

Disclaimers

This document has been prepared solely for the purpose of providing U.K. and Dutch investors with certain information under Article 23 of the European Alternative Investment Fund Managers Directive (European Directive 2011/61/EU) (the “AIFMD”) as implemented in their respective jurisdictions. Accordingly, you should not use this document for any other purpose.

Prohibition of Sales to EEA Retail Investors

In addition to the restrictions under the AIFMD, the units of Japan Hotel REIT Investment Corporation (“JHR” or the “AIF”) are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area, or the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended, or the MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, as amended, the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014, or the PRIIPs Regulation, for offering or selling the units of JHR or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the units of JHR, or otherwise making them available, to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

The units of JHR are being marketed in the United Kingdom pursuant to Article 59 of the United Kingdom Alternative Investment Fund Managers Regulations 2013. In accordance with this provision, Japan Hotel REIT Advisors Co., Ltd. (the “AIFM”) has notified the Financial Conduct Authority (the “FCA”) of its intention to offer these units in the United Kingdom. For the purposes of the United Kingdom Financial Services and Markets Act 2000 (“FSMA”) JHR is an unregulated collective investment scheme which has not been authorized by the FCA. Accordingly, any communications of an invitation or inducement to invest in JHR may be made only to: (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order; (ii) high net worth companies unincorporated associations or other entities falling within Articles 49(2)(a) to (d) of the Order; or (iii) other persons to

whom it may lawfully be communicated, (all such persons together being referred to as “Relevant Persons”). In the United Kingdom, this document and its contents are directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any person who is not a Relevant Person may not act or rely on this document or any of its contents. The transmission of this document and its contents in the United Kingdom to any person other than a Relevant Person is unauthorized and may contravene the FSMA and other United Kingdom securities laws and regulations.

European Economic Area Investors

The AIFMD was adopted on June 8, 2011 and was required to be implemented by each Member State of the EEA into its national legislation by July 22, 2013. The units of JHR may not be marketed (within the meaning given to the term “marketing” under the AIFMD), and the Communication may not be conducted, to prospective investors domiciled or with a registered office in any Member State of the EEA unless: (i) the units of JHR may be marketed under any national private placement regime (including under the AIFMD) or other exemption in that Member State; or (ii) the units of JHR can otherwise be lawfully marketed or sold in that Member State in circumstances in which the AIFMD does not apply, provided that any such offer or sale is not made to a retail investor as described above. We have made a notification to each of the Netherlands Authority for the Financial Markets and the United Kingdom Financial Conduct Authority pursuant to Article 42 of the AIFMD in order to market the units of JHR in the Netherlands and the United Kingdom, respectively.

Netherlands

The units of JHR are being marketed in the Netherlands under Section 1:13b of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, or the “Wft”). In accordance with this provision, the AIFM has notified the Dutch Authority for the Financial Markets of its intention to offer these units in the Netherlands. The units of JHR will not, directly or indirectly, be offered, sold, transferred or delivered in the Netherlands, except to or by individuals or entities that are qualified investors (*gekwalificeerde beleggers*) within the meaning of Article 1:1 of the Wft, and as a consequence neither the AIFM nor JHR is subject to the license requirement pursuant to the Wft. Consequently, neither the AIFM nor JHR is subject to supervision of the Dutch Central Bank (*De Nederlandsche Bank*, “DNB”) or the Netherlands Authority for Financial Markets (*Autoriteit Financiële*

Markten, the “AFM”) and this Article 23 AIFMD Prospectus is not subject to approval by the AFM. No approved prospectus is required to be published in the Netherlands pursuant to Article 3 of the Regulation (EU) 2017/1129 as amended and applicable in the Netherlands. The AIFM is therefore solely subject to limited ongoing regulatory requirements as referred to in Article 42 of the AIFMD.

Article 23 (1)(a)	
Objectives of the AIF	Focusing on hotels, which are important and profitable components of the social infrastructure, JHR primarily invests in real estate related assets that are wholly or partially used as hotels and that are in themselves real estate or real estate equivalents or that are backed by such real estate or real estate equivalents.
Investment strategy	JHR's investment strategy is to ensure steady and stable revenue in the mid to long term. JHR focuses on investing in hotels with prospects for attracting domestic and overseas leisure demand, that is, those located in appealing or fashionable areas. Limited-service hotels, full-service hotels and resort hotels are all investment targets, but JHR only acquires properties with competitive advantages in terms of buildings and facilities (infrastructure) and the capabilities of the hotel tenant and operator (services). The investment strategy is defined in the articles of incorporation of JHR and the investment guidelines determined by the AIFM.
Types of assets the AIF may invest in	Real estate, trust beneficiary interests in real estate, real estate securities, specified assets and other assets, including equity interests in corporations holding overseas real estate (provided, however, that such corporations are required to be unlisted and all of its assets be composed of real estate and monetary claims, etc. pertaining to such real estate and meet certain other requirements under the Act on Investment Trusts and Investment Corporations (the "ITA")), renewable power generating facilities and the rights to operate public facilities.
Techniques it may employ and all associated risks	JHR focuses on investing in hotels with prospects for attracting domestic and overseas leisure demand. The principal risks with respect to investment in JHR are as follows: <ul style="list-style-type: none"> • any adverse conditions in the Japanese economy could adversely affect JHR; • The coronavirus pandemic, through its worldwide economic impact, may adversely affect JHR; • JHR may not be able to acquire properties to execute the growth and investment strategy in a manner that is accretive to earnings; • illiquidity in the real estate market may limit the ability to grow or adjust the portfolio; • the past experience of the AIFM in the Japanese real estate market is not an indicator or guarantee of the future results; • JHR's reliance on the JHR's related parties, the AIFM and its related parties could have a material adverse effect on its business;

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- JHR's reliance on third party service providers, particularly on hotel lessees, hotel operators and operation support companies, may have a material adverse effect on the revenue of the hotels, including as a result of the service providers' prioritizing the interests of their other clients;
- The coronavirus pandemic may cause a significant decline in hotel demand and may result in a material adverse effect on the revenues of the hotels;
- continued weakness in the performance of the hotels owned by JHR may cause JHR to be in breach of the restrictive covenants under debt financing arrangement;
- JHR may change its detailed investment policy without a formal amendment of the articles of incorporation;
- there are potential conflicts of interest between JHR, the AIFM and its related parties, including those arising among the AIF and private funds or other investors, to which the AIFM provides investment management or advisory services;
- the AIFM's provision of investment management or advisory services to other funds may expose the AIFM to indemnification and other obligations in connection with such services;
- JHR's revenues largely comprise leasing revenues and income from management contract from the portfolio properties, which may be negatively affected by factors including vacancies, decreases in rent or sales, and late or missed payments by tenants or the operators to which it outsources operation of certain properties;
- income from management contract is tied to the revenue of the hotels with respect to which operation is outsourced to operators, and the agreement with an operator generally does not provide for a fixed rent; as a result, income from management contract may be volatile and could have a material adverse effect on JHR's results;
- competition for guests with other hotel properties in the same and surrounding areas, as well as with short-term lodging such as vacation rentals and apartment rentals including Airbnb, may adversely affect JHR's ability to maintain occupancy rates and revenue;

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- JHR may find difficulty finding suitable tenants or operators to which it outsources operation of certain properties, because of the requirement that they be able to operate hotels;
- increases in interest rates may increase the interest expense and may result in a decline in dividends and market price of the units;
- JHR may suffer large losses if any of the properties incurs damage from a natural or man-made disaster;
- geographic concentration of the portfolio in major cities in Japan could have a material adverse effect on JHR's business;
- any inability to obtain financing or refinancing from issuance of investments units, loan and issuance of investment corporation bonds for future acquisitions could adversely affect the growth of the portfolio;
- JHR's failure to satisfy a complex series of requirements pursuant to Japanese tax regulations would disqualify JHR from certain taxation benefits and significantly reduce the cash distributions to the unitholders;
- the ownership rights in some of the properties may be declared invalid or limited; and
- support from JHR's related parties, particularly in connection with management of hotels, may not achieve the anticipated results.

In addition, JHR is subject to the following risks:

- risks related to operation of hotels;
- risks related to specialization in investment in hotels;
- risks related to the small number of tenants per each building;
- risks related to seasonality of our performance;
- risks related to maintenance of facilities and infrastructure;
- risks related to increasing operating costs;
- risks related to JHR's dependence on the efforts of the AIFM's key personnel;
- risks related to the restrictive covenants under debt financing arrangement;
- risks related to covenants with lessees or hotel operators prohibiting JHR from transferring its properties as well as other third-party approval requirements;
- risks related to entering into forward commitment contracts;
- risks related to third party leasehold interests in the land underlying JHR's properties;

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- risks related to holding the property in the form of compartmentalized ownership (*kubun shoyū*) interests or co-ownership interests (*kyōyū-mochibun*);
- risks related to holding the property through trust beneficiary interests;
- risks related to properties not in operation (including properties under development);
- risks related to defective title, ground, design or construction (including with respect to piles and beams of buildings, as well as seismic and vibration insulation oil dampers) or other defects, non-conformity or problems in the properties;
- risks related to suffering impairment losses relating to the properties;
- risks related to decreasing tenant leasehold deposits and/or security deposits;
- risks related to tenants' default as a result of financial difficulty or insolvency;
- risks related to the insolvency of master lessor;
- risks related to relying on expert appraisals and engineering, environmental and seismic reports as well as industry and market data by third party experts and statistics or projections published by the Japanese government or its related entities;
- risks related to the presence of hazardous or toxic substances in the properties, or the failure to properly remediate such substances;
- risks related to the strict environmental liabilities for the properties;
- risks related to the amendment of the applicable administrative laws and local ordinances;
- risks related to investments in trust beneficiary interest;
- risks related to the tight supervision by the regulatory authorities;
- risk of non-compliance with applicable rules and regulations, including with respect to insider trading under the Financial Instruments and Exchange Act (the "FIEA") or management of personal information under the Act on the Protection of Personal Information or the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure;
- risks related to the tax authority disagreement with the AIF's understanding of Japanese tax laws and regulations;
- risks related to being unable to benefit from reductions in certain real estate taxes enjoyed by qualified J-REITs;
- risks related to changes in Japanese tax laws; and

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	<ul style="list-style-type: none"> the risk of dilution as a result of further issuances of units.
Any applicable investment restrictions	<p>JHR is subject to investment restrictions under Japanese laws and regulations (e.g., the Act on Investment Trusts and Investment Corporations (the “ITA”), the Financial Instruments and Exchange Act) as well as its articles of incorporation.</p> <p>JHR must invest primarily in specified assets as defined in the ITA. Specified assets include, but are not limited to, securities, real estate, leaseholds of real estate, surface rights (<i>chijō-ken</i>) (i.e., right to use land for the purpose of having a structure on it) or trust beneficiary interests for securities, real estate, leaseholds of real estate or surface rights.</p> <p>Furthermore, a listed J-REIT must invest substantially all of its assets in real estate, real estate-related assets and liquid assets as provided by the listing requirements. Real estate in this context includes, but is not limited to, real estate, leaseholds of real estate, surface rights, and trust beneficiary interests for these assets, and real estate-related assets in this context include, but are not limited to, anonymous association (<i>tokumei kumiai</i>) interests for investment in real estate.</p> <p>Pursuant to the ITA, investment corporations may not independently develop land for housing or to construct buildings, but may outsource such activities in certain circumstances.</p>
Circumstances in which the AIF may use leverage	<p>JHR may take out loans or issue long-term or short-term investment corporation bonds for the purpose of investing in properties, conducting repairs, paying cash distributions, repaying obligations (including repayment of tenant leasehold or security deposits, and obligations related to loans or long-term or short-term investment corporation bonds) and other activities.</p>
The types and sources of leverage permitted and associated risks	<p>Loans or investment corporation bonds. JHR currently does not have any outstanding guarantees, but may be subject to restrictive covenants in connection with any future indebtedness that may restrict the operations and limit the ability to make cash distributions to unitholders, to dispose of the properties or to acquire additional properties. Furthermore, JHR may violate restrictive covenants contained in the loan agreements JHR executes, such as the maintenance of debt service coverage or loan-to-value ratios, which may entitle the lenders or bondholders to require JHR to collateralize</p>

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	<p>the properties or demand that the entire outstanding balance be paid. Further, in the event of an increase in interest rates, to the extent that JHR has any debt with unhedged floating rates of interest or JHR incurs new debt, interest payments may increase, which in turn could reduce the amount of cash available for distributions to unitholders. Higher interest rates may also limit the capacity for short- and long-term borrowings, which would in turn limit the ability to acquire properties, and could cause the market price of the units to decline.</p>
Any restrictions on leverage	<p>The maximum amount of each loan and investment corporation bond issuance will be one trillion yen (the maximum amount of short-term investment corporation bond issuance will be 250 billion yen), and the aggregate amount of all such debt will not exceed one trillion yen.</p>
Any restrictions on collateral and asset reuse arrangements	<p>No applicable arrangements.</p>
Maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF	<p>JHR has set an upper limit of 65% as a general rule for its loan-to-value, or LTV, ratio in order to operate with a stable financial condition. JHR may, however, temporarily exceed any such levels as a result of property acquisitions or other events.</p>
Article 23(1) (b)	
Procedure by which the AIF may change its investment strategy / investment policy	<p>Amendment of the articles of incorporation. Amendment requires a quorum of a majority of the total issued units and at least a two-thirds vote of the voting rights represented at the meeting. Unitholders should note, however, that under the ITA and our articles of incorporation, unitholders who do not attend and exercise their voting rights at a General Meeting of Unitholders are deemed to be in agreement with proposals submitted at the meeting, except in cases where contrary proposals are also being submitted.</p> <p>Additionally, the guidelines of the AIFM, which provide more detailed policies within JHR's overall investment strategy and policy, can be modified without such formal amendment of the articles of incorporation.</p>
Article 23(1) (c)	
Description of the main legal implications of the contractual	<p>JHR has entered into an Agreement with Kyoritsu Maintenance Co., Ltd. for support for property acquisition, pursuant to which JHR receives information regarding the prospective sales of real estate and trust beneficiary interests for real estate.</p>

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<p>relationship entered into for the purpose of investment, including jurisdiction, applicable law, and the existence or not of any legal instruments providing for the recognition and enforcement of judgments in the territory where the AIF is established</p>	<p>JHR has entered into a Basic Agreement with Sumitomo Mitsui Trust Bank, Limited for information provision regarding sales or brokerage of income-type properties held or developed by third parties.</p> <p>In 2011, JHR succeeded to an Information Service Agreement with Goldman Sachs (Japan) Co., Ltd. pursuant to which JHR receives information regarding real estate and trust beneficial rights for real estate; this agreement was originally executed with JHR's predecessor, Japan Hotel and Resort Investment Corporation and Japan Hotel and Resort, Inc.</p> <p>All of the above agreements are governed by Japanese law.</p> <p>JHR is not involved in or threatened by any legal arbitration, administrative or other proceedings, the results of which might, individually or in the aggregate, be material.</p> <p>JHR is a corporate-type investment trust in the form of investment corporation (<i>toshi hojin</i>) provided for under the ITA. Therefore, the relationship between JHR and its unitholders is governed by JHR's articles of incorporation (as opposed to individual agreements), which can be amended from time to time upon resolution of a general unitholders' meeting. JHR's articles of incorporation stipulate rules relating to general unitholders meetings, including the convocation, setting of record date, exercise of voting rights, resolutions and election of JHR's directors.</p> <p>The relationship between JHR and its unitholders is also governed by, and is subject to the provisions of, Japanese law, including the ITA.</p> <p>The courts in Japan would recognize as a valid and final judgment any final and conclusive civil judgment for monetary claims (which, for this purpose, are limited to those of a purely civil nature and do not include monetary claims of the nature of criminal or administrative sanction, such as punitive damages, even though they take the form of civil claims) against JHR obtained in a foreign court provided that (i) the jurisdiction of such foreign court is admitted under the laws of Japan, (ii) JHR has received service of process for the commencement of the relevant proceedings, otherwise than by a public notice or any method comparable thereto, or has appeared without any reservation before such foreign court, (iii) neither such judgment nor the relevant proceeding is repugnant to public policy as applied in Japan, and (iv) there exists reciprocity as to the recognition by</p>
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such foreign court of a final judgment obtained in a Japanese court and (v) there is no conflicting judgement on the subject matter by any Japanese court.

Article 23(1) (d)

The identity of the AIFM, AIF's depository, auditor and any other service providers and a description of their duties and the investors' rights thereto

- AIFM (Asset Manager): Japan Hotel REIT Advisors Co., Ltd.
The AIFM provides services related to asset management, financing of the AIF, reporting to the AIF, asset management planning for the AIF, and other matters delegated by the AIF.
- Auditor: KPMG AZSA LLC
The Auditor audits financial statements, prepares audit reports, and reports to the supervisory directors if it finds any misconduct or any material fact that is in violation of laws and regulations or the articles of incorporation with regard to execution of the duties of the executive director.
- General Administrator (for administration), Custodian, Transfer Agent and Special Accounts Administrator: Sumitomo Mitsui Trust Bank, Limited
The General Administrator (for administration) provides administrative services related to administration of accounting matters, preparation of accounting books, tax-related services (other than those entrusted to PwC Tax Japan) and management and recording of board of directors meetings. The Custodian provides administrative services related to custody of our assets. The Transfer Agent provides administrative services related to preparation and maintenance of the unitholder registry, payments of cash distributions to unitholders, acceptance of requests for the exercise of voting rights by unitholders or any other applications from unitholders, and distribution of meeting convocation notices and other unitholder notifications and information. The Special Accounts Administrator provides administrative services, including the preparation, management and custody of the transfer account book in relation to special accounts.
- General Administrator (for investment corporation bonds): Sumitomo Mitsui Trust Bank, Limited, Mizuho Bank, Ltd., Resona Bank Limited. and MUFG Bank, Ltd.
The General Administrators provides administrative services in connection with the AIF's investment corporation bonds.
- General Administrator (for tax payment): PwC Tax Japan
The General Administrator provides tax-related administrative services.

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	<p>Service providers owe contractual obligations under their respective agreements with the AIF, as the case may be. In addition, the FIEA provides that the Asset Manager owes the AIF a fiduciary duty and must conduct its activities as the asset manager in good faith.</p> <p>The FIEA also prohibits the Asset Manager from engaging in certain specified conduct, including entering into transactions outside the ordinary course of business or with related parties of the Asset Manager that are contrary to or violate the AIF's interests.</p> <p>Pursuant to the ITA, the unitholders have the right to approve the execution or termination of the asset management agreement at a General Meeting of Unitholders.</p>
Article 23(1) (e)	
Description of how the AIFM complies with the requirements to cover professional liability risks (own funds / professional indemnity insurance)	Not applicable.
Article 23(1) (f)	
Description of any delegated management function such as portfolio management or risk management and of any safekeeping function delegated by the depositary, the identification of the delegate and any conflicts of interest that may arise from such delegations	<p>Not applicable.</p> <p>There is no delegation of such functions beyond the AIFM, which is responsible for portfolio and risk management, and the Custodian, which is responsible for safekeeping activities.</p>
Article 23(1) (g)	

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<p>Description of the AIF's valuation procedure and pricing methodology, including the methods used in valuing hard-to-value assets</p>	<p>JHR makes investment decisions based on the valuation of properties, upon consideration of the property appraisal value.</p> <p>JHR shall evaluate assets in accordance with its articles of incorporation. The methods and standards that JHR uses for the evaluation of assets shall be based on the Regulations Concerning the Calculations of Investment Corporations, as well as the Regulations Concerning Real Estate Investment Trusts and Real Estate Investment Corporations and other regulations stipulated by the Investment Trusts Association, Japan, in addition to Japanese GAAP.</p> <p>The rules of the Investment Trusts Association, Japan, emphasize market price valuation.</p>
<p>Article 23(1) (h)</p>	
<p>Description of the AIF's liquidity risk management, including redemption rights in normal and exceptional circumstances and existing redemption arrangements with investors</p>	<p>The AIFM stipulates basic provisions of risk management in its risk management rules.</p> <p>Additionally, the AIF uses various financing methods, including investment corporation bonds and long-term loans, to finance acquisitions and repayment obligations. JHR controls related risk by maintaining the ratio of interest-bearing debt to total assets under a certain percentage, diversifying repayment deadlines, and retaining a certain amount of highly liquid cash and deposits.</p> <p>For floating rate borrowings exposed to the risk of interest rate fluctuations, JHR closely monitors the movement of interest rates.</p> <p>As JHR is a closed-end investment corporation, unitholders are not entitled to request the redemption of their investment.</p>
<p>Article 23(1) (i)</p>	
<p>Description of all fees, charges and expenses and a maximum amount which is directly / indirectly borne by the investors</p>	<p><u>Compensation</u>: The articles of incorporation provide that JHR may pay its executive and supervisory officers up to 800,000 and up to 500,000 yen per month. The board of officers is responsible for determining a reasonable compensation amount for the executive and supervisory officers.</p> <p><u>Asset Manager</u>:</p> <ul style="list-style-type: none"> • Asset Management Fee: JHR will pay the Asset Manager an asset management fee as follows: <ol style="list-style-type: none"> 1. Management Fee 1

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The amount calculated by (i) multiplying the balance of total assets(*) held by JHR as of the end of March, June, September and December, (the "Calculation Record date") by an annual rate of no more than 0.35% to be separately agreed upon between the JHR and the AIFM and (ii) then prorated on a per day basis (where amounts less than one yen are rounded down), based on a year of three hundred sixty five days, for the period from the previous Calculation Record Date (not including such date) until the relevant Calculation Record Date (including such date).

(*) The total assets are the total of the cash reserves balance, the securities balance, tangible fixed assets and intangible fixed asset.

Management Fee 1 is payable within three month from the each Calculation Record date.

2. Management Fee 2

The amount calculated by multiplying Net Operating Income(*) of JHR for each fiscal period by a rate of no more than 1.0% to be separately agreed upon between JHR and the AIFM.

Provisional Management Fee 2(**) shall be paid within three months after the end of March, June and September each year, and the balance after deducting the aggregate amount of Provisional Management Fee 2 paid from accrued Management Fee 2 shall be paid within three months after the end of December. In the event that the aggregate amount of Provisional Management Fee 2 paid exceeds the amount of accrued Management Fee 2, the excess will be refunded within three months after the end of December each year.

(*) Net Operating Income is the amount calculated by subtracting real estate operating costs (not including Depreciation) from real estate operating revenue.

(**)Provisional Management Fee 2 is the amount calculated by multiplying Net Operating Income of JHR for each of three-month periods ending at the end of March, June and September each year, by a rate of no more than 1.0% to be separately agreed upon between JHR and the AIFM

3. Management Fee 3

The amount calculated by (i) dividing the total available dividend amount before deducting Management Fee 3(*) for each fiscal period of JHR by the total investment

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units issued at the end of December each year (where amounts less than one yen are rounded down.) and (ii) then multiplying the coefficient of no more than 43,000 which separately agreed upon between JHR and the AIFM. (In the event that the investment unit is split, 43,000 shall be multiplied by split ratio(**). When the investment unit is split multiple times, the same calculation shall be repeated.)

(*) Total available dividend before deducting the Management Fee 3 is the dividend amount for each fiscal period of JHR stipulated by Article 34, Clause 1 of the articles of incorporation (before deducting corporate tax, inhabitant tax and business tax, adjustment amount of the corporate tax, Management Fee 3 and its nondeductible consumption tax, etc.).

(**) Split ratio is the ratio calculated by (i) dividing the total investment units issued after split by the total investment units issued before split.

The Provisional Management Fee 3(*) shall be paid within three months after the end of March, June and September each year, and the balance after deducting the aggregate amount of Provisional Management Fee 3 paid from accrued Management Fee 3 shall be paid within three months after the end of December. In the event that the aggregate amount of Provisional Management Fee 3 paid exceeds the amount of accrued Management Fee 3, the excess will be refunded within three months after the end of December each year.

(*) Provisional Management Fee 3 is the amount calculated by (i) dividing the midterm net profit before tax for the period of three months ending at the end of March, June and September each year (before deducting Provisional Management Fee 3 and its nondeductible consumption tax) by the total investment units issued as of the end respectively of March, June and September above (where amounts less than one yen are rounded down), and (ii) then multiplying the coefficient of no more than 43,000 to be separately agreed upon between JHR and the AIFM (In the event that the investment unit is split, 43,000 shall be multiplied by the split ratio(**). When the investment unit is split multiple times, the same calculation shall be repeated.)

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(**) The split ratio is the ratio calculated by (i) dividing the total investment units issued after the split by the total investment units issued before the split.

4. Acquisition Fee

For each acquisition of a real estate-related property, the AIFM receives an Acquisition Fee. The amount of the Acquisition Fee is calculated by multiplying the acquisition price (not including consumption tax pertaining to the building etc. (stipulated by Article 39 of the articles of incorporation, the same applies hereinafter) and other acquisition costs) by a rate of no more than 0.75% to be separately agreed upon between JHR and the AIFM (where amounts less than one yen are rounded down). In the event that JHR acquires a real estate-related property from a sponsor-related party(*), such rate shall be lowered by 0.25% (stipulated in Article 36 of the articles of incorporation).

The Acquisition Fee shall be paid by the end of the month following the month of acquisition.

5. Disposition Fee

For each disposition of a real estate-related property, the AIFM receives a Disposition Fee. The amount of the Disposition Fee is calculated by multiplying the transfer price (not including consumption tax pertaining to the building etc. and the sales cost etc.) by a rate of no more than 0.5% to be separately agreed upon between JHR and the AIFM (where amounts less than one yen are rounded down). In the event that JHR sells the real estate-related property to a sponsor-related party(*), such rate shall be lowered by 0.25% (stipulated in Article 36 of the articles of incorporation).

The Disposition Fee shall be paid by the end of the month following the month of the transfer.

(*) The term "sponsor-related party" is stipulated in the AIFM's rules for transactions with sponsor-related parties, and includes (a) interested parties, etc., (b) the AIFM's shareholders, (c) companies, etc. that take a 50% or more stake in a shareholder that holds 50% or more of the shares in the AIFM, (d) companies in which a shareholder of the AIFM has a 50% or more stake, (e) entities or persons

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who ceased to fall under (a) through (d) within the last 3 months, and (f) entities or persons who are deemed appropriate by the compliance officer to be treated as sponsor-related parties in light of the AIFM's rules for transactions with sponsor-related parties and the purpose of these rules.

6. Merger Fee

In the event that JHR succeeds to the assets of another party pursuant to a merger, following the due diligence, valuation and other merger-related tasks conducted by the AIFM of such assets held by such party, the AIFM receives a Merger Fee according to the Asset Management Agreement between JHR and the AIFM. The amount of Merger Fee is calculated by (i) multiplying the appraisal value, as of the merger date, of the real estate-related assets JHR succeeds to, by a rate of no more than 0.25% to be separately agreed upon JHR and the AIFM (where amounts less than one yen are rounded down) and (ii) adding to (i) the consumption tax pertaining to the amount calculated in (i). The Merger Fee shall be paid within three months from the effective date of the merger.

Custodian/ General Administrator:

- Custodian Fee, General Administrator Fee:
 1. JHR will pay the Custodian in connection with custody.
 2. JHR will pay the General Administrator, in connection with accounting, government of the Investment Corporation, preparation of tax return, fiscal agent of investment corporation bond and other tasks agreed upon between JHR and the General Administrator.

Transfer Agent:

- Transfer Agent Fee (Standard Fee):

Standard transfer agent fees are for services such as preparation, maintenance and storage of JHR's unitholder register; preparation and reporting of the end-of-fiscal period unitholders register and unitholder statistical data.

The monthly standard fees will be the total of the amount calculated using the following table divided by 6, with a minimum monthly fee of 200,000 yen.

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Number of Unitholders	Fees per Unitholder
first 5,000 unitholders	480 yen
over 5,000 to 10,000	420 yen
over 10,000 to 30,000	360 yen
over 30,000 to 50,000	300 yen
over 50,000 to 100,000	260 yen
over 100,000	225 yen

- Other fees:

JHR pays the transfer agent other fees for various other services, including in connection with the payment of dividends.

Special Accounts Administrator

- Special Accounts Administrator Fee:

Special accounts administrator fees are for the administration of special accounts, including preparation and maintenance of a ledger related to such accounts and handling of inquiries from Japan Securities Depository Center (JASDEC). The standard fees will be the total of the amount calculated using the following table, with a minimum monthly fee of 20,000 yen.

Number of Subscribers	Fees per Subscribers
first 5,000 subscribers	150 yen
over 5,000 to 10,000	130 yen
over 10,000 subscribers	110 yen

- Other fees:

JHR pays the special accounts administrator other fees for various other services, including in connection with receipt and confirmation of requests for transfers and for processing transfers to a recipient account.

Auditor:

- Auditor Fee:

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	<p>JHR shall pay the independent auditor up to 30 million yen per fiscal period within three months after the date of the invoice from the independent auditor. The board of officers is responsible for determining the actual compensation amount.</p> <p>The AIF may also incur other miscellaneous fees in connection with property management, issuance of units, investment corporation bonds and the operation, acquisition or disposition of properties.</p>
Article 23(1) (j)	
Description of the AIFM's procedure to ensure fair treatment of investors and details of any preferential treatment received by investors, including detailing the type of investors and their legal or economic links with the AIF or AIFM	Under Article 77 paragraph 4 of the Act on Investment Trusts and Investment Corporations of Japan, which applies the requirements of Article 109 paragraph 1 of the Companies Act to investment corporations, investment corporations are required to treat unitholders equally depending on the number and content of units held. In addition, upon liquidation, the allotment of residual assets to unitholders is required to be made equally depending on the number units held under Article 77 paragraph 2 item 2 and Article 158 of the ITA.
Article 23(1) (k)	
The latest annual report referred to in Article 22(1)	Additional information may be found in our most recent annual report prepared in accordance with Article 22 of the AIFMD, which is available at the Asset Manager's office located at Ebisu Neonato, 4-1-18, Ebisu, Shibuya-ku, Tokyo 150-0013 Japan.
Article 23(1) (l)	
The procedure and conditions for the issue and sale of the units	<p>JHR is authorized under the articles of incorporation to issue up to 20,000,000 units. Its units have been listed on the Tokyo Stock Exchange since June 14, 2006. (*)</p> <p>(*) On April 1, 2012, the former Japan Hotel and Resort, Inc. merged with and into the former Nippon Hotel Fund Investment Corporation, which, as the surviving entity, changed its name to Japan Hotel REIT Investment Corporation.</p> <p>Secondary market sales and transfers of units will be conducted in accordance with the rules of the Tokyo Stock Exchange. Unit prices on the Tokyo Stock Exchange are determined on a real-time basis by the equilibrium between bids and offers. The Tokyo Stock Exchange sets daily price limits, which limit the maximum range of fluctuation within</p>

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a single trading day. Daily price limits are set according to the previous day's closing price or special quote.

Article 23(1) (m)

Latest net asset value of the AIF or latest market price of the unit or share of the AIF

JHR's unit's latest market price is publicly available at the Tokyo Stock Exchange or from financial information vendors (including Reuters, which can be viewed at <http://www.reuters.com/finance/stocks/overview?symbol=8985.T>).

Article 23(1) (n)

Details of the historical performance of the AIF, where available

The units of JHR were listed on the Tokyo Stock Exchange on June 14, 2006. The most recent five fiscal periods' performance of the units is as follows.

Fiscal period	Total Assets (JPY million)	Net Assets (JPY million)	Net Assets per unit (JPY)
23rd Fiscal Period (January 1, 2022 to December 31, 2022)	396,799	223,574	50,050
22nd Fiscal Period (January 1, 2021 to December 31, 2022)	394,323	221,542	49,595
21st Fiscal Period (January 1, 2020 to December 31, 2020)	400,296	221,201	49,570
20th Fiscal Period (January 1, 2019 to December 31, 2019)	415,722	236,522	53,004
19th Fiscal Period (January 1, 2018 to December 31, 2018)	350,556	203,372	50,705

Article 23(1) (o)

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<p>Identity of the prime broker, any material arrangements of the AIF with its prime brokers, how conflicts of interest are managed with the prime broker and the provision in the contract with the depositary on the possibility of transfer and reuse of AIF assets, and information about any transfer of liability to the prime broker that may exist</p>	<p>No applicable prime broker.</p>
<p>Article 23(1) (p)</p>	
<p>Description of how and when periodic disclosures will be made in relation to leverage, liquidity and risk profile of the assets, pursuant to Articles 23(4) and 23(5)</p>	<p>The AIFM will disclose the matters described in Articles 23(4) and 23(5) periodically through the AIF Internet website and other public disclosures.</p>
<p>Article 23(2)</p>	
<p>The AIFM shall inform the investors before they invest in the AIF of any arrangement</p>	<p>Not applicable.</p>

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made by the depository to contractually discharge itself of liability in accordance with Article 21(13)	
The AIFM shall also inform investors of any changes with respect to depository liability without delay	Not applicable.
Article 23(4)(a)	
Percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. The percentage shall be calculated as the net value of those assets subject to special arrangements divided by the net asset value of the AIF concerned	There are no assets that are subject to special arrangements arising from their illiquid nature.
Overview of any special arrangements, including whether they relate to side pockets, gates or other arrangements	There are no such special arrangements.
Valuation methodology applied to assets which are subject to such arrangements	There are no such special arrangements.
How management and performance fees apply to such assets	There are no such special arrangements.
Article 23(4)(b)	
Any new arrangements for managing the liquidity of the AIF	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
For each AIF that the AIFM manages that is not an unleveraged closed-end	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.

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<p>AIF, notify to investors whenever they make changes to its liquidity management systems (which enable an AIFM to monitor the liquidity risk of the AIF and to ensure the liquidity profile of the investments of the AIF complies with its underlying obligations) that are material in accordance with Article 106(1) of Regulation (EU) No 231/2013 (i.e., there is a substantial likelihood that a reasonable investor, becoming aware of such information, would reconsider its investment in the AIF, including because such information could impact an investor's ability to exercise its rights in relation to its investment, or otherwise prejudice the interests of one or more investors in the AIF).</p>	
<p>Immediately notify investors where they activate gates, side pockets or similar special arrangements or where they decide to suspend redemptions</p>	<p>Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.</p>
<p>Overview of changes to liquidity arrangements, even if not special arrangements</p>	<p>Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.</p>
<p>Terms of redemption and circumstances where management discretion applies, where relevant</p>	<p>JHR is a closed-end investment corporation, and unitholders are not entitled to request the redemption of their investment.</p>

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Also any voting or other restrictions exercisable, the length of any lock-up or any provision concerning 'first in line' or 'pro-rating' on gates and suspensions shall be included	There are no voting or other restrictions on the rights attaching to units.
Article 23(4)(c)	
The current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks	<p>The AIFM stipulates basic provisions of risk management in their risk management rules.</p> <p>Investment corporation bonds and long-term loans are used to finance rehabilitation obligations, acquisition of real estate and repayment of loans. These financial instruments are exposed to liquidity risk. JHR controls such risks by maintaining the ratio of interest-bearing debt to total assets under a certain percentage and diversifying repayment deadlines.</p> <p>For floating rate borrowings exposed to the risk of interest rate fluctuations, JHR, in order to reduce the impact caused by rising interest rates, closely monitors the movement of interest rates, and intends to increase the ratio of fixed rate loans compared to floating rate loans.</p>
Measures to assess the sensitivity of the AIF's portfolio to the most relevant risks to which the AIF is or could be exposed	No such measures have been implemented.
If risk limits set by the AIFM have been or are likely to be exceeded and where these risk limits have been exceeded a description of the circumstances and the remedial measures taken	No such situation has occurred.
Article 23(5)(a)	
Any changes to the maximum amount of leverage which the AIFM may employ on behalf of the AIF,	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.

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calculated in accordance with the gross and commitment methods. This shall include the original and revised maximum level of leverage calculated in accordance with Articles 7 and 8 of Regulation (EU) No 231/2013, whereby the level of leverage shall be calculated as the relevant exposure divided by the net asset value of the AIF.	
Any right of the reuse of collateral or any guarantee granted under the leveraging agreement, including the nature of the rights granted for the reuse of collateral and the nature of the guarantees granted	No such right or guarantee exists.
Details of any change in service providers relating to the above.	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
Article 23(5)(b)	
Information on the total amount of leverage employed by the AIF calculated in accordance with the gross and commitment methods	The aggregate amount of debt with interest is JPY 164,231 million as of December 31, 2022.

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**PROMOTION OF ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS – SFDR PRE-
CONTRACTUAL DISCLOSURE**

Product Name: Japan Hotel REIT Investment Corporation
 Legal Identifier: 353800L8KG849FP1JI68

Japan Hotel REIT Investment Corporation (hereafter referred to as “we”, “us” or “our”) promotes environmental or social characteristics, but does not have as its objective a sustainable investment within the meaning of article 9(1) of Regulation (EU) 2019/2088 (“SFDR”). We have no reference benchmark designated for the purposes of attaining the environmental or social characteristics promoted by our investment units.

Does this financial product have a sustainable investment objective?	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective : __% <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective : __%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments

What environmental and/or social (“E/S”) characteristics are promoted by Japan Hotel REIT Investment Corporation?

We, together with Japan Hotel REIT Advisors (the “Asset Manager”), are making efforts to enhance the sustainability of our business through consideration of ESG (Environment, Social & Governance) issues, on the belief that sound management, which enables us to co-exist in harmony with society and our environment, will improve unitholder value over the medium to long term. We and the Asset Manager established a Sustainability Policy in December 2017 and are pursuing a series of ESG measures, including reduction of our environmental impact in consideration of all of our stakeholders. In December 2021, in order to further enhance our ESG initiatives, we identified the ESG issues that we consider to be most material to us and are promoting measures to address those issues.

We have implemented various environmental initiatives including the following.

- *Reducing GHG emissions.* We aim to reduce GHG emissions by 30% per floor area in our portfolio (GHG emissions intensity) compared to FY2017 until 2050 as a long term target. As of December 31, 2022, we had installed LED lighting at 41 of our properties including Oriental Hotel Hiroshima and Oriental Hotel Okinawa Resort & Spa, inverter control devices on air conditioning units at 41 of our properties and water-saving devices at 16 of our properties. 14 of our hotels have reduced clean water

consumption by using well water. Seven of our hotels in Okinawa have reduced clean water consumption by reusing gray water as recycled water.

- *Preserving the Local Environment.* Hotel Nikko Alivila participates in beach clean-up activities every year in Yomitan, hosted by Yomitan Village in Okinawa. Nirai Beach is located in front of Hotel Nikko Alivila, which is famous for having one of the most beautiful ocean waterfronts on Okinawa's main island. The hotel staff cleans the beach every morning and conducts beach preservation activities, and as a result, visitors are able to observe sea turtles laying eggs and eggs hatching on the beach. Hotel Nikko Alivila is a member of the Sea Turtle Association of Japan.

We have implemented various social initiatives at our properties including the following.

- *Initiatives to Cope with COVID-19.* As of December 31, 2022, we provided total of nine hotels we own as facilities for accommodation and care of COVID-19 patients after the COVID-19 pandemic. As COVID-19 measures, we have installed check-in machines, acrylic boards in lobbies and automated thermometers at some of our properties. We also provide two of our hotels' banquet rooms as vaccination sites.
- *Supporting Cultural Activities and Child-rearing in Local Communities.* Based on the policy of making itself "friendly to the Earth, local community and family," Oriental Hotel Tokyo Bay proactively engages in local community events, such as local festivals and events to promote disaster preparedness. Oriental Hotel Tokyo Bay also supports local art and cultural activities by hosting an annual chapel concert and providing our space for galleries. Oriental Hotel Tokyo Bay is also dedicated to supporting child care such as through cooperation with an after-childbirth support project sponsored by Urayasu City to provide physical and mental health care to mothers and their babies. In 2010, the hotel received the Kids Design Award, co-sponsored by the Kids Design Association, a non-profit organization that aims to enhance safety for children and create a society that enables their healthy growth, and the Ministry of Economy, Trade and Industry of Japan, the first for a hotel in Japan.
- *Safety Measures for Local Communities.* Okinawa Marriott Resort & Spa donates to MESH support, a non-profit organization that operates helicopter emergency medical services in the northern area of Okinawa, which is a medically depopulated area. Okinawa Marriott Resort & Spa also supports its local community by opening its pool for life-saving training offered to primary school students.
- *Initiatives for HR Development.* To help development of its real estate management professionals, the Asset Manager supports them in acquiring professional certifications such as ARES (Association for Real Estate Securitization) Certified Master, an educational program that teaches practical, specialized knowledge in the real estate and finance fields, for all officers and employees. We cover the full cost of participation in training relating to practical knowledge, industry trends and compliance. As of December 31, 2022, 15 employees had been certified as real estate brokers, two employees had been certified as real estate appraisers, three employees had been certified as a building administrator registered with the Japanese Building Management Institute as a specialist in building administration, two employees had been certified as official real estate consulting masters registered with Real Estate Transaction Promotion Center with knowledge and expertise for real estate consulting and 11 employees had been certified as ARES Certified Masters.
- *Initiatives for Employee Health and Well-being.* The Asset Manager has established a Health Committee to improve standards of health for employees and promote wellness. The committee, which meets once a month, reviews employee health-related matters, including the status of work performed by all employees and the well-being and safety of the work environment. After each committee meeting, advice from an occupational health physician, who is a member of the Health Committee, is distributed to all employees. The Asset Manager subsidizes the costs of annual physical exams and flu shots. The Asset Manager also allows our employees to consult with an occupational health physician about mental health issues as needed.

- *Respect for Human Rights, Diversity and Equality of Opportunities.* Internal rules of the Asset Manager explicitly prohibit discrimination based on ethnicity, religion, gender, age, origin or nationality. Through compliance training, we promote respect for diversity of perspectives and values and raise awareness to eliminate discrimination and harassment.
- *Whistleblowing.* The Asset Manager has established whistleblower rules and a whistleblowing hotline that allows its officers and employees (including contract and temporary employees) to report or consult about potential harassment, fraud or other inappropriate acts. In accordance with the Whistleblower Protection Act of Japan, the rules protect whistleblowers by prohibiting mistreatment upon whistleblowing, allowing anonymous reports and keeping whistleblowers' reports confidential, and stipulate procedures to find and correct reported acts, including investigation methods and disciplinary actions for those who are found to have engaged in inappropriate behavior. In addition to an in-house contact, a whistleblower may consult an outside attorney who has no business relationship with the Asset Manager.
- *Communication with Employees.* The Asset Manager conducts a biannual employee satisfaction survey to consider and implement improvement measures. The Asset Manager also organizes workshops that both senior level and junior level employees attend to discuss our branding strategy and share values with each other, with the aim of becoming a better company through two-way communication between management and employees. The Asset Manager also takes into consideration proposals for workplace improvement that we learn from employees during those workshops.
- *Contribution to an Inclusive Society.* The Asset Manager has introduced a re-employment system for employees aged 60 and over who wish to continue working. The Asset Manager has established a labor environment where senior personnel may remain active after the official retirement age by leveraging their work experience and expertise.

What sustainability indicators are used to measure the attainment of the E/S characteristics promoted by Japan Hotel REIT Investment Corporation?

We use the following indicators to measure the attainment of the E/S characteristics we promote.

- *Environmental Certification.* In order to ensure the credibility of our initiatives aimed at reducing our environmental impact, we have obtained green building certifications from third-party experts such as the Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) for Buildings and Building-Housing Energy-efficiency Labeling System (“BELS”) Evaluation. As of December 31, 2022, we had acquired “B+: Good” from CASBEE for two of our properties as well as two stars out of BELS’ five-star ranking system for one of our properties and its highest rating, five stars, for one of our properties (“Green Certified Assets”).
- *GRESB Real Estate Assessment.* The GRESB, established in 2009, validates ESG performance data and provide benchmarks for measuring real estate companies’ and institutional investors’ commitment to sustainability. Leading European, U.S., and Asian institutional investors use these benchmarks in selecting investment targets. We have participated in the GRESB Real Estate Assessment since 2018 and have acquired “Green Star,” which is given based on evaluation of the management component, which evaluates policies and organizational structure for ESG promotion, and the performance component, which assesses environmental performance and tenant engagement of properties owned, for five consecutive years. We were also selected as “Sector Leader” in the Asian Hotel Sector for three consecutive years since 2020.
- *SMBC Environmental Assessment Loan.* The SMBC Environmental Assessment Loan is a loan provided by Sumitomo Mitsui Banking Corporation based on environmental assessment conducted by the Japan Research Institute, Limited, which reviews the borrower’s environmental management comprehensively based on four criteria: (i) awareness of environmental load; (ii) extent of environmental conservation measures and results; (iii) its environmental management system; and (iv) initiatives for environmental communication and environmental business. We received an “A” grade under the SMBC Environmental Assessment in March 2018.

- *Task Force on Climate-related Financial Disclosures (“TCFD”)*: The TCFD was established by the Financial Stability Board (FSB) to develop recommendations for more effective climate-related disclosures. In November 2021, the Asset Manager expressed support for the TCFD recommendations, which are designed to help companies provide better information to support informed capital allocation, and joined the TCFD Consortium, an organization comprised of Japanese companies that support the recommendations and discuss initiatives aimed at effective information disclosure by companies and linking of disclosed information to appropriate investment decisions by financial institutions. In August 2022, we disclosed the initiatives for the four disclosure themes recommended by the TCFD, including the degree of financial impact based on climate change-related scenario analysis.
- *Tracking of environmental performance data.* The Asset Manager tracks and monitors data on energy consumption, CO2 emissions, water use and generated waste of our HMJ Group hotels.

	Unit	April 2018 – March 2019	April 2019 – March 2020	April 2020 – March 2021	April 2021 – March 2022	
Number of properties		13	14	14	16	
Total floor area	m ²	372,607.95	437,515.71	437,515.71	463,368.64	
Energy	Usage	MWh	139,056	163,812	110,837	129,780
	Emissions intensity	MWh/m ²	0.3732	0.3744	0.2533	0.2801
CO2	Emissions	tCO2	47,633	51,547	36,187	41,219
	Emissions intensity	tCO2/m ²	0.1278	0.1178	0.0827	0.0890
Water	Usage	thousand m ³	1,476	1,509	770	877
	Emissions intensity	thousand m ³ /m ³	0.0040	0.0034	0.0018	0.0019
Waste	Emissions	t	3,458	4,879	2,898	2,825
	Emissions intensity	t/m ²	0.0093	0.0112	0.0066	0.0061
	Recycled Amount	t	876	1,689	1,125	1,035
	Recycle Ratio	%	25%	35%	39%	37%

Note 1 Stating numbers for hotels leased to Hotel Management Japan Co., Ltd. and its subsidiaries (hereinafter called "HMJ Group Hotels") owned by JHR at end of each period.

Note 2 Amount of CO2 emissions are calculated based on "Institution of calculation, reporting and disclosure of amount of emissions by greenhouse effect gas" established by Ministry of the Environment.

Note 3 Numbers may change due to revision of aggregation method.

Principal Adverse Impacts

Does Japan Hotel REIT Investment Corporation take into account principal adverse impacts on sustainability factors?

We collect on an ongoing basis select information on our existing portfolio regarding the principal adverse impact indicators, including exposure to fossil fuels through investment assets, exposure to energy-inefficient investment assets and GHG emission intensity. We aim to manage the risk connected to principal adverse impacts from our investment decisions in several ways, including general screening criteria and due diligence.

- *Exposure to fossil fuels through assets.* We do not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.
- *Exposure to energy-inefficient investment assets.* We consider properties other than the properties that have received any of the green building certifications to be energy-inefficient. As described in more detail above, we implement as appropriate measures to reduce the environmental impact of these properties and believe such engagement leads the acquisition of environmental certifications.
- *GHG emission intensity.* Total GHG emissions generated by properties leased to HMJ Group hotels (60.5% of our portfolio based on gross floor area) were 47,633 t-CO₂ (in 2018), 51,547 t-CO₂ (in 2019), 36,187 t-CO₂ (in 2020), and 41,249 t-CO₂ (in 2021). We aim to reduce GHG emission by 30% per floor area in our portfolio (GHG emissions intensity) compared to FY2017 until 2050 as a long term target. .

We consider, both at the entity-level (i.e., the Asset Manager) and at the fund-level (i.e., Japan Hotel REIT Investment Corporation), principal adverse impacts of our investment decisions on sustainability factors. Under the Investment Trust Act of Japan, Japan Hotel REIT Investment Corporation is prohibited from having any employees and is required to outsource asset management to a third party. Accordingly, as discussed in detail elsewhere, any consideration at the fund-level of principal adverse impacts of our investment decisions on sustainability is principally conducted by the Asset Manager, subject to approval of our Board of Directors. In addition to the Asset Manager's contractual obligations to Japan Hotel REIT Investment Corporation under the asset management agreement, the Financial Instruments and Exchange Act of Japan provides that the Asset Manager owes Japan Hotel REIT Investment Corporation a fiduciary duty in conducting its activities, including making investment decisions informed by sustainability considerations.

We believe that investment decisions that negatively affect climate or other environment-related resources, or have negative implications for society, can have a significant impact to risk and value creation for our unitholders. To this end, we consider the principal adverse impacts of our investment decisions on the above sustainability factors throughout all major steps of the investment decision and management process throughout the lifecycle of the properties in our portfolio.

Investment Strategy

What investment strategy does Japan Hotel REIT Investment Corporation follow?

We are a J-REIT that specializes in investment in hotels. Our basic investment thesis is to achieve steady growth and stable revenue over the medium to long term. We aim to maximize unitholder value by acquiring highly competitive hotels in areas with strong demand from both domestic and inbound leisure customers.

We issue green bonds that take into consideration ESG factors as follows.

- *Green Bond Framework.* We may issue green bonds in accordance with the Green Bond Principles (2018) established by the International Capital Markets Association, which are intended to support issuers in financing environmentally sound and sustainable projects that foster a net-zero emissions economy and

protect the environment, as well as the Green Bond Guidelines (2017) established by the Ministry of the Environment of Japan aiming at maintaining credibility in the environmental effects of green bonds. We issued our twelfth unsecured investment corporation bonds in July 2019 under this framework (“2019 Green Bond Framework 2019”). We and the Asset Manager believe that continued issuances of green bonds will not only lead to strengthen our financing base, but also will contribute to the expansion of ESG investment opportunities.

- *Eligibility Criteria.* We established the eligibility criteria with respect to use of proceeds (as described below) under our 2019 Green Bond Framework, which obtained Green 1, the highest green bond rating, from Japan Credit Rating Agency (“JCR”).
- *Use of Proceeds.*
 - (i) Refinancing renovation cost of Oriental Hotel Fukuoka Hakata Station (formerly Hotel Centraza Hakata) meeting the following criteria:
 - investment in and construction of equipment which can reduce CO2 emissions such as air conditioning units and use of electricity, or
 - investment in and construction of equipment which can otherwise contribute to the environment, such as through reduction of water usage
 - (ii) Renovation of hotels other than Oriental Hotel Fukuoka Hakata Station meeting the following criterion:
 - renewal of air conditioning units and other equipment which can reduce CO2 emissions by at least 10%

In order to implement initiatives continuously and systematically based on our Sustainability Policy, the Asset Manager has established the ESG Promotion Committee, which generally meets at least once every quarter, to establish targets and measures to be undertaken, assess the progress and conduct sustainability training for officers and employees. The Sustainability Policy will be reviewed and revised by the ESG Promotion Committee as necessary. Any revision to the Sustainability Policy will be reported to our Board of Directors.

The ESG Promotion Committee consists of the Asset Manager’s management and officers and employees chosen from various groups involved in promoting ESG, with the President & CEO acting as the chair and the Director & Head of Finance and Planning acting as the operating officer.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the E/S characteristics promoted by Japan Hotel REIT Investment Corporation?***

When the Investment and Operation Committee and the Compliance Committee of the Asset Manager make a decision to invest in a property (subject to the approval of the Board of Directors of the Asset Manager), findings about the property on the sustainability considerations are incorporated into the overall investment proposal. To the extent possible, the Committees generally exclude investment proposals with the following ESG issues: (i) the level of asbestos in the property, after removal or treatment, exceeds the maximum level permitted under applicable environmental law; (ii) the usage and disposal of PCB-containing machines in the property are not properly handled in accordance with relevant law; (iii) soil contamination, after treatment, exceeds the maximum level permitted under applicable environmental law. In addition, when we select assets for investment in connection with our green bonds, the properties must meet the eligibility criteria. The eligible assets are evaluated and selected by the Asset Manager’s finance department after discussion with internal engineers, in accordance with the targets set by Asset Manager’s ESG Promotion Committee (“Green Projects”). The Green Projects must be approved by the Asset Manager’s Investment and Operation Committee and Board of Directors, and then reported to our Board of Directors.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Prior to our investment in a property, the Asset Manager conducts due diligence review of the property, including the assessment of compliance with applicable environmental laws and ordinances, environmental performance and environmental and disaster risks, as well as investigation into hazardous substances and soil contamination. We do not consider investing in properties that do not meet the standards for soil contamination and other environmental contamination in accordance with the Air Pollution Control Act and the Soil Contamination Countermeasures Act of Japan and other environmental laws and ordinances. However, from time to time we acquire properties not meeting the standards as long as they are deemed fixable promptly after acquisition.

- ***What is the policy to assess good governance practices of the investee companies and Japan Hotel REIT Investment Corporation?***

We invest directly or indirectly through trust beneficiary interests in real estate. Therefore, due diligence (including the assessment of good governance practices) in relation to investee companies is not applicable to us.

We, along with the Asset Manager, have introduced the following measures to assess and enhance our governance systems:

- *Initiatives to Prevent Conflicts of Interest.* The Asset Manager has formulated a decision-making process that is stricter than what is required by law. In particular, in addition to interested parties stipulated by applicable law, the Asset Manager specifies “sponsor-related parties”, including the Asset Manager’s shareholders and their subsidiaries, which are subject to detailed standards and procedures. Certain transactions with sponsor-related parties require a resolution of the Board of Directors of the Asset Manager and a resolution of our Board of Directors in addition to deliberation and approval by the Investment and Operation Committee and the Compliance Committee of the Asset Manager.
- *Risk Management.* The Asset Manager has established a risk management system for the purpose of ensuring sound management and performing appropriate risk management as a financial instruments business operator. In addition, the Asset Manager’s Board of Directors has established a risk management policy and strategic objectives and supervises the development of an appropriate risk management system.
- *Internal Audit.* The Asset Manager conducts annual internal audits at least once a year, in order to evaluate its risk management. Once the internal audit is completed, the compliance officer, who serves as the chief controller of internal audit, reports the audit results to the President of the Asset Manager, Compliance Committee and the audited departments. The chief controller of internal audit also reports to the Board of Directors as necessary. The chief controller of internal audit quarterly reviews the progress made on matters for improvement indicated by internal audits and reports the results to the President and Compliance Committee.

We also make the following ongoing disclosures related to our Green Bond Framework. We disclose the allocation status of the funds raised through Green Bonds and environmental KPI once a year on our website until the redemption date of the Green Bonds.

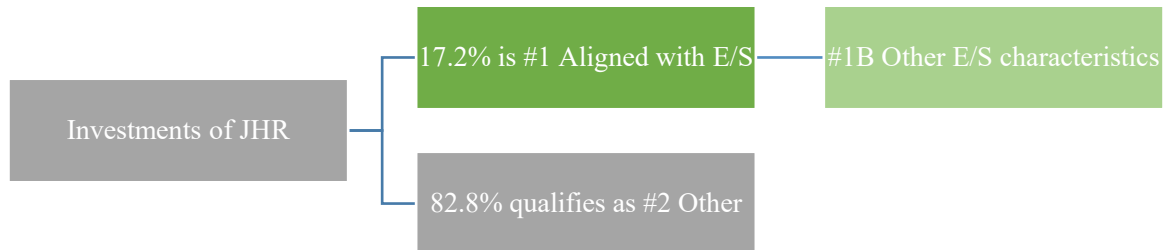
- *Impact Reporting.* We annually disclose the following quantitative environmental performance indicators as of March 31 on our website for our properties leased to HMJ Group (60.5% of our portfolio based on gross floor area).

- Electricity consumption
- CO₂ emissions
- Water consumption
- Waste generation

Asset Allocation

What is the asset allocation planned for Japan Hotel REIT Investment Corporation?

We use BELS and CASBEE for the environmental certification of the properties in our portfolio. We call our property that receives any such certifications as “Green Certified Asset”. As of December 31, 2022, 17.2% of the properties in our portfolio were Green Certified Assets, and 82.8% were noncertified assets based on gross floor area. The percentage of Green Certified Assets in our portfolio is not high mainly due to a limited number of green certification organization in Japan that review and issue green certifications to hotel properties. We track and monitor the property-level environmental performance indicators of our properties leased to HMJ Group (60.5% of our portfolio based on gross floor area) including the Green Certified Assets, to assess the environmental performance of our portfolio. Our climate change-related targets are as follows: reduce GHG emission intensity by 30% per floor area in our portfolio compared to FY2017 until 2050.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

How does the use of derivatives attain the environmental or social characteristics promoted by Japan Hotel REIT Investment Corporation?

Not applicable.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable.

- ***Does the financial product invest in fossil gas and/or nuclear energy-related activities that comply with the EU Taxonomy?***

Not applicable. JHR does not invest in real estate assets involved in fossil gas and/or nuclear energy-related activities.

- ***What is the minimum share of investments in transitional and enabling activities?***

Not applicable.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable.

What is the minimum share of socially sustainable investments?

Not applicable.

What investments are included under “#2 Other,” what is their purpose and are there any minimum environmental or social safeguards?

As discussed in detail above, we invest in properties that have been subjected to ESG-related due diligence review and risk assessment. We do not consider investing in properties that do not meet the standards for environmental contamination in accordance with the applicable environmental laws and ordinances, unless deemed fixable promptly after acquisition.

How will sustainable investments contribute to a sustainable objective and not significantly harm any other sustainable investment objectives?

There are no assets specifically earmarked as having a sustainable objective and as such, no calculation is required to be made as to whether any individual asset does significant harm to any sustainable investment objective as referred to in the SFDR. Nevertheless, our sustainable investment objective is consistently integrated and monitored in the management of the assets.

We have instituted a number of initiatives, at both the portfolio level and the property level, to promote E/S characteristics. Such initiatives include the following.

- ***Climate Change Initiatives.*** We monitor environmental performance, such as energy consumption, CO2 emissions and water consumption, and strive to improve continuously improve our performance. Our climate change-related targets are as follows: reduce GHG emission intensity by 30% per floor area in our portfolio compared to FY2017 until 2050.
- ***Energy Saving Initiative.*** We actively promote the efficient use of energy by making capital investments in our properties and implementing measures to conserve energy. As of December 31, 2022, we had installed LED lighting at 41 of our properties including Oriental Hotel Hiroshima and Oriental Hotel Okinawa Resort & Spa., and had installed inverter control devices on air conditioning units at 41 of our properties and water-saving devices at 16 of our properties. 14 of our hotels have reduced clean water consumption by using well water. Seven of our hotels in Okinawa have reduced clean water consumption by reusing gray water as recycled water. We have included in our leases with HMJ Group hotels Green Lease provisions that require our tenants to collect energy consumption data and provide them to us (16 properties, equal to 60.5% of our portfolio based on gross floor area, as of December 31, 2022). We analyze the data provided by our tenants and consider renovation options to improve environmental performance and optimize facilities management.

Index as Reference Benchmark

Is a specific index designated as a reference benchmark to determine whether Japan Hotel REIT Investment Corporation is aligned with the environmental or social characteristics that it promotes?

Our investment units have been included in the Nikkei ESG-REIT index (“Nikkei Index”), which was newly established in 2020, since its establishment. The Nikkei Index is composed of Tokyo Stock Exchange-listed J-REITs weighted by market capitalization adjusted for ESG considerations, including GRESB ratings. The index is reviewed annually for inclusion or exclusion every November. We use the Nikkei Index only as a reference benchmark for performance comparison and market context purposes.

How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by Japan Hotel REIT Investment Corporation and with the investment strategy?

Not applicable.

How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

Not applicable.

How does the designated index differ from a relevant broad market index?

See above.

More Product-specific Information

Where can I find more product-specific information online?

More product-specific information can be found on the website: <https://www.jhrth.co.jp/en/esg/index.html>.

Note Regarding the EU Taxonomy Regulation

As set out above, we promote certain environmental characteristics.

The Asset Manager is required, under Regulation (EU) 2020/852 (the “EU Taxonomy Regulation”), to disclose whether its assets are aligned with the environmental objectives formulated in the EU Taxonomy regulation. The EU Taxonomy Regulation is to be complemented by technical standards and screening criteria which are currently developed. The technical screening criteria for the first two environmental objectives (climate change mitigation and climate change adaptation) were adopted in December 2021. They apply as of January 1, 2022.

We invest in economic activities that are eligible under the EU Taxonomy Regulation in respect of climate change mitigation and/or climate change adaptation. This means that screening criteria for these investments have been or will be developed. The Asset Manager expressly states that in view of the fact that the regulations are still under development or have only recently been adopted and the fact that, as a result thereof, data on alignment of our investments with these environmental objectives and climate related goals in line with EU Taxonomy Regulation are not sufficiently available, the Asset Manager is not currently in a position to disclose on an accurate and reliable basis to what extent our investments technically qualify as Taxonomy-aligned or “environmentally sustainable” within the specific meaning of the EU Taxonomy Regulation. Our investments may have a positive contribution to these environmental objectives and may therefore eventually be considered Taxonomy-aligned, but at this stage, the Asset Manager is required to state that there is no minimum proportion of our investments that qualify as such.

The Asset Manager further states that the “do no significant harm” principle applies only to those investments underlying the financial product that takes into account the EU criteria for environmentally sustainable economic activities. The investments underlying the other portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Integration of Sustainability Risks in the Investment Decisions, and the Impact of Such Risks on the Returns of Japan Hotel REIT Investment Corporation (SFDR Article 6 Disclosure)

We have established the ESG Promotion Committee, which generally meets at least once every quarter, to establish targets and measures to be undertaken, assess the progress and conduct sustainability training for officers and employees. The ESG Promotion Committee consists of the Asset Manager's management and officers and employees chosen from various groups involved in promoting ESG, with the President & CEO acting as the chair and the Board Director & Head of Finance and Planning acting as the operating officer.

Under this organizational structure, we have instituted a number of initiatives to promote E/S characteristics. Such initiatives include climate change initiatives, initiatives for saving/reducing energy consumption, local community initiatives, and initiatives for employees'/tenant's initiatives.

In order to conduct sustainable asset management while maximizing the value of our properties, we have taken into consideration ESG factors in our investment and asset management processes. In addition, we have established a Green Bond Framework in relation to fund procurement. Our Sustainability Policy clearly states that we consider the environment and stakeholders such as members of local communities surrounding our properties, and we request our hotel tenants to cooperate with our sustainability initiatives. We consider environmental and social factors when procuring products and services.

While sustainability issues will severely impact our business activities, we believe that such issues may also become potential business opportunities to create new value for sustainable growth. Accordingly, we position our commitment to sustainability as one of the top priorities in our management strategies. We also believe that integrating sustainability factors alongside traditional financial and operational metrics in our investment decision process helps us make a more holistic assessment of a property's risks and opportunities and is commensurate with the pursuit of superior risk-adjusted returns. In other words, we believe that if we fail to consider ESG factors enough in the investment decision-making process, it may cause the increase of capital cost and even reduce investors' returns. If our ESG initiatives are not sufficient, our investment units may be excluded from ESG stock indices or may be excluded from investment by investors who use the status of ESG initiatives as one of their investment criteria. As a result, the investment unit price may be adversely affected. We are exposed to the following risks in particular.

Transition risks and Physical risks

In order to examine the impact of climate-related risks and opportunities on the JHR's business, strategy and financial plan, we conducted scenario analysis using the 4°C and 1.5°C scenarios. In the scenario analysis, we refer to the Fifth Assessment Report published by the IPCC (Intergovernmental Panel on Climate Change of the United Nations) and World Energy Outlook 2020 published by the IEA (International Energy Agency) to analyze the impact on JHR's business by measures such as Japanese government's "Carbon Neutral Declaration" in mind for the transition of the social economy to decarbonization and the increasingly serious and frequent occurrence of natural disasters due to the progress of climate change.

Scenario	Transition risk	Physical risk
4°C Scenarios	STEPS (IEA WEO2020)	RCP8.5 (IPCC Fifth Assessment Report)
1.5°C Scenarios	NZE2050 (IEA WEO2020)	RCP2.6 (IPCC Fifth Assessment Report)

For each of the above 4°C and 1.5°C scenarios, we have evaluated the magnitude of the financial impacts on JHR which will be caused by the identified risks and opportunities. For each scenario, we evaluated the impact in the years 2025 (short-term), 2030 (medium-term) and 2050 (long-term) on a scale of large, medium and small. The accuracy of this assessment is not guaranteed, as it is a relative impact assessed based on a qualitative analysis and includes various factors such as uncertain assumptions and unknown risks over the medium to long term. A summary of the results is shown in the table below.

Category	Risk and Opportunity Factors	Financial Impact								Initiatives and Countermeasures
		Changes	Classification	4°C			1.5°C			
				Short-Term	Mid-Term	Long-Term	Short-Term	Mid-Term	Long-Term	
Transition Risks										
Policy and Legal	Strengthening taxation on GHG emissions through the introduction of a carbon tax	Increase in tax burden on GHG emissions from properties under management	Risks	Minor	Minor	Minor	Minor	Moderate	Major	<ul style="list-style-type: none"> • Switch to equipment with superior environmental performance • Consider introduction of renewable energy • Third-party verification of aggregated environment data (energy, GHG, water and waste)
	Expansion and mandate of labeling systems related to energy efficiency and sustainability initiatives for buildings	Rise in expense of acquiring environmental certification	Risks	Minor	Minor	Minor	Minor	Moderate	Moderate	
Technology	Evolution and diffusion of renewable energy and energy-saving technologies	Increase in expenses for introducing new technology for equipment in properties under management	Risks	Minor	Minor	Minor	Minor	Minor	Moderate	<ul style="list-style-type: none"> • Survey the latest technology and estimate the effect by introducing equipment with the latest technology • Introduce water-saving devices, reduce sewage and wastewater by introducing ECO-cleaning, and use LED lights
		Reduction of utility costs through the introduction and replacement of equipment with high energy-saving performance	Opportunities	Minor	Minor	Minor	Minor	Minor	Moderate	
Market and Reputation	Changes in the investment attitude and investment and financing decisions of market participants	Deterioration of financing conditions and increase in financing costs due to delay in response to climate change	Risks	Minor	Minor	Minor	Minor	Minor	Moderate	<ul style="list-style-type: none"> • Disclose information with ESG disclosure framework (TCFD, etc.). Set targets and implement initiatives in line with government policies • Consider introduction of renewable energy • Promote energy saving through periodic facility renovations and
		Increase funding volume and lower funding costs by responding to and appealing to investors who are concerned about	Opportunities	Minor	Minor	Minor	Minor	Minor	Moderate	

		environmental issues									conduct tenant satisfaction surveys
	Change in demand from hotel lessees and hotel guests (avoiding properties that are less climate-responsive)	Decrease in rents due to increased costs for responding to the demands of hotel lessees, etc. and hotel users (guests) and deterioration of reputations due to non-response	Risks	Minor	Minor	Minor	Minor	Minor	Minor	Moderate	<ul style="list-style-type: none"> Obtain environmental certifications (SMBC eco-certification, BELS and CASBEE) Issue green bonds, etc.
		Increase market recognition and market competitiveness as an eco-friendly property	Opportunities	Minor	Minor	Minor	Minor	Minor	Moderate	Moderate	
Physical Risks											
Acute	Damage to property caused by typhoons and other wind damage	Increase in repair and insurance costs, loss of sales opportunities and lower occupancy rates	Risks	Minor	Minor	Moderate	Minor	Minor	Minor		<ul style="list-style-type: none"> Check hazard maps Mitigate damage by strengthening facilities, prepare BCP manuals, and conduct disaster training
	Floods of nearby rivers and rainfall inundation caused by torrential rains, etc.	Increase in repair and insurance costs, loss of sales opportunities and lower occupancy rates	Risks	Minor	Minor	Moderate	Minor	Minor	Minor		<ul style="list-style-type: none"> Mitigate damage by strengthening facilities
Chronic	Increase in demand for air conditioning due to increase in extreme weather conditions such as extremely hot and cold weather	Increase in utility costs, as well as maintenance and repair costs	Risks	Minor	Minor	Moderate	Minor	Minor	Minor		<ul style="list-style-type: none"> Promote energy savings through facility reno

The definitions of “transition risks” and “physical risks” are as follows:

“Transition risks”: Business impacts arising from the economy’s transition to a low-carbon, decarbonized economy

- Policy and Legal Risks : Risks arising from the tightening of policies and regulations to promote decarbonization
- Technology risks : Risks associated with the development of new low-carbon and decarbonization technologies and their widespread adoption
- Market risks : Risks related to markets, such as energy price volatility and changes in demand for services
- Reputational risks : Risks associated with a deterioration of reputation among stakeholders, including customers, the public, employees and investors

“Physical risks”: Business impacts resulting from climate change and shifts from traditional climate patterns and phenomena

- Acute physical risks : Risks arising from sudden weather phenomena such as typhoons and floods
- Chronic physical risks : Risks arising from long-term changes in climate patterns that may cause rising sea levels or chronic heat waves

Social and governance risks

We are exposed to the risk that any of our hotels will become subject to a serious public criticism regarding any social or governance aspect of the hotel that makes our holding of the hotel inconsistent with our ESG policy. We view this risk as a low-level risk because we test each of our hotels against our ESG policy on an ongoing basis and, in case of non-compliance with our ESG policy, promptly take measures to rectify the non-compliance upon consultation with independent experts as necessary.