pt)
	Full year	87.2%	(0.6pt)	86.5%	(0.7pt)
ADR (*1)	First half of the year	14,685	2.2%	14,749	0.4%
	Second half of the year	17,020	0.4%	16,316	(4.1%)
	Full year	15,861	1.1%	15,539	(2.0%)
RevPAR (*2)	First half of the year	12,817	2.6%	12,765	(0.4%)
	Second half of the year	14,831	(1.2%)	14,113	(4.8%)
	Full year	13,833	0.5%	13,444	(2.8%)
Sales (JPY1M)	First half of the year	22,958	0.8%	23,124	0.7%
	Second half of the year	26,257	(1.2%)	25,320	(3.6%)
	Full year	49,215	(0.3%)	48,444	(1.6%)
GOP (JPY1M)	First half of the year	7,715	2.6%	7,709	(0.1%)
	Second half of the year	10,196	0.3%	9,561	(6.2%)
	Full year	17,911	1.3%	17,270	(3.6%)

(*1) ADR represents average daily rate, which is calculated by dividing revenue for rooms in a given period by the total number of rooms sold during the period. The same shall apply hereinafter. With regard to service charge, 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), International Garden Hotel Narita, Hotel Nikko Nara and Oriental Hotel Fukuoka Hakata Station charge 10%, Hilton Tokyo Narita Airport charges 12%, and Hilton Tokyo Odaiba charges 13%. Other hotels within 21 hotels with Variable Rent, do not charge service charge.

(*2) RevPAR represents revenue per available room, which is calculated by dividing revenue for rooms for a given period (excluding service charges) by the total number of rooms available for sale during the period. The same shall apply hereinafter.

(*3) Implementation of large-scale renovation work accompanied with suspension of hotel operation is planned at Namba Oriental Hotel during fiscal period ending December 31, 2020. Therefore, the comparison between fiscal year ended December 31, 2019 and the fiscal year ending December 31, 2020 is not stated. For the forecast for the fiscal year ending December 2020, please refer to “<2> the 20 Hotels with Variable Rent, etc.”

<2> The 20 Hotels with Variable Rent, etc.

The figures are the total amount for 20 hotels from the 21 Hotels with Variable Rent, etc. excluding Namba Oriental Hotel in order to exclude the impact of the renovation that resulted in suspension of sales.

		Fiscal year ended December 2018		Fiscal year ended December 2019				Fiscal year ending December 2020	
		Actual	Comparison with previous period	Previous forecast (first half: actual)	Actual	Comparison with previous period	Comparison with previous forecast	Forecast this time	Comparison with previous period
Occupancy Rate	First half of the year	87.0%	0.4pt	86.1%	86.1%	(0.9pt)	0.0pt	86.3%	0.2pt
	Second half of the year	86.9%	(1.3pt)	86.5%	86.3%	(0.6pt)	(0.2pt)	88.6%	2.2pt
	Full year	87.0%	(0.5pt)	86.3%	86.2%	(0.7pt)	(0.1pt)	87.5%	1.2pt
ADR	First half of the year	14,344	2.2%	14,502	14,502	1.1%	0.0%	14,485	(0.1%)
	Second half of the year	16,820	0.8%	16,262	16,263	(3.3%)	0.0%	17,611	8.3%
	Full year	15,592	1.4%	15,392	15,391	(1.3%)	(0.0%)	16,077	4.5%
RevPAR	First half of the year	12,480	2.7%	12,491	12,491	0.1%	0.0%	12,506	0.1%
	Second half of the year	14,619	(0.6%)	14,075	14,041	(4.0%)	(0.2%)	15,600	11.1%
	Full year	13,559	0.9%	13,289	13,272	(2.1%)	(0.1%)	14,061	5.9%
Sales (JPY1M)	First half of the year	21,541	0.9%	21,780	21,780	1.1%	0.0%	21,814	0.2%
	Second half of the year	24,783	(0.9%)	24,108	24,075	(2.9%)	(0.1%)	25,979	7.9%
	Full year	46,324	(0.1%)	45,888	45,855	(1.0%)	(0.1%)	47,792	4.2%
GOP (JPY1M)	First half of the year	6,841	2.8%	6,889	6,889	0.7%	0.0%	6,579	(4.5%)
	Second half of the year	9,260	0.1%	8,853	8,833	(4.6%)	(0.2%)	9,766	10.6%
	Full year	16,101	1.2%	15,742	15,722	(2.4%)	(0.1%)	16,345	4.0%

<3> The 10 HMJ Hotels

The figures are the total amount for 10 hotels from The Twelve HMJ Hotels excluding Hotel Oriental Fukuoka Hakata Station and Namba Oriental Hotel in order to exclude the impact of the renovation that resulted in suspension of sales.

		Fiscal year ended December 2018		Fiscal year ended December 2019				Fiscal year ending December 2020	
		Actual	Comparison with previous period	Previous forecast (first half: actual)	Actual	Comparison with previous period	Comparison with previous forecast	Forecast this time	Comparison with previous period
Occupancy Rate	First half of the year	86.8%	(0.0pt)	87.0%	87.0%	0.2pt	0.0pt	86.7%	(0.3pt)
	Second half of the year	87.4%	(1.1pt)	87.6%	87.4%	0.0pt	(0.2pt)	88.8%	1.4pt
	Full year	87.1%	(0.6pt)	87.3%	87.2%	0.1pt	(0.1pt)	87.8%	0.6pt
ADR	First half of the year	16,293	2.4%	16,251	16,251	(0.3%)	0.0%	16,291	0.2%
	Second half of the year	19,665	0.3%	18,789	18,796	(4.4%)	0.0%	20,614	9.7%
	Full year	17,999	1.2%	17,535	17,537	(2.6%)	0.0%	18,490	5.4%
RevPAR	First half of the year	14,149	2.4%	14,145	14,145	(0.0%)	0.0%	14,131	(0.1%)
	Second half of the year	17,183	(1.0%)	16,455	16,430	(4.4%)	(0.2%)	18,313	11.5%
	Full year	15,679	0.5%	15,310	15,297	(2.4%)	(0.1%)	16,234	6.1%

Sales (JPY1M)	First half of the year	17,336	0.3%	17,571	17,571	1.4%	0.0%	17,544	(0.2%)
	Second half of the year	20,357	(1.2%)	19,773	19,759	(2.9%)	(0.1%)	21,242	7.5%
	Full year	37,694	(0.5%)	37,344	37,330	(1.0%)	(0.0%)	38,786	3.9%
GOP (JPY1M)	First half of the year	4,936	2.4%	5,051	5,051	2.3%	0.0%	4,774	(5.5%)
	Second half of the year	7,204	1.0%	6,925	6,914	(4.0%)	(0.2%)	7,603	10.0%
	Full year	12,140	1.6%	11,976	11,966	(1.4%)	(0.1%)	12,377	3.4%

<4> Namba Oriental Hotel

		Fiscal year ended December 2018		Fiscal year ended December 2019				Fiscal year ending December 2020	
		Actual	Comparison with previous period	Previous forecast (first half: actual)	Actual	Comparison with previous period	Comparison with previous forecast	Forecast this time	Comparison with previous period
Occupancy Rate	First half of the year	93.5%	(1.3pt)	95.8%	95.8%	2.3pt	0.0pt	93.6%	(2.2pt)
	Second half of the year	92.2%	(4.4pt)	90.1%	90.1%	(2.1pt)	0.1pt	62.1%	(28.0pt)
	Full year	92.8%	(2.9pt)	92.9%	92.9%	0.1pt	0.0pt	77.8%	(15.2pt)
ADR	First half of the year	21,748	2.4%	19,707	19,707	(9.4%)	0.0%	18,137	(8.0%)
	Second half of the year	21,214	(5.5%)	17,616	17,447	(17.8%)	(1.0%)	17,933	2.8%
	Full year	21,481	(1.7%)	18,685	18,602	(13.4%)	(0.4%)	18,055	(2.9%)
RevPAR	First half of the year	20,330	1.0%	18,880	18,880	(7.1%)	0.0%	16,971	(10.1%)
	Second half of the year	19,558	(9.9%)	15,867	15,726	(19.6%)	(0.9%)	11,142	(29.2%)
	Full year	19,941	(4.7%)	17,361	17,290	(13.3%)	(0.4%)	14,041	(18.8%)
Sales (JPY1M)	First half of the year	1,418	1.7%	1,344	1,344	(5.2%)	0.0%	1,226	(8.7%)
	Second half of the year	1,474	(1.3%)	1,252	1,245	(15.5%)	(0.6%)	943	(24.2%)
	Full year	2,891	0.2%	2,596	2,589	(10.5%)	(0.3%)	2,170	(16.2%)
GOP (JPY1M)	First half of the year	874	1.1%	820	820	(6.1%)	0.0%	688	(16.0%)
	Second half of the year	937	2.8%	729	729	(22.2%)	(0.1%)	483	(33.7%)
	Full year	1,810	1.9%	1,549	1,549	(14.5%)	(0.0%)	1,172	(24.3%)

(*) Implementation of large-scale renovation work accompanied with suspension of hotel operation is planned at Namba Oriental Hotel during November, 2020 through March 2021.

<5> Oriental Hotel Fukuoka Hakata Station

		Fiscal year ended December 2018		Fiscal year ended December 2019				Fiscal year ending December 2020	
		Actual	Comparison with previous period	Previous forecast (first half: actual)	Actual	Comparison with previous period	Comparison with previous forecast	Forecast this time	Comparison with previous period
Occupancy Rate	First half of the year	94.7%	1.0pt	39.1%	39.1%	(55.6pt)	0.0pt	87.5%	48.4pt
	Second half of the year	47.0%	(48.4pt)	88.4%	89.2%	42.2pt	0.8pt	88.8%	(0.4pt)
	Full year	70.7%	(23.9pt)	64.0%	64.4%	(6.3pt)	0.4pt	88.1%	23.8pt

ADR	First half of the year	13,323	8.4%	19,385	19,385	45.5%	0.0%	18,137	(6.4%)
	Second half of the year	13,343	(1.5%)	18,314	18,309	37.2%	(0.0%)	18,699	2.1%
	Full year	13,330	3.1%	18,639	18,633	39.8%	(0.0%)	18,421	(1.1%)
RevPAR	First half of the year	12,621	9.6%	7,588	7,588	(39.9%)	0.0%	15,869	109.2%
	Second half of the year	6,274	(51.5%)	16,198	16,330	160.3%	0.8%	16,595	1.6%
	Full year	9,422	(22.9%)	11,928	11,995	27.3%	0.6%	16,234	35.3%
Sales (JPY1M)	First half of the year	1,199	(5.3%)	673	673	(43.9%)	0.0%	1,287	91.3%
	Second half of the year	637	(46.8%)	1,313	1,321	107.4%	0.6%	1,367	3.5%
	Full year	1,836	(22.5%)	1,985	1,994	8.6%	0.4%	2,654	33.1%
GOP (JPY1M)	First half of the year	494	3.9%	131	131	(73.4%)	0.0%	603	358.4%
	Second half of the year	141	(69.8%)	661	671	375.9%	1.6%	651	(3.0%)
	Full year	635	(32.6%)	792	803	26.3%	1.3%	1,254	56.1%

(*) Large-scale renovation work accompanied with suspension of hotel operation was implemented at Oriental Hotel Fukuoka Hakata Station during October 1, 2018 through April 8, 2019.

<6> Hotel Oriental Express Osaka Shinsaibashi

		Fiscal year ended December 2018		Fiscal year ended December 2019				Fiscal year ending December 2020	
		Actual	Comparison with previous period	Previous forecast (first half: actual)	Actual	Comparison with previous period	Comparison with previous forecast	Forecast this time	Comparison with previous period
Occupancy Rate	First half of the year	—	—	92.3%	92.3%	—	0.0pt	90.7%	(1.6pt)
	Second half of the year	—	—	88.3%	88.7%	—	0.4pt	92.2%	3.5pt
	Full year	—	—	90.3%	90.5%	—	0.2pt	91.5%	1.0pt
ADR	First half of the year	—	—	9,611	9,611	—	0.0%	9,275	(3.5%)
	Second half of the year	—	—	9,013	8,967	—	(0.5%)	9,385	4.7%
	Full year	—	—	9,316	9,293	—	(0.2%)	9,331	0.4%
RevPAR	First half of the year	—	—	8,868	8,868	—	0.0%	8,414	(5.1%)
	Second half of the year	—	—	7,958	7,954	—	(0.0%)	8,654	8.8%
	Full year	—	—	8,409	8,407	—	(0.0%)	8,535	1.5%
Sales (JPY1M)	First half of the year	—	—	205	205	—	0.0%	199	(2.7%)
	Second half of the year	—	—	190	190	—	(0.2%)	207	9.1%
	Full year	—	—	395	395	—	(0.1%)	407	3.0%
GOP (JPY1M)	First half of the year	—	—	84	84	—	0.0%	73	(13.7%)
	Second half of the year	—	—	71	72	—	0.6%	78	9.4%
	Full year	—	—	156	156	—	0.3%	151	(3.1%)

(*1) Hotel Oriental Express Osaka Shinsaibashi was acquired on February 1, 2019. Figures for the fiscal year ended December 31, 2019 is full year figures calculated by adding numbers prior to acquisition.

(*2) Hotel Oriental Express Osaka Shinsaibashi opened on April 2, 2018. Therefore, figures for the fiscal year ended December 31, 2018 is not stated.

<7> Hilton Tokyo Odaiba

		Fiscal year ended December 2018		Fiscal year ended December 2019				Fiscal year ending December 2020	
		Actual	Comparison with previous period	Previous forecast (first half: actual)	Actual	Comparison with previous period	Comparison with previous forecast	Forecast this time	Comparison with previous period
Occupancy Rate	First half of the year	95.2%	0.9pt	85.9%	85.9%	(9.3pt)	0.0pt	90.4%	4.5pt
	Second half of the year	92.9%	(3.0pt)	89.7%	89.9%	(2.9pt)	0.2pt	83.2%	(6.8pt)
	Full year	94.0%	(1.1pt)	87.8%	87.9%	(6.1pt)	0.1pt	86.8%	(1.2pt)
ADR	First half of the year	28,831	6.8%	29,263	29,263	1.5%	0.0%	29,488	0.8%
	Second half of the year	31,396	8.6%	31,533	31,085	(1.0%)	(1.4%)	40,860	31.4%
	Full year	30,108	7.6%	30,432	30,202	0.3%	(0.8%)	34,969	15.8%
RevPAR	First half of the year	27,451	7.7%	25,135	25,135	(8.4%)	0.0%	26,650	6.0%
	Second half of the year	29,154	5.3%	28,289	27,957	(4.1%)	(1.2%)	33,981	21.5%
	Full year	28,309	6.4%	26,725	26,558	(6.2%)	(0.6%)	30,336	14.2%
Sales (JPY1M)	First half of the year	4,591	9.5%	4,258	4,258	(7.3%)	0.0%	4,509	5.9%
	Second half of the year	5,008	7.3%	4,660	4,622	(7.7%)	(0.8%)	5,723	23.8%
	Full year	9,599	8.3%	8,918	8,880	(7.5%)	(0.4%)	10,232	15.2%
GOP (JPY1M)	First half of the year	1,374	21.7%	1,144	1,144	(16.7%)	0.0%	1,225	7.0%
	Second half of the year	1,723	15.2%	1,522	1,500	(13.0%)	(1.5%)	2,198	46.6%
	Full year	3,097	18.0%	2,666	2,644	(14.6%)	(0.8%)	3,423	29.5%

(*1) Hilton Tokyo Odaiba was acquired on April 8, 2019. Figures for the fiscal year ended December 31, 2018 and the fiscal year ended December 31, 2019 are full year figures calculated by adding numbers prior to acquisition.

(*2) Implementation of large-scale renovation work is planned at Hilton Tokyo Odaiba from September 2020 through December 2020.

<Reference Information 3> Dividend per unit and appropriation for dividends

Dividend per unit for the fiscal year ended December 31, 2018 and the fiscal year ended December 31, 2019 are calculated based on the following assumptions.

	Fiscal year ended December 31, 2018 (JPY1M)	Fiscal year ended December 31, 2019 (JPY1M)
Unappropriated retained earnings	16,213	15,290
Reserve for special advanced depreciation (*1)	(1,174)	—
Total of reserve for temporary difference adjustment (*2) (negative goodwill) used	563	1,176
50-year amortization amount of negative goodwill (*2)	262	262
Loss on retirement of noncurrent assets (*3)	35	246
Correspondence to large-scale renovation works (*4)	265	357
Adjustment for dilution (*5)	—	310
Total dividends	15,602	16,466
Total number of investment units issued	4,010,847 units	4,462,347 units
Dividend per unit	¥3,890	¥3,690

- (*1) R&B Hotel Higashi-nihonbashi, the b akasaka-mitsuke and the b Ochanomizu was sold on August 10, 2018. ¥1,174 million of gain on sale by the sales was retained as reserve for special advanced depreciation within the limit to maintain conduit status stipulated by Article 67-15 of Act on Special Measures Concerning Taxation (Act No. 26 of 1957; as amended; hereinafter called “the Act on Special Measures Concerning Taxation” The same shall apply hereinafter.) by applying “Special provisions for taxation in the case where a special account is set up accompanied with transfer of specified assets” (Article 65-8 in the Act on Special Measures Concerning Taxation).
- (*2) Starting from the fiscal year ended December 31, 2017 (18th period), JHR commenced paying out dividends through reversal of reserve for temporary difference adjustment in connection with partial amendments to the “Ordinance on Accountings of Investment Corporations” and the “Regulation for Real Estate Investment Trusts and Real Estate Investment Corporations” of The Investment Trusts Association, Japan. Specifically, JHR transferred the remaining balance of dividend reserve (¥13,127 million) attributable to the gain on negative goodwill in the cash dividends statements for the fiscal year ended December 31, 2016 (17th period) to “reserve for temporary difference adjustment,” and reverse ¥262 million (hereinafter called the “50-year amortization amount of negative goodwill”), which is an amount equivalent to 2% (1/50) of the remaining balance of the reserve for temporary difference adjustment, to payout as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount, for every year from the fiscal year ended December 31, 2017 (18th period).
- (*3) Amount recognized as a loss on retirement of noncurrent assets are appropriated by reserve for temporary difference adjustment (negative goodwill) and have no impact on dividend per unit.
- (*4) Former Hotel Centraza Hakata implemented large-scale renovation work accompanied by suspension of hotel operation starting October 1, 2018 and resumed its operation as Oriental Hotel Fukuoka Hakata Station on April 9, 2019. Taking into consideration the impact on dividend by the suspension of hotel operation due to the renovation, reserve for temporary difference adjustment (negative goodwill) is appropriated.
- (*5) Adjustment for dilution of dividend per unit due to issuance of new investment units.

2. Financial statements

(1) Balance sheets

(thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	25,706,559	22,449,911
Cash and deposits in trust	11,478,156	11,894,019
Operating accounts receivable	2,474,121	2,779,730
Prepaid expenses	527,491	550,281
Income taxes receivable	34	54
Derivative assets	2,229	573
Other current assets	77,987	88,045
Total current assets	40,266,582	37,762,616
Noncurrent assets		
Property and equipment, at cost		
Machinery and equipment	398,134	579,731
Accumulated depreciation	(150,113)	(195,551)
Machinery and equipment, net	248,021	384,180
Tools, furniture and fixtures	3,121,628	4,211,971
Accumulated depreciation	(1,505,450)	(2,102,782)
Tools, furniture and fixtures, net	1,616,178	2,109,188
Buildings in trust	*1 122,605,307	*1 136,930,501
Accumulated depreciation	(18,178,952)	(21,656,979)
Buildings in trust, net	104,426,355	115,273,521
Structures in trust	2,535,539	2,721,962
Accumulated depreciation	(367,369)	(438,160)
Structures in trust, net	2,168,169	2,283,802
Machinery and equipment in trust	598,790	675,362
Accumulated depreciation	(125,229)	(154,739)
Machinery and equipment in trust, net	473,561	520,622
Tools, furniture and fixtures in trust	136,526	136,526
Accumulated depreciation	(95,925)	(104,535)
Tools, furniture and fixtures in trust, net	40,601	31,990
Land in trust	163,151,369	219,901,119
Construction in progress in trust	765,363	18,384
Net property and equipment	272,889,620	340,522,811
Intangible assets		
Software	199,563	227,600
Leasehold rights in trust	28,532,362	28,532,362
Fixed-term leasehold rights in trust	5,175,217	5,036,941
Other intangible assets	8,436	7,756
Total intangible assets	33,915,580	33,804,661
Investments and other assets		
Security deposits	12,520	12,520
Leasehold and security deposits in trust	150,223	150,223
Long-term prepaid expenses	2,687,996	2,766,474
Derivative assets	45,125	43,870
Reserve for repairs and maintenance	292,508	307,513
Total investments and other assets	3,188,374	3,280,602
Total noncurrent assets	309,993,574	377,608,075
Deferred assets		
Investment unit issuance costs	124,220	140,631
Investment corporation bond issuance costs	172,390	211,194
Total deferred assets	296,610	351,826
Total assets	350,556,767	415,722,517

(thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Liabilities		
Current liabilities		
Operating accounts payable	1,941,008	1,485,375
Current portion of investment corporation bonds	2,000,000	—
Current portion of long-term loans payable	11,117,000	12,782,000
Accrued expenses	530,377	651,435
Income taxes payable	1,210	1,210
Consumption taxes payable	496,921	661,048
Advances received	882,052	909,293
Dividends payable	18,275	15,852
Deposits received	7,315	8,696
Derivative liabilities	17,608	17,229
Other current liabilities	9,013	95,331
Total current liabilities	17,020,784	16,627,473
Long-term liabilities		
Investment corporation bonds	31,600,000	41,600,000
Long-term loans payable	91,954,000	114,372,000
Tenant leasehold and security deposits	1,041,016	1,040,520
Tenant leasehold and security deposits in trust	4,593,946	4,681,825
Derivative liabilities	514,339	416,600
Deferred tax liabilities	14,838	13,981
Asset retirement obligations	445,622	447,677
Total long-term liabilities	130,163,763	162,572,605
Total liabilities	147,184,548	179,200,079
Net assets		
Unitholders' equity		
Unitholders' capital	153,516,129	186,894,169
Surplus		
Capital surplus	21,746,398	21,746,398
Voluntary reserve		
Reserve for temporary difference adjustment	*2 12,357,644	*2 11,794,071
Reserve for special account for tax purpose reduction entry	—	1,174,860
Total voluntary reserve	12,357,644	12,968,932
Unappropriated retained earnings (undisposed loss)	16,213,482	15,290,314
Total surplus	50,317,525	50,005,645
Total unitholders' equity	203,833,655	236,899,815
Valuation and translation adjustments		
Deferred gains (losses) on hedges	(461,435)	(377,376)
Total valuation and translation adjustments	(461,435)	(377,376)
Total net assets	*3 203,372,219	*3 236,522,438
Total liabilities and net assets	350,556,767	415,722,517

(2) Statements of income

(thousands of yen)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Operating revenue		
Real estate operating revenue	*1 25,140,735	*1 27,107,988
Other real estate operating revenue	*1 1,178,141	*1 1,170,561
Gain on sales of real estate properties	*2 1,934,974	—
Total operating revenue	28,253,850	28,278,550
Operating expenses		
Real estate operating costs	*1, *3 8,344,364	*1 8,997,408
Asset management fee	1,577,515	1,781,691
Asset custody and Administrative service fee	110,273	119,138
Directors' compensation	13,400	14,400
Other operating expenses	214,828	217,357
Total operating expenses	10,260,381	11,129,995
Operating income	17,993,469	17,148,555
Non-operating income		
Interest income	225	357
Gain on forfeiture of unclaimed dividends	3,583	4,361
Gain on insurance claims	4,627	28,063
Refunded fixed asset tax	10,354	1,239
Interest on tax refunds	118	549
Gain on derivative instruments	12,843	12,382
Total non-operating income	31,752	46,953
Non-operating expenses		
Interest expense	818,631	940,789
Interest expense on investment corporation bonds	246,329	284,524
Borrowing costs	525,031	483,761
Amortization of investment corporation bond issuance costs	27,751	30,298
Amortization of investment unit issuance costs	147,887	151,922
Loss on derivative instruments	39,417	378
Other	8,529	12,309
Total non-operating expenses	1,813,577	1,903,983
Ordinary income	16,211,644	15,291,524
Income before income taxes	16,211,644	15,291,524
Income taxes – current	1,210	1,210
Total income taxes	1,210	1,210
Net income	16,210,434	15,290,314
Retained earnings brought forward	3,048	—
Unappropriated retained earnings (undisposed loss)	16,213,482	15,290,314

(3) Statements of changes in net assets

For the year ended December 31, 2018

(thousands of yen)

	Unitholders' capital	Unitholders' equity					
		Capital surplus	Surplus			Total surplus	Total unitholders' equity
			Voluntary reserve		Unappropriated retained earnings (undisposed loss)		
			Reserve for temporary difference adjustment	Total voluntary reserve			
Balance, January 1, 2018	153,516,129	21,746,398	13,127,153	13,127,153	14,005,489	48,879,041	202,395,170
Changes of items during the year:							
Reversal of reserve for temporary difference adjustment			(769,508)	(769,508)	769,508	—	—
Dividends paid					(14,771,949)	(14,771,949)	(14,771,949)
Net income					16,210,434	16,210,434	16,210,434
Net changes of items other than unitholders' equity							
Total changes of items during the year	—	—	(769,508)	(769,508)	2,207,993	1,438,484	1,438,484
Balance, December 31, 2018	^{*1} 153,516,129	21,746,398	12,357,644	12,357,644	16,213,482	50,317,525	203,833,655

(thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2018	(431,849)	(431,849)	201,963,321
Changes of items during the year:			
Reversal of reserve for temporary difference adjustment			—
Dividends paid			(14,771,949)
Net income			16,210,434
Net changes of items other than unitholders' equity	(29,586)	(29,586)	(29,586)
Total changes of items during the year	(29,586)	(29,586)	1,408,897
Balance, December 31, 2018	(461,435)	(461,435)	203,372,219

For the year ended December 31, 2019

(thousands of yen)

(thousands of yen)

	Unitholders' equity							
	Unitholders' capital	Surplus						Total unitholders' equity
		Capital surplus	Voluntary reserve			Unappropriated retained earnings (undisposed loss)	Total surplus	
			Reserve for temporary difference adjustment	Reserve for special account for tax purpose reduction entry	Total voluntary reserve			
Balance, January 1, 2019	153,516,129	21,746,398	12,357,644	-	12,357,644	16,213,482	50,317,525	203,833,655
Changes of items during the year:								
Issuance of new investment units	33,378,040							33,378,040
Reversal of reserve for temporary difference adjustment			(563,572)		(563,572)	563,572	—	—
Provision of reserve for special account for tax purpose reduction entry				1,174,860	1,174,860	(1,174,860)	—	—
Dividends paid						(15,602,194)	(15,602,194)	(15,602,194)
Net income						15,290,314	15,290,314	15,290,314
Net changes of items other than unitholders' equity								
Total changes of items during the year	33,378,040	—	(563,572)	1,174,860	611,287	(923,168)	(311,880)	33,066,160
Balance, December 31, 2019	^{*1} 186,894,169	21,746,398	11,794,071	1,174,860	12,968,932	15,290,314	50,005,645	236,899,815

(thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2019	(461,435)	(461,435)	203,372,219
Changes of items during the year:			
Issuance of new investment units			33,378,040
Reversal of reserve for temporary difference adjustment			—
Provision of reserve for special account for tax purpose reduction entry			—
Dividends paid			(15,602,194)
Net income			15,290,314
Net changes of items other than unitholders' equity	84,059	84,059	84,059
Total changes of items during the year	84,059	84,059	33,150,219
Balance, December 31, 2019	(377,376)	(377,376)	236,522,438

(4) Statements of cash dividends

Classification	For the year ended December 31, 2018	For the year ended December 31, 2019
I. Unappropriated retained earnings	¥16,213,482,816	¥15,290,314,375
II. Reversal of voluntary reserve		
Reversal of reserve for temporary difference adjustment	*1 ¥563,572,972	*1 ¥1,176,490,844
Reversal of reserve for special advanced depreciation	—	¥1,174,860,958
III. Dividends	¥15,602,194,830	¥16,466,060,430
[Dividend per unit]	[¥3,890]	[¥3,690]
IV. Voluntary reserve		
Reserve for special advanced depreciation	¥1,174,860,958	—
Provision of reserve for advanced depreciation	—	¥1,174,860,958
V. Retained earnings carried forward	—	¥744,789
Method of calculating the amount of dividends	In accordance with the monetary distribution policy stipulated in Article 34, paragraph 1 of JHR's Articles of Incorporation, amount of dividend must exceed 90% of JHR's distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation. It was decided that ¥15,602,194,830, which was calculated by adding a reversal of reserve for temporary difference adjustment of ¥563,572,972 to the amount obtained by deducting reserve for special advanced depreciation (defined by Article 65-8 of the Act on Special Measures Concerning Taxation) of ¥1,174,860,958 from unappropriated retained earnings of ¥16,213,482,816, would be distributed. The monetary distribution in excess of earnings stipulated in Article 34, paragraph 1 (4) of JHR's Articles of Incorporation will not be made.	In accordance with the monetary distribution policy stipulated in Article 34, paragraph 1 of JHR's Articles of Incorporation, amount of dividend must exceed 90% of JHR's distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation. It was decided that ¥16,466,060,430, which excludes fractions of less than one yen of dividend per unit from ¥16,466,805,219, an amount calculated by adding a reversal of reserve for temporary difference adjustment of ¥1,176,490,844 to unappropriated retained earnings of ¥15,290,314,375, would all be distributed. The monetary distribution in excess of earnings stipulated in Article 34, paragraph 1 (4) of JHR's Articles of Incorporation will not be made.

(5) Statements of cash flows

(thousands of yen)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Cash flows from operating activities		
Income before income taxes	16,211,644	15,291,524
Depreciation and amortization	4,091,929	4,557,414
Loss on retirement of noncurrent assets	35,972	246,890
Loss (Profit) on derivative instruments	26,574	(12,004)
Amortization of investment corporation bond issuance costs	27,751	30,298
Amortization of investment unit issuance costs	147,887	151,922
Decrease in property and equipment due to sale	19,104	—
Decrease in property and equipment in trust due to sale	9,995,677	—
Decrease in intangible assets due to sale	117,138	—
Interest income	(225)	(357)
Interest expense	1,064,961	1,225,314
Interest on tax refunds	(118)	(549)
(Increase) decrease in operating accounts receivable	(62,284)	(305,608)
(Increase) decrease in prepaid expenses	44,621	(22,789)
(Increase) decrease in long-term prepaid expenses	320,330	(78,478)
Increase (decrease) in operating accounts payable	286,480	(240,644)
Increase (decrease) in accrued expenses	(139,228)	116,600
Increase (decrease) in consumption taxes payable	(63,249)	164,127
Increase (decrease) in advances received	(18,206)	27,240
Increase (decrease) in deposits received	(14,782)	1,380
Other – net	(106,639)	69,494
Subtotal	31,985,341	21,221,777
Interest received	170	482
Interest paid	(1,045,923)	(1,220,857)
Interest received on tax refunds	118	549
Income taxes – refunded (paid)	(1,211)	(1,230)
Net cash provided by operating activities	30,938,494	20,000,722
Cash flows from investing activities		
Purchase of property and equipment	(536,481)	(1,332,712)
Purchase of property and equipment in trust	(2,399,742)	(71,102,935)
Purchase of intangible assets	(87,074)	(89,263)
Payments of reserve for repairs and maintenance	(40,330)	(40,453)
Proceeds from collection of guarantee deposits in trust	8,100	—
Reimbursements of tenant leasehold and security deposits	—	(496)
Proceeds from tenant leasehold and security deposits in trust	59,743	329,120
Reimbursements of tenant leasehold and security deposits in trust	(115,020)	(228,114)
Net cash used in investing activities	(3,110,806)	(72,464,854)
Cash flows from financing activities		
Proceeds from short-term loans payable	5,000,000	8,000,000
Repayments of short-term loans payable	(8,000,000)	(8,000,000)
Proceeds from long-term loans payable	10,150,000	37,000,000
Repayments of long-term loans payable	(20,878,750)	(12,917,000)
Proceeds from investment corporation bonds	10,000,000	10,000,000
Redemption of investment corporation bonds	—	(2,000,000)
Payments for investment corporation bond issuance costs	(68,082)	(69,102)
Proceeds from issuance of investment units	—	33,209,706
Dividends paid	(14,766,490)	(15,600,256)
Net cash provided by financing activities	(18,563,322)	49,623,347
Net increase (decrease) in cash and cash equivalents	9,264,365	(2,840,785)
Cash and cash equivalents at beginning of year	27,920,350	37,184,716
Cash and cash equivalents at end of year	*1 37,184,716	*1 34,343,930

(6) Notes on going concern assumption

Not applicable.

(7) Notes on matters concerning significant accounting policies

1. Method of depreciation and amortization of noncurrent assets	<p>(1) Property and equipment (including trust accounts)</p> <p>Depreciation of property and equipment is calculated using the straight-line method. The useful lives of major property and equipment components are as follows:</p> <table><tr><td>Machinery and equipment</td><td>2 to 17 years</td></tr><tr><td>Tools, furniture and fixtures</td><td>2 to 20 years</td></tr><tr><td>Buildings in trust</td><td>2 to 64 years</td></tr><tr><td>Structures in trust</td><td>2 to 64 years</td></tr><tr><td>Machinery and equipment in trust</td><td>3 to 32 years</td></tr><tr><td>Tools, furniture and fixtures in trust</td><td>2 to 27 years</td></tr></table> <p>(2) Intangible assets</p> <p>Intangible assets are amortized using the straight-line method. The amortization period of major intangible assets is as follows.</p> <table><tr><td>Software (for internal use)</td><td>5 years as internally usable years</td></tr></table> <p>Fixed-term leasehold rights in trust are amortized using the straight-line method based on remaining period (41 years and 49 years) of the contract.</p> <p>(3) Long-term prepaid expenses</p> <p>Long-term prepaid expenses are amortized using the straight-line method.</p>	Machinery and equipment	2 to 17 years	Tools, furniture and fixtures	2 to 20 years	Buildings in trust	2 to 64 years	Structures in trust	2 to 64 years	Machinery and equipment in trust	3 to 32 years	Tools, furniture and fixtures in trust	2 to 27 years	Software (for internal use)	5 years as internally usable years
Machinery and equipment	2 to 17 years														
Tools, furniture and fixtures	2 to 20 years														
Buildings in trust	2 to 64 years														
Structures in trust	2 to 64 years														
Machinery and equipment in trust	3 to 32 years														
Tools, furniture and fixtures in trust	2 to 27 years														
Software (for internal use)	5 years as internally usable years														
2. Accounting for deferred assets	<p>(1) Investment unit issuance costs</p> <p>Investment unit issuance costs are amortized using the straight-line method over three years.</p> <p>(2) Investment corporation bond issuance costs</p> <p>Investment corporation bond issuance costs are amortized using the interest method over the respective term of the bond.</p>														
3. Standards for recognition of revenues and expenses	<p>Treatment of property taxes and other taxes</p> <p>For taxes imposed on properties under management such as property taxes, city planning taxes, and depreciable asset taxes, the imposed amounts are allocated to the respective period and expensed as “Real estate operating costs.”</p> <p>Cash paid for property taxes and city planning taxes to the transferor of real properties at acquisition is not recorded as “Real estate operating costs” but capitalized as part of the acquisition cost of the relevant property.</p> <p>The amount of such taxes capitalized in the acquisition cost of real properties was none for the year ended December 31, 2018 and ¥249,415 thousand for the year ended December 31, 2019.</p>														
4. Method of hedge accounting	<p>(1) Method of hedge accounting</p> <p>Deferred hedge accounting is applied</p> <p>(2) Hedging instruments and hedged items</p> <table><tr><td>Hedging instruments</td><td>Interest rate swaps</td></tr><tr><td>Hedged items</td><td>Interest rates on loans payable</td></tr></table> <p>(3) Hedging policy</p> <p>JHR enters into certain derivative transactions in accordance with its financial policy in order to manage risks, which is provided in the Articles of Incorporation.</p> <p>(4) Method for assessing hedge effectiveness</p> <p>JHR evaluates hedge effectiveness by comparing the cumulative changes in cash flow of hedging instruments and the hedged items and assessing the ratio between the changes.</p>	Hedging instruments	Interest rate swaps	Hedged items	Interest rates on loans payable										
Hedging instruments	Interest rate swaps														
Hedged items	Interest rates on loans payable														

5. Scope of funds (cash and cash equivalents) in the statements of cash flows	Cash and cash equivalents in the statements of cash flows consist of cash on hand, cash in trust accounts, bank deposit and trust deposit, which can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased, which can easily be converted to cash and subject to minimal risk of change in value.
6. Other significant matters serving as the basis for preparing financial statements	<p>(1) Accounting treatment of beneficial interests in trust with real estate, etc. as their assets For trust beneficial interests in real estate, etc., all assets and liabilities held in trust accounts as well as all income generated and expenses incurred from assets in trust are presented in the accompanying balance sheet and income statement accounts accordingly. The following material items of the trust accounts recorded in the relevant accounts are presented separately on the balance sheets.</p> <p>(a) Cash and deposits in trust (b) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust (c) Leasehold rights in trust; Fixed-term leasehold rights in trust; Leasehold and security deposits in trust (d) Tenant leasehold and security deposits in trust</p> <p>(2) Accounting treatment of consumption taxes Consumption taxes are excluded from the transaction amounts.</p>

(8) Note on change in the indication method

By applying “Partial Amendments to ‘Accounting Standard for Tax Effect Accounting’” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year under review, the indication method has been changed to indicate deferred tax assets under investments and other assets and deferred tax liabilities under long-term liabilities.

As a result, deferred tax liabilities (¥583 thousand) indicated under current liabilities in the balance sheets of the previous fiscal year is included in deferred tax liabilities (¥14,838 thousand) under long-term liabilities.

(9) Notes to financial statements

Disclosure of notes on “securities,” “share of (profit) loss of entities accounted for using equity method,” “related-party transactions” and “retirement benefits” is omitted because there is thought to be not important and thus not necessary for disclosure in the financial report.

[Notes on accounting standards and other regulations yet to be applied]

- “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States have jointly developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. Given the situation where IFRS 15 will be applied from fiscal years beginning on or after January 1, 2018 and that Topic 606 will be applied from fiscal years beginning after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and issued them together with the Implementation Guidance.

The basic policy for the ASBJ when it developed the accounting standards for revenue recognition was to specify the accounting standards, incorporating the basic principles of IFRS 15 as a starting point, from the perspective of comparability between financial statements, which is one of the benefits of maintaining compatibility with IFRS 15. The basic policy also stipulates that if there is an item to which consideration should be given, such as practices that have been conducted thus far in Japan, alternative treatments will be added to the extent to which comparability is not impaired.

(2) Scheduled date of application

The above standards will be applied from the beginning of the fiscal year ending December 31, 2022.

(3) Impact of applying the accounting standards

The level of the impact on the financial statements of applying the “Accounting Standard for Revenue Recognition” and the like is currently under review.

[Notes to balance sheets]

*1. Accumulated advanced depreciation of property and equipment deducted from acquisition costs due to government subsidies received, etc.

(thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Buildings in trust	¥24,921	¥24,921

*2. Matters concerning provision and reversal of reserve for temporary difference adjustment

As of December 31, 2018

(thousands of yen)

	Amount of initial accrual	Balance at beginning of period	Amount of provision during period	Amount of reversal during period	Balance at end of period	Grounds for provision and reversal
Dividend reserve (Note)	13,127,153	13,127,153	—	769,508	12,357,644	Allocation for dividend

(Note) Dividend reserve indicates the remaining balance of the amount subdivided into gain on negative goodwill which was recorded as a dividend reserve before the fiscal year ended December 31, 2016, and is scheduled for reversal every fiscal year, starting from the fiscal year following the fiscal year in which the reserve was made, in an amount that shall be no less than that in equal amounts every fiscal year over a period of no more than 50 years.

As of December 31, 2019

	Amount of initial accrual	Balance at beginning of period	Amount of provision during period	Amount of reversal during period	Balance at end of period	Grounds for provision and reversal
Dividend reserve (Note)	13,127,153	12,357,644	—	563,572	11,794,071	Allocation for dividend

(Note) Dividend reserve indicates the remaining balance of the amount subdivided into gain on negative goodwill which was recorded as a dividend reserve before the fiscal year ended December 31, 2016, and is scheduled for reversal every fiscal year, starting from the fiscal year following the fiscal year in which the reserve was made, in an amount that shall be no less than that in equal amounts every fiscal year over a period of no more than 50 years.

*3. Minimum net assets as required by Article 67, paragraph 4 of the Investment Trusts Act

	As of December 31, 2018	As of December 31, 2019
	¥50,000 thousand	¥50,000 thousand

[Notes to statements of income]

*1. Components of real estate operating revenue and real estate operating costs

(thousands of yen)

	For the year ended December 31, 2018	For the year ended December 31, 2019
A. Real estate operating revenue		
Real estate operating revenue		
Fixed rent	13,610,785	15,931,097
Variable rent	8,851,482	8,675,885
Income from management contracts	2,678,467	2,501,004
Total	25,140,735	27,107,988
Other real estate operating revenue		
Parking lots	173,453	161,660
Other incidental revenue	62,693	63,016
Utilities	804,915	803,012
Other	137,078	142,873
Total	1,178,141	1,170,561
Total real estate operating revenue	26,318,876	28,278,550
B. Real estate operating costs		
Real estate operating costs		
Land lease and other rent expenses	907,621	898,207
Property taxes	1,630,178	1,658,930
Outsourcing expenses (Note)	714,663	653,041
Nonlife insurance	47,798	51,030
Depreciation and amortization	4,091,929	4,557,414
Loss on retirement of noncurrent assets	35,972	246,890
Repairs	46,405	41,410
Utilities	813,911	818,290
Trust fees	42,537	44,679
Other	13,345	27,511
Total real estate operating costs	8,344,364	8,997,408
C. Net real estate operating income (A – B)	17,974,512	19,281,141

(Note) Outsourcing expenses include management contract fees of ¥337,442 thousand for the year ended December 31, 2018 and ¥296,029 thousand for the year ended December 31, 2019.

*2. Breakdown of gain on sales of real estate properties

For the year ended December 31, 2018

(thousands of yen)

R&B Hotel Higashi-nihonbashi

Proceeds from sale of real estate	3,050,000
Cost of sale of real estate	1,483,749
Other related sales expenses	22,955
Gain on sales of real estate properties	1,543,295

the b akasaka-mitsuke

Proceeds from sale of real estate	6,600,000
Cost of sale of real estate	6,294,221
Other related sales expenses	41,508
Gain on sales of real estate properties	264,270

the b ochanomizu

Proceeds from sale of real estate	2,500,000
Cost of sale of real estate	2,353,951
Other related sales expenses	18,639
Gain on sales of real estate properties	127,408

For the year ended December 31, 2019

Not applicable.

[Notes to statements of changes in net assets]

	For the year ended December 31, 2018	For the year ended December 31, 2019
*1 Total number of investment units authorized, and issued and outstanding		
Total number of investment units authorized	20,000,000 units	20,000,000 units
Total number of investment units issued and outstanding	4,010,847 units	4,462,347 units

[Notes to statements of cash dividends]

*1. Reserve for temporary difference adjustment

For the year ended December 31, 2018

By application of the transitional measures of Paragraph 3 of the Supplementary Provisions of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015), ¥13,127,153,216 in dividend reserve that is the remaining balance of the amount subdivided into gain on negative goodwill recorded in prior fiscal years is set aside as reserve for temporary difference adjustment on the statements of cash dividends for the year ended December 31, 2016. Starting from the fiscal year following the fiscal year in which the reserve was made, reversal of the concerned reserve amount in an amount that shall be no less than the 50-year even amortization amount (¥262,543,065) of the remaining balance of the amount when the reserve was made, is required. In this fiscal year under review, reversal of ¥563,572,972 has been decided, which is the amount calculated by adding ¥35,972,972 equivalent to loss on retirement of fixed assets and ¥265,000,000 for the large-scale renovation at Oriental Hotel Fukuoka Hakata Station (former name: Hotel Centraza Hakata) to ¥262,600,000 of the reversal.

For the year ended December 31, 2019

By application of the transitional measures of Paragraph 3 of the Supplementary Provisions of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015), ¥13,127,153,216 in dividend reserve that is the remaining balance of the amount subdivided into gain on negative goodwill recorded in prior fiscal years is set aside as reserve for temporary difference adjustment on the statements of cash dividends for the year ended December 31, 2016. Starting from the fiscal year following the fiscal year in which the reserve was made, reversal of the concerned reserve amount in an amount that shall be no less than the 50-year even amortization amount (¥262,543,065) of the remaining balance of the amount when the reserve was made, is required. In this fiscal year under review, reversal of ¥1,176,490,844 has been decided, which is the amount calculated by adding ¥246,890,844 equivalent to loss on retirement of fixed assets, ¥357,000,000 for the large-scale renovation at Oriental Hotel Fukuoka Hakata Station (former name: Hotel Centraza Hakata) and ¥310,000,000 for adjustment to dilution of dividend per unit due to capital increase through public offering to ¥262,600,000 of the reversal.

[Notes to statements of cash flows]

*1. Relation of balance of cash and cash equivalents at end of year and the amount in balance sheet accounts

	(thousands of yen)	
	For the year ended December 31, 2018	For the year ended December 31, 2019
Cash and deposits	¥25,706,559	¥22,449,911
Cash and deposits in trust	¥11,478,156	¥11,894,019
Cash and cash equivalents	¥37,184,716	¥34,343,930

[Notes on lease transactions]

Operating leases (as lessor)

Minimum rental revenue under non-cancellable operating leases

(thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Due within one year	¥1,666,631	¥1,459,034
Due after one year	¥3,562,086	¥2,106,234
Total	¥5,228,717	¥3,565,268

[Notes on financial instruments]

1. Matters concerning status of financial instruments

(1) Policy for financial instruments

JHR is an investment corporation set forth in Article 2, paragraph 12 of the Investment Trusts Act, managing investments mainly in specified assets as prescribed in the Investment Trusts Act. As a policy, JHR procures funds through issuance of investment units, etc. and loans from financial institutions in order to make investments in specified assets. JHR does not utilize surplus funds to invest in financial instruments except for short-term deposits and other equivalent short-term financial instruments. JHR may enter into derivative transactions in order to hedge against interest rate risk, but not for speculative trading purposes.

(2) Details of financial instruments, their risks, and risk management system

Operating accounts receivable is operating receivables and is exposed to credit risks of clients. As for the risks, JHR is managing payment dates and balances by each client with an aim to grasp concerns in collecting due to deterioration in their financial status and other factors in early stage and reduce the risks.

The floating rate loans payable are exposed to risks of interest rate fluctuations. In order to mitigate interest rate risk, JHR may enter into derivative transactions, if necessary, to fix the interest expense.

Derivative transactions are conducted principally in accordance with rules prescribed by JHR and risk management rules applied by the Asset Management Company. Derivative transactions are arranged by the section in charge of finance at the Asset Management Company by using financial institutions with high credit ratings through approval and resolution by authorized personnel and a meeting committee structure set forth in its decision-making standards and resolution of JHR's board of directors.

Loans payable are exposed to liquidity risks. The section in charge of finance at the Asset Management Company prepares and updates projections and actual cash flows on a monthly basis to manage liquidity risks and monitor compliance with restrictive covenants set forth in the loan agreements. JHR manages liquidity risks by managing the ratio of short-term and long-term loans payable considering the current financial environment through approval and resolution by authorized personnel and meeting committee structure in the Asset Management Company and resolution of JHR's board of directors.

(3) Supplementary explanation on matters concerning fair value, etc. of financial instruments

Regarding the contract amount, etc. of derivative transactions in "2. Matters concerning fair value of financial instruments," the amount itself does not indicate certain scale of market risk exposure related to derivative transactions.

2. Matters concerning fair value of financial instruments

Carrying amounts of financial instruments on the balance sheets, their fair values, and the differences as of December 31, 2018 were as follows. Financial instruments whose fair values are considered extremely difficult to measure are not included in the table. See Note 2 below.

	Carrying amount (JPY 1,000)	Fair value (JPY 1,000)	Difference (JPY 1,000)
(1) Cash and deposits	25,706,559	25,706,559	—
(2) Cash and deposits in trust	11,478,156	11,478,156	—
(3) Operating accounts receivable	2,474,121	2,474,121	—
Total assets	39,658,838	39,658,838	—
(4) Current portion of investment corporation bonds payable	2,000,000	2,002,200	2,200
(5) Current portion of long-term loans payable	11,117,000	11,117,000	—
(6) Investment corporation bonds	31,600,000	31,785,870	185,870
(7) Long-term loans payable	91,954,000	91,954,000	—
Total liabilities	136,671,000	136,859,070	188,070
(8) Derivative transactions (*)	(484,593)	(484,593)	—

Carrying amounts of financial instruments on the balance sheets, their fair values, and the differences as of December 31, 2019 were as follows. Financial instruments whose fair values are considered extremely difficult to measure are not included in the table. See Note 2 below.

	Carrying amount (JPY 1,000)	Fair value (JPY 1,000)	Difference (JPY 1,000)
(1) Cash and deposits	22,449,911	22,449,911	—
(2) Cash and deposits in trust	11,894,019	11,894,019	—
(3) Operating accounts receivable	2,779,730	2,779,730	—
Total assets	37,123,661	37,123,661	—
(4) Current portion of investment corporation bonds payable	—	—	—
(5) Current portion of long-term loans payable	12,782,000	12,782,000	—
(6) Investment corporation bonds	41,600,000	41,480,400	(119,600)
(7) Long-term loans payable	114,372,000	114,372,000	—
Total liabilities	168,754,000	168,634,400	(119,600)
(8) Derivative transactions (*)	(389,386)	(389,386)	—

(*) Receivables and payables arising from derivative transactions are presented on a net basis and amounts in parenthesis denote net payables.

(Note 1) Methods to measure fair value of financial instruments, and derivative transactions

(1) Cash and deposits; (2) Cash and deposits in trust; (3) Operating accounts receivable

The carrying value is deemed to approximate the fair value since the instruments are scheduled to be settled in a short period of time. Therefore, carrying value is stated.

(4) Current portion of investment corporation bonds payable; (6) Investment corporation bonds

The fair value of these instruments is measured based on the market price.

(5) Current portion of long-term loans payable; (7) Long-term loans payable

The carrying value is deemed to approximate the fair value since the interest rate on long-term loans payable are floating interest rates which are revised periodically to reflect market interest rates.

(8) Derivative transactions

The information on the fair value of derivative transactions is presented in “Notes on derivative transactions” below.

(Note 2) Carrying amount of financial instruments whose fair values are considered extremely difficult to measure

(thousands of yen)

Classification	As of December 31, 2018	As of December 31, 2019
Tenant leasehold and security deposits	1,041,016	1,040,520
Tenant leasehold and security deposits in trust	4,593,946	4,681,825
Total	5,634,962	5,722,345

Tenant leasehold and security deposits / Tenant leasehold and security deposits in trust

Tenant leasehold and security deposits (in trust) for rental properties are not subject to fair value disclosure because they have no market price and their actual deposit periods from a tenant's move-in to move-out are not estimable, thus making a reasonable estimate of future cash flows is difficult.

3. Redemption schedule for monetary claims subsequent to the account closing date

As of December 31, 2018

	Due within one year (JPY 1,000)	Due after one to two years (JPY 1,000)	Due after two to three years (JPY 1,000)	Due after three to four years (JPY 1,000)	Due after four to five years (JPY 1,000)	Due after five years (JPY 1,000)
Cash and deposits	25,706,559	—	—	—	—	—
Cash and deposits in trust	11,478,156	—	—	—	—	—
Operating accounts receivable	2,474,121	—	—	—	—	—
Total	39,658,838	—	—	—	—	—

As of December 31, 2019

	Due within one year (JPY 1,000)	Due after one to two years (JPY 1,000)	Due after two to three years (JPY 1,000)	Due after three to four years (JPY 1,000)	Due after four to five years (JPY 1,000)	Due after five years (JPY 1,000)
Cash and deposits	22,449,911	—	—	—	—	—
Cash and deposits in trust	11,894,019	—	—	—	—	—
Operating accounts receivable	2,779,730	—	—	—	—	—
Total	37,123,661	—	—	—	—	—

4. Schedule for repayment of loans payable and redemption of investment corporation bonds subsequent to the account closing date

As of December 31, 2018

	Due within one year (JPY 1,000)	Due after one to two years (JPY 1,000)	Due after two to three years (JPY 1,000)	Due after three to four years (JPY 1,000)	Due after four to five years (JPY 1,000)	Due after five years (JPY 1,000)
Current portion of investment corporation bonds payable	2,000,000	—	—	—	—	—
Current portion of long-term loans payable	11,117,000	—	—	—	—	—
Investment corporation bonds	—	—	1,500,000	6,000,000	—	24,100,000
Long-term loans payable	—	12,782,000	10,800,000	10,900,000	15,772,000	41,700,000
Total	13,117,000	12,782,000	12,300,000	16,900,000	15,772,000	65,800,000

As of December 31, 2019

	Due within one year (JPY 1,000)	Due after one to two years (JPY 1,000)	Due after two to three years (JPY 1,000)	Due after three to four years (JPY 1,000)	Due after four to five years (JPY 1,000)	Due after five years (JPY 1,000)
Current portion of investment corporation bonds payable	—	—	—	—	—	—
Current portion of long-term loans payable	12,782,000	—	—	—	—	—
Investment corporation bonds	—	1,500,000	6,000,000	—	3,000,000	31,100,000
Long-term loans payable	—	10,800,000	10,900,000	15,772,000	18,650,000	58,250,000
Total	12,782,000	12,300,000	16,900,000	15,772,000	21,650,000	89,350,000

[Notes on derivative transactions]

1. Derivative transactions to which hedge accounting is not applied

As of December 31, 2018

For derivative transactions which hedge accounting is not applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date was as follows:

(thousands of yen)

Classification	Type, etc. of derivative transaction	Contract amount, etc.		Fair value	Method to measure the fair value
			Of which, due after one year		
Transactions other than market transactions	Interest rate swaps (fixed rate payment, floating rate receipt)	6,088,000	3,494,000	(37,996)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

As of December 31, 2019

For derivative transactions which hedge accounting is not applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date was as follows:

(thousands of yen)

Classification	Type, etc. of derivative transaction	Contract amount, etc.		Fair value	Method to measure the fair value
			Of which, due after one year		
Transactions other than market transactions	Interest rate swaps (fixed rate payment, floating rate receipt)	3,494,000	3,494,000	(25,992)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

2. Derivative transactions to which hedge accounting is applied

As of December 31, 2018

For derivative transactions which hedge accounting is applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date for each method of hedge accounting was as follows:

(thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Deferral method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	90,654,000	81,554,000	(446,597)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

As of December 31, 2019

For derivative transactions which hedge accounting is applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date for each method of hedge accounting was as follows:

(thousands of yen)						
Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Deferral method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	112,654,000	101,072,000	(363,394)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

[Notes on tax-effect accounting]

1. Significant components of deferred tax assets and liabilities by cause

(thousands of yen)		
	As of December 31, 2018	As of December 31, 2019
Deferred tax assets:		
Valuation difference on assets accepted through merger	1,728,216	1,712,010
Amortization of fixed-term leasehold of land	119,491	162,810
Asset retirement obligations	11,259	14,951
Deferred gains (losses) on hedges	156,203	128,306
Total gross deferred tax assets	2,015,170	2,018,079
Valuation allowance	(2,015,170)	(2,018,079)
Total deferred tax assets	—	—
Deferred tax liabilities:		
Deferred gains (losses) on hedges	14,838	13,981
Total gross deferred tax liabilities	14,838	13,981

2. Details of major causes of material differences between the statutory tax rate and the tax rate under effective tax accounting

	As of December 31, 2018	As of December 31, 2019
Statutory tax rate	31.74%	31.51%
[Adjustments]		
Deduction for dividends paid	(29.63%)	(31.72%)
Reserve for special advanced depreciation	(2.30%)	—%
Change in valuation allowance	0.10%	0.20%
Other – net	0.09%	0.03%
Actual effective tax rate	0.01%	0.01%

[Notes on asset retirement obligations]

Asset retirement obligations recognized on the balance sheet

1. Outline of the subject asset retirement obligations

JHR recognizes asset retirement obligations as it is obliged to restore the land of Oriental Hotel Fukuoka Hakata Station (former name: Hotel Centraza Hakata), acquired on April 1, 2016, and HOTEL ASCENT FUKUOKA, acquired on August 19, 2016, to the original state in accordance with the fixed-term leasehold agreement.

2. Calculation method of the subject asset retirement obligations

Calculated the amount of asset retirement obligations estimating that the expected useful life is 34 years and 48 years, respectively, due to their remaining use period and using the discount rate of 0.484% and 0.394%, respectively.

3. Increase and decrease of the subject asset retirement obligations

(thousands of yen)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Balance at beginning of period	443,577	445,622
Increase due to acquisition of property and equipment	—	—
Adjustment due to passage of time	2,045	2,054
Balance at end of period	445,622	447,677

[Notes on segment and related information]

1. Segment information

The segment information has been omitted because JHR has only one segment, which is the investment and management of hotel real estate.

2. Related information

For the year ended December 31, 2018

(1) Information about products and services

Information about products and services has been omitted because operating revenue from external customers in a single product / service category accounted for more than 90% of total operating revenue on the statements of income.

(2) Information about geographical areas

(i) Operating revenue

Information about geographical areas has been omitted because operating revenue from external customers in Japan accounted for more than 90% of total operating revenue on the statements of income.

(ii) Property and equipment

Information about property and equipment has been omitted because the amount of property and equipment located in Japan accounted for more than 90% of net property and equipment on the balance sheets.

(3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd. (Note)	13,093,017	Investment and management of hotel real estate
AAPC Japan K.K.	3,121,263	Investment and management of hotel real estate

(Note) Operating revenue includes the operating revenue of customers belonging to the same company group as said customers.

For the year ended December 31, 2019

(1) Information about products and services

Information about products and services has been omitted because operating revenue from external customers in a single product / service category accounted for more than 90% of total operating revenue on the statements of income.

(2) Information about geographical areas

(i) Operating revenue

Information about geographical areas has been omitted because operating revenue from external customers in Japan accounted for more than 90% of total operating revenue on the statements of income.

(ii) Property and equipment

Information about property and equipment has been omitted because the amount of property and equipment located in Japan accounted for more than 90% of net property and equipment on the balance sheets.

(3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd. (Note)	15,221,983	Investment and management of hotel real estate
AAPC Japan K.K.	2,996,251	Investment and management of hotel real estate

(Note) Operating revenue includes the operating revenue of customers belonging to the same company group as said customers.

[Notes on rental properties, etc.]

JHR owns rental properties for hotels. The carrying amounts, changes in such balances, and fair values of such properties were as follows:

(thousands of yen)

Use		For the year ended December 31, 2018	For the year ended December 31, 2019
Hotel	Carrying amount		
	Balance at beginning of period	317,229,208	306,789,379
	Net increase (decrease) during period	(10,439,828)	67,525,119
	Balance at end of period	306,789,379	374,314,498
	Fair value at end of period	437,510,000	525,910,000

(Note 1) Decrease during the year ended December 31, 2018, principally represents the sale of R&B Hotel Higashi Nihonbashi for ¥1,483 million, the b akasakamitsuke for ¥6,294 million and the b ochanomizu for ¥2,353 million. Increase during the year ended December 31, 2019, principally represents the acquisition of Hotel Oriental Express Osaka Shinsaibashi for ¥2,841 million and Hilton Tokyo Odaiba for ¥63,468 million.

(Note 2) Fair value at end of period is the appraisal value determined by licensed real estate appraisers.

Real estate operating revenue and costs related to the rental properties were as follows:

(thousands of yen)

Use		For the year ended December 31, 2018	For the year ended December 31, 2019
Hotel	Amount on the statements of income		
	Real estate operating revenue	26,318,876	28,278,550
	Real estate operating costs	8,344,364	8,997,408
	Net real estate operating income	17,974,512	19,281,141

(Note) "Real estate operating revenue" and "Real estate operating costs" are income from real estate operation (including other income from real estate operation) and corresponding expenses (such as depreciation, property tax, etc., trust fees, repair expenses and others), and are included in "Real Estate operating revenue" and "Real estate operating costs," respectively.

[Notes on per unit information]

	For the year ended December 31, 2018	For the year ended December 31, 2019
Net assets per unit	¥50,705	¥53,004
Net income per unit	¥4,041	¥3,447

(Note 1) Net income per unit is computed by dividing net income by the average number of investment units during the period.

Net income per unit after the adjustment of potentially dilutive units is not presented since there are no potentially dilutive units.

(Note 2) The basis of computation of net income per unit is as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2019
Net income (JPY 1,000)	16,210,434	15,290,314
Amount not attributable to common unitholders (JPY 1,000)	—	—
Net income [?] attributable to common investment units (JPY 1,000)	16,210,434	15,290,314
Average number of investment units during period (units)	4,010,847	4,434,849

[Notes on significant subsequent events]

Not applicable.

(10) Changes in total number of investment units issued and outstanding

The following is the status of increase (decrease) in the total number of investment units issued and outstanding and unitholders' capital for past five years through to the end of the fiscal year under review.

Date	Capital transaction	Total number of investment units issued and outstanding (Units)		Unitholders' capital (JPY1M)		Note
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
January 27, 2015	Capital increase through public offering of investment units	200,000	2,991,281	14,974	73,999	(Note 1)
February 18, 2015	Capital increase through third-party allotment of investment units	9,041	3,000,322	676	74,676	(Note 2)
June 22, 2015	Capital increase through public offering of investment units	140,000	3,140,322	10,500	85,177	(Note 3)
July 23, 2015	Capital increase through third-party allotment of investment units	3,905	3,144,227	292	85,470	(Note 4)
January 20, 2016	Capital increase through public offering of investment units	170,000	3,314,227	13,986	99,456	(Note 5)
February 17, 2016	Capital increase through third-party allotment of investment units	7,680	3,321,907	631	100,088	(Note 6)
July 27, 2016	Capital increase through public offering of investment units	428,260	3,750,167	33,813	133,902	(Note 7)
August 23, 2016	Capital increase through third-party allotment of investment units	11,740	3,761,907	926	134,829	(Note 8)
July 5, 2017	Capital increase through public offering of investment units	236,000	3,997,907	17,715	152,544	(Note 9)
August 2, 2017	Capital increase through third-party allotment of investment units	12,940	4,010,847	971	153,516	(Note 10)
January 23, 2019	Capital increase through public offering of investment units	447,800	4,458,647	33,104	186,620	(Note 11)
February 20, 2019	Capital increase through third-party allotment of investment units	3,700	4,462,347	273	186,894	(Note 12)

- (Note 1) New investment units were issued through public offering with an issue price per unit of ¥77,415 (issue value of ¥74,874) in order to procure funds for the acquisition of new properties, etc.
- (Note 2) New investment units were issued through third-party allotment with an issue value per unit of ¥74,874 in order to procure funds for allocation to part of future acquisitions of specified assets, part of repayment of other loans, or capital expenditures to maintain or improve competitiveness of existing properties.
- (Note 3) New investment units were issued through public offering with an issue price per unit of ¥77,512 (issue value of ¥75,007) in order to procure funds for the acquisition of new properties, etc.
- (Note 4) New investment units were issued through third-party allotment with an issue value per unit of ¥75,007 in order to procure funds for allocation to part of future acquisitions of specified assets, part of repayment of other loans, or capital expenditures to maintain or improve competitiveness of existing properties.
- (Note 5) New investment units were issued through public offering with an issue price per unit of ¥85,020 (issue value of ¥82,273) in order to procure funds for the allocation to acquisition of new properties, etc.
- (Note 6) New investment units were issued through third-party allotment with an issue value per unit of ¥82,273 in order to procure funds for allocation to acquisition of new properties, etc.
- (Note 7) New investment units were issued through public offering with an issue price per unit of ¥81,536 (issue value of ¥78,956) in order to procure funds for the allocation to acquisition of new properties, etc.
- (Note 8) New investment units were issued through third-party allotment with an issue value per unit of ¥78,956 in order to procure funds for allocation to part of future acquisitions of specified assets, part of repayment of other loans, or repair expenses and capital expenditures to maintain or improve competitiveness of existing properties.
- (Note 9) New investment units were issued through public offering with an issue price per unit of ¥77,518 (issue value of ¥75,065) in order to procure funds for the allocation to acquisition of new properties, etc.
- (Note 10) New investment units were issued through third-party allotment with an issue value per unit of ¥75,065 in order to procure funds for allocation to part of future acquisitions of specified assets, part of repayment of other loans, or repair expenses and capital expenditures to maintain or improve competitiveness of existing properties.
- (Note 11) New investment units were issued through public offering with an issue price per unit of ¥76,342 (issue value of ¥73,927) in order to procure funds for the allocation to acquisition of new properties, etc.
- (Note 12) New investment units were issued through third-party allotment with an issue value per unit of ¥73,927 in order to procure funds for allocation to part of acquisitions of new properties, etc.

3. Reference information

For detailed information of each property and the operating results of hotels, please see the reference information below as well as Financial Results Briefing dated today and the website of JHR (<http://www.jhrth.co.jp/en/ir/library.html>).

(1) Information on values of assets under management, etc.

(i) Investment status

The following outlines the investment status of JHR as of the end of the fiscal year under review.

Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2018		As of December 31, 2019		
				Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	
Real estate in trust	Limited-service hotel	Osaka	Holiday Inn Osaka Namba	27,033	7.7	26,985	6.5	
			Namba Oriental Hotel	14,552	4.2	14,539	3.5	
			Hotel Oriental Express Osaka Shinsaibashi	-	-	2,817	0.7	
		Tokyo	ibis Tokyo Shinjuku	7,940	2.3	7,908	1.9	
			CANDEO HOTELS UENO-KOEN	6,681	1.9	6,644	1.6	
			the b ikebukuro	6,584	1.9	6,584	1.6	
			Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (Note 4)	4,821	1.4	4,801	1.2	
			Comfort Hotel Tokyo Higashi Nihombashi	3,557	1.0	3,527	0.8	
			the b hachioji	2,686	0.8	2,680	0.6	
			Smile Hotel Nihombashi Mitsukoshimae	2,030	0.6	2,022	0.5	
			R&B Hotel Ueno Hirokoji	1,766	0.5	1,822	0.4	
			Hotel Vista Kamata Tokyo	1,465	0.4	1,452	0.3	
			the b suidobashi	1,198	0.3	1,194	0.3	
			dormy inn global cabin Asakusa (Note 5)	952	0.3	941	0.2	
			Chisun Inn Kamata	779	0.2	769	0.2	
		Hokkaido	ibis Styles Sapporo	6,620	1.9	6,561	1.6	
			Mercure Sapporo	5,853	1.7	5,792	1.4	
		Fukuoka	HOTEL ASCENT FUKUOKA	5,178	1.5	5,161	1.2	
			the b hakata	2,340	0.7	2,340	0.6	
			Hakata Nakasu Washington Hotel Plaza	2,033	0.6	2,022	0.5	
			Toyoko Inn Hakata-guchi Ekimae	1,437	0.4	1,419	0.3	
		Kyoto	ibis Styles Kyoto Station	6,665	1.9	6,650	1.6	
		Okinawa	Mercure Okinawa Naha	2,860	0.8	2,833	0.7	
		Kumamoto	Dormy Inn Kumamoto	2,165	0.6	2,139	0.5	
		Nara	Nara Washington Hotel Plaza	1,802	0.5	1,798	0.4	
		Subtotal			119,010	33.9	121,410	29.2
		Full-service hotel	Tokyo	Hilton Tokyo Odaiba	-	-	63,429	15.3
				Oriental Hotel tokyo bay	17,790	5.1	17,486	4.2
			Chiba	Hilton Tokyo Narita Airport	13,253	3.8	13,205	3.2
				International Garden Hotel Narita	9,195	2.6	9,162	2.2
				Hotel Francs	3,187	0.9	3,178	0.8
			Hiroshima	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 6)	17,487	5.0	17,327	4.2
	Oriental Hotel Hiroshima			4,106	1.2	4,099	1.0	
	Aichi		Hilton Nagoya	15,605	4.5	15,650	3.8	
	Nara		Hotel Nikko Nara	10,442	3.0	10,355	2.5	
	Hyogo		Kobe Meriken Park Oriental Hotel	9,772	2.8	9,678	2.3	
	Fukuoka		Oriental Hotel Fukuoka Hakata Station (Note 7)	7,178	2.0	9,560	2.3	
	Kanagawa		Mercure Yokosuka	1,642	0.5	1,621	0.4	
	Subtotal			109,661	31.3	174,756	42.0	
	Resort hotel		Okinawa	Hotel Nikko Alivila	17,989	5.1	17,904	4.3
		Okinawa Marriott Resort & Spa		14,875	4.2	14,924	3.6	
		The Beach Tower Okinawa		6,677	1.9	6,581	1.6	
		Chiba	Hilton Tokyo Bay	26,098	7.4	26,408	6.4	
		Osaka	Hotel Keihan Universal City	5,930	1.7	5,905	1.4	
		Kanagawa	Hakone Setsugetsuka	3,722	1.1	3,689	0.9	
	Subtotal			75,295	21.5	75,413	18.1	
	Real estate in trust – Total			303,967	86.7	371,580	89.4	
Deposits and other assets (Note 8)			46,589	13.3	44,142	10.6		
Total assets			350,556	100.0	415,722	100.0		

	Amount (JPY1M)	Ratio to total assets (%)	Amount (JPY1M)	Ratio to total assets (%)
Total liabilities	147,184	42.0	179,200	43.1
Total net assets	203,372	58.0	236,522	56.9

- (Note 1) Hotels are categorized as limited-service hotels, full-service hotels or resort hotels according to the manner of operation.
- (Note 2) For real estate in trust, “Total amount held” shows the amount calculated by deducting accumulated depreciation from acquisition price (including expenses incidental to acquisition).
- (Note 3) “Ratio to total assets” shows the ratio of total amount of each asset to total assets, rounded off to one decimal place.
- (Note 4) Hotel Sunroute Shinbashi was renamed as Sotetsu Fresa Inn Shimbashi-Karasumoriguchi on April 23, 2019. In this report, the same shall apply hereinafter.
- (Note 5) Dormy Inn EXPRESS Asakusa was renamed as dormy inn-global cabin Asakusa on August 4, 2019. In this report, the same shall apply hereinafter.
- (Note 6) ACTIVE-INTER CITY HIROSHIMA is classified in accordance with the business category of Sheraton Grand Hiroshima Hotel, its main facility.
- (Note 7) Hotel Centraza Hakata was renamed as Oriental Hotel Fukuoka Hakata Station on April 9, 2019. In this report, the same shall apply hereinafter.
- (Note 8) Includes machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust, and intangible assets (excluding leasehold rights in trust and fixed-term leasehold of land in trust).

(ii) Assets under management

(A) Major issues of investment securities

Not applicable

(B) Real estate properties under management

Not applicable

(C) Other major assets under management

A. Summary of real estate properties (in trust) under management

The following summarizes the real estate properties (in trust) under management by JHR as of the end of the fiscal year under review.

a. Details of assets under management (acquisition price, etc.)

Property No.	Name	Grade (Note 1)	Acquisition price (JPY1M) (Note 2)	Carrying amount at end of period (JPY1M) (Note 3)	Appraisal value at end of period (JPY1M) (Note 4)	Appraisal agency (Note 5)	Investment ratio (Acquisition price) (%) (Note 6)	Collateral (Note 7)
1	Kobe Meriken Park Oriental Hotel	Upper-middle	10,900	9,888	16,200	N	2.9	Unsecured
2	Oriental Hotel tokyo bay	Mid-price	19,900	17,699	37,800	N	5.3	Unsecured
3	Namba Oriental Hotel	Mid-price	15,000	14,640	32,900	N	4.0	Unsecured
4	Hotel Nikko Alivila	Luxury	18,900	18,168	32,900	N	5.0	Unsecured
5	Oriental Hotel Hiroshima	Upper-middle	4,100	4,171	4,400	N	1.1	Unsecured
6	ibis Tokyo Shinjuku	Mid-price	7,243	8,013	10,200	N	1.9	Unsecured
8	The Beach Tower Okinawa	Mid-price	7,610	6,587	10,100	N	2.0	Unsecured
9	Hakone Setsugetsuka	Mid-price	4,070	3,696	5,310	N	1.1	Unsecured
10	Dormy Inn Kumamoto	Mid-price	2,334	2,139	3,060	J	0.6	Unsecured
12	the b suidobashi	Mid-price	1,120	1,213	2,440	N	0.3	Unsecured
13	Dormy inn·global cabin Asakusa	Economy	999	941	1,330	J	0.3	Unsecured
14	Hakata Nakasu Washington Hotel Plaza	Mid-price	2,130	2,022	4,520	N	0.6	Unsecured
15	Nara Washington Hotel Plaza	Mid-price	2,050	1,800	2,440	N	0.5	Unsecured
16	R&B Hotel Ueno Hirokoji	Economy	1,720	1,822	2,010	J	0.5	Unsecured
18	Comfort Hotel Tokyo Higashi Nihombashi	Economy	3,746	3,527	5,830	J	1.0	Unsecured
22	Smile Hotel Nihombashi Mitsukoshimae	Economy	2,108	2,022	3,160	J	0.6	Unsecured
24	Toyoko Inn Hakata-guchi Ekimae	Economy	1,652	1,419	2,750	T	0.4	Unsecured
25	Hotel Vista Kamata Tokyo	Economy	1,512	1,453	1,990	T	0.4	Unsecured
26	Chisun Inn Kamata	Economy	823	772	1,430	T	0.2	Unsecured
29	Hotel Keihan Universal City	Mid-price	6,000	5,905	13,900	R	1.6	Unsecured
30	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Mid-price	4,800	4,802	8,950	D	1.3	Unsecured
31	Hilton Tokyo Bay	Luxury	26,050	26,422	40,500	D	7.0	Unsecured
32	ibis Styles Kyoto Station	Mid-price	6,600	6,675	10,900	D	1.8	Unsecured
33	ibis Styles Sapporo	Mid-price	6,797	6,601	11,200	N	1.8	Unsecured
34	Mercure Sapporo	Mid-price	6,000	5,857	11,000	N	1.6	Unsecured
35	Mercure Okinawa Naha	Mid-price	3,000	2,887	7,190	N	0.8	Unsecured
37	the b ikebukuro	Mid-price	6,520	6,608	7,350	N	1.7	Unsecured
39	the b hachioji	Mid-price	2,610	2,699	2,790	N	0.7	Unsecured
40	the b hakata	Mid-price	2,300	2,361	4,610	N	0.6	Unsecured
41	Hotel Francs	Mid-price	3,105	3,178	4,140	D	0.8	Unsecured
42	Mercure Yokosuka	Mid-price	1,650	1,658	3,590	D	0.4	Unsecured
43	Okinawa Marriott Resort & Spa	Upper-middle	14,950	15,106	17,900	N	4.0	Unsecured
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Luxury	17,320	17,436	21,900	D	4.6	Unsecured
45	CANDEO HOTELS UENO-KOEN	Mid-price	6,705	6,652	7,650	D	1.8	Unsecured
46	Oriental Hotel Fukuoka Hakata Station (Note 8)	Upper-middle	7,197	9,847	15,300	D	1.9	Unsecured
47	Holiday Inn Osaka Namba	Mid-price	27,000	27,126	27,200	N	7.2	Unsecured
48	HOTEL ASCENT FUKUOKA	Economy	4,925	5,161	6,620	D	1.3	Unsecured

Property No.	Name	Grade (Note 1)	Acquisition price (JPY1M) (Note 2)	Carrying amount at end of period (JPY1M) (Note 3)	Appraisal value at end of period (JPY1M) (Note 4)	Appraisal agency (Note 5)	Investment ratio (Acquisition price) (%) (Note 6)	Collateral (Note 7)
49	Hilton Nagoya	Luxury	15,250	15,651	15,700	D	4.1	Unsecured
50	Hilton Tokyo Narita Airport	Upper-middle	13,175	13,499	13,700	N	3.5	Unsecured
51	International Garden Hotel Narita	Mid-price	9,125	9,245	9,660	N	2.4	Unsecured
52	Hotel Nikko Nara	Upper-middle	10,373	10,442	10,900	D	2.8	Unsecured
53	Hotel Oriental Express Osaka Shinsaibashi	Mid-price	2,738	2,829	2,990	D	0.7	Unsecured
54	Hilton Tokyo Odaiba	Upper-middle	62,400	63,652	69,500	N	16.7	Unsecured
	Total		374,508	374,314	525,910		100.0	

- (Note 1) JHR categorizes hotels into the four grade classes “Luxury,” “Upper-middle,” “Mid-price” and “Economy” mainly from the perspective of average daily rate, etc.
- (Note 2) “Acquisition price” is the acquisition price stated on the purchase and sale agreement for beneficial interest in trust, etc. (consumption tax, local consumption tax and the acquisition expense such as broker’s fee are not included). The acceptance prices are indicated for the properties that have been accepted through the merger with the former JHR.
- (Note 3) “Carrying amount at end of period” is the book value at the end of the fiscal year under review, and includes not only the amounts for real estate in trust, but also machinery and equipment, tools, furniture and fixtures, construction in progress in trust, and intangible assets.
- (Note 4) “Appraisal value at end of period” is the appraisal value at the end of the fiscal year under review as the date of appraisal, in accordance with the asset valuation methods and standards provided in JHR’s Articles of Incorporation and the regulations set forth by The Investment Trusts Association, Japan.
- (Note 5) Under “Appraisal agency,” the letters indicate the appraisers for the properties as follows:
N: Nihon Fudosan Kenkyusho (Japan Real Estate Institute)
J: JLL Morii Valuation & Advisory K.K.
T: The Tanizawa Sōgō Appraisal Co., Ltd.
R: Rich Appraisal Institute Co., Ltd.
D: DAIWA REAL ESTATE APPRAISAL CO., LTD.
- (Note 6) “Investment ratio” is the ratio of acquisition price of the respective asset held at the end of the fiscal year under review to the total amount of acquisition price of all assets held at the end of the fiscal year under review, rounded off to one decimal place.
- (Note 7) “Collateral” is whether or not a pledge has been established for the beneficial interest in trust.
- (Note 8) The grade for Oriental Hotel Fukuoka Hakata Station was changed from “Mid-price” to “Upper-middle” following the reopening after renovation in April 2019.
- (Note 9) The omitted property numbers are the property numbers of assets that have been transferred.

b. Details of assets under management (change of tenants in portfolio)

The following is the changes in total number of tenants, total leasable area, total leased area, and occupancy rate of real estate properties (in trust) under management for the past five years.

	End of 16th period December 2015	End of 17th period December 2016	End of 18th period December 2017	End of 19th period December 2018	End of 20th period December 2019
Total number of tenants (Note 1)	113	128	131	126	125
Total leasable area (Note 2)	493,758.78 m ²	587,481.02 m ²	687,124.54 m ²	678,714.48 m ²	746,329.68 m ²
Total leased area (Note 3)	493,138.06 m ²	587,050.94 m ²	686,694.46 m ²	677,863.00 m ²	745,227.67 m ²
Occupancy rate (Note 4)	99.9%	99.9%	99.9%	99.9%	99.9%

- (Note 1) Total number of tenants indicates the total number of tenants based on the lease contracts for respective real estate in trust (excluding tenants of parking lots, etc.) as of the end of each fiscal period. However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amount of rents, etc. from end tenants as is in principle, the total number of end tenants (excluding tenants of parking lots, etc.) is indicated.
- (Note 2) In principle, total leasable area represents leasable area of the building, which does not include leasable area of land (including parking lots on ground), based on a lease contract or plan for each real estate in trust. For properties in which the leased area is not described in the lease contract, leasable area represents the area described in the registration of the building. Furthermore, when the leasable area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578 square meters per one tsubo). In this report, the same shall apply hereinafter.
- (Note 3) In principle, leased area represents the leased area described in the lease contract of the building. For properties in which the leased area is not described in the lease contract, leased area shows the area described in the registration of the building. Furthermore, when the leased area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578 square meters per one tsubo). However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amount of rents, etc. from end tenants as is in principle, the total area for which lease contracts have been concluded with end tenants and which are actually leased is indicated. The same shall apply hereinafter.
- (Note 4) Occupancy rate indicates the percentage of leased area to leasable area of respective real estate properties in trust as of the end of each fiscal period. The same shall apply hereinafter.

c. Details of assets under management (information on major real estate)

Major real estate of which total annual rent accounts for 10% or more of the total annual rent (Note 1) of the entire portfolio is as follows.

Property name	Total number of tenants	Total annual rent	Total leased area	Total leasable area	Change in occupancy rate for the past five years (Note 2)	
Hilton Tokyo Odaiba	1	Fixed rent ¥3,100 million Variable rent - (Note 1)	64,907.76 m ²	64,907.76 m ²	December 2015	100.0%
					December 2016	100.0%
					December 2017	100.0%
					December 2018	100.0%
					December 2019	100.0%

(Note 1) "Total annual rent" is the amount of (i) the amount arrived at when monthly fixed rent (rent of the building itself only, excluding common area maintenance charges and signage and parking usage fees; not factoring in any change in rent during the fiscal year) in lease contracts at the end of the fiscal year under review is multiplied by 12, plus (ii) assumed amounts of revenue sharing, variable rent or income from management contracts for full year. The assumed full-year amounts of variable rent of the two properties acquired during the fiscal year ended December 31, 2019 (Hotel Oriental Express Osaka Shinsaibashi and Hilton Tokyo Odaiba) are rationally calculated assuming that they were held throughout the fiscal year, and variable rent for Hilton Tokyo Odaiba is not expected for the fiscal year ended December 31, 2019 (20th period).

(Note 2) Occupancy rates prior to December 2018 are figures provided by the seller.

d. Details of assets under management (NOI, etc.)

Property No.	Name	Rent type (Note 1)	Real estate operating revenue (JPY 1,000)	NOI (Note 2) (JPY 1,000)	NOI after depreciation (Note 3) (JPY 1,000)
1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	1,256,795	1,003,298	669,037
2	Oriental Hotel Tokyo Bay	Variable/Fixed	1,883,870	1,765,658	1,357,731
3	Namba Oriental Hotel	Variable/Fixed	1,406,836	1,299,612	1,139,547
4	Hotel Nikko Alivila	Variable/Fixed	1,977,644	1,829,606	1,512,840
5	Oriental Hotel Hiroshima	Variable/Fixed	472,555	428,306	340,288
6	ibis Tokyo Shinjuku	Management contract	704,537	497,729	385,256
8	The Beach Tower Okinawa	Fixed	511,028	468,191	335,312
9	Hakone Setsugetsuka	Fixed	294,957	271,037	177,854
10	Dormy Inn Kumamoto	Fixed	194,460	173,568	130,770
12	the b suidobashi	Variable/Fixed	103,848	89,840	61,793
13	Dormy inn global cabin Asakusa	Fixed	63,995	54,899	41,359
14	Hakata Nakasu Washington Hotel Plaza (Note 4)	Fixed	240,000	224,000	198,000
15	Nara Washington Hotel Plaza (Note 4)	Fixed	151,000	134,000	97,000
16	R&B Hotel Ueno Hirokoji	Fixed	97,292	83,017	66,694
18	Comfort Hotel Tokyo Higashi Nihombashi	Variable/Fixed (Note 5)	287,814	256,887	220,539
22	Smile Hotel Nihombashi Mitsukoshimae	Variable/Fixed (Note 5)	154,623	138,482	118,017
24	Toyoko Inn Hakata-guchi Ekimae	Fixed	141,039	127,703	109,484
25	Hotel Vista Kamata Tokyo	Variable/Fixed (Note 5)	112,476	98,166	72,951
26	Chisun Inn Kamata	Variable	80,876	73,891	62,713
29	Hotel Keihan Universal City	Variable/Fixed (Note 5)	746,118	668,997	583,302
30	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Variable/Fixed (Note 5)	446,477	383,039	361,093
31	Hilton Tokyo Bay	Variable/Fixed (Note 5)	2,220,187	1,938,334	1,765,290
32	ibis Styles Kyoto Station	Management contract	459,002	412,032	373,486
33	ibis Styles Sapporo	Management contract	661,063	525,459	442,798
34	Mercure Sapporo	Management contract	797,832	523,042	430,996
35	Mercure Okinawa Naha	Management contract	342,013	270,481	209,569
37	the b ikebukuro	Variable/Fixed	356,173	328,770	296,705
39	the b hachioji	Variable/Fixed	185,672	160,629	129,084
40	the b hakata	Variable/Fixed	228,379	215,725	194,131
41	Hotel Francs	Fixed	300,000	237,023	193,824
42	Mercure Yokosuka	Variable	360,970	250,373	212,998
43	Okinawa Marriott Resort & Spa	Variable/Fixed	937,465	853,261	569,108
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed	1,624,836	1,182,632	966,133

Property No.	Name	Rent type (Note 1)	Real estate operating revenue (JPY 1,000)	NOI (Note 2) (JPY 1,000)	NOI after depreciation (Note 3) (JPY 1,000)
45	CANDEO HOTELS UENO-KOEN	Fixed	349,975	323,962	283,942
46	Oriental Hotel Fukuoka Hakata Station (Note 6)	Variable/Fixed	740,062	494,731	(65,231)
47	Holiday Inn Osaka Namba	Variable/Fixed	967,957	920,119	728,343
48	HOTEL ASCENT FUKUOKA	Fixed	447,198	302,154	266,423
49	Hilton Nagoya	Variable	1,452,768	746,661	591,860
50	Hilton Tokyo Narita Airport	Variable/Fixed	912,491	826,763	621,261
51	International Garden Hotel Narita	Variable/Fixed	604,422	560,153	422,311
52	Hotel Nikko Nara	Variable/Fixed	625,869	576,007	434,069
53	Hotel Oriental Express Osaka Shinsaibashi (Note 7)	Variable/Fixed	109,991	107,162	95,381
54	Hilton Tokyo Odaiba (Note 8)	Variable/Fixed	2,264,830	2,261,016	2,075,257
	Total		28,278,550	24,087,502	19,281,141

(Note 1) Under “Rent type,” “Fixed” is a property under a fixed rent structure, “Variable” is a property under a variable rent structure, “Management contract” is a property under a management contract structure, and “Variable/Fixed” is a property under a combination of fixed and variable rent structures.

(Note 2) $\text{NOI} = \text{Real estate operating revenue} - \text{Real estate operating costs} + \text{Depreciation} + \text{Loss on retirement of noncurrent assets} + \text{Asset retirement obligations expenses}$

(Note 3) $\text{NOI after depreciation (net operating income)} = \text{Real estate operating revenue} - \text{Real estate operating costs}$

(Note 4) For Hakata Nakasu Washington Hotel Plaza and Nara Washington Hotel Plaza, consent on disclosure of rent in units of thousand yen has not been obtained from the lessees and is thus rounded down to the nearest million yen.

(Note 5) For Comfort Hotel Tokyo Higashi Nihombashi, Smile Hotel Nihombashi Mitsukoshimae, Hotel Vista Kamata Tokyo, Hotel Keihan Universal City, Sotetsu Fresa Inn Shimbashi-Karasumoriguchi and Hilton Tokyo Bay, the rent structure is one that has set not only fixed rent, but also partly has rent based on a revenue sharing structure.

(Note 6) Oriental Hotel Fukuoka Hakata Station (formerly Hotel Centraza Hakata) underwent large-scale renovation work suspended its hotel operation from October 1, 2018 through the reopening on April 9, 2019.

(Note 7) Hotel Oriental Express Osaka Shinsaibashi was acquired on February 1, 2019. Figures indicate numbers after acquisition.

(Note 8) Hilton Tokyo Odaiba was acquired on April 8, 2019. Figures indicate numbers after acquisition.

(Note 9) The property numbers of assets that were sold before the end of the previous fiscal year are intentionally omitted.

B. Income statements for individual real estate properties (in trust) under management

The following are the individual income statements for real estate properties (in trust) under management for the fiscal year under review (from January 1, 2019 to December 31, 2019). Figures are rounded down to the nearest thousand yen in principle, but are otherwise noted if circumstances do not allow for the figures to be stated in units of thousand yen.

Property No.	-	1	2	3	4	5
Property name	Portfolio total (Note 1)	Kobe Meriken Park Oriental Hotel	Oriental Hotel tokyo bay	Namba Oriental Hotel	Hotel Nikko Alivila	Oriental Hotel Hiroshima
Number of operating days	-	365	365	365	365	365
(A) Real estate operating revenue subtotal	28,278,550	1,256,795	1,883,870	1,406,836	1,977,644	472,555
Fixed rent	15,931,097	645,900	631,600	797,900	804,100	341,504
Variable rent	11,176,890	609,602	1,252,270	608,936	1,173,544	131,051
Other revenue	1,170,561	1,293	-	-	-	-
(B) Real estate operating costs subtotal	8,997,408	587,758	526,138	267,288	464,804	132,267
Land lease and other rent expenses	898,207	192,709	-	-	84,149	-
Property taxes	1,658,930	52,313	113,008	100,634	57,415	41,213
Outsourcing expenses	653,041	960	960	960	1,920	960
Nonlife insurance	51,030	3,243	3,232	1,448	2,528	1,064
Depreciation and amortization	4,557,414	319,683	395,925	158,949	307,081	87,806
Loss on retirement of noncurrent assets	246,890	14,577	12,001	1,114	9,684	212
Other costs	931,892	4,271	1,010	4,180	2,024	1,010
(C) Net real estate operating income = (A) – (B)	19,281,141	669,037	1,357,731	1,139,547	1,512,840	340,288
(Reference) Occupancy rate	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	125	1	1	1	1	1

Property No.	6	8	9	10	12	13
Property name	ibis Tokyo Shinjuku (Note 1)	The Beach Tower Okinawa	Hakone Setsugetsuka	Dormy Inn Kumamoto	the b suidobashi	Dormy inn-global cabin Asakusa
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	704,537	511,028	294,957	194,460	103,848	63,995
Fixed rent	103,778	511,008	294,340	194,460	84,999	63,395
Variable rent	538,163	-	-	-	18,848	-
Other revenue	62,594	20	617	-	-	600
(B) Real estate operating costs subtotal	319,281	175,716	117,103	63,689	42,055	22,635
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	35,488	39,575	21,960	19,133	8,140	6,093
Outsourcing expenses	102,888	-	-	-	1,200	1,200
Nonlife insurance	585	1,114	648	430	186	109
Depreciation and amortization	112,473	132,879	93,183	42,797	28,047	13,540
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	67,845	2,147	1,310	1,327	4,481	1,692
(C) Net real estate operating income = (A) – (B)	385,256	335,312	177,854	130,770	61,793	41,359
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	4	1	1	1	1	1

Property No.	14	15	16	18	22	24
Property name	Hakata Nakasu Washington Hotel Plaza (Note 2)	Nara Washington Hotel Plaza (Note 2)	R&B Hotel Ueno Hirokoji	Comfort Hotel Tokyo Higashi Nihombashi	Smile Hotel Nihombashi Mitsukoshimae	Toyoko Inn Hakata-guchi Ekimae
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	240,000	151,000	97,292	287,814	154,623	141,039
Fixed rent	240,000	146,000	96,504	259,721	134,400	141,039
Variable rent	-	-	-	16,887	20,223	-
Other revenue	0	4,000	787	11,205	-	-
(B) Real estate operating costs subtotal	42,000	53,000	30,598	67,274	36,605	31,554
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	12,000	11,000	12,232	26,797	12,968	10,773
Outsourcing expenses	1,000	3,000	840	1,614	1,200	1,080
Nonlife insurance	0	0	169	423	189	241
Depreciation and amortization	25,000	34,000	16,323	36,348	20,465	18,219
Loss on retirement of noncurrent assets	0	1,000	-	-	-	-
Other costs	2,000	1,000	1,032	2,091	1,782	1,240
(C) Net real estate operating income = (A) – (B)	198,000	97,000	66,694	220,539	118,017	109,484
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	2	1	2	1	1

Property No.	25	26	29	30	31	32
Property name	Hotel Vista Kamata Tokyo	Chisun Inn Kamata	Hotel Keihan Universal City	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Hilton Tokyo Bay	ibis Styles Kyoto Station (Note 1)
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	112,476	80,876	746,118	446,477	2,220,187	459,002
Fixed rent	93,534	-	Undisclosed (Note 3)	298,004	Undisclosed (Note 3)	42,334
Variable rent	18,842	80,876	Undisclosed (Note 3)	114,412	Undisclosed (Note 3)	413,067
Other revenue	100	-	Undisclosed (Note 3)	34,060	Undisclosed (Note 3)	3,600
(B) Real estate operating costs subtotal	39,525	18,162	162,815	85,384	454,896	85,515
Land lease and other rent expenses	-	-	21,110	-	127,277	-
Property taxes	11,851	4,774	45,136	25,890	137,399	19,811
Outsourcing expenses	1,200	1,080	5,580	4,710	11,372	23,797
Nonlife insurance	223	96	1,489	351	3,209	415
Depreciation and amortization	25,215	11,177	85,694	21,946	173,043	38,545
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	1,034	1,033	3,804	32,486	2,594	2,945
(C) Net real estate operating income = (A) – (B)	72,951	62,713	583,302	361,093	1,765,290	373,486
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	1	1	4	1	2

Property No.	33	34	35	37	39	40
Property name	ibis Styles Sapporo (Note 1)	Mercure Sapporo (Note 1)	Mercure Okinawa Naha (Note 1)	the b ikebukuro	the b hachioji	the b hakata
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	661,063	797,832	342,013	356,173	185,672	228,379
Fixed rent	21,291	64,002	-	221,181	117,017	89,522
Variable rent	596,896	612,577	340,503	132,855	62,084	138,857
Other revenue	42,875	121,252	1,510	2,136	6,570	-
(B) Real estate operating costs subtotal	218,265	366,836	132,444	59,467	56,588	34,248
Land lease and other rent expenses	-	40	315	-	-	-
Property taxes	36,974	49,468	23,166	21,683	21,303	9,664
Outsourcing expenses	54,352	134,173	43,222	1,200	1,200	1,200
Nonlife insurance	825	997	667	400	435	256
Depreciation and amortization	82,661	92,046	60,912	32,064	31,545	21,594
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	43,451	90,110	4,159	4,119	2,104	1,533
(C) Net real estate operating income = (A) – (B)	442,798	430,996	209,569	296,705	129,084	194,131
(Reference) Occupancy rate	98.3%	95.4%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	4	12	1	4	11	2

Property No.	41	42	43	44	45	46
Property name	Hotel Francs	Mercure Yokosuka	Okinawa Marriott Resort & Spa	ACTIVE-INTER CITY HIROSHIMA	CANDEO HOTELS UENO-KOEN	Oriental Hotel Fukuoka Hakata Station (Note 4)
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	300,000	360,970	937,465	1,624,836	349,975	740,062
Fixed rent	300,000	-	550,000	809,785	Undisclosed (Note 3)	400,000
Variable rent	-	315,983	387,465	532,340	-	340,062
Other revenue	-	44,987	-	282,710	Undisclosed (Note 3)	-
(B) Real estate operating costs subtotal	106,175	147,972	368,357	658,703	66,032	805,293
Land lease and other rent expenses	-	-	-	-	-	222,206
Property taxes	58,558	35,231	78,528	118,523	23,014	18,154
Outsourcing expenses	1,800	20,267	2,400	94,364	1,200	3,000
Nonlife insurance	918	1,771	2,322	3,364	473	1,125
Depreciation and amortization	43,199	37,375	282,190	216,499	40,020	352,796
Loss on retirement of noncurrent assets	-	-	1,963	-	-	205,559
Other costs	1,699	53,326	953	225,951	1,324	2,451
(C) Net real estate operating income = (A) – (B)	193,824	212,998	569,108	966,133	283,942	(65,231)
(Reference) Occupancy rate	100.0%	100.0%	100.0%	99.6%	100.0%	100.0%
(Reference) Number of tenants	1	1	1	38	1	1

Property No.	47	48	49	50	51	52
Property name	Holiday Inn Osaka Namba	HOTEL ASCENT FUKUOKA	Hilton Nagoya	Hilton Tokyo Narita Airport	International Garden Hotel Narita	Hotel Nikko Nara
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	967,957	447,198	1,452,768	912,491	604,422	625,869
Fixed rent	576,000	334,626	Undisclosed (Note 3)	444,000	336,000	420,000
Variable rent	391,957	-	Undisclosed (Note 3)	468,491	268,422	205,360
Other revenue	-	112,572	Undisclosed (Note 3)	-	-	509
(B) Real estate operating costs subtotal	239,614	180,774	860,907	291,229	182,111	191,800
Land lease and other rent expenses	-	27,998	222,401	-	-	-
Property taxes	44,328	31,576	103,220	79,015	39,511	40,572
Outsourcing expenses	1,560	14,638	100,346	2,520	2,280	2,760
Nonlife insurance	1,109	482	3,261	3,127	1,424	2,740
Depreciation and amortization	191,776	35,283	154,800	205,502	137,842	141,937
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	839	70,795	276,877	1,063	1,053	3,789
(C) Net real estate operating income = (A) – (B)	728,343	266,423	591,860	621,261	422,311	434,069
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	6	4	1	1	1

Property No.	53	54
Property name	Hotel Oriental Express Osaka Shinsaibashi (Note 5)	Hilton Tokyo Odaiba (Note 6)
Number of operating days	334	268
(A) Real estate operating revenue subtotal	109,991	2,264,830
Fixed rent	102,700	2,264,830
Variable rent	7,055	-
Other revenue	235	0
(B) Real estate operating costs subtotal	14,609	189,572
Land lease and other rent expenses	-	-
Property taxes	-	-
Outsourcing expenses	1,980	87
Nonlife insurance	169	3,114
Depreciation and amortization	11,781	185,758
Loss on retirement of noncurrent assets	-	-
Other costs	678	611
(C) Net real estate operating income = (A) – (B)	95,381	2,075,257
(Reference) Occupancy rate	100.0%	100.0%
(Reference) Number of tenants	1	1

(Note 1) Variable rent includes income from management contracts. For details of the management contract, please refer to “C. Overview of the hotel business; a. Rent structures of hotels with variable rent, management contract or revenue sharing” on page 52.

(Note 2) Consent on disclosure of rent in units of thousand yen has not been obtained from the lessee and is thus rounded down to the nearest million yen.

(Note 3) Rent income, etc. is not disclosed as consent on disclosure has not been obtained from the tenant with whom a lease contract has been concluded and thus considered to be a case where disclosure cannot be made due to unavoidable circumstances.

(Note 4) Oriental Hotel Fukuoka Hakata Station (formerly Hotel Centraza Hakata) underwent large-scale renovation work suspending its hotel operation from October 1, 2018 through the reopening on April 9, 2019.

(Note 5) Hotel Oriental Express Osaka Shinsaibashi was acquired on February 1, 2019.

(Note 6) Hilton Tokyo Odaiba was acquired on April 8, 2019.

(Note 7) The property numbers of assets that were sold before the end of the previous fiscal year are intentionally omitted.

C. Overview of the hotel business

a. Rent structures of hotels with variable rent, management contract or revenue sharing

a. Rent structures of hotels with variable rent, management contract or revenue sharing																		
	Property No.	Name	Rent type	Method of calculating variable rent and income from management contracts														
HMJ Group Hotels	1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	When total GOP of The Five HMJ hotels exceeds GOP base amount (set at ¥3,351 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 85.0%. GOP base amount is set individually for each hotel for such purposes as payment of variable rent from each hotel. <table><tr><th>Hotel name</th><th>Annual GOP base amount</th></tr><tr><td>Kobe Meriken Park Oriental Hotel</td><td>¥599,900 thousand</td></tr><tr><td>Oriental Hotel tokyo bay</td><td>¥693,200 thousand</td></tr><tr><td>Namba Oriental Hotel</td><td>¥832,200 thousand</td></tr><tr><td>Hotel Nikko Alivila</td><td>¥995,700 thousand</td></tr><tr><td>Oriental Hotel Hiroshima</td><td>¥230,000 thousand</td></tr><tr><td>Total</td><td>¥3,351,000 thousand</td></tr></table>	Hotel name	Annual GOP base amount	Kobe Meriken Park Oriental Hotel	¥599,900 thousand	Oriental Hotel tokyo bay	¥693,200 thousand	Namba Oriental Hotel	¥832,200 thousand	Hotel Nikko Alivila	¥995,700 thousand	Oriental Hotel Hiroshima	¥230,000 thousand	Total	¥3,351,000 thousand
	Hotel name	Annual GOP base amount																
	Kobe Meriken Park Oriental Hotel	¥599,900 thousand																
	Oriental Hotel tokyo bay	¥693,200 thousand																
	Namba Oriental Hotel	¥832,200 thousand																
	Hotel Nikko Alivila	¥995,700 thousand																
	Oriental Hotel Hiroshima	¥230,000 thousand																
	Total	¥3,351,000 thousand																
	2	Oriental Hotel tokyo bay																
	3	Namba Oriental Hotel																
	4	Hotel Nikko Alivila																
	5	Oriental Hotel Hiroshima																
43	Okinawa Marriott Resort & Spa	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥700 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 90.0%															
44	Sheraton Grand Hiroshima Hotel (ACTIVE-INTER CITY HIROSHIMA)	Variable/Fixed (Note 1)	When hotel GOP exceeds GOP base amount (set at ¥468 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 82.5%															
46	Oriental Hotel Fukuoka Hakata Station	Variable/Fixed	FY2019: When hotel GOP exceeds GOP base amount (set at ¥425 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 90.0% FY2020 and after: When hotel GOP exceeds GOP base amount (set at ¥442 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 98.0%.															
47	Holiday Inn Osaka Namba	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥650 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 92.5%															
50	Hilton Tokyo Narita Airport	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥550 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 86.5%															
51	International Garden Hotel Narita	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥360 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 98.0%															
52	Hotel Nikko Nara	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥470 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 91.5%															
53	Hotel Oriental Express Osaka Shinsaibashi	Variable/Fixed	FY2019: When hotel GOP for July 2019 to December 2019 exceeds GOP base amount (set at ¥64 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 91.0% FY2020 and after: When hotel GOP exceeds GOP base amount (set at ¥128 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 91.0%															
54	Hilton Tokyo Odaiba	Variable/Fixed	FY2019: When hotel AGOP (Note 2) exceeds AGOP base amount (set at ¥2,450 million / year), the amount arrived at when the amount exceeding AGOP base amount is multiplied by 30.0% FY2020 and FY2021: When hotel AGOP exceeds AGOP base amount (set at ¥2,970 million / year), the amount arrived at when the amount exceeding AGOP base amount is multiplied by 30.0% FY2022 and after: When hotel AGOP exceeds AGOP base amount (set at ¥1,660 million / year), the amount arrived at when the amount exceeding AGOP base amount is multiplied by 98.0%															
The Accor Group Hotels	6	ibis Tokyo Shinjuku	Management contract (Note 3)	Amount equivalent to GOP														
	32	ibis Styles Kyoto Station		Amount equivalent to GOP														
	33	ibis Styles Sapporo		Amount equivalent to GOP														
	34	Mercure Sapporo		Amount equivalent to GOP														
	35	Mercure Okinawa Naha		Amount equivalent to GOP														
	42	Mercure Yokosuka	Variable	Amount linked to GOP (Note 4)														
The Ishin Group Hotels	12	the b suidobashi	Variable/Fixed	Amount linked to GOP (Note 4)														
	37	the b ikebukuro																
	39	the b hachioji																
	40	the b hakata																

	Property No.	Name	Rent type	Method of calculating variable rent and income from management contracts
Other hotels with variable rent or revenue sharing	18	Comfort Hotel Tokyo Higashi Nihombashi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 4)
	22	Smile Hotel Nihombashi Mitsukoshimae	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 4)
	25	Hotel Vista Kamata Tokyo	Fixed + Revenue sharing	When hotel total sales from January 1 to December 31 of every year exceeds ¥270 million, the amount arrived at when the amount exceeding ¥270 million is multiplied by 32.5%
	26	Chisun Inn Kamata	Variable	Amount that is the monthly GOP multiplied by 86.0% (¥0 if the amount is below ¥0).
	29	Hotel Keihan Universal City	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 4)
	30	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note4)
	31	Hilton Tokyo Bay	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 4)
	49	Hilton Nagoya	Variable	Variable rents linked to hotel sales, etc. (Note4)

(Note 1) The indicated structures are for Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA.

(Note 2) AGOP (adjusted GOP) is the amount calculated by subtracting certain fees and other items from GOP. The same shall apply hereinafter.

(Note 3) The management contract structure is a structure for hotel real estate owned by JHR in which JHR entrusts an operator to operate the hotel and takes in the outcome of that business as real estate operating revenue. Specifically, JHR, the owner of the hotel real estate, concludes a management contract with an operator and entrusts the operator with the tasks necessary to run the hotel business. JHR receives the hotel revenue achieved from the hotel business (operation) by the operator and, at the same time, pays a management fee to the operator. This hotel revenue achieved is recognized as “real estate operating revenue through management contract” and is equivalent to the rent that is the real estate operating revenue under the leasing structure.

(Note 4) The detailed content of the contract is not disclosed as consent on disclosure has not been obtained from the lessee, etc..

b. Major indicators of the hotel business

The following tables indicate the figures related to the hotel business of the HMJ Group Hotels for the operating period from January 1, 2019 through December 31, 2019 based on the data provided by the hotel lessees, etc. While these indicators of the hotels are among the indicators that show the operating status of the rooms departments, please note that they do not necessarily represent the operating revenue and the ability to bear rent, etc. of the respective hotels, as the room rates and profit margins, etc. of the respective rooms available for sale are not uniform, among other reasons. As such, the indicators are no more than the reference figures.

	Kobe Meriken Park Oriental Hotel		Oriental Hotel tokyo bay		Namba Oriental Hotel		Hotel Nikko Alivila		Oriental Hotel Hiroshima		The Five HMJ Hotels Total/Average	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	84.8%	—	98.1%	—	92.9%	—	84.8%	—	88.5%	—	90.5%	—
ADR (Note 1)	19,337	—	21,230	—	18,602	—	30,614	—	9,932	—	21,067	—
RevPAR (Note 2)	16,397	—	20,837	—	17,290	—	25,961	—	8,788	—	19,066	—
Total sales	5,433	100.0	6,758	100.0	2,589	100.0	6,264	100.0	2,110	100.0	23,153	100.0
Rooms department	1,909	35.1	3,886	57.5	1,628	62.9	3,762	60.1	728	34.5	11,914	51.5
Food & beverage department	3,256	59.9	2,322	34.4	116	4.5	1,856	29.6	1,314	62.3	8,863	38.3
Tenant department	77	1.4	222	3.3	796	30.8	2	0.0	23	1.1	1,120	4.8
Other departments (Note 3)	191	3.5	328	4.8	48	1.9	644	10.3	45	2.1	1,256	5.4
GOP	1,317	24.2	2,166	32.1	1,549	59.8	2,376	37.9	384	18.2	7,793	33.7

	Okinawa Marriott Resort & Spa		Sheraton Grand Hiroshima Hotel (Note 4)		Oriental Hotel Fukuoka Hakata Station (Note 5)		Holiday Inn Osaka Namba		Hilton Tokyo Narita Airport		International Garden Hotel Narita	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	80.6%	—	91.3%	—	64.4%	—	91.2%	—	88.8%	—	82.5%	—
ADR (Note 1)	21,805	—	20,676	—	18,633	—	16,597	—	12,768	—	8,712	—
RevPAR (Note 2)	17,577	—	18,872	—	11,995	—	15,134	—	11,337	—	7,191	—
Total sales	3,693	100.0	3,442	100.0	1,994	100.0	1,784	100.0	3,431	100.0	1,541	100.0
Rooms department	2,316	62.7	1,639	47.6	968	48.5	1,735	97.2	2,268	66.1	1,215	78.8
Food & beverage department	961	26.0	1,706	49.6	748	37.5	—	—	1,063	31.0	315	20.4
Tenant department	58	1.6	0	0.0	263	13.2	37	2.1	52	1.5	6	0.4
Other departments (Note 3)	358	9.7	97	2.8	16	0.8	12	0.7	48	1.4	5	0.3
GOP	1,131	30.6	1,097	31.9	803	40.3	1,074	60.2	1,092	31.8	634	41.1

	Hotel Nikko Nara		Hotel Oriental Express Osaka Shinsaibashi		Hilton Tokyo Odaiba		The HMJ Group Hotels Total/Average (Note 6)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	79.3%	—	90.5%	—	87.9%	—	86.6%	—
ADR (Note 1)	13,039	—	9,293	—	30,202	—	18,635	—
RevPAR (Note 2)	10,337	—	8,407	—	26,558	—	16,143	—
Total sales	2,874	100.0	395	100.0	8,880	100.0	51,187	100.0
Rooms department	1,245	43.3	381	96.4	4,391	49.5	28,071	54.8
Food & beverage department	1,586	55.2	14	3.5	4,093	46.1	19,348	37.8
Tenant department	26	0.9	—	—	241	2.7	1,804	3.5
Other departments (Note 3)	16	0.6	0	0.1	155	1.7	1,964	3.8
GOP	694	24.2	156	39.5	2,644	29.8	17,117	33.4

(Note 1) ADR: Represents average daily rate, which is calculated by dividing revenue for rooms for a given period (including service charges) by the total number of rooms sold during the period.

Service charges are 10% for 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), International Garden Hotel Narita, Hotel Nikko Nara and Oriental Hotel Fukuoka Hakata Station; 12% for Hilton Tokyo Narita Airport; and 13% for Hilton Tokyo Odaiba. Holiday Inn Osaka Namba and Hotel Oriental Express Osaka Shinsaibashi do not request service charges. The same shall apply hereinafter.

(Note 2) RevPAR: Represents revenue per available room, which is calculated by dividing total rooms revenue for a certain period (including service charges) by the total number of rooms available for sale during the period. Revenue per available room equals the product of ADR and occupancy rate. The same shall apply hereinafter.

(Note 3) Figures for the other departments include sales of the department for sale of goods.

(Note 4) The indicated figures are for Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA.

(Note 5) Oriental Hotel Fukuoka Hakata Station (formerly Hotel Centraza Hakata) underwent large-scale renovation work suspending its hotel operation from October 1, 2018 through the reopening on April 9, 2019. The occupancy rate is calculated including the suspension period.

(Note 6) For Total/Average of the HMJ Group Hotels, figures are calculated by JHR as reference since no figures have been provided by the hotel lessees, etc.

(Note 7) The occupancy rate is rounded off to one decimal place, while ADR and RevPAR are rounded off to the nearest whole number. Sales and GOP are rounded off to the nearest million yen. For the ratio to total sales, the ratio of sales in each department to total sales is rounded off to one decimal place.

(2) Status of capital expenditures

a. Planned capital expenditures (Note 1)

The following table shows major estimated capital expenditures items for renovation work planned as of the end of the fiscal year under review. Expenditures are expected to total ¥6,830 million, which consists of capital expenditures of ¥6,775 million and (Note 2) repair expenses of ¥55 million, for the next fiscal year.

Name of property, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (JPY1M)	
			Total amount	Total amount paid
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of prefabricated bathrooms in guest rooms	From April 2020 to July 2020	55	—
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Conversion of back-office to guest rooms	From June 2020 to July 2020	120	—
Hotel Nikko Alivila (Nakagami-gun, Okinawa)	Additional installation of sewage tank	From March 2020 to April 2020	65	9
Hotel Nikko Alivila (Nakagami-gun, Okinawa)	Renewal of elevator controller, etc.	From December 2020 to December 2020	65	—
Dormy Inn Kumamoto (Kumamoto-shi, Kumamoto)	Renewal of air conditioning equipment	From May 2020 to June 2020	70	—
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of air conditioning equipment	From May 2020 to July 2020	68	—
HOTEL ASCENT FUKUOKA (Fukuoka-shi, Fukuoka)	Renewal of air conditioning equipment	From April 2020 To April 2020	89	—
Hilton Nagoya (Nagoya-shi, Aichi)	Work on plumbing equipment	From March 2020 to March 2020	57	—
Hilton Nagoya (Nagoya-shi, Aichi)	Renewal of elevators	From February 2020 to December 2020	57	—
Hilton Tokyo Narita Airport (Narita-shi, Chiba)	Renewal of telephone switchboard	From November 2020 to November 2020	50	—
Hilton Tokyo Narita Airport (Narita-shi, Chiba)	Renovation of guest rooms (guestrooms on the 11th floor)	From November 2020 to November 2020	120	—
International Garden Hotel Narita (Narita-shi, Chiba)	Renewal of air conditioning units	From March 2020 to October 2020	55	—
Hilton Tokyo Odaiba (Minato-ku, Tokyo)	Renovation of banquet rooms	From December 2019 to February 2020	92	—
Hilton Tokyo Odaiba (Minato-ku, Tokyo)	Renewal of central monitoring device	From July 2020 to July 2020	64	—
Hilton Tokyo Odaiba (Minato-ku, Tokyo)	Renewal of guest rooms, etc.	From September 2020 to December 2020	3,000	22
Namba Oriental Hotel (Osaka-shi, Osaka)	Large-scale renovation works for entire property	From November 2020 to March 2021	2,600	6
Total			6,628	38

(Note 1) New construction and renewal work includes that for buildings, attached facilities, etc. as well as items classified as furniture and fixtures. The scheduled period of the above planned renovation work and whether or not the renovation work will be performed may change.

(Note 2) The planned amount of large-scale renovation works for the entire property of Namba Oriental Hotel is not included in the capital expenditures for the next fiscal period due to the construction being scheduled for completion in March 2021.

b. Capital expenditures during the year (Note)

Major construction work conducted by JHR during the fiscal year under review that represents capital expenditures is as below. Capital expenditures for the fiscal year under review totaled ¥6,767 million, and repair expenses that were accounted for as expense in the fiscal year under review totaled ¥41 million. In aggregate, ¥6,809 million of construction work was carried out.

Name of property, etc. (Location)	Purpose	Period	Construction costs (JPY1M)
R&B Hotel Ueno Hirokoji (Taito-ku, Tokyo)	Renewal of air conditioning units	From October 2018 to January 2019	53
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Land preparation for parking lot	From December 2018 to May 2019	419
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of disaster prevention equipment	From September 2019 to December 2019	33
Okinawa Marriott Resort & Spa (Nago-shi, Okinawa)	Renovation of restaurants	From May 2019 to July 2019	298
Okinawa Marriott Resort & Spa (Nago-shi, Okinawa)	Replacement of air-conditioning facilities for guestrooms	From November 2019 to December 2019	12
Oriental Hotel Fukuoka Hakata Station (formerly Hotel Centraza Hakata) (Fukuoka-shi, Fukuoka)	Large-scale renovation works for entire property	From October 2018 to April 2019	3,147
Holiday Inn Osaka Namba (Osaka-shi, Osaka)	Renovation of guest rooms (guestrooms on the 10th and 11th floors)	From May 2019 to May 2019	72
Holiday Inn Osaka Namba (Osaka-shi, Osaka)	Renovation of guest rooms (guestrooms on the 8th and 9th floors)	From December 2019 to December 2019	72
Hilton Nagoya (Nagoya-shi, Aichi)	Renewal of water supply piping	From August 2018 to March 2019	16
Hilton Nagoya (Nagoya-shi, Aichi)	Renewal of water supply piping	From July 2019 to November 2019	25
Total			4,149

(Note) New construction and renewal work include those for buildings, attached facilities, etc. as well as items classified as furniture and fixtures.