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February 25, 2021

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Notice Concerning Difference Between Operating Forecast and Actual Results
for the Fiscal Year Ending December 2020 (21st Period), and Operating Forecast and Forecast of Dividend
for the Fiscal Year Ending December 2021 (22nd Period)

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you of the difference between the operating forecast for the fiscal year ended December 2020 (January 1, 2020 through December 31, 2020), announced in “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for the Fiscal Year Ended December 2020 (21st Period)” dated January 8, 2021 and the actual results announced today. JHR also announces the operating forecast and forecast of dividend for the fiscal year ending December 2021 (January 1, 2021 through December 31, 2021) as follows.

1. Difference between operating forecast and forecast of dividend and actual results for the fiscal year ending December 2020
(January 1, 2020 through June 30, 2020)

	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 13,818	JPY1M 3,094	JPY1M 1,306	JPY1M 1,435	JPY 390	JPY —
Forecast this time (Actual results) (B)	JPY1M 13,838	JPY1M 3,176	JPY1M 1,398	JPY1M 1,527	JPY 410	JPY —
Variance (C) = (B) – (A)	JPY1M 20	JPY1M 81	JPY1M 92	JPY1M 92	JPY 20	JPY —
Variance ratio (D) = (C) / (A)	% 0.1	% 2.6	% 7.0	% 6.4	% 5.1	% —

(Reference) Net income per unit for the full fiscal year: ¥342

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

- (*1) Dividend per unit is calculated based on the number of investment units issued as of today: 4,462,347 units.
- (*2) Total dividend is planned to be an amount of net income plus the reversed amount of reserve for temporary difference adjustment in the amount of ¥305 million.
- (*3) For the details of the result of operation and dividend above, please refer to “Financial Report for the Fiscal Year Ended December 31, 2020 (January 1, 2020 - December 31, 2020)” dated today.
- (*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.

Note: This document is intended to serve as a press release to make available the information on the revision of operating forecast and forecast of dividend for the fiscal year ending December 2021 (22nd period). This document should not be construed as an offer to sell or solicitation of an offer to purchase any investment units or other investment of JHR. Prospective investors are advised to make any investment decisions at their own risk and responsibility.

2. Rationale for revisions to the operating forecast for the fiscal year ended December 2020 (January 1, 2020 through December 31, 2020)

Due to the increase in variable rent resulting from the fact that the results of performance of the hotels owned by JHR were slightly higher than those previously announced, and together with the revision of various expenses and other operating expenses related to properties, there was a difference of more than 5% in the results of dividend for the fiscal year ended December 2020 (21st Period).

3. Operating forecast and forecast of dividend for the fiscal year ending December 2021 (January 1, 2021 through December 31, 2021)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Fiscal year ending December 2021 Midterm	JPY1M 4,556	JPY1M (750)	JPY1M (1,636)	JPY1M (1,637)	JPY —	JPY —
Fiscal year ending December 2021 Full year	JPY1M 13,920	JPY1M 2,715	JPY1M 879	JPY1M 877	JPY 270	JPY —

(Reference) Forecast of net income per unit for the full fiscal year: ¥196

(Calculated based on the estimated average number of investment units during the period (4,462,347 units))

- (*1) Dividend per unit is calculated based on the number of investment units issued as of today: 4,462,347 units.
- (*2) Total dividend is planned to be an amount of net income plus the reversed amount of reserve for temporary difference adjustment in the amount of ¥330 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 full fiscal year ending December 2021 (22nd 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.

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4. Highlights of the operating forecast and forecast of dividend

The following is the comparison and the major factors causing the variance between the operating results and dividend for the full fiscal year ended December 2020 (January 1, 2020 through December 31, 2020) and the operating forecast and forecast of dividend for the full fiscal year ending December 2021.

(Unit: millions of yen)

	Fiscal Year Ended December 2020 (21st Period)		Fiscal Year Ending December 2021 (22nd Period)	Comparison with Previous Period	Sale of Property (*2)	Existing Property	Major Factors Causing the Variance
	Results (A)	(Reference) Annualized Results (*1)	Forecast This Time (B)				
Properties							
No. of Properties	42	42	42	-	-	-	
Acquisition Price	343,038	343,038	343,038	-	-	-	
Profit and Loss Statement							
Operating Revenue	13,838	10,243	13,920	82	0.6%	(3,390)	3,472
Real Estate Operating Revenue	10,495	10,243	13,920	3,425	32.6%	(232)	3,657
Fixed Rent	7,640	7,491	6,345	(1,294)	(16.9%)	(149)	(1,145)
Composition	72.8%	73.1%	45.6%				
Other Rent	892	854	932	40	4.6%	(16)	57
Composition	8.5%	8.3%	6.7%				
Variable Rent	1,963	1,896	6,642	4,679	238.3%	(66)	4,745
Composition	18.7%	18.5%	47.7%				
Gain on Sale of Properties, etc.	3,343	-	-	(3,343)	-	(3,158)	(184)
NOI (*8)	6,547	6,267	9,455	2,907	44.4%	(200)	3,107
NOI Yield	6.4%	1.7%	2.6%	0.8%			
NOI after Depreciation (*8)	1,778	1,496	4,628	2,849	160.3%	(187)	3,037
NOI Yield after Depreciation	5.1%	0.4%	1.3%	0.8%			
Operating Income	3,176	(428)	2,715	(460)	(14.5%)		
Ordinary Income	1,398	(2,205)	879	(519)	(37.1%)		
Net Income	1,527	(2,207)	877	(649)	(42.5%)		
Dividend							
Reversed Amount of the Reserve for Temporary Difference Adjustment (Negative Goodwill)	305	324	330	24	8.1%		
Total Dividends	1,829	-	1,204	(624)	(34.1%)		
Number of Units Issued (Unit)	4,462,347	4,462,347	4,462,347	-	-		
Dividend per Unit (JPY)	410	-	270	(140)	(34.1%)		

(*1) The assumptions of the annualized effect for the result are as follows.

- 1) It is assumed that Sotetsu Fresa Inn Shimbashi-Karasumoriguchi sold on July 1, 2020, will not be held throughout the year and that there will be no gain on sale of real estate properties.
- 2) The full-year effect of the exchange of a part of the site of Hotel Ascent Fukuoka is assumed. A gain of exchange of real estate, etc. and extraordinary income by the acknowledgement of a claim for refund of the security deposit, which had not been recorded as security deposit are not assumed.
- 3) Fixed asset tax, city planning tax, etc. for Hotel Oriental Express Osaka Shinsaibashi and Hilton Tokyo Odaiba acquired in the fiscal year ended December 2019 (20th period) are assumed to be ¥337 million (for 12 months).
- 4) The trademark rights are assumed to be held throughout the year and will be amortized over 10 years using the straight-line method. Annualized amortization is assumed to be ¥56 million and is appropriated by reserve for temporary difference adjustment (negative goodwill).

(*2) Stating the amount of impact of sale of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi, which was sold on July 1, 2020.

(*3) HMJ Group Hotels refers to 14 hotels: Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima, which JHR leases to HMJ, an affiliated company of asset management company (hereinafter called the "Five HMJ Hotels"), plus Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (main facility of ACTIVE-INTER CITY HIROSHIMA), Oriental Hotel Fukuoka Hakata Station, Holiday Inn Osaka Namba, Hilton Tokyo Narita Airport, International Garden Hotel Narita, Hotel Nikko Nara, Hotel Oriental Express Osaka Shinsaibashi,

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and Hilton Tokyo Odaiba, which JHR leases to subsidiaries of HMJ. HMJ stands for Hotel Management Japan Co., Ltd. The same shall apply hereinafter.

- (*4) Ishin Group Hotels refers to 4 hotels: the b suidobashi, the b ikebukuro, the b hachioji, and the b hakata. The same shall apply hereinafter.
- (*5) Hotel Vista Kamata Tokyo was rebranded to Chisun Hotel Kamata with Solare Hotels and Resorts Co., Ltd. as the lessee on January 1, 2021. No fixed rent is posted due to a new fixed-term building lease contract, which resulted in a rent structure with only variable rent effective January 1, 2021.
- (*6) Hotel Ascent Fukuoka and Hotel Keihan Universal City are planned to be rebranded with HMJ subsidiaries as the lessees on June 18, 2021 and July 1, 2021, respectively. For the rent for the fiscal year ending December 2021 (22nd Period) after rebranding, please refer to “<Reference Information 1> Assumptions of the operating forecast for the full year of the fiscal year ending December 2021 (22nd period)” below.
- (*7) Accor Group Hotels refers to 6 hotels: ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, Mercure Yokosuka. The same shall apply hereinafter.
- (*8) 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
- (*9) 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 2021 (22nd period)” below.

(Note)

The above is the forecast 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: <https://www.jhrth.co.jp/en/>

<Reference Information 1>

Assumptions of the operating forecast for the full fiscal year ending December 2021 (22nd period)

Item	Assumptions																																																																																																																
Calculation Period	• Full fiscal year ending December 2021 (22nd Period): January 1, 2021 through December 31, 2021 (365 days)																																																																																																																
Assets under Management	<ul style="list-style-type: none"> The 42 properties owned by JHR as of today are assumed. It is assumed that there will be no change (acquisition of new property or disposition of property, etc.) in assets under management through the end of the fiscal year ending December 2021 (22nd period). However, the actual results may fluctuate depending on the changes in assets under management that may take place. 																																																																																																																
Operating Revenue	<ul style="list-style-type: none"> Operating revenue is calculated based on the conditions of the lease and other effective contracts, taking into consideration the competitiveness of hotels, market environment, and other factors. If there are lease contracts with facilities other than hotels, such as commercial facilities and offices, operating revenue calculated based on the said lease contracts is included. It may fluctuate significantly due to the impact of COVID-19. Rents, etc. of the main hotels are calculated based on the following assumptions. <p>(1) The HMJ Group Hotels</p> <p>JHR concluded a memorandum of understanding for the fixed-term building lease contract with the HMJ Group Hotels on August 25, 2020. From January 1, 2021 through December 31, 2021, the rent is only variable rent and is calculated by multiplying the hotel AGOP (*1) by the variable rent ratio for each hotel. However, if AGOP is less than 0 (zero), the variable rent will be 0 (zero).</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th></th> <th>Hotel AGOP</th> <th>Variable rent ratio</th> <th>Variable rent</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Kobe Meriken Park Oriental Hotel</td> <td>Midterm</td> <td>(0)</td> <td rowspan="2">86.0%</td> <td>—</td> </tr> <tr> <td>Full year</td> <td>482</td> <td>414</td> </tr> <tr> <td rowspan="2">Oriental Hotel tokyo bay</td> <td>Midterm</td> <td>(54)</td> <td rowspan="2">79.0%</td> <td>—</td> </tr> <tr> <td>Full year</td> <td>626</td> <td>495</td> </tr> <tr> <td rowspan="2">Namba Oriental Hotel</td> <td>Midterm</td> <td>166</td> <td rowspan="2">91.0%</td> <td>151</td> </tr> <tr> <td>Full year</td> <td>642</td> <td>584</td> </tr> <tr> <td rowspan="2">Hotel Nikko Alivila</td> <td>Midterm</td> <td>161</td> <td rowspan="2">74.0%</td> <td>119</td> </tr> <tr> <td>Full year</td> <td>1,382</td> <td>1,022</td> </tr> <tr> <td rowspan="2">Oriental Hotel Hiroshima</td> <td>Midterm</td> <td>(41)</td> <td rowspan="2">89.0%</td> <td>—</td> </tr> <tr> <td>Full year</td> <td>116</td> <td>103</td> </tr> <tr> <td rowspan="2">Okinawa Marriott Resort & Spa</td> <td>Midterm</td> <td>(132)</td> <td rowspan="2">89.0%</td> <td>—</td> </tr> <tr> <td>Full year</td> <td>402</td> <td>358</td> </tr> <tr> <td rowspan="2">Sheraton Grand Hiroshima Hotel (*2)</td> <td>Midterm</td> <td>117</td> <td rowspan="2">93.0%</td> <td>108</td> </tr> <tr> <td>Full year</td> <td>396</td> <td>368</td> </tr> <tr> <td rowspan="2">Oriental Hotel Fukuoka Hakata Station</td> <td>Midterm</td> <td>75</td> <td rowspan="2">97.0%</td> <td>73</td> </tr> <tr> <td>Full year</td> <td>402</td> <td>389</td> </tr> <tr> <td rowspan="2">Holiday Inn Osaka Namba (*3)</td> <td>Midterm</td> <td>(17)</td> <td rowspan="2">98.0%</td> <td>—</td> </tr> <tr> <td>Full year</td> <td>(33)</td> <td>—</td> </tr> <tr> <td rowspan="2">Hilton Tokyo Narita Airport</td> <td>Midterm</td> <td>(62)</td> <td rowspan="2">95.0%</td> <td>—</td> </tr> <tr> <td>Full year</td> <td>348</td> <td>330</td> </tr> <tr> <td rowspan="2">International Garden Hotel Narita</td> <td>Midterm</td> <td>(3)</td> <td rowspan="2">95.0%</td> <td>—</td> </tr> <tr> <td>Full year</td> <td>189</td> <td>179</td> </tr> <tr> <td rowspan="2">Hotel Nikko Nara</td> <td>Midterm</td> <td>(60)</td> <td rowspan="2">95.0%</td> <td>—</td> </tr> <tr> <td>Full year</td> <td>124</td> <td>117</td> </tr> <tr> <td rowspan="2">Hotel Oriental Express Osaka Shinsaibashi (*3)</td> <td>Midterm</td> <td>(19)</td> <td rowspan="2">87.0%</td> <td>—</td> </tr> <tr> <td>Full year</td> <td>(41)</td> <td>—</td> </tr> </tbody> </table> 						Hotel AGOP	Variable rent ratio	Variable rent	Kobe Meriken Park Oriental Hotel	Midterm	(0)	86.0%	—	Full year	482	414	Oriental Hotel tokyo bay	Midterm	(54)	79.0%	—	Full year	626	495	Namba Oriental Hotel	Midterm	166	91.0%	151	Full year	642	584	Hotel Nikko Alivila	Midterm	161	74.0%	119	Full year	1,382	1,022	Oriental Hotel Hiroshima	Midterm	(41)	89.0%	—	Full year	116	103	Okinawa Marriott Resort & Spa	Midterm	(132)	89.0%	—	Full year	402	358	Sheraton Grand Hiroshima Hotel (*2)	Midterm	117	93.0%	108	Full year	396	368	Oriental Hotel Fukuoka Hakata Station	Midterm	75	97.0%	73	Full year	402	389	Holiday Inn Osaka Namba (*3)	Midterm	(17)	98.0%	—	Full year	(33)	—	Hilton Tokyo Narita Airport	Midterm	(62)	95.0%	—	Full year	348	330	International Garden Hotel Narita	Midterm	(3)	95.0%	—	Full year	189	179	Hotel Nikko Nara	Midterm	(60)	95.0%	—	Full year	124	117	Hotel Oriental Express Osaka Shinsaibashi (*3)	Midterm	(19)	87.0%	—	Full year	(41)	—
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Item	Assumptions			
		Hotel AOP	Variable rent ratio	Variable rent
Hilton Tokyo Odaiba	Midterm	(105)	97.0%	—
	Full year	1,034		1,003
Total	Midterm	22	—	453
	Full year	6,073		5,370

(*1) AGOP (adjusted GOP) is the amount calculated by subtracting certain fees and other items from GOP. GOP (gross operating profit) and GOL (gross operating loss) are the remainder after expenses incurred in hotel operation, such as personnel costs and general and administrative expenses, etc., are deducted from total sales. The same shall apply hereinafter

(*2) Stating the rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA. Fixed rent and variable rent for office and commercial tenants of ACTIVE-INTER CITY HIROSHIMA are as follows.

(Unit: millions of yen)

	Variable rent	Fixed rent	Total rent
Midterm	3	240	244
Full year	7	476	483

(*3) It is assumed that Holiday Inn Osaka Namba and Hotel Oriental Express Osaka Shinsaibashi are closed throughout the year.

(2) Hotel Ascent Fukuoka and Hotel Keihan Univesal City
 Hotel Ascent Fukuoka and Hotel Keihan Univesal City are planned to be rebranded with HMJ subsidiaries as the lessees on June 18, 2021 and July 1, 2021, respectively. The assumptions for fixed and variable rent stipulated in the fixed-term building contract after rebranding concluded on February 12, 2021 are as follows. The starting date of the variable rent is January 1, 2022, and the variable rent is not expected in the fiscal year ending December 2021.

<Hotel Ascent Fukuoka (name after rebranding: Hotel Orinetal Express Fukuoka Tenjin)>
 Lease term: June 18, 2021 to December 31, 2031
 Total rent = Fixed rent + Variable rent
 Fixed rent = ¥150 million (annual)
 Fixed rent is waived from June 18, 2021 through June 30, 2022. The fixed rent to be recognized for the fiscal year ending December 2021 is expected to be ¥72 million, which is 6.4 months' worth of the average fixed rent of ¥11 million per month, divided proportionally by the total fixed rent of the whole lease period of ¥1,425 million.

Variable rent = [Hotel AGOP – AGOP base amount of ¥165 million] × Variable rent ratio (97.0%)

<Hotel Keihan Universal City (name after rebranding: undecided)>
 Lease term: July 1, 2021 to December 31, 2031
 Total rent = Fixed rent + Variable rent
 Fixed rent = ¥350 million (annual)
 Fixed rent is waived from July 1, 2021 through June 30, 2022. The fixed rent to be recognized for the fiscal year ending December 2021 is expected to be ¥158 million, which is 6 months' worth of the average fixed rent of ¥26 million per month, divided proportionally by the total fixed rent of the whole lease period of ¥3,325 million.

Variable rent = [Hotel AGOP – AGOP base amount of ¥370 million] × Variable rent ratio (95.0%)

(*4) For Hotel Ascent Fukuoka and Hotel Keihan Universal City, the variable rents from the current lessees before rebranding are not expected.

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Item	Assumptions	
	(3) Income from management contracts (*5) and variable rent from other hotels with variable rent, etc.	
	(Unit: millions of yen)	
	Midterm	Full year
ibis Tokyo Shinjuku (*5)	2	90
ibis Styles Kyoto Station (*5)	(1)	52
ibis Styles Sapporo (*5)	33	228
Mercure Sapporo (*5)	(6)	224
Mercure Okinawa Naha (*5)	44	99
Mercure Yokosuka	75	101
the b suidobashi (*6)	—	—
the b ikebukuro (*6)	43	59
the b hachioji (*6)	—	—
the b hakata (*6)	—	—
Comfort Hotel Tokyo Higashi Nihombashi	—	—
Smile Hotel Nihombashi Mitsukoshimae	—	—
Chisun Hotel Kamata (*7)	13	38
Chisun Inn Kamata	7	19
Hilton Tokyo Bay	Undisclosed (*8)	Undisclosed (*8)
Hilton Nagoya	Undisclosed (*8)	Undisclosed (*8)
Total	365	1,265
(*5)	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. If the performance for the midterm period is expected to be GOL, it is recognized as minus in the income from management contracts.	
(*6)	The variable rent for the Ishin Group Hotels is the sum of fixed and variable rent from January 1, 2021 through December 31, 2021 due to the fixed-term building lease contract concluded on October 30, 2020, and the variable rent is recognized when GOP reaches the certain levels.	
(*7)	Hotel Vista Kamata Tokyo was rebranded to Chisun Hotel Kamata with Solare Hotels and Resorts Co., Ltd. as the lessee on January 1, 2021.	
(*8)	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 (Unit: millions of yen)	
	Midterm	Full year
The HMJ Group Hotels	453	5,370
Office and commercial tenants (*9)	3	7
Other hotels with variable rent, etc. (16 hotels)	365	1,265
Total (30 hotels)	821	6,642
(*9)	Variable rent for office and commercial tenants of ACTIVE-INTER CITY HIROSHIMA is shown.	
(*10)	For details of variable rent, please refer to page 51, "3. Reference Information; (ii) 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 "Financial Report for the Fiscal Year Ended December 31, 2020 (January 1, 2020 - June 30, 2020)" dated February 25, 2021.	

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Item	Assumptions																
Operating Expenses	<ul style="list-style-type: none"> • ¥250 million is assumed as the risk of rent reduction, considering the possibility of the impact on operating revenue by rent reductions due to the impact of COVID-19. • With respect to real estate leasing expenses, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation. • It is assumed that ¥1,994 million will be recognized as expenses for fixed asset taxes, city planning taxes, etc. • In general, fixed asset tax and city planning tax and other taxes and public dues on acquired assets are settled with the previous owners at the time of acquisition, calculated on a pro rata basis of the holding period. For JHR, such settlement amount is included in the acquisition price, and it will not be recognized as expenses for the calculation period. • Capital expenditure is assumed to be ¥3,522 million (¥2,259 million for capital expenditure I, ¥1,263 million for capital expenditure II). Capital expenditure III is not planned for the fiscal year ending December 2021. (*) JHR classifies capital expenditures into the following three categories. (I) Capital investment related to renewal of equipment and facilities of buildings which is required to maintain proper values of properties, (II) capital investment for fixtures, furniture and equipment 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 improving the competitiveness of the hotels. • Depreciation is calculated using the straight-line method including the planned capital expenditures above, and is assumed to be ¥4,813 million. • Repair expenses for buildings are recognized as expenses in the assumed amount necessary for each operating period. Please note that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as; (1) Emergency repair expenses may be necessary due to damage to buildings from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required on a regular basis. 																
Non-operating Expenses	<ul style="list-style-type: none"> • ¥1,836 million is expected for borrowing-related costs, including interest expense, amortization for financing fee and arrangement fee, and other non-operating expenses. • Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method. 																
Interest-bearing Debt	<ul style="list-style-type: none"> • The balance of interest-bearing debt (sum of loans and investment corporation bonds) as of the end of December 2020 was ¥168,754 million and is assumed to be ¥168,754 million as of the end of December 2021. • There are ¥23,582 million of loans due during the fiscal year ending December 2021 (22nd Period), however, it is assumed that the entire amount will be refinanced. • There are ¥1,500 million of investment corporation bonds that mature during the fiscal year ending December 2021 (22nd Period), however, it is assumed that the same amount of investment corporation bonds will be issued. 																
Dividend per Unit	<ul style="list-style-type: none"> • Dividend per unit for the fiscal year ending December 2021 (22nd period) is calculated based on the following assumptions. <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Net income</td> <td style="text-align: right;">¥877 million</td> </tr> <tr> <td>Reversal of reserve for temporary difference adjustment (negative goodwill)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">50-year amortization amount of negative goodwill (*1)</td> <td style="text-align: right;">¥262 million</td> </tr> <tr> <td style="padding-left: 20px;">Loss on retirement of noncurrent assets (*2)</td> <td style="text-align: right;">¥11 million</td> </tr> <tr> <td style="padding-left: 20px;">Amortization of trademark rights (*3)</td> <td style="text-align: right;">¥56 million</td> </tr> <tr> <td style="border-top: 1px solid black;">Distributable amount</td> <td style="text-align: right; border-top: 1px solid black;">¥1,208 million</td> </tr> <tr> <td>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; border-bottom: 3px double black;">Dividend per unit</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">¥270</td> </tr> </table>	Net income	¥877 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)	¥11 million	Amortization of trademark rights (*3)	¥56 million	Distributable amount	¥1,208 million	Total number of investment units issued	4,462,347 units	Dividend per unit	¥270
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Item	Assumptions
	<p>(*1) ¥262 million (hereinafter called “50-year amortization amount of negative goodwill”) is scheduled to be paid out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount, for every fiscal year.</p> <p>(*2) The amount recognized as a loss on retirement of noncurrent assets will be appropriated by reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on dividend per unit.</p> <p>(*3) The trademark rights are amortized over 10 years using the straight-line method. Amortization is expected to be recognized during the current fiscal year will be appropriated by reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on dividend per unit.</p> <ul style="list-style-type: none"> • Dividend per unit may fluctuate due to various causes, such as fluctuation of rent revenue resulting from transfer of assets under management, change of tenants, etc. at hotels, change in the business environment of hotel business for hotel tenants, etc., unexpected repairs, and actual number of new investment units issued, etc. • The remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 2021 (22nd period) is expected to be ¥9,981 million.
Dividend per Unit Resulting from Excess of Earnings	<ul style="list-style-type: none"> • It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.
Others	<ul style="list-style-type: none"> • It is assumed that revision in law, tax system, accounting standard, regulations of the listing, and regulations of the Investment Trusts Association, Japan that may impact the forecast above will not be made. • It is assumed that unexpected major incident will not occur in the general economy, real estate market and hotel business environment, etc. • The numerical values are rounded down to the nearest millions of yen in the assumptions above.

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

The numeral figures are based on figures obtained from hotel lessees, etc. Please note that these figures have not been audited or 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 millions of yen. Occupancy rate and comparison with the previous period are rounded off to one decimal place.

<1> The 24 Hotels with Variable Rent, etc. (*1)

		Fiscal year ended December 2020		Fiscal year ending December 2021	
		Results	Comparison with previous period	Forecast this time	Comparison with previous period
Occupancy Rate	First half of the year	34.0%	(51.1pt)	39.4%	5.4pt
	Second half of the year	40.8%	(46.1pt)	68.8%	28.1pt
	Full year	37.4%	(48.6pt)	54.2%	16.8pt
ADR (*2)	First half of the year	13,362	(14.8%)	12,368	(7.4%)
	Second half of the year	13,354	(22.6%)	16,398	22.8%
	Full year	13,357	(19.0%)	14,947	11.9%
RevPAR (*3)	First half of the year	4,536	(66.0%)	4,868	7.3%
	Second half of the year	5,445	(63.7%)	11,289	107.3%
	Full year	4,993	(64.8%)	8,105	62.3%
Sales (JPY1M)	First half of the year	10,718	(62.1%)	11,010	3.2%
	Second half of the year	13,378	(57.5%)	23,455	91.4%
	Full year	24,096	(59.6%)	34,466	50.3%
GOP (JPY1M)	First half of the year	(213)	(102.4%)	277	—%
	Second half of the year	1,867	(84.2%)	7,046	277.4%
	Full year	1,654	(92.1%)	7,323	342.9%

(*1) The 24 Hotels with Variable Rent, etc. represents 24 hotels including the HMJ Group Hotels, the Ishin Group Hotels and the Accor Group Hotels.

(*2) ADR: Represents average daily rate, which is calculated by dividing revenue of the rooms department for a given period (including service charges) by the total number of rooms sold during the period. The same shall apply hereinafter.

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

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<2>The HMJ Group Hotels

		Fiscal year ended December 2020		Fiscal year ending December 2021	
		Results	Comparison with previous period	Forecast this time	Comparison with previous period
Occupancy Rate	First half of the year	33.1%	(52.2pt)	36.4%	3.3pt
	Second half of the year	38.4%	(49.5pt)	68.3%	29.9pt
	Full year	35.8%	(50.8pt)	52.5%	16.7pt
ADR	First half of the year	15,222	(13.4%)	14,906	(2.1%)
	Second half of the year	16,814	(14.4%)	19,590	16.5%
	Full year	16,081	(13.7%)	17,979	11.8%
RevPAR	First half of the year	5,045	(66.4%)	5,428	7.6%
	Second half of the year	6,460	(62.6%)	13,379	107.1%
	Full year	5,757	(64.3%)	9,436	63.9%
Sales (JPY1M)	First half of the year	9,167	(61.9%)	9,443	3.5%
	Second half of the year	11,978	(55.9%)	20,624	81.6%
	Full year	21,146	(58.7%)	30,067	47.7%
GOP (JPY1M)	First half of the year	(370)	(105.1%)	113	—%
	Second half of the year	1,696	(82.8%)	6,280	270.3%
	Full year	1,326	(92.3%)	6,393	382.2%

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