

Disclaimers

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

Prohibition of Sales to EEA Retail Investors

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

United Kingdom

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

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

European Economic Area Investors

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

Netherlands

The units of JHR are being marketed in the Netherlands under Section 1:13b of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, or the “Wft”). In accordance with this provision, the AIFM has notified the Dutch Authority for the Financial Markets of its intention to offer these units in the Netherlands. The units of JHR will not, directly or indirectly, be offered, sold, transferred or delivered in the Netherlands, except to or by individuals or entities that are qualified investors (*gekwalificeerde beleggers*) within the meaning of Article 1:1 of the Wft, and as a consequence neither the AIFM nor JHR is subject to the license requirement pursuant to the Wft. Consequently, neither the AIFM nor JHR is subject to supervision of the Dutch Central Bank (*De Nederlandsche Bank*, “DNB”) or the Netherlands Authority for Financial Markets (*Autoriteit Financiële Markten*, the “AFM”) and this Article 23 AIFMD Prospectus is not subject to approval by the AFM. No approved prospectus is required to be published in the Netherlands pursuant

to Article 3 of the Regulation (EU) 2017/1129 as amended and applicable in the Netherlands. The AIFM is therefore solely subject to limited ongoing regulatory requirements as referred to in Article 42 of the AIFMD.

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

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

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- JHR may suffer large losses if any of the properties incurs damage from a natural or man-made disaster;
- geographic concentration of the portfolio in major cities in Japan could have a material adverse effect on JHR's business;
- any inability to obtain financing or refinancing from issuance of investments units, loan and issuance of investment corporation bonds for future acquisitions could adversely affect the growth of the portfolio;
- JHR's failure to satisfy a complex series of requirements pursuant to Japanese tax regulations would disqualify JHR from certain taxation benefits and significantly reduce the cash distributions to the unitholders;
- the ownership rights in some of the properties may be declared invalid or limited; and
- support from JHR's related parties, particularly in connection with management of hotels, may not achieve the anticipated results.

In addition, JHR is subject to the following risks:

- risks related to operation of hotels;
- risks related to specialization in investment in hotels;
- risks related to the small number of tenants per each building;
- risks related to seasonality of our performance;
- risks related to maintenance of facilities and infrastructure;
- risks related to increasing operating costs;
- risks related to JHR's dependence on the efforts of the AIFM's key personnel;
- risks related to the restrictive covenants under debt financing arrangement;
- risks related to covenants with lessees or hotel operators prohibiting JHR from transferring its properties as well as other third-party approval requirements;
- risks related to entering into forward commitment contracts;
- risks related to third party leasehold interests in the land underlying JHR's properties;
- risks related to holding the property in the form of compartmentalized ownership (*kubun shoyū*) interests or co-ownership interests (*kyōyū-mochibun*);
- risks related to holding the property through trust beneficiary interests;
- risks related to properties not in operation (including properties under development);

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| | <ul style="list-style-type: none"> • risks related to defective title, ground, design or construction (including with respect to piles and beams of buildings, as well as seismic and vibration insulation oil dampers) or other defects, non-conformity or problems in the properties; • risks related to suffering impairment losses relating to the properties; • risks related to decreasing tenant leasehold deposits and/or security deposits; • risks related to tenants' default as a result of financial difficulty or insolvency; • risks related to the insolvency of master lessor; • risks related to relying on expert appraisals and engineering, environmental and seismic reports as well as industry and market data by third party experts and statistics or projections published by the Japanese government or its related entities; • risks related to the presence of hazardous or toxic substances in the properties, or the failure to properly remediate such substances; • risks related to the strict environmental liabilities for the properties; • risks related to the amendment of the applicable administrative laws and local ordinances; • risks related to investments in trust beneficiary interest; • risks related to the tight supervision by the regulatory authorities; • risk of non-compliance with applicable rules and regulations, including with respect to insider trading under the ITA or management of personal information under the Act on the Protection of Personal Information or the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure; • risks related to the tax authority disagreement with the AIF's understanding of Japanese tax laws and regulations; • risks related to being unable to benefit from reductions in certain real estate taxes enjoyed by qualified J-REITs; • risks related to changes in Japanese tax laws; and • the risk of dilution as a result of further issuances of units. |
| Any applicable investment restrictions | <p>JHR is subject to investment restrictions under Japanese laws and regulations (e.g., the Act on Investment Trusts and Investment Corporations (the "ITA"), the Financial Instruments and Exchange Act (the "FIEA")) as well as its articles of incorporation.</p> <p>JHR must invest primarily in specified assets as defined in the ITA. Specified assets include, but are not limited to, securities, real estate, leaseholds of real estate, surface rights</p> |

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| | <p>(<i>chijō-ken</i>) (i.e., right to use land for the purpose of having a structure on it) or trust beneficiary interests for securities, real estate, leaseholds of real estate or surface rights.</p> <p>Furthermore, a listed J-REIT must invest substantially all of its assets in real estate, real estate-related assets and liquid assets as provided by the listing requirements. Real estate in this context includes, but is not limited to, real estate, leaseholds of real estate, surface rights, and trust beneficiary interests for these assets, and real estate-related assets in this context include, but are not limited to, anonymous association (<i>tokumei kumiai</i>) interests for investment in real estate.</p> <p>Pursuant to the ITA, investment corporations may not independently develop land for housing or to construct buildings, but may outsource such activities in certain circumstances.</p> |
| Circumstances in which the AIF may use leverage | JHR may take out loans or issue long-term or short-term investment corporation bonds for the purpose of investing in properties, conducting repairs, paying cash distributions, repaying obligations (including repayment of tenant leasehold or security deposits, and obligations related to loans or long-term or short-term investment corporation bonds) and other activities. |
| The types and sources of leverage permitted and associated risks | Loans or investment corporation bonds. JHR currently does not have any outstanding guarantees, but may be subject to restrictive covenants in connection with any future indebtedness that may restrict the operations and limit the ability to make cash distributions to unitholders, to dispose of the properties or to acquire additional properties. Furthermore, JHR may violate restrictive covenants contained in the loan agreements JHR executes, such as the maintenance of debt service coverage or loan-to-value ratios, which may entitle the lenders or bondholders to require JHR to collateralize the properties or demand that the entire outstanding balance be paid. Further, in the event of an increase in interest rates, to the extent that JHR has any debt with unhedged floating rates of interest or JHR incurs new debt, interest payments may increase, which in turn could reduce the amount of cash available for distributions to unitholders. Higher interest rates may also limit the capacity for short- and long-term borrowings, which would in turn limit the ability to acquire properties, and could cause the market price of the units to decline. |
| Any restrictions on leverage | The maximum amount of each loan and investment corporation bond issuance will be one trillion yen (the maximum amount of short-term investment corporation bond issuance |

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| | will be 250 billion yen), and the aggregate amount of all such debt will not exceed one trillion yen. |
| Any restrictions on collateral and asset reuse arrangements | No applicable arrangements. |
| Maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF | JHR has set an upper limit of 65% as a general rule for its loan-to-value, or LTV, ratio in order to operate with a stable financial condition. JHR may, however, temporarily exceed any such levels as a result of property acquisitions or other events. |
| Article 23(1) (b) | |
| Procedure by which the AIF may change its investment strategy / investment policy | Amendment of the articles of incorporation. Amendment requires a quorum of a majority of the total issued units and at least a two-thirds vote of the voting rights represented at the meeting. Unitholders should note, however, that under the ITA and our articles of incorporation, unitholders who do not attend and exercise their voting rights at a General Meeting of Unitholders are deemed to be in agreement with proposals submitted at the meeting, except in cases where contrary proposals are also being submitted. Additionally, the guidelines of the AIFM, which provide more detailed policies within JHR's overall investment strategy and policy, can be modified without such formal amendment of the articles of incorporation. |
| Article 23(1) (c) | |
| Description of the main legal implications of the contractual relationship entered into for the purpose of investment, including jurisdiction, applicable law, and the existence or not of any legal instruments providing for the recognition and enforcement of judgments in the | <p>JHR has entered into an Agreement with Kyoritsu Maintenance Co., Ltd. for support for property acquisition, pursuant to which JHR receives information regarding the prospective sales of real estate and trust beneficiary interests for real estate.</p> <p>JHR has entered into a Basic Agreement with Sumitomo Mitsui Trust Bank, Limited for information provision regarding sales or brokerage of income-type properties held or developed by third parties.</p> <p>In 2011, JHR succeeded to an Information Service Agreement with Goldman Sachs (Japan) Co., Ltd. pursuant to which JHR receives information regarding real estate and trust beneficial rights for real estate; this agreement was originally executed with JHR's predecessor, Japan Hotel and Resort Investment Corporation and Japan Hotel and Resort, Inc.</p> |

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| territory where the AIF is established | <p>JHR has entered into a Technical Advisory Agreement with Shin Nippon Air Technologies Co., Ltd (“SNK”) pursuant to which SNK supports JHR in due diligence for acquisition of assets.</p> <p>All of the above agreements are governed by Japanese law.</p> <p>JHR is not involved in or threatened by any legal arbitration, administrative or other proceedings, the results of which might, individually or in the aggregate, be material.</p> <p>JHR is a corporate-type investment trust in the form of investment corporation (<i>toshi hojin</i>) provided for under the ITA. Therefore, the relationship between JHR and its unitholders is governed by JHR’s articles of incorporation (as opposed to individual agreements), which can be amended from time to time upon resolution of a general unitholders’ meeting. JHR’s articles of incorporation stipulate rules relating to general unitholders meetings, including the convocation, setting of record date, exercise of voting rights, resolutions and election of JHR’s directors.</p> <p>The relationship between JHR and its unitholders is also governed by, and is subject to the provisions of, Japanese law, including the ITA.</p> <p>The courts in Japan would recognize as a valid and final judgment any final and conclusive civil judgment for monetary claims (which, for this purpose, are limited to those of a purely civil nature and do not include monetary claims of the nature of criminal or administrative sanction, such as punitive damages, even though they take the form of civil claims) against JHR obtained in a foreign court provided that (i) the jurisdiction of such foreign court is admitted under the laws of Japan, (ii) JHR has received service of process for the commencement of the relevant proceedings, otherwise than by a public notice or any method comparable thereto, or has appeared without any reservation before such foreign court, (iii) neither such judgment nor the relevant proceeding is repugnant to public policy as applied in Japan, and (iv) there exists reciprocity as to the recognition by such foreign court of a final judgment obtained in a Japanese court and (v) there is no conflicting judgement on the subject matter by any Japanese court.</p> |
| Article 23(1) (d) | |
| The identity of the AIFM, AIF's depository, auditor and any other | <ul style="list-style-type: none"> • AIFM (Asset Manager): Japan Hotel REIT Advisors Co., Ltd. |

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| <p>service providers and a description of their duties and the investors' rights thereto</p> | <p>The AIFM provides services related to asset management, financing of the AIF, reporting to the AIF, asset management planning for the AIF, and other matters delegated by the AIF.</p> <ul style="list-style-type: none"> • Auditor: KPMG AZSA LLC The Auditor audits financial statements, prepares audit reports, and reports to the supervisory directors if it finds any misconduct or any material fact that is in violation of laws and regulations or the articles of incorporation with regard to execution of the duties of the executive director. • General Administrator (for administration), Custodian, Transfer Agent and Special Accounts Administrator: Sumitomo Mitsui Trust Bank, Limited The General Administrator (for administration) provides administrative services related to administration of accounting matters, preparation of accounting books, tax-related services (other than those entrusted to PwC Tax Japan) and management and recording of board of directors meetings. The Custodian provides administrative services related to custody of our assets. The Transfer Agent provides administrative services related to preparation and maintenance of the unitholder registry, payments of cash distributions to unitholders, acceptance of requests for the exercise of voting rights by unitholders or any other applications from unitholders, and distribution of meeting convocation notices and other unitholder notifications and information. The Special Accounts Administrator provides administrative services, including the preparation, management and custody of the transfer account book in relation to special accounts. • General Administrator (for investment corporation bonds): Sumitomo Mitsui Trust Bank, Limited, Mizuho Bank, Ltd., Resona Bank Limited. and MUFG Bank, Ltd. The General Administrators provides administrative services in connection with the AIF's investment corporation bonds. • General Administrator (for tax payment): PwC Tax Japan The General Administrator provides tax-related administrative services. <p>Service providers owe contractual obligations under their respective agreements with the AIF, as the case may be. In addition, the FIEA provides that the Asset Manager owes the AIF a fiduciary duty and must conduct its activities as the asset manager in good faith.</p> <p>The FIEA also prohibits the Asset Manager from engaging in certain specified conduct, including entering into transactions outside the ordinary course of business or with related parties of the Asset Manager that are contrary to or violate the AIF's interests.</p> |
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| | Pursuant to the ITA, the unitholders have the right to approve the execution or termination of the asset management agreement at a General Meeting of Unitholders. |
| Article 23(1) (e) | |
| Description of how the AIFM complies with the requirements to cover professional liability risks (own funds / professional indemnity insurance) | Not applicable. |
| Article 23(1) (f) | |
| Description of any delegated management function such as portfolio management or risk management and of any safekeeping function delegated by the depositary, the identification of the delegate and any conflicts of interest that may arise from such delegations | <p>Not applicable.</p> <p>There is no delegation of such functions beyond the AIFM, which is responsible for portfolio and risk management, and the Custodian, which is responsible for safekeeping activities.</p> |
| Article 23(1) (g) | |
| Description of the AIF's valuation procedure and pricing methodology, including the methods used in valuing hard-to-value assets | <p>JHR makes investment decisions based on the valuation of properties, upon consideration of the property appraisal value.</p> <p>JHR shall evaluate assets in accordance with its articles of incorporation. The methods and standards that JHR uses for the evaluation of assets shall be based on the Regulations Concerning the Calculations of Investment Corporations, as well as the Regulations Concerning Real Estate Investment Trusts and Real Estate Investment Corporations and other regulations stipulated by the Investment Trusts Association, Japan, in addition to Japanese GAAP.</p> |

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| | The rules of the Investment Trusts Association, Japan, emphasize market price valuation. |
| Article 23(1) (h) | |
| Description of the AIF's liquidity risk management, including redemption rights in normal and exceptional circumstances and existing redemption arrangements with investors | <p>The AIFM stipulates basic provisions of risk management in its risk management rules.</p> <p>Additionally, the AIF uses various financing methods, including investment corporation bonds and long-term loans, to finance acquisitions and repayment obligations. JHR controls related risk by maintaining the ratio of interest-bearing debt to total assets under a certain percentage, diversifying repayment deadlines, and retaining a certain amount of highly liquid cash and deposits.</p> <p>For floating rate borrowings exposed to the risk of interest rate fluctuations, JHR closely monitors the movement of interest rates.</p> <p>As JHR is a closed-end investment corporation, unitholders are not entitled to request the redemption of their investment.</p> |
| Article 23(1) (i) | |
| Description of all fees, charges and expenses and a maximum amount which is directly / indirectly borne by the investors | <p><u>Compensation:</u> The articles of incorporation provide that JHR may pay its executive and supervisory officers up to 800,000 and up to 500,000 yen per month. The board of officers is responsible for determining a reasonable compensation amount for the executive and supervisory officers.</p> <p><u>Asset Manager:</u></p> <ul style="list-style-type: none"> Asset Management Fee: JHR will pay the Asset Manager an asset management fee as follows: <ol style="list-style-type: none"> Management Fee 1 <p>The amount calculated by (i) multiplying the balance of total assets(*) held by JHR as of the end of March, June, September and December, (the "Calculation Record date") by an annual rate of no more than 0.35% to be separately agreed upon between the JHR and the AIFM and (ii) then prorated on a per day basis (where amounts less than one yen are rounded down), based on a year of three hundred sixty five days, for the period from the previous Calculation Record Date (not including such date) until the relevant Calculation Record Date (including such date).</p> <p>(*) The total assets are the total of the cash reserves balance, the securities balance, tangible fixed assets and intangible fixed asset.</p> |

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

2. Management Fee 2

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

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

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

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

3. Management Fee 3

The amount calculated by (i) dividing the total available dividend amount before deducting Management Fee 3(*) for each fiscal period of JHR by the total investment units issued at the end of December each year (where amounts less than one yen are rounded down.) and (ii) then multiplying the coefficient of no more than 43,000 which separately agreed upon between JHR and the AIFM. (In the event that the investment unit is split, 43,000 shall be multiplied by split ratio(**). When the investment unit is split multiple times, the same calculation shall be repeated.)

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

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

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

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

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

4. Acquisition Fee

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

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

5. Disposition Fee

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

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

(*) The term “sponsor-related party” is stipulated in the AIFM’s rules for transactions with sponsor-related parties, and includes (a) interested parties, etc., (b) the AIFM’s shareholders, (c) companies, etc. that take a 50% or more stake in a shareholder that holds 50% or more of the shares in the AIFM, (d) companies in which a shareholder of the AIFM has a 50% or more stake, (e) entities or persons who ceased to fall under (a) through (d) within the last 3 months, and (f) entities or persons who are deemed appropriate by the compliance officer to be treated as sponsor-related parties in light of the AIFM’s rules for transactions with sponsor-related parties and the purpose of these rules.

6. Merger Fee

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

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pertaining to the amount calculated in (i). The Merger Fee shall be paid within three months from the effective date of the merger.

Custodian/ General Administrator:

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

Transfer Agent:

- Transfer Agent Fee (Standard Fee):

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

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

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

- Other fees:

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

Special Accounts Administrator

- Special Accounts Administrator Fee:

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

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

- Other fees:

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

Auditor:

- Auditor Fee:

JHR shall pay the independent auditor up to 30 million yen per fiscal period within three months after the date of the invoice from the independent auditor. The board of officers is responsible for determining the actual compensation amount.

The AIF may also incur other miscellaneous fees in connection with property management, issuance of units, investment corporation bonds and the operation, acquisition or disposition of properties.

Article 23(1) (j)

Description of the AIFM's procedure to ensure fair treatment of investors and details of any preferential treatment received by investors, including detailing the type of investors and their

Under Article 77 paragraph 4 of the Act on Investment Trusts and Investment Corporations of Japan, which applies the requirements of Article 109 paragraph 1 of the Companies Act to investment corporations, investment corporations are required to treat unitholders equally depending on the number and content of units held. In addition, upon liquidation, the allotment of residual assets to unitholders is required to be made equally depending on the number units held under Article 77 paragraph 2 item 2 and Article 158 of the ITA.

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| legal or economic links with the AIF or AIFM | | | | |
| Article 23(1) (k) | | | | |
| The latest annual report referred to in Article 22(1) | Additional information may be found in our most recent annual report prepared in accordance with Article 22 of the AIFMD, which is available at the Asset Manager’s office located at Ebisu Neonato, 4-1-18, Ebisu, Shibuya-ku, Tokyo 150-0013 Japan. | | | |
| Article 23(1) (l) | | | | |
| The procedure and conditions for the issue and sale of the units | <p>JHR is authorized under the articles of incorporation to issue up to 20,000,000 units. Its units have been listed on the Tokyo Stock Exchange since June 14, 2006. (*)</p> <p>(*) On April 1, 2012, the former Japan Hotel and Resort, Inc. merged with and into the former Nippon Hotel Fund Investment Corporation, which, as the surviving entity, changed its name to Japan Hotel REIT Investment Corporation.</p> <p>Secondary market sales and transfers of units will be conducted in accordance with the rules of the Tokyo Stock Exchange. Unit prices on the Tokyo Stock Exchange are determined on a real-time basis by the equilibrium between bids and offers. The Tokyo Stock Exchange sets daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set according to the previous day’s closing price or special quote.</p> | | | |
| Article 23(1) (m) | | | | |
| Latest net asset value of the AIF or latest market price of the unit or share of the AIF | JHR’s unit’s latest market price is publicly available at the Tokyo Stock Exchange or from financial information venders (including Reuters, which can be viewed at http://www.reuters.com/finance/stocks/overview?symbol=8985.T). | | | |
| Article 23(1) (n) | | | | |
| Details of the historical performance of the AIF, where available | The units of JHR were listed on the Tokyo Stock Exchange on June 14, 2006. | | | |
| | The most recent five fiscal periods’ performance of the units is as follows. | | | |
| | Fiscal period | Total Assets (JPY million) | Net Assets (JPY million) | Net Assets per unit (JPY) |
| | 20th Fiscal Period | 415,722 | 236,522 | 53,004 |

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| | (January 1, 2019 to December 31, 2019) | | | |
| | 19th Fiscal Period (January 1, 2018 to December 31, 2018) | 350,556 | 203,372 | 50,705 |
| | 18th Fiscal Period (January 1, 2017 to December 31, 2017) | 352,183 | 201,963 | 50,354 |
| | 17th Fiscal Period (January 1, 2016 to December 31, 2016) | 317,878 | 181,989 | 48,376 |
| | 16th Fiscal Period (January 1, 2015 to December 31, 2015) | 240,356 | 129,914 | 41,318 |
| | | | | |
| Article 23(1) (o) | | | | |
| Identity of the prime broker, any material arrangements of the AIF with its prime brokers, how conflicts of interest are managed with the prime broker and the provision in the contract with the depositary on the possibility of transfer and reuse of AIF assets, and information about any transfer of liability to the prime broker that may exist | No applicable prime broker. | | | |

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| Article 23(1) (p) | |
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| Description of how and when periodic disclosures will be made in relation to leverage, liquidity and risk profile of the assets, pursuant to Articles 23(4) and 23(5) | The AIFM will disclose the matters described in Articles 23(4) and 23(5) periodically through the AIF Internet website and other public disclosures. |
| Article 23(2) | |
| The AIFM shall inform the investors before they invest in the AIF of any arrangement made by the depository to contractually discharge itself of liability in accordance with Article 21(13) | Not applicable. |
| The AIFM shall also inform investors of any changes with respect to depository liability without delay | Not applicable. |
| Article 23(4)(a) | |
| Percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. The percentage shall be calculated as the net value of those assets subject to special arrangements divided by the net asset value of the AIF concerned | There are no assets that are subject to special arrangements arising from their illiquid nature. |

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| Overview of any special arrangements, including whether they relate to side pockets, gates or other arrangements | There are no such special arrangements. |
| Valuation methodology applied to assets which are subject to such arrangements | There are no such special arrangements. |
| How management and performance fees apply to such assets | There are no such special arrangements. |
| Article 23(4)(b) | |
| Any new arrangements for managing the liquidity of the AIF | Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time. |
| For each AIF that the AIFM manages that is not an unleveraged closed-end AIF, notify to investors whenever they make changes to its liquidity management systems (which enable an AIFM to monitor the liquidity risk of the AIF and to ensure the liquidity profile of the investments of the AIF complies with its underlying obligations) that are material in accordance with Article 106(1) of Regulation (EU) No 231/2013 (i.e., there is a substantial likelihood that a reasonable investor, becoming aware of such information, would reconsider its investment in the AIF, including because such information could impact an investor's ability to exercise its rights in relation to its investment, or otherwise prejudice the interests of one or more investors in the AIF). | Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time. |

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| Immediately notify investors where they activate gates, side pockets or similar special arrangements or where they decide to suspend redemptions | Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time. |
| Overview of changes to liquidity arrangements, even if not special arrangements | Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time. |
| Terms of redemption and circumstances where management discretion applies, where relevant | JHR is a closed-end investment corporation, and unitholders are not entitled to request the redemption of their investment. |
| Also any voting or other restrictions exercisable, the length of any lock-up or any provision concerning 'first in line' or 'pro-rating' on gates and suspensions shall be included | There are no voting or other restrictions on the rights attaching to units. |
| Article 23(4)(c) | |
| The current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks | <p>The AIFM stipulates basic provisions of risk management in their risk management rules.</p> <p>Investment corporation bonds and long-term loans are used to finance rehabilitation obligations, acquisition of real estate and repayment of loans. These financial instruments are exposed to liquidity risk. JHR controls such risks by maintaining the ratio of interest-bearing debt to total assets under a certain percentage and diversifying repayment deadlines.</p> <p>For floating rate borrowings exposed to the risk of interest rate fluctuations, JHR, in order to reduce the impact caused by rising interest rates, closely monitors the movement of interest rates, and intends to increase the ratio of fixed rate loans compared to floating rate loans.</p> |
| Measures to assess the sensitivity of the AIF's portfolio to the most relevant risks to which the AIF is or could be exposed | No such measures have been implemented. |

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| If risk limits set by the AIFM have been or are likely to be exceeded and where these risk limits have been exceeded a description of the circumstances and the remedial measures taken | No such situation has occurred. |
| Article 23(5)(a) | |
| Any changes to the maximum amount of leverage which the AIFM may employ on behalf of the AIF, calculated in accordance with the gross and commitment methods. This shall include the original and revised maximum level of leverage calculated in accordance with Articles 7 and 8 of Regulation (EU) No 231/2013, whereby the level of leverage shall be calculated as the relevant exposure divided by the net asset value of the AIF. | Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time. |
| Any right of the reuse of collateral or any guarantee granted under the leveraging agreement, including the nature of the rights granted for the reuse of collateral and the nature of the guarantees granted | No such right or guarantee exists. |
| Details of any change in service providers relating to the above. | Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time. |
| Article 23(5)(b) | |
| Information on the total amount of leverage employed by the AIF calculated in accordance with the gross and commitment methods | The aggregate amount of debt with interest is JPY 168,754 million as of June 30, 2020. |

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