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REIT Issuer:

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Notice Concerning Difference between Operating Forecast and Actual Result for  
the Midterm of the Fiscal Year Ending December 2019 (20th Period), and  
Revision of Operating Forecast for the Fiscal Year Ending December 2019 (20th Period)

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you of the difference between the operating forecast for the midterm of the fiscal year ending December 2019 (January 1, 2019 through December 31, 2019), which was announced in the “Financial Report for the Fiscal Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018),” dated February 20, 2019 and the actual results announced today. JHR also informs you the revision of operating forecast for the full year of the fiscal year ending December 2019 (January 1, 2019 through December 31, 2019) based on JHR’s recent business performance as follows.

1. Difference between the operating forecast and the actual results for the midterm of the fiscal year ending December 2019 (January 1, 2019 through June 30, 2019)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Previous forecast (A)	JPY1M 12,765	JPY1M 7,186	JPY1M 6,155	JPY1M 6,154	JPY —	JPY —
Actual (B)	JPY1M 12,719	JPY1M 7,293	JPY1M 6,354	JPY1M 6,353	JPY —	JPY —
Variance (C) = (B) – (A)	JPY1M (45)	JPY1M 106	JPY1M 198	JPY1M 198	JPY —	JPY —
Variance ratio (D) = (C) / (A)	% (0.4)	% 1.5	% 3.2	% 3.2	% —	% —

Note: This document is intended to serve as a press release to make available the information on the difference between the operating forecast and actual results for the midterm of the fiscal year ending December 2019 (20th Period), and revisions to the operating forecast and forecast of dividend for the fiscal year ending December 2019 (20th Period). This document should not be construed as a solicitation of investment in investment units or other instruments of JHR. Prospective investors are advised to make any investment decisions at their own risk and responsibility.

2. Revision of Operating forecast for the full fiscal year ending December 2019  
(January 1, 2019 through December 31, 2019)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Previous forecast (A)	JPY1M 28,876	JPY1M 17,371	JPY1M 15,274	JPY1M 15,273	JPY 3,686	JPY —
Revised forecast (B)	JPY1M 28,666	JPY1M 17,227	JPY1M 15,274	JPY1M 15,273	JPY 3,686	JPY —
Variance (C) = (B) – (A)	JPY1M (210)	JPY1M (143)	JPY1M 0	JPY1M 0	JPY —	JPY —
Variance ratio (D) = (C) / (A)	% (0.7)	% (0.8)	% 0.0	% 0.0	% —	% —

(Reference) Forecast of net income per unit for the full fiscal year: ¥3,444

(Calculated based on the average number of investment units during the period (4,434,849 units))

- (\*1) Dividend per unit is calculated based on the number of investment units issued as of today: 4,462,347 units.
- (\*2) The source of the dividend payment is planned to be the total amount of net income, plus the reversed amount of the reserve for temporary difference adjustment (¥1,177 million).
- (\*3) For the assumptions of the operating forecast and dividend forecast above, please refer to “<Reference Information 1> Assumptions of the operating forecast for the fiscal year ending December 2019 (20th period)” below.
- (\*4) Amounts are rounded down to the nearest millions of yen and percentages are rounded off to the nearest first decimal place. The same shall apply hereinafter.

3. Rationale for revisions to the operating forecast

(1) Comparison of operating forecast for the midterm of the fiscal year ending December 2019 (January 1, 2019 through June 30, 2019) with the previous forecast

Although fixed rent, etc. increased by ¥63 million due to increase in rent of hotel, office and commercial tenants, variable rent, income from management contracts and revenue sharing decreased by ¥109 million. As a result, operating revenue decreased by ¥45 million from the previous forecast.

On the other hand, operating expenses decreased by ¥152 million due to reduction of various expenses related to properties and reviewing the schedule of implementation of repair work, etc. to move the works to the second half of the year. Moreover, financial costs also decreased by ¥82 million. As a result, net income increased by ¥198 million from the previous forecast.

(2) Comparison of operating forecast for full fiscal year ending December 2019 (January 1, 2019 through December 31, 2019) with the previous forecast

Although fixed rent, etc. are expected to increase by ¥112 million due to increase in rent of hotel, office and commercial tenants, variable rent, income from management contracts and revenue sharing are expected to decrease by ¥323 million. As a result, operating revenue is expected to decrease by ¥210 million from previous forecast.

On the other hand, as a result of reviewing various expenses related to properties and other operating expenses, etc., JHR expects a decrease in operating expenses of ¥66 million and a decrease in financial costs of ¥134 million. As a result, there is no change is expected for net income from the previous forecast.

For details of the operating results of hotels with variable rent, etc., please refer to “<Reference Information 3> Hotel operation indexes, sales and GOP (Note)” below.

(Note) GOP is gross operating profit, which is the remainder after operating expenses are deducted from total hotel sales. Operating expenses are expenses such as personnel costs and general and administrative expenses, etc. incurred from hotel operation. The same shall apply hereinafter.

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#### 4. Highlights of the operating forecast and forecast of dividend

- (1) Comparison with the operating forecast and forecast of dividend (previous forecast) for the full fiscal year ending December 2019, which was released in the “Financial Report for the Fiscal Year Ended December 31, 2018(January 1, 2018 – December 31, 2018)” dated February 20, 2019, and the major factors causing the variance

(Unit: JPY MM)

		FY12/2018 (19th Period)		FY12/2019 (20th Period)		(reference)		Comparison with the Previous Forecast (B)-(A) %	Factors Causing Variance
		Actual	Previous Forecast (A)	Forecast This Time (B)	Forecast This Time (annualized effect) (*1)				
Properties	No. of Properties	41	43	43	43	-			
	Acquisition Price	309,370	374,508	374,508	374,508	-			
Profit and Loss	Operating Revenue	28,253	28,876	28,666	29,527	(210)	(0.7%)		
	Real Estate Operating Revenue	26,318	28,876	28,666	29,527	(210)	(0.7%)		
	Fixed Rent, etc.	Composition 56.2% 14,788	Composition 58.8% 16,989	Composition 59.7% 17,102	Composition 60.8% 17,945	112	0.7%	1. Increase in rent from hotels by JPY100 MM 2. Increase in rent from office and commercial tenants, etc. by JPY12 MM	
	Variable Rent	43.8% 11,529	41.2% 11,886	40.3% 11,563	39.2% 11,582	(323)	(2.7%)	1. Decrease in variable rent, etc. from the 21 hotels with variable rent, etc. (*2) by JPY373 MM 2. Increase in variable rent from Oriental Hotel Fukuoka Hakata Station by JPY75 MM 3. Decrease in rent from other hotels with revenue sharing, etc. by JPY24 MM	
	Gain on Sale of Real Estate Properties	1,934	-	-	-	-	-		
	NOI (*3)	22,104	24,498	24,298	24,827	(200)	(0.8%)		
	NOI Yield	7.1%	6.5%	6.5%	6.6%	(0.1%)			
	NOI after Depreciation (*3)	17,974	19,584	19,411	19,853	(173)	(0.9%)		
	NOI Yield after Depreciation	5.8%	5.2%	5.2%	5.3%	(0.0%)			
	Operating Income	17,993	17,371	17,227	17,604	(143)	(0.8%)		
Ordinary Income	16,211	15,274	15,274	15,673	0	0.0%			
Net Income	16,210	15,273	15,273	15,672	0	0.0%			
Dividend	Reserve for Temporary Difference Adjustments (Negative Goodwill)	563	1,177	1,177	867	-	-	Amount to be reversed from reserve for temporary difference adjustments (*4) 19th Period: 50-year amortization amount of negative goodwill: JPY262 MM Correspondence to loss on retirement of noncurrent assets: JPY35 MM	
	Reserve for Special Advanced Depreciation	(1,174)	-	-	-	-	-	Correspondence to major renovation works: JPY265 MM	
	Total Dividends	15,602	16,448	16,448	16,537	0	0.0%	20th Period: 50-year amortization amount of negative goodwill: JPY262 MM Correspondence to loss on retirement of noncurrent assets: JPY247 MM	
	Number of Units Issued (Unit)	4,010,847	4,462,347	4,462,347	4,462,347	-	-	Correspondence to major renovation works: JPY357 MM Correspondence to dilution: JPY310 MM	
	Dividend per Unit (JPY)	3,890	3,686	3,686	3,706	-	-		

(\*1) For the assumptions of the annualized effect for the forecast this time, please refer to “<Reference Information 2> Assumptions of the annualized effect (full year effect) for the forecast for the fiscal year ending December 2019 (20th period)” below.

(\*2) For the assumptions of the 21 hotels with variable rent, etc., please refer to “<Reference Information 1> Assumptions of the operating forecast for the full year of the fiscal year ending December 2019 (20th period)” below.

(\*3) Each is calculated using the following formula. The same shall apply hereinafter.

NOI (Net Operating Income) = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses

NOI yield = NOI ÷ Acquisition price

NOI after depreciation = Real estate operating revenue – Real estate operating costs

NOI yield after depreciation = NOI after depreciation ÷ Acquisition price

(\*4) For the details of the reversed amount of the reserve for temporary difference adjustment, please refer to “<Reference Information 1> Assumptions of the operating forecast for the full year of the fiscal year ending December 2019 (20th period)” below.

(Note)

The above is the forecasts based on status of operation as of today, and actual dividend per unit may fluctuate. This forecast does not guarantee the amount of dividend shown above.

\* Website of Japan Hotel REIT Investment Corporation: <http://www.jhrth.co.jp/en/>

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<Reference Information 1> Assumptions of the operating forecast for the full year of the fiscal year ending December 2019 (20th period)

Item	Assumptions																																																																																																																																																																											
Calculation Period	• Full year of the fiscal year ending December 2019 (20th Period): January 1, 2019 through December 31, 2019 (365 days).																																																																																																																																																																											
Assets under Management	<ul style="list-style-type: none"> <li>• The 43 properties owned by JHR as of today are assumed.</li> <li>• It is assumed that there will be no change (acquisition or disposition of properties, etc.) in assets under management through the end of the fiscal year ending December 2019 (20th period). However, the actual results may fluctuate depending on changes in assets under management that may take place.</li> </ul>																																																																																																																																																																											
Operating revenue	<ul style="list-style-type: none"> <li>• Operating revenue is calculated based on the conditions of the lease and other contracts effective as of today, taking the competitiveness of hotels, market environment and other factors into consideration. If there are lease contracts with regard to facilities other than hotels, such as retail facilities and offices, operating revenue calculated based on the said lease contracts is included.</li> <li>• Rents, etc. of the main hotels are calculated based on the following assumptions.</li> </ul> <p>(1) The 21 hotels with variable rent, etc. (*1)            1) The Twelve HMJ Hotels (*1)            The assumptions of the fixed rent and variable rent are as follows.            Total rent = Fixed rent + Variable rent            Variable rent = [Total GOP of the hotels – GOP base amount] × Variable rent ratio (%)</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th></th> <th>Total GOP of the hotel(s)</th> <th>GOP base amount</th> <th>Variable rent ratio</th> <th>Variable rent</th> <th>Fixed rent</th> <th>Total rent</th> </tr> </thead> <tbody> <tr> <td rowspan="2">The Five HMJ Hotels (*1)</td> <td>Midterm</td> <td>3,276</td> <td>1,675</td> <td rowspan="2">85.0%</td> <td>1,360</td> <td>1,610</td> <td>2,970</td> </tr> <tr> <td>Full year</td> <td>7,985</td> <td>3,351</td> <td>3,939</td> <td>3,221</td> <td>7,160</td> </tr> <tr> <td rowspan="2">Okinawa Marriott Resort &amp; Spa</td> <td>Midterm</td> <td>378</td> <td>350</td> <td rowspan="2">90.0%</td> <td>25</td> <td>274</td> <td>300</td> </tr> <tr> <td>Full year</td> <td>1,248</td> <td>700</td> <td>493</td> <td>550</td> <td>1,043</td> </tr> <tr> <td rowspan="2">Sheraton Grand Hiroshima Hotel (*2)</td> <td>Midterm</td> <td>515</td> <td>234</td> <td rowspan="2">82.5%</td> <td>232</td> <td>174</td> <td>406</td> </tr> <tr> <td>Full year</td> <td>1,088</td> <td>468</td> <td>512</td> <td>348</td> <td>860</td> </tr> <tr> <td rowspan="2">Oriental Hotel Fukuoka Hakata Station (*3)</td> <td>Midterm</td> <td>131</td> <td>212</td> <td rowspan="2">90.0%</td> <td>-</td> <td>199</td> <td>199</td> </tr> <tr> <td>Full year</td> <td>760</td> <td>425</td> <td>301</td> <td>400</td> <td>701</td> </tr> <tr> <td rowspan="2">Holiday Inn Osaka Namba</td> <td>Midterm</td> <td>570</td> <td>325</td> <td rowspan="2">92.5%</td> <td>227</td> <td>288</td> <td>515</td> </tr> <tr> <td>Full year</td> <td>1,159</td> <td>650</td> <td>471</td> <td>576</td> <td>1,047</td> </tr> <tr> <td rowspan="2">Hilton Tokyo Narita Airport</td> <td>Midterm</td> <td>489</td> <td>275</td> <td rowspan="2">86.5%</td> <td>185</td> <td>222</td> <td>407</td> </tr> <tr> <td>Full year</td> <td>1,051</td> <td>550</td> <td>433</td> <td>444</td> <td>877</td> </tr> <tr> <td rowspan="2">International Garden Hotel Narita</td> <td>Midterm</td> <td>323</td> <td>180</td> <td rowspan="2">98.0%</td> <td>141</td> <td>168</td> <td>309</td> </tr> <tr> <td>Full year</td> <td>658</td> <td>360</td> <td>292</td> <td>336</td> <td>628</td> </tr> <tr> <td rowspan="2">Hotel Nikko Nara</td> <td>Midterm</td> <td>316</td> <td>235</td> <td rowspan="2">91.5%</td> <td>74</td> <td>210</td> <td>284</td> </tr> <tr> <td>Full year</td> <td>670</td> <td>470</td> <td>183</td> <td>420</td> <td>603</td> </tr> <tr> <td rowspan="2">Subtotal</td> <td>Midterm</td> <td>6,002</td> <td>-</td> <td>-</td> <td>2,247</td> <td>3,147</td> <td>5,394</td> </tr> <tr> <td>Full year</td> <td>14,624</td> <td>-</td> <td>-</td> <td>6,628</td> <td>6,295</td> <td>12,923</td> </tr> <tr> <td rowspan="2">ACTIVE-INTER CITY HIROSHIMA (Office and commercial tenants)</td> <td>Midterm</td> <td>-</td> <td>-</td> <td>-</td> <td>6</td> <td>230</td> <td>236</td> </tr> <tr> <td>Full year</td> <td>-</td> <td>-</td> <td>-</td> <td>11</td> <td>459</td> <td>471</td> </tr> <tr> <td rowspan="2">Total</td> <td>Midterm</td> <td>-</td> <td>-</td> <td>-</td> <td>2,253</td> <td>3,377</td> <td>5,631</td> </tr> <tr> <td>Full year</td> <td>-</td> <td>-</td> <td>-</td> <td>6,640</td> <td>6,754</td> <td>13,395</td> </tr> </tbody> </table>									Total GOP of the hotel(s)	GOP base amount	Variable rent ratio	Variable rent	Fixed rent	Total rent	The Five HMJ Hotels (*1)	Midterm	3,276	1,675	85.0%	1,360	1,610	2,970	Full year	7,985	3,351	3,939	3,221	7,160	Okinawa Marriott Resort & Spa	Midterm	378	350	90.0%	25	274	300	Full year	1,248	700	493	550	1,043	Sheraton Grand Hiroshima Hotel (*2)	Midterm	515	234	82.5%	232	174	406	Full year	1,088	468	512	348	860	Oriental Hotel Fukuoka Hakata Station (*3)	Midterm	131	212	90.0%	-	199	199	Full year	760	425	301	400	701	Holiday Inn Osaka Namba	Midterm	570	325	92.5%	227	288	515	Full year	1,159	650	471	576	1,047	Hilton Tokyo Narita Airport	Midterm	489	275	86.5%	185	222	407	Full year	1,051	550	433	444	877	International Garden Hotel Narita	Midterm	323	180	98.0%	141	168	309	Full year	658	360	292	336	628	Hotel Nikko Nara	Midterm	316	235	91.5%	74	210	284	Full year	670	470	183	420	603	Subtotal	Midterm	6,002	-	-	2,247	3,147	5,394	Full year	14,624	-	-	6,628	6,295	12,923	ACTIVE-INTER CITY HIROSHIMA (Office and commercial tenants)	Midterm	-	-	-	6	230	236	Full year	-	-	-	11	459	471	Total	Midterm	-	-	-	2,253	3,377	5,631	Full year	-	-	-	6,640	6,754	13,395
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Item	Assumptions						
Operating revenue	2) Income from management contracts (*4) and variable rent by the 21 hotels with variable rent, etc. excluding the Twelve HMJ Hotels						
		Midterm	Full year				
	ibis Tokyo Shinjuku	246	565				
	ibis Styles Kyoto Station	213	436				
	ibis Styles Sapporo	256	651				
	Mercure Sapporo	282	704				
	Mercure Okinawa Naha	170	380				
	Mercure Yokosuka	178	297				
	the b suidobashi	9	26				
	the b ikebukuro	70	153				
	the b hachioji	32	66				
	the b hakata	75	162				
	Total	1,537	3,443				
	<p>(*1) The 21 hotels with variable rent, etc. represent the 21 hotels comprising the Eleven HMJ Hotels plus ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, Mercure Yokosuka, the b ikebukuro, the b hachioji, the b hakata and the b suidobashi. The Eleven HMJ Hotels are Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima (hereinafter called "the Five HMJ Hotels"), plus Okinawa Marriott Resort &amp; Spa, Sheraton Grand Hiroshima Hotel (ACTIVE-INTER CITY HIROSHIMA), Holiday Inn Osaka Namba, Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara. With regard to Oriental Hotel Fukuoka Hakata Station (formerly Hotel Centraza Hakata), major renovation works causing the suspension of hotel operation (hereinafter called the "Renovation") were implemented from October, 2018 to April 8, 2019, and figures for Oriental Hotel Fukuoka Hakata Station are not included in the tabulation of the 21 hotels with variable rent, etc. as hotel operation was suspended during the Renovation. Moreover, the 12 hotels comprising the Eleven HMJ Hotels plus Oriental Hotel Fukuoka Hakata Station are hereinafter called the "Twelve HMJ Hotels." The same shall apply hereinafter.</p> <p>(*2) Stating the rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA.</p> <p>(*3) Due to the impact of the suspension of hotel operation due to the Renovation implemented in the first half of the fiscal year ending December 2019 (20th period), GOP of the hotel for the first half is not expected to exceed GOP base amount. Therefore, variable rent for the midterm is not recognized.</p> <p>(*4) For income from management contracts, it is assumed that each hotel's GOP amount is recognized as income from management contracts and the management contract fees to be paid by JHR are recognized as an operating expense.</p>						
	<p>(2) The Two New HMJ Hotels (Acquired assets) (*1)</p> <p>1) Hotel Oriental Express Osaka Shinsaibashi</p> <p>The assumptions of the fixed rent and variable rent are as follows.</p> <p>Total rent = Fixed rent + Variable rent</p> <p>Variable rent = [Total GOP of the hotels – GOP base amount] × Variable rent ratio (%)</p> <p style="text-align: right;">(Unit: millions of yen)</p>						
		Total GOP of the hotel(s)	GOP base amount	Variable rent ratio	Variable rent	Fixed rent	Total rent
	Midterm	-	-	91.0%	-	47	47
	Full year	90	64		24	102	126
<p>(*1) The Two New HMJ Hotels (Acquired assets) are Hotel Oriental Express Osaka Shinsaibashi, which was acquired on February 1, 2019, and Hilton Tokyo Odaiba, which was acquired on April 8, 2019. The same shall apply hereinafter.</p> <p>(*2) Hotel Oriental Express Osaka Shinsaibashi was acquired on February 1, 2019, and has a lease contract which adopts fixed rent until June 30, 2019, and fixed rent as well as variable rent which is linked to GOP of the hotel from July 1, 2019. GOP of the hotel for the full year is the GOP of the hotel from July 2019 through December 2019. The fixed rent for the full year is the assumed figures for 334 days from February 1, 2019 to December 31, 2019. Base GOP amount will be ¥128 million and annual fixed rent will be ¥110 million starting from the fiscal year ending December 2020.</p>							

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Item	Assumptions							
Operating revenue	2) Hilton Tokyo Odaiba							
	The assumptions of the fixed rent and variable rent are as follows. As to Hilton Tokyo Odaiba, variable rent is not expected for the fiscal year ending December 2019 (20th period).							
	Total rent = Fixed rent + Variable rent							
	Variable rent = [Total AGOP of the hotels (*3) – AGOP base amount] × Variable rent ratio (%)							
	(Unit: millions of yen)							
			AGOP of the hotel (*4)	AGOP base amount	Variable rent ratio	Variable rent	Fixed rent (*4)	Total rent
	Hilton Tokyo Odaiba	Midterm	528	817	30.0%	-	714	714
		Full year	2,087	2,450		-	2,264	2,264
	(*3) AGOP (adjusted GOP) is the amount calculated by subtracting certain fees and other items from GOP. The same shall apply hereinafter.							
	(*4) As Hilton Tokyo Odaiba was acquired on April 8, 2019, AGOP of the hotel for the midterm and the full year is the AGOP of the hotel from April through June, 2019 and from April through December 2019, respectively. The fixed rent for the full year is the assumed figures for 268 days from April 8, 2019 through December 31, 2019. AGOP base amount after the fiscal year ending December 2020 is ¥2,970 million, and the annual fixed rent is ¥3,100 million.							
(3) Other hotels subject to variable rent, etc.								
Variable rent from other hotels subject to variable rent, etc. (Unit: millions of yen)								
		Midterm	Full year					
	Comfort Hotel Tokyo Higashi Nihombashi	16	16					
	Smile Hotel Nihombashi Mitsukoshimae	20	20					
	Hotel Vista Kamata Tokyo	—	22					
	Chisun Inn Kamata	41	84					
	Hotel Keihan Universal City	Undisclosed (*)	Undisclosed (*)					
	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	114	114					
	Hilton Tokyo Bay	Undisclosed (*)	Undisclosed (*)					
	Hilton Nagoya	Undisclosed (*)	Undisclosed (*)					
	Total of 8 hotels	815	1,455					
(*) Undisclosed since tenants that concluded lease contracts did not agree to disclose rent revenue, etc.								
• The following is the breakdown of variable rent and income from management contracts (*1)								
<Breakdown of variable rent, etc. for the fiscal year ending December 2019 (20th period)>								
(Unit: millions of yen)								
		Midterm	Full year					
	The Twelve HMJ Hotels (*2)	2,253	6,640					
	The 21 hotels with variable rent, etc. excluding the Twelve HMJ Hotels	1,537	3,443					
	The Two New HMJ Hotels (Acquired assets)	—	24					
	Other hotels with variable rent, etc. (8 hotels)	815	1,455					
	Total (32 hotels)	4,606	11,563					
(*1) For details of contracts for variable rent and income from management contracts, please refer to page 48, “3. Reference Information; B Assets under management; (C) Other major assets under management; C. Overview of the hotel business; a. Rent structures of hotels with variable rent, management contract or revenue sharing” of the “Midterm Financial Report for the Fiscal Year Ending December 31, 2019 (January 1, 2019–June 30, 2019)” dated August 22, 2019.								
(*2) This figure includes revenue-linked rent of office and commercial tenants at ACTIVE-INTER CITY HIROSHIMA.								

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Item	Assumptions																		
Operating Expenses	<ul style="list-style-type: none"> <li>• With respect to real estate leasing expenses, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation.</li> <li>• It is assumed that ¥1,658 million will be recognized as expenses for fixed asset tax, city planning tax and other taxes and public dues.</li> <li>• In general, fixed asset tax and city planning tax and other taxes and public dues on acquired assets are settled with the previous owners at the time of acquisition, calculated on a pro rata basis of the holding period. For JHR, such settlement amount is included in the acquisition price, and it will not be recognized as expenses for the calculation period.</li> <li>• Capital expenditure is assumed to be ¥6,863 million (¥2,348 million for capital expenditure I, ¥913 million for capital expenditure II, ¥454 million for capital expenditure III, and ¥3,147 million for expenditure related to the Renovation at Oriental Hotel Fukuoka Hakata Station (formerly Hotel Centraza Hakata)) for the fiscal year ending December 2019 (20th period).</li> <li>(*) JHR classifies capital expenditures into the following three categories. (I) Capital investment related to renewal of buildings, facilities, and equipment which is required to maintain proper values of properties, (II) capital investment for fixtures and furniture that are not directly related to building structure or facilities but necessary for operating hotels, and (III) strategic capital investment such as renovating guest rooms, etc. for maintaining / improving the competitiveness of the hotels.</li> <li>• Depreciation is calculated using the straight-line method including the planned capital expenditures above, and is assumed to be ¥4,636 million.</li> <li>• Repair expenses for buildings are recognized as expenses in the estimated amount necessary for each operating period. Please note that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as; (1) Emergency repair expenses may be necessary due to damage to buildings from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required on a regular basis.</li> </ul>																		
Non-operating Expenses	<ul style="list-style-type: none"> <li>• ¥1,962 million is expected for borrowing-related costs, including interest expense, amortization for financing fee, arrangement fee, etc. and other non-operating expenses.</li> <li>• Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method.</li> </ul>																		
Interest-bearing Debt	<ul style="list-style-type: none"> <li>• It is assumed that the balance of interest-bearing debt (sum of loans and investment corporation bonds) is ¥168,371 million as of the end of June, 2019. It is assumed that the balance of interest-bearing debt will be ¥168,771 million as of December 31, 2019.</li> <li>• It is assumed that ¥6,317 million loans, which are due within the fiscal year ending December 2019 (20th period), will be fully refinanced.</li> </ul>																		
Dividend per Unit	<ul style="list-style-type: none"> <li>• Dividend per unit for the fiscal year ending December 2019 (20th period) is calculated based on the following assumptions.</li> </ul> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Net income</td> <td style="text-align: right;">¥15,273 million</td> </tr> <tr> <td style="padding-left: 20px;">Reversal of reserve for temporary difference adjustment (negative goodwill)</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">50-year amortization amount of negative goodwill (*1)</td> <td style="text-align: right;">¥262 million</td> </tr> <tr> <td style="padding-left: 40px;">Loss on retirement of noncurrent assets (*2)</td> <td style="text-align: right;">¥247 million</td> </tr> <tr> <td style="padding-left: 40px;">Correspondence to major renovation works (*3)</td> <td style="text-align: right;">¥357 million</td> </tr> <tr> <td style="padding-left: 40px;">Adjustment for dilution (*4)</td> <td style="text-align: right;">¥310 million</td> </tr> <tr> <td style="border-top: 1px solid black; padding-left: 20px;">Distributable amount</td> <td style="text-align: right; border-top: 1px solid black;">¥16,451 million</td> </tr> <tr> <td style="padding-left: 20px;">Total number of investment units issued</td> <td style="text-align: right;">4,462,347 units</td> </tr> <tr> <td style="border-top: 1px solid black; padding-left: 20px;">Dividend per unit</td> <td style="text-align: right; border-top: 1px solid black;">¥3,686</td> </tr> </table> <ul style="list-style-type: none"> <li>(*1) ¥262 million (hereinafter called “50-year amortization amount of negative goodwill”) is scheduled to be paid out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount, for every fiscal year.</li> <li>(*2) The amount recognized as a loss on retirement of noncurrent assets will be appropriated by reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on dividend per unit.</li> </ul>	Net income	¥15,273 million	Reversal of reserve for temporary difference adjustment (negative goodwill)		50-year amortization amount of negative goodwill (*1)	¥262 million	Loss on retirement of noncurrent assets (*2)	¥247 million	Correspondence to major renovation works (*3)	¥357 million	Adjustment for dilution (*4)	¥310 million	Distributable amount	¥16,451 million	Total number of investment units issued	4,462,347 units	Dividend per unit	¥3,686
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Note: This document is intended to serve as a press release to make available the information on the difference between the operating forecast and actual results for the midterm of the fiscal year ending December 2019 (20th Period), and revisions to the operating forecast and forecast of dividend for the fiscal year ending December 2019 (20th Period). This document should not be construed as a solicitation of investment in investment units or other instruments of JHR. Prospective investors are advised to make any investment decisions at their own risk and responsibility.

Item	Assumptions
Dividend per Unit	<p>(*3) Major renovation works causing the suspension of hotel operation were implemented at the former Hotel Centraza Hakata from October 1, 2018, and the hotel opened as Oriental Hotel Fukuoka Hakata Station on April 9, 2019. Taking into consideration the effect on dividend by the suspension of hotel operation due to the Renovation, ¥357 million, which is equivalent to the difference between NOI after depreciation of the former Hotel Centraza Hakata from January to March 2018 and assumed NOI after depreciation from January to March 2019, will be appropriated by reserve for temporary difference adjustment (negative goodwill).</p> <p>(*4) We plan to avoid the impact of the dilution of investment units on dividend per unit for the fiscal year ending December 2019 caused by not owning The Two New HMJ Hotels (Acquired assets) for the full fiscal year ending December 2019 and by the issuance of new investment units through appropriation of the reserve for temporary difference adjustment (negative goodwill).</p> <ul style="list-style-type: none"> <li>• Dividend per unit may fluctuate due to various causes, such as fluctuation of rent revenue resulting from transfer of assets under management, change of tenants, etc. of hotels, change in the business environment surrounding tenants, etc. of hotels, unexpected repairs, and actual number of new units issued, etc.</li> <li>• The remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 2019 (20th period) is expected to be ¥10,616 million.</li> </ul>
Dividend per Unit Resulting from Excess of Earnings	<ul style="list-style-type: none"> <li>• It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• It is assumed that revision in law, tax system, accounting standard, regulations of the listing, regulations of The Investment Trusts Association, Japan that may impact the forecast above will not be made.</li> <li>• It is assumed that unexpected major incident will not occur in the general economy, real estate market and hotel business environment, etc.</li> <li>• The numerical values are rounded down to the nearest millions of yen in the assumptions above.</li> </ul>

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<Reference Information 2> Assumptions of the annualized effect (full year effect) for the forecast for the fiscal year ending December 2019 (20th period)

- (1) There is no change in operating revenue and operating expenses of the existing properties excluding The Two New HMJ Hotels (Acquired assets) from “<Reference Information 1> Assumptions of the operating forecast for the full fiscal year ending December 2019 (20th period).”

- (2) The fixed rent and variable rent for Hotel Oriental Express Osaka Shinsaibashi for the full year are calculated as follows.

Total rent for the fiscal year ending December 2019 (20th Period) (full year) (¥153 million)

= Fixed rent (¥110 million) + Variable rent

Variable rent = ((1) Total GOP of the hotels – (2) GOP base amount) × 91.0 (%)

(Unit: millions of yen)

	(1) Total GOP of the hotels	(2) GOP base amount	Variable rent ((1)-(2)) × 91.0%
Full year	175	128	42

- (3) The fixed rent and variable rent for Hilton Tokyo Odaiba for the full year are calculated as follows.

Total rent for the fiscal year ending December 2019 (20th Period) (full year) (¥3,100 million)

= Fixed rent (¥3,100 million) + Variable rent

Variable rent = ((1) AGOP of the hotels – (2) AGOP base amount) × 30.0 (%)

(Unit: millions of yen)

	(1) AGOP of the hotel	(2) AGOP base amount	Variable rent ((1)-(2)) × 30.0%
Full year	2,648	2,970	— (*)

(\*) The variable rent is not expected.

- (4) The fixed asset tax and city planning tax and other taxes for The Two New HMJ Hotels (Acquired assets) are assumed to be ¥326 million, which is equivalent to twelve months.

- (5) For non-operating expenses, borrowing costs related to asset acquisitions, expenses incurred in the issuance of new investment units and others are assumed on an annualized basis (for twelve months). On the other hand, major one-time financial costs incurred for asset acquisition are not included.

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<Reference Information 3> Hotel operation indexes, sales and GOP

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

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

<1> The 21 hotels with variable rent, etc.

		Fiscal year ended December 2018		Fiscal year ending December 2019			
		Actual	Comparison with the previous period	Previous forecast	Forecast this time (first half: actual)	Comparison with the previous period	Comparison with the previous forecast
Occupancy Rate	First half of the year	87.3%	0.3pt	88.0%	86.5%	(0.7pt)	(1.5pt)
	Second half of the year	87.1%	(1.4pt)	89.9%	89.3%	2.2pt	(0.6pt)
	Full year	87.2%	(0.6pt)	89.0%	87.9%	0.7pt	(1.1pt)
ADR (*1)	First half of the year	14,685	2.2%	14,965	14,749	0.4%	(1.4%)
	Second half of the year	17,020	0.4%	17,321	16,904	(0.7%)	(2.4%)
	Full year	15,861	1.1%	16,166	15,852	(0.1%)	(1.9%)
RevPAR (*2)	First half of the year	12,817	2.6%	13,173	12,765	(0.4%)	(3.1%)
	Second half of the year	14,831	(1.2%)	15,579	15,097	1.8%	(3.1%)
	Full year	13,833	0.5%	14,386	13,940	0.8%	(3.1%)
Sales (JPY 1M)	First half of the year	22,958	0.8%	23,684	23,124	0.7%	(2.4%)
	Second half of the year	26,257	(1.2%)	27,331	26,656	1.5%	(2.5%)
	Full year	49,215	(0.3%)	51,015	49,780	1.1%	(2.4%)
GOP (JPY 1M)	First half of the year	7,715	2.6%	7,774	7,709	(0.1%)	(0.8%)
	Second half of the year	10,196	0.3%	10,550	10,189	(0.1%)	(3.4%)
	Full year	17,911	1.3%	18,324	17,898	(0.1%)	(2.3%)

(\*1) ADR: Represents average daily rate, which is calculated by dividing revenue for rooms department for a given period (including service charges) by the total number of rooms sold during the period. As for the service charge, Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, Oriental Hotel Hiroshima, Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (ACTIVE-INTER CITY HIROSHIMA), International Garden Hotel Narita, Hotel Nikko Nara and Oriental Hotel Fukuoka Hakata Station request 10%, Hilton Tokyo Narita Airport requests 12% and Hilton Tokyo Odaiba requests 13%. Moreover, other hotels among the 21 hotels with variable rent, etc. do not request service charges. The same shall apply hereinafter.

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

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<2> The Eleven HMJ Hotels

The figures are the total amount of eleven hotels which exclude Oriental Hotel Fukuoka Hakata Station (formerly Hotel Centraza Hakata) from the Twelve HMJ Hotels in order to exclude the impact of the Renovation which caused suspension of sales. The same shall apply hereinafter.

		Fiscal year ended December 2018		Fiscal year ending December 2019			
		Actual	Comparison with the previous period	Previous forecast	Forecast this time (first half: actual)	Comparison with the previous period	Comparison with the previous forecast
Occupancy Rate	First half of the year	87.3%	(0.1pt)	88.1%	87.6%	0.3pt	(0.5pt)
	Second half of the year	87.7%	(1.3pt)	90.3%	89.4%	1.7pt	(0.9pt)
	Full year	87.5%	(0.7pt)	89.2%	88.5%	1.0pt	(0.7pt)
ADR	First half of the year	16,674	2.3%	16,923	16,497	(1.1%)	(2.5%)
	Second half of the year	19,771	(0.2%)	20,020	19,498	(1.4%)	(2.6%)
	Full year	18,240	0.9%	18,504	18,025	(1.2%)	(2.6%)
RevPAR	First half of the year	14,552	2.2%	14,906	14,453	(0.7%)	(3.0%)
	Second half of the year	17,338	(1.7%)	18,075	17,425	0.5%	(3.6%)
	Full year	15,957	0.1%	16,504	15,951	(0.0%)	(3.3%)
Sales (JPY 1M)	First half of the year	18,754	0.2%	19,331	18,915	0.9%	(2.2%)
	Second half of the year	21,831	(1.4%)	22,575	21,951	0.5%	(2.8%)
	Full year	40,585	(0.7%)	41,906	40,865	0.7%	(2.5%)
GOP (JPY 1M)	First half of the year	5,809	2.2%	5,865	5,871	1.1%	0.1%
	Second half of the year	8,141	1.2%	8,337	7,992	(1.8%)	(4.1%)
	Full year	13,950	1.7%	14,202	13,864	(0.6%)	(2.4%)

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## &lt;3&gt; Hotel Oriental Express Osaka Shinsaibashi

		Fiscal year ended December 2018		Fiscal year ending December 2019			
		Actual	Comparison with the previous period	Previous forecast	Forecast this time (first half: actual)	Comparison with the previous period	Comparison with the previous forecast
Occupancy Rate	First half of the year	—	—	90.0%	92.3%	—	2.3pt
	Second half of the year	—	—	90.0%	91.5%	—	1.5pt
	Full year	—	—	90.0%	91.9%	—	1.9pt
ADR	First half of the year	—	—	10,500	9,611	—	(8.5%)
	Second half of the year	—	—	10,500	10,429	—	(0.7%)
	Full year	—	—	10,500	10,021	—	(4.6%)
RevPAR	First half of the year	—	—	9,449	8,868	—	(6.1%)
	Second half of the year	—	—	9,449	9,544	—	1.0%
	Full year	—	—	9,449	9,209	—	(2.5%)
Sales (JPY 1M)	First half of the year	—	—	224	205	—	(8.4%)
	Second half of the year	—	—	226	226	—	0.1%
	Full year	—	—	450	431	—	(4.1%)
GOP (JPY 1M)	First half of the year	—	—	102	84	—	(17.0%)
	Second half of the year	—	—	102	91	—	(11.0%)
	Full year	—	—	204	175	—	(14.0%)

(\*) As Hotel Oriental Express Osaka Shinsaibashi opened on April 2, 2018, figures before the fiscal year December ended 2018 are not shown.

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## &lt;4&gt; Hilton Tokyo Odaiba

		Fiscal year ended December 2018		Fiscal year ending December 2019			
		Actual	Comparison with the previous period	Previous forecast	Forecast this time (first half: actual)	Comparison with the previous period	Comparison with the previous forecast
Occupancy Rate	First half of the year	95.2%	0.9pt	95.2%	85.9%	(9.3pt)	(9.3pt)
	Second half of the year	92.9%	(3.0pt)	94.1%	91.3%	(1.6pt)	(2.8pt)
	Full year	94.0%	(1.1pt)	94.7%	88.6%	(5.4pt)	(6.0pt)
ADR	First half of the year	28,831	6.8%	28,831	29,263	1.5%	1.5%
	Second half of the year	31,396	8.6%	32,001	32,447	3.3%	1.4%
	Full year	30,108	7.6%	30,420	30,917	2.7%	1.6%
RevPAR	First half of the year	27,451	7.7%	27,451	25,135	(8.4%)	(8.4%)
	Second half of the year	29,154	5.3%	30,115	29,622	1.6%	(1.6%)
	Full year	28,309	6.4%	28,794	27,397	(3.2%)	(4.9%)
Sales (JPY 1M)	First half of the year	4,591	9.5%	4,591	4,258	(7.3%)	(7.3%)
	Second half of the year	5,008	7.3%	5,081	4,744	(5.3%)	(6.6%)
	Full year	9,599	8.3%	9,672	9,001	(6.2%)	(6.9%)
GOP (JPY 1M)	First half of the year	1,374	21.7%	1,374	1,144	(16.7%)	(16.7%)
	Second half of the year	1,723	15.2%	1,720	1,624	(5.7%)	(5.6%)
	Full year	3,097	18.0%	3,094	2,768	(10.6%)	(10.5%)

(\*) Hilton Tokyo Odaiba was acquired on April 8, 2019. The figures for the fiscal year ended December 2018 and the fiscal year ending December 2019 are calculated as the total for full year including figures prior to the acquisition date.

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