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

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) announces the difference between the operating forecast for the midterm of the fiscal year ending December 2020 (January 1, 2020 through December 31, 2020), announced as “to be determined (TBD)” in “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for the Fiscal Year Ending December 2020 (21st Period)” dated March 25, 2020, and the actual results announced today. JHR also announces the revision of operating forecast and forecast of dividend for the full fiscal year ending December 2020 (January 1, 2020 through December 31, 2020), which were also stated as “to be determined (TBD),” based on JHR’s recent business performance. Details are as follows.

1. Difference between operating forecast and actual results for the midterm of 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
Forecast dated February 20, 2020 (A)	JPY1M 13,539	JPY1M 7,895	JPY1M 6,972	JPY1M 6,972	JPY —	JPY —
Previous forecast	JPY1M (TBD)	JPY1M (TBD)	JPY1M (TBD)	JPY1M (TBD)	JPY —	JPY —
Forecast this time (Actual) (B)	JPY1M 5,536	JPY1M 325	JPY1M (550)	JPY1M (551)	JPY —	JPY —
Variance (C) = (B) – (A)	JPY1M (8,003)	JPY1M (7,570)	JPY1M (7,523)	JPY1M (7,523)	JPY —	JPY —
Variance ratio (D) = (C) / (A)	% (59.1)	% (95.9)	% —	% —	% —	% —

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 2020 (21st Period), and revisions to the operating forecast and dividend forecast for the fiscal year ending December 2020 (21st 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. Revision of operating forecast and forecast of dividend for the full fiscal year ending December 2020 (January 1, 2020 through December 31, 2020)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Forecast dated February 20, 2020 (A)	JPY1M 29,971	JPY1M 18,128	JPY1M 16,239	JPY1M 16,238	JPY 3,750	JPY —
Previous forecast	JPY1M (TBD)	JPY1M (TBD)	JPY1M (TBD)	JPY1M (TBD)	JPY (TBD)	JPY (TBD)
Revised forecast (B)	JPY1M 13,126	JPY1M 2,085	JPY1M 244	JPY1M 243	JPY 126	JPY —
Variance (C) = (B) - (A)	JPY1M (16,844)	JPY1M (16,042)	JPY1M (15,994)	JPY1M (15,994)	JPY (3,624)	JPY —
Variance ratio (D) = (C) / (A)	% (56.2)	% (88.5)	% (98.5)	% (98.5)	% (96.6)	% —

(Reference) Forecast of net income per unit for the full fiscal year: ¥54

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

- (\*1) Operating forecast for the midterm of the fiscal year ending December 2020 (January 1, 2020 through June 30, 2020) and operating forecast and forecast of dividend for the fiscal year ending December 2020 (January 1, 2020 through December 31, 2020) were announced as “to be determined (TBD)” in “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for the Fiscal Year Ending December 2020 (21st Period)” dated March 25, 2020. Therefore, figures announced in “Financial Report for the Fiscal Year Ended December 31, 2019 (January 1, 2019 - December 31, 2019)” dated February 20, 2020, are shown for reference. The same shall apply hereinafter.
- (\*2) The number of investment units issued as of today is 4,462,347 units.
- (\*3) Total dividend is planned to be an amount of net income plus the reversed amount of reserve for temporary difference adjustment (¥319 million).
- (\*4) For the assumptions of the operating forecast and forecast of dividend above, please refer to “<Reference Information 1> Assumptions of the operating forecast for the full fiscal year ending December 2020 (21st period)” below.
- (\*5) Amounts are rounded down to the nearest million yen and percentages are rounded to the 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 2020 (January 1, 2020 through June 30, 2020) with the forecast dated February 20, 2020

With the voluntary cancellation of events and suspension of operations of large theme parks across the nation in line with the declaration of a state of emergency by the government in addition to restrained economic activities in Japan and abroad and the decrease in the number of foreign visitors to Japan due to the spread of infection by COVID-19, the hotel market has deteriorated rapidly as seen in the temporary closure of some hotels owned by JHR, etc.

Under such circumstances, JHR received a request to review rent from the largest lessee, Hotel Management Japan Co., Ltd. (hereinafter called “HMJ”) and its subsidiaries. After discussion and examination together with JHR, HMJ Group implemented measures to cut operating costs, etc. through thorough review of business operations of HMJ Group Hotels (\*1), and agreed on reduction of fixed rent for the current fiscal year including the midterm period (midterm: ¥3,970 million, full year: ¥8,736 million) (\*2). As a result, fixed rent of the hotels decreased by ¥3,970 for the current midterm period.

In addition, variable rent, income from management contracts, and revenue sharing decreased by ¥3,911 million, and utilities income, etc. decreased by ¥128 million, resulting in a decrease of ¥8,003 in operating revenue compared with the forecast dated February 20, 2020.

On the other hand, operating expenses decreased by ¥432 million due to reduction of various expenses related to properties and review of the implementation schedule of repair work, etc. Moreover, non-operating income increased by ¥34 million mainly due to non-life insurance income, and financial costs decreased by ¥11 million, resulting in a decrease of ¥7,523 million in net income from the forecast dated February 20, 2020.

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(2) Comparison of operating forecast for the full fiscal year ending December 2020 (January 1, 2020 through December 31, 2020) with the forecast dated February 20, 2020

Although the declaration of a state of emergency by the government was lifted in May 2020, the spread of infection by COVID-19 around the globe and the deterioration of social/economic conditions due to the pandemic are yet to end, and thus it is likely that hotel businesses will need time to recover.

Under such circumstances, JHR received a request for reduction of fixed rent, etc. from some of its lessees of which performance has deteriorated, and JHR has responded through discussions with lessees on an individual basis. Considering the situations of such discussions, JHR expects a risk of revenue decrease of ¥200 million in its forecast.

On another front, JHR sold Sotetsu Fresa Inn Shimbashi-Karasumoriguchi on July 1, 2020, and expects gain on sale of ¥3,156 million.

As a result, fixed rent, etc. from hotel, office, and commercial tenants is expected to decrease by ¥8,897 million, while variable rent, income from management contracts, and revenue sharing also are expected to decrease by ¥10,935 million, and utilities income, etc. is expected to decrease by ¥169 million. Accordingly, operating revenue is expected to decrease by ¥16,844 million from the forecast dated February 20, 2020.

Operating expenses is expected to decrease by ¥802 million due to reduction of various expenses related to properties and review of the implementation schedule of repair work, etc. Moreover, non-operating income is expected to increase by ¥35 million mainly due to non-life insurance income, and financial costs are expected to decrease by ¥12 million, resulting in a decrease in net income of ¥15,994 million from the previous forecast.

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

- (\*1) HMJ Group Hotels refers to 14 hotels: Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Aliviva, and Oriental Hotel Hiroshima, which JHR leases to HMJ, (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, and Hilton Tokyo Odaiba, which JHR leases to subsidiaries of HMJ. The same shall apply hereinafter.
- (\*2) For the details of a lease contract with HMJ Group Hotels, please see “Notice Concerning Revision of Fixed-Term Lease Contracts” announced today.
- (\*3) GOP (gross operating profit) and GOL (gross operating loss) are the remainder after expenses, such as personnel costs and general and administrative expenses, etc. incurred in hotel operation, are deducted from total sales. 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 (forecast dated February 20, 2020) for the full fiscal year ending December 2020, which was released in the “Financial Report for the Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)” dated February 20, 2020, and the major factors causing the variance

(Unit: millions of yen)

	FY12/2019 (20th Period)	FY12/2020 (21st Period)			Comparison with the Forecast dated February 20, 2020		Sale of Property (*3)	Existing Properties (*4)	Major Factors Causing the Variance
	Actual	Forecast dated February 20, 2020 (*1) (A)	Forecast This Time (B)	Forecast This Time (annualized effect) (*2)	(B)-(A)	%			
<b>Properties</b>									
No. of Properties	43	43	42	42	(1)		(1)	-	
Acquisition Price	374,508	374,508	369,708	369,708	(4,800)	(1.3%)	(4,800)	-	
<b>Profit and Loss Statement</b>									
Operating Revenue	28,278	29,971	13,126	9,738	(16,844)	(56.2%)	2,990	(19,835)	
Real Estate Operating Revenue	28,278	29,971	9,970	9,738	(20,001)	(66.7%)	(165)	(19,835)	
	Composition	Composition	Composition	Composition					
Fixed Rent	56.3% 15,931	56.1% 16,828	79.5% 7,931	79.9% 7,782	(8,897)	(52.9%)	(149)	(8,748)	1) Decrease in fixed rent from the HMJ Group Hotels (*5) by JPY8,736MM 2) Decrease in fixed rent from other tenants by JPY11M
Other Rent	4.1% 1,170	3.9% 1,158	9.9% 989	10.0% 974	(169)	(14.6%)	(16)	(152)	Decrease mainly in utilities cost
Variable Rent	39.5% 11,176	40.0% 11,984	10.5% 1,049	10.1% 982	(10,935)	(91.2%)	-	(10,935)	1) Decrease in variable rent, etc. from the 24 Hotels with Variable Rent, etc. (*5) by JPY9,771M (of these, decrease in variable rent, etc. from the HMJ Group Hotels by JPY6,614M) 2) Decrease in variable rent, etc. from other hotels with variable rent, etc. by JPY1,163M
Gain on Sale of Properties, etc.	-	-	3,156	-	3,156	-	3,156	-	
Operating Expenses related to Properties	4,191	4,698	4,355	4,408	(342)		(32)	(310)	
NOI (*6)	24,087	25,273	5,614	5,330	(19,658)	(77.8%)	(133)	(19,524)	
NOI Yield	6.4%	6.7%	1.5%	1.4%	(5.2%)				
NOI after Depreciation (*6)	19,281	20,392	841	568	(19,550)	(95.9%)	(122)	(19,427)	
NOI Yield after Depreciation	5.1%	5.4%	0.2%	0.2%	(5.2%)				
Operating Income	17,148	18,128	2,085	(1,340)	(16,042)	(88.5%)			
Ordinary Profit (Loss)	15,291	16,239	244	(3,181)	(15,994)	(98.5%)			
Net Income (Loss)	15,290	16,238	243	(3,182)	(15,994)	(98.5%)			
<b>Dividend</b>									
Reversed Amount of the Reserve for Temporary Difference Adjustment (Negative Goodwill)	1,176	496	319	337	(177)	(35.8%)			Reversed Amount of the Reserve for Temporary Difference Adjustment (*7)
Total Dividends	16,466	16,733	562	-	(16,171)	(96.6%)			2019: 50-year negative goodwill amortization: JPY262 MM, Loss on retirement of noncurrent assets: JPY246 MM, Correspondence to large-scale renovation work: JPY357 MM, Correspondence to dilution: JPY310 MM 2020: 50-year negative goodwill amortization: JPY262 MM, Loss on retirement of noncurrent assets: JPY19 MM, Amortization of trademark rights: JPY37 MM (annualized effect: JPY56 MM)
Number of Units Issued (Unit)	4,462,347	4,462,347	4,462,347	4,462,347	-				
Dividend per Unit (JPY)	3,690	3,750	126	-	(3,624)	(96.6%)			

- (\*1) The forecast dated February 20, 2020 indicates figures announced in “Financial Report for the Fiscal Year Ended December 31, 2019 (January 1, 2019 - December 31, 2019)” dated February 20, 2020. The same shall apply hereinafter.
- (\*2) 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 2020 (21st period)” below.
- (\*3) The amount of the impact of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi, which was sold on July 1, 2020, is stated.
- (\*4) “Existing properties” refers to the 42 properties excluding Sotetsu Fresa Inn Shimbashi-Karasumoriguchi sold on July 1, 2020, of the 43 properties owned by JHR as of June 30, 2020. The same shall apply hereinafter.
- (\*5) The 24 Hotels with Variable Rent, etc. represents the 24 hotels comprising the HMJ Group Hotels plus ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, Mercure Yokosuka, the b suidobashi, the b ikebukuro, the b hachioji, and the b hakata. The same shall apply hereinafter in this document.
- (\*6) Each is calculated using the following formula. The same shall apply hereinafter.

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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

- (\*7) 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 2020 (21st 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: <https://www.jhrth.co.jp/en/>

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<Reference Information 1> Assumptions of the operating forecast for the full fiscal year ending December 2020 (21st period)

Item	Assumptions																																																																																																																																												
Calculation Period	<ul style="list-style-type: none"> <li>Full fiscal year ending December 2020 (21st Period): January 1, 2020 through December 31, 2020 (366 days)</li> </ul>																																																																																																																																												
Assets Under Management	<ul style="list-style-type: none"> <li>The 42 properties owned by JHR as of today after the sale of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (hereinafter called the “Sale”) on July 1, 2020, are assumed.</li> <li>It is assumed that there will be no change (acquisition of new property or disposition of the existing properties, etc.) in assets under management other than the Sale through the end of the fiscal year ending December 2020 (21st period). However, the actual results may fluctuate depending on the changes in assets under management that may take place.</li> </ul>																																																																																																																																												
Operating Revenue	<ul style="list-style-type: none"> <li>Gain on sale of real estate properties of ¥3,156 million is expected to be recognized due to the Sale.</li> <li>Operating revenue is calculated based on the conditions of the lease and other contracts effective as of today, taking into consideration the competitiveness of hotels, market environment, and other factors. If there are lease contracts with 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 HMJ Group Hotels</p> <p>JHR concluded a memorandum of understanding for the fixed-term lease contracts of the HMJ Group Hotels on August 25, 2020. Assumptions for fixed and variable rent from January 1, 2020, to December 31, 2020 are as follows.</p> <p>Total rent = Fixed rent + Variable rent  Fixed rent = ¥794 million (equivalent to monthly fixed rent for one month)  Variable rent = Total GOP of the hotels x Variable rent ratio (%) – Fixed rent  Variable rent is calculated separately for each hotel, and is set as 0 (zero) when GOL arises.</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>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</td> <td>Midterm</td> <td>(120)</td> <td rowspan="2">89.78%</td> <td>-</td> <td>268</td> <td>268</td> </tr> <tr> <td>Full year</td> <td>241</td> <td>-</td> <td>268</td> <td>268</td> </tr> <tr> <td rowspan="2">Okinawa Marriott Resort &amp; Spa</td> <td>Midterm</td> <td>(149)</td> <td rowspan="2">82.92%</td> <td>-</td> <td>45</td> <td>45</td> </tr> <tr> <td>Full year</td> <td>(170)</td> <td>-</td> <td>45</td> <td>45</td> </tr> <tr> <td rowspan="2">Sheraton Grand Hiroshima Hotel (*1)</td> <td>Midterm</td> <td>86</td> <td rowspan="2">79.03%</td> <td>39</td> <td>29</td> <td>68</td> </tr> <tr> <td>Full year</td> <td>118</td> <td>65</td> <td>29</td> <td>94</td> </tr> <tr> <td rowspan="2">Oriental Hotel Fukuoka Hakata Station</td> <td>Midterm</td> <td>170</td> <td rowspan="2">96.98%</td> <td>130</td> <td>35</td> <td>165</td> </tr> <tr> <td>Full year</td> <td>286</td> <td>242</td> <td>35</td> <td>278</td> </tr> <tr> <td rowspan="2">Holiday Inn Osaka Namba</td> <td>Midterm</td> <td>63</td> <td rowspan="2">90.15%</td> <td>-(*)2</td> <td>48</td> <td>48</td> </tr> <tr> <td>Full year</td> <td>22</td> <td>-</td> <td>48</td> <td>48</td> </tr> <tr> <td rowspan="2">Hilton Tokyo Narita Airport</td> <td>Midterm</td> <td>91</td> <td rowspan="2">83.59%</td> <td>-(*)3</td> <td>37</td> <td>37</td> </tr> <tr> <td>Full year</td> <td>64</td> <td>16</td> <td>37</td> <td>53</td> </tr> <tr> <td rowspan="2">International Garden Hotel Narita</td> <td>Midterm</td> <td>49</td> <td rowspan="2">95.35%</td> <td>19</td> <td>28</td> <td>47</td> </tr> <tr> <td>Full year</td> <td>64</td> <td>33</td> <td>28</td> <td>61</td> </tr> <tr> <td rowspan="2">Hotel Nikko Nara</td> <td>Midterm</td> <td>(175)</td> <td rowspan="2">90.05%</td> <td>-</td> <td>35</td> <td>35</td> </tr> <tr> <td>Full year</td> <td>(210)</td> <td>-</td> <td>35</td> <td>35</td> </tr> <tr> <td rowspan="2">Hotel Oriental Express Osaka Shinsaibashi</td> <td>Midterm</td> <td>(16)</td> <td rowspan="2">87.11%</td> <td>-</td> <td>9</td> <td>9</td> </tr> <tr> <td>Full year</td> <td>(42)</td> <td>-</td> <td>9</td> <td>9</td> </tr> <tr> <td rowspan="2">Hilton Tokyo Odaiba</td> <td>Midterm</td> <td>(369)</td> <td rowspan="2">92.10%</td> <td>-</td> <td>258</td> <td>258</td> </tr> <tr> <td>Full year</td> <td>(170)</td> <td>-</td> <td>258</td> <td>258</td> </tr> <tr> <td rowspan="2">Total</td> <td>Midterm</td> <td>(370)</td> <td>-</td> <td>188</td> <td>794</td> <td>982</td> </tr> <tr> <td>Full year</td> <td>204</td> <td>-</td> <td>357</td> <td>794</td> <td>1,151</td> </tr> </tbody> </table> <p>(*1) Stating the rent for Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA. Fixed rent and variable rent for office and commercial tenants of ACTIVE-INTER CITY HIROSHIMA are as follows.</p>			Total GOP of the hotel(s)	Variable rent ratio	Variable rent	Fixed rent	Total rent	The Five HMJ Hotels	Midterm	(120)	89.78%	-	268	268	Full year	241	-	268	268	Okinawa Marriott Resort & Spa	Midterm	(149)	82.92%	-	45	45	Full year	(170)	-	45	45	Sheraton Grand Hiroshima Hotel (*1)	Midterm	86	79.03%	39	29	68	Full year	118	65	29	94	Oriental Hotel Fukuoka Hakata Station	Midterm	170	96.98%	130	35	165	Full year	286	242	35	278	Holiday Inn Osaka Namba	Midterm	63	90.15%	-(*)2	48	48	Full year	22	-	48	48	Hilton Tokyo Narita Airport	Midterm	91	83.59%	-(*)3	37	37	Full year	64	16	37	53	International Garden Hotel Narita	Midterm	49	95.35%	19	28	47	Full year	64	33	28	61	Hotel Nikko Nara	Midterm	(175)	90.05%	-	35	35	Full year	(210)	-	35	35	Hotel Oriental Express Osaka Shinsaibashi	Midterm	(16)	87.11%	-	9	9	Full year	(42)	-	9	9	Hilton Tokyo Odaiba	Midterm	(369)	92.10%	-	258	258	Full year	(170)	-	258	258	Total	Midterm	(370)	-	188	794	982	Full year	204	-	357	794	1,151
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Hotel Oriental Express Osaka Shinsaibashi	Midterm	(16)	87.11%	-	9	9																																																																																																																																							
	Full year	(42)		-	9	9																																																																																																																																							
Hilton Tokyo Odaiba	Midterm	(369)	92.10%	-	258	258																																																																																																																																							
	Full year	(170)		-	258	258																																																																																																																																							
Total	Midterm	(370)	-	188	794	982																																																																																																																																							
	Full year	204	-	357	794	1,151																																																																																																																																							

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Item	Assumptions		
	(Unit: millions of yen)		
	Variable rent	Fixed rent	Total rent
Midterm	3	239	243
Full year	5	477	483

(\*2) Variable rent for the midterm is not recognized since variable rent does not arise based on the expected full-year GOP.  
(\*3) As the expected GOP for the full year is less than the GOP for the midterm period, variable rent is not recorded in the midterm period.

(2) Income from management contracts (\*4) and variable rent from other hotels with variable rent, etc.  
(Unit: millions of yen)

	Midterm	Full year
ibis Tokyo Shinjuku	18	3
ibis Styles Kyoto Station	- (*5)	- (*5)
ibis Styles Sapporo	23	38
Mercure Sapporo	40	68
Mercure Okinawa Naha	- (*5)	- (*5)
Mercure Yokosuka	27	17
the b suidobashi	-	-
the b ikebukuro	1	1
the b hachioji	44	105
the b hakata	2	2
Comfort Hotel Tokyo Higashi Nihombashi	1	1
Smile Hotel Nihombashi Mitsukoshimae	12	12
Hotel Vista Kamata Tokyo	-	-
Chisun Inn Kamata	15	18
Hotel Keihan Universal City	Undisclosed (*6)	Undisclosed (*6)
Sotetsu Fresa Inn Shimbashi Karasumoriguchi (*7)	66	66
Hilton Tokyo Bay	Undisclosed (*6)	Undisclosed (*6)
Hilton Nagoya	Undisclosed (*6)	Undisclosed (*6)
Total	454	685

(\*4) For income from management contracts, it is assumed that each hotel's GOP amount is recognized as income from management contracts, and GOL and the management contract fees to be paid by JHR are recognized as an operating expense.  
(\*5) GOL recognized as cost for management contracts are as follows.

(Unit: millions of yen)

	Midterm	Full year
ibis Styles Kyoto Station	(20)	(40)
Mercure Okinawa Naha	(13)	(39)
Total	(33)	(80)

(\*6) Undisclosed since tenants that concluded lease contracts did not agree to disclose rent revenue, etc.  
(\*7) Sotetsu Fresa Inn Shimbashi-Karasumoriguchi was sold on July 1, 2020. The above shows the variable rent arising before the sale date.

• The following is the breakdown of variable rent and income from management contracts  
(Unit: millions of yen)

	Midterm	Full year
The HMJ Group Hotels	188	357
Office and commercial tenants (*8)	3	5
Other hotels with variable rent, etc. (18 hotels)	454	685
Total (32 hotels)	646	1,049

(\*8) Variable rent for office and commercial tenants of ACTIVE-INTER CITY HIROSHIMA is shown.  
(\*9) For details of variable rent, please refer to page 51, "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

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Item	Assumptions
	rent, management contract or revenue sharing” of the “Midterm Financial Report for the Fiscal Year Ending December 31, 2020 (January 1, 2020 - June 30, 2020)” dated today.
Operating Expenses	<ul style="list-style-type: none"> <li>• JHR is in discussions with tenants concerning temporary rent reduction due to the impact of COVID-19. In light of the current status of discussions, JHR assumes a risk of revenue decrease of ¥200 million considering the possible impact of revenue decrease on operating income.</li> <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 ¥1,915 million will be recognized as expenses for fixed asset tax, city planning tax, etc.</li> <li>• In general, fixed asset tax, 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>• For capital expenditure, ¥3,000 million was assumed for the large-scale renovation at Hilton Tokyo Odaiba for the fiscal year ending December 2020 (21st period) and ¥2,600 was assumed for the large-scale renovation at Namba Oriental Hotel for the fiscal year ending December 2021 (22nd period) in the forecast dated February 20, 2020. However, all renovations including large-scale renovations were reviewed (including whether to execute in the future is undecided), and capital expenditure for the fiscal year ending December 2020 (21st period) is assumed to be ¥1,799 million (¥1,605 million for capital expenditure I, ¥93 million for capital expenditure II, and ¥100 million for capital expenditure III).</li> </ul> <p style="margin-left: 40px;">(*) JHR classifies capital expenditures across 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.</p> <ul style="list-style-type: none"> <li>• Depreciation is calculated using the straight-line method including the planned capital expenditures above, and is assumed to be ¥4,751 million.</li> <li>• 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.</li> </ul>
Non-Operating Expenses	<ul style="list-style-type: none"> <li>• ¥1,876 million is expected for borrowing-related costs, including interest expense, amortization for financing fee and arrangement fee, 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 under the straight-line method.</li> </ul>
Interest-Bearing Debt	<ul style="list-style-type: none"> <li>• The balance of interest-bearing debt (sum of loans and investment corporation bonds) as of the end of June 2020 was ¥168,754 million. It is assumed that the balance of interest-bearing debt will be ¥168,754 million as of December 31, 2020.</li> <li>• It is assumed that loans totaling ¥12,782 million due in the second half of the fiscal year ending December 2020 (21st period) will be fully refinanced.</li> </ul>

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Item	Assumptions																				
Dividend per Unit	<ul style="list-style-type: none"> <li>• Dividend per unit for the fiscal year ending December 2020 (21st period) is calculated based on the following assumptions.</li> </ul> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Net income</td> <td style="text-align: right;">¥243 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;">¥19 million</td> </tr> <tr> <td style="padding-left: 20px;">Amortization of trademark rights (*3)</td> <td style="text-align: right;">¥37 million</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black;"></td> </tr> <tr> <td>Distributable amount</td> <td style="text-align: right;">¥562 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 colspan="2" style="border-top: 1px solid black;"></td> </tr> <tr> <td>Dividend per unit</td> <td style="text-align: right;">¥126</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 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> <li>(*3) As announced in the press release “Notice Concerning Acquisition of New Assets (Trademark Rights of “Oriental Hotel” brand, etc.)” dated May 15, 2020, JHR acquired the trademark rights on May 15, 2020. The trademark rights are amortized over 10 years using the straight-line method. Amortization 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.</li> </ul> <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 reserve for temporary difference adjustment (negative goodwill) after the appropriation of reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 2020 (21st period) is expected to be ¥10,298 million.</li> </ul>	Net income	¥243 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)	¥19 million	Amortization of trademark rights (*3)	¥37 million			Distributable amount	¥562 million	Total number of investment units issued	4,462,347 units			Dividend per unit	¥126
	Net income	¥243 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)	¥19 million																				
Amortization of trademark rights (*3)	¥37 million																				
Distributable amount	¥562 million																				
Total number of investment units issued	4,462,347 units																				
Dividend per unit	¥126																				
Dividend per Unit Resulting from Excess of Earnings	<ul style="list-style-type: none"> <li>• It is assumed that excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.</li> </ul>																				
Others	<ul style="list-style-type: none"> <li>• It is assumed that no revisions to laws, tax systems, accounting standards, listing regulations, and regulations of the Investment Trusts Association, Japan (“ITAJ”) that may impact the forecast above will be made.</li> <li>• It is assumed that no unexpected major incident in the general economy, real estate market, and hotel business environment, etc. will occur.</li> <li>• In the above assumptions, numerical values are rounded down to the nearest million yen.</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 2020 (21st period)

- (1) It is assumed that the existing properties (42 properties) excluding Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (hereinafter the “Sold Property”) sold on July 1, 2020, will be held throughout the year and that there will be no gain on sale of real estate properties.
- (2) There is no change in operating revenue and operating expenses of the existing properties (42 properties) excluding the Sold Property from the above “<Reference Information 1> Assumptions of the operating forecast for the full fiscal year ending December 2020 (21st period),” except for fixed asset tax and city planning tax.
- (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 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).

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

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

		Fiscal year ended December 2019		Fiscal year ending December 2020			
		Actual	Comparison with the previous period	Forecast dated February 20, 2020	Forecast this time (first half: actual)	Comparison with the previous period	Comparison with the forecast dated February 20, 2020
Occupancy Rate	First half of the year	85.1%	(2.9pt)	87.0%	34.0%	(51.1pt)	(53.0pt)
	Second half of the year	86.9%	0.5pt	87.3%	34.2%	(52.6pt)	(53.1pt)
	Full year	86.0%	(1.2pt)	87.1%	34.1%	(51.9pt)	(53.1pt)
ADR (*1)	First half of the year	15,691	0.4%	15,690	13,362	(14.8%)	(14.8%)
	Second half of the year	17,263	(3.4%)	18,970	13,264	(23.2%)	(30.1%)
	Full year	16,492	(1.6%)	17,341	13,313	(19.3%)	(23.2%)
RevPAR (*2)	First half of the year	13,348	(3.0%)	13,649	4,536	(66.0%)	(66.8%)
	Second half of the year	14,993	(2.9%)	16,559	4,541	(69.7%)	(72.6%)
	Full year	14,178	(2.9%)	15,112	4,539	(68.0%)	(70.0%)
Sales (JPY 1M)	First half of the year	28,259	(2.0%)	29,036	10,718	(62.1%)	(63.1%)
	Second half of the year	31,453	(2.0%)	34,219	11,593	(63.1%)	(66.1%)
	Full year	59,712	(2.0%)	63,255	22,310	(62.6%)	(64.7%)
GOP (JPY 1M)	First half of the year	9,067	(5.6%)	9,167	(213)	(102.4%)	(102.3%)
	Second half of the year	11,804	(2.8%)	13,177	628	(94.7%)	(95.2%)
	Full year	20,871	(4.0%)	22,344	414	(98.0%)	(98.1%)

(\*1) 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. As for 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 (main facility of ACTIVE-INTER CITY HIROSHIMA), International Garden Hotel Narita, Hotel Nikko Nara, and Oriental Hotel Fukuoka Hakata Station request 10%, Hilton Tokyo Narita Airport

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requests 12%, and Hilton Tokyo Odaiba requests 13%. Moreover, the other 24 hotels with variable rent, etc. do not request a service charge. The same shall apply hereinafter.

(\*2) 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.

<2>The HMJ Group Hotels

		Fiscal year ended December 2019		Fiscal year ending December 2020			
		Actual	Comparison with the previous period	Forecast dated February 20, 2020	Forecast this time (first half: actual)	Comparison with the previous period	Comparison with the forecast dated February 20, 2020
Occupancy Rate	First half of the year	85.3%	(3.0pt)	87.6%	33.1%	(52.2pt)	(54.5pt)
	Second half of the year	87.9%	1.4pt	86.9%	31.2%	(56.7pt)	(55.7pt)
	Full year	86.6%	(0.8pt)	87.3%	32.2%	(54.4pt)	(55.1pt)
ADR (*1)	First half of the year	17,587	(0.7%)	17,587	15,222	(13.4%)	(13.5%)
	Second half of the year	19,635	(4.5%)	21,950	16,623	(15.3%)	(24.3%)
	Full year	18,635	(2.7%)	19,772	15,906	(14.6%)	(19.6%)
RevPAR (*2)	First half of the year	15,005	(4.1%)	15,406	5,045	(66.4%)	(67.3%)
	Second half of the year	17,263	(3.0%)	19,083	5,193	(69.9%)	(72.8%)
	Full year	16,143	(3.5%)	17,255	5,120	(68.3%)	(70.3%)
Sales (JPY 1M)	First half of the year	24,050	(2.4%)	24,766	9,167	(61.9%)	(63.0%)
	Second half of the year	27,137	(2.0%)	29,483	10,191	(62.4%)	(65.4%)
	Full year	51,187	(2.2%)	54,248	19,358	(62.2%)	(64.3%)
GOP (JPY 1M)	First half of the year	7,230	(6.1%)	7,363	(370)	(105.1%)	(105.0%)
	Second half of the year	9,886	(2.0%)	11,014	575	(94.2%)	(94.8%)
	Full year	17,116	(3.8%)	18,376	204	(98.8%)	(98.9%)

(\*1) Large-scale renovation work with the suspension of hotel operation was implemented at Oriental Hotel Fukuoka Hakata Station from October 1, 2018 to April 8, 2019. Actual for the fiscal year ended December 2019 includes the impact of the suspension due to the renovation work.

(\*2) Large-scale renovation work was scheduled at Namba Oriental Hotel from November 2020 to March 2021 and at Hilton Tokyo Odaiba from September 2020 to December 2020. Therefore, the forecast dated February 20, 2020 for the fiscal year ending December 2020 includes the impact of the suspension of operations and sales due to the large-scale renovation work.

(\*3) As Hotel Oriental Express Osaka Shinsaibashi opened on April 2, 2018, tallies for 2018 do not include figures from before the opening.

(\*4) Hilton Tokyo Odaiba was acquired on April 8, 2019. The actual and comparison with the previous period for the fiscal year ended December 2019 are calculated as the total for the full year including figures prior to the acquisition date.

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