

JAPAN HOTEL REIT



Japan Hotel REIT Investment Corporation (TSE: 8985)
Supplementary Material
for Press Releases dated September 15, 2021

Japan Hotel REIT Investment Corporation
Japan Hotel REIT Advisors Co., Ltd.
<https://www.jhrth.co.jp/en/>
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**I. Highlight of Revenue Forecast for the Full Fiscal Year
and Sale of Property**

1. Summary of Forecast for the Full Year 2021 and Sale of Property

- ◆ JHR decided to sell a property and expects DPU to be JPY120 for FY12/2021.
- ◆ Due to the long-term impact of COVID-19, the pace of recovery in hotel operations is expected to be moderate. On the other hand, JHR expects to secure a profit by property sale on favorable conditions.

Summary of Forecast for the Full Year 2021

(Unit: JPY MM)

	Initial Forecast (*1)	Full Year 2021 (forecast this time)	Variance
Operating Revenue	13,920	12,808	(8.0%)
Real Estate Operating Revenue	13,920	9,643	(30.7%)
Fixed Rent	6,345	6,411	1.0%
Other Income	932	907	(2.7%)
Variable Rent	6,642	2,324	(65.0%)
Gain on Sale of Properties, etc.	—	3,165	—
Net Income	877	207	(76.4%)
Use of Negative Goodwill	330	329	(0.3%)
Dividend per Unit (JPY)	270	120	(55.6%)

Status of Hotel Operations

- Full year performance of The 24 Hotels with Variable Rent, etc. (*2)

	2019	2020	2021 (forecast this time)
Occupancy	86.0%	37.4%	35.7%
RevPAR	JPY14,178	JPY4,993	JPY4,261
Variance of RevPAR	vs 2019	(64.8%)	(69.9%)
	vs 2020	—	(14.7%)
GOP	JPY20,871MM	JPY1,654MM	JPY1,046MM

Sale of Property

ibis Tokyo Shinjuku

Scheduled Date of Sale	December 15, 2021
Sale Price	JPY11,300MM
Gain on Sale	JPY3,165MM
Appraisal Value (*3)	JPY9,900MM

(*1) The initial forecast refers to the operating forecast for the fiscal year ending December 2021 announced in the Financial Report for the Fiscal Year Ended December 31, 2020 (January 1, 2020–December 31, 2020) dated February 25, 2021. The same shall apply hereinafter.

(*2) The 24 Hotels with Variable Rent, etc. refers to 24 hotels: 14 hotels, which are 5 hotels of Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, Oriental Hotel Hiroshima ("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 ("The HMJ Group Hotels"), plus 4 hotels of the b Ikebukuro, the b Hachioji, the b Hakata, and the b Suidobashi ("The Ishin Group Hotels") and 6 hotels of ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, Mercure Yokosuka ("The Accor Group Hotels"). The same shall apply hereinafter.

(*3) As of the end of June 2021.

II. Revenue Forecast for the Full Fiscal Year

1. Revenue Forecast for the Full Year Ending December 2021

Comparison with the Previous Result and the Forecast This Time

(Unit: JPY MM)

		FY12/2020 (21st Period)	FY12/2021 (22nd Period)	Variance with the Previous Result				
		Results (A)	Forecast This Time (B)	(B)-(A)	Variance	Sale of Property in the Previous Period ^(*1)	Sale of Property in This Period ^(*2)	Existing Properties
Prop- er- ties	No. of Properties	42	41	(1)	-	-	-	-
	Acquisition Price	370,031	363,542	(6,489)	-	-	(7,243)	753
Prof- it and Loss	Operating Revenue	13,838	12,808	(1,030)	(7.4%)	(3,390)	3,161	(801)
	Real Estate Operating Revenue	10,495	9,643	(851)	(8.1%)	(232)	(3)	(616)
	Fixed Rent, etc.	72.8% 7,640	66.5% 6,411	(1,228)	(16.1%)	(149)	(3)	(1,076)
	Other Income	8.5% 892	9.4% 907	15	1.7%	(16)	-	32
	Variable Rent	18.7% 1,963	24.1% 2,324	361	18.4%	(66)	-	427
	Gain on Sale of Properties, etc.	3,343	3,165	(178)	(5.3%)	(3,158)	3,165	(184)
	NOI	6,547	5,433	(1,114)	(17.0%)	(200)	0	(914)
	NOI Yield	1.8%	1.5%	(0.3%)				
	NOI after Depreciation	1,778	648	(1,129)	(63.5%)	(187)	0	(942)
	NOI Yield after Depreciation	0.5%	0.2%	(0.3%)				
	Operating Income	3,176	1,917	(1,258)	(39.6%)			
	Ordinary Profit	1,398	208	(1,189)	(85.1%)			
Extraordinary Income	130	-	(130)					
Net Income	1,527	207	(1,319)	(86.4%)				
Div- id- end	Use of Negative Goodwill	305	329	23	7.8%			
	Total Dividends	1,829	536	(1,293)	(70.7%)			
	Number of Units Issued (Unit)	4,462,347	4,467,006	4,659	-			
	Dividend per Unit (JPY)	410	120	(290)	(70.7%)			

Variance with the Previous Result (Existing Properties)

Fixed Rent

• The HMJ Group Hotels ^(*3)	(JPY794MM)
• The Ishin Group Hotels (the b)	(JPY7MM)
• Change in lessees/rebranding ^(*4)	(JPY172MM)
• Chisun Hotel Kamata ^(*5)	(JPY93MM)
• Other tenants	(JPY8MM)
total	(JPY1,076MM)

Variable Rent

• The HMJ Group Hotels	JPY365MM
• The Accor Group Hotels	JPY14MM
• The Ishin Group Hotels (the b)	JPY45MM
• Chisun Hotel Kamata	JPY14MM
• Other hotels, etc.	(JPY12MM)
total	JPY427MM

Negative Goodwill

<Amount to be used in FY12/2021>

• 50-year amortization amount on negative goodwill	JPY262MM
• Cope with loss on retirement of noncurrent assets	JPY10MM
• Amortization of trademark rights	JPY56MM
total amount (plan)	JPY329MM

Balance of negative goodwill after the end of December 2021 (forecast) JPY9,982MM

(*1) Stating the impact by the sale of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi sold as of July 1, 2020.

(*2) Stating the impact by the sale of ibis Tokyo Shinjuku to be sold as of December 15, 2021. The same shall apply hereinafter.

(*3) HMJ refers to Hotel Management Japan Co., Ltd. or its subsidiaries. The same shall apply hereinafter.

(*4) Stating Hotel Oriental Express Fukuoka Tenjin (formerly, Hotel Ascent Fukuoka) and Oriental Hotel Universal City (formerly, Hotel Keihan Universal City) which were rebranded and changed the lessees to HMJ.

(*5) Chisun Hotel Kamata was rebranded and changed its name from Hotel Vista Kamata Tokyo dated January 1, 2021. The rent structure was changed to variable rent from fixed rent + revenue sharing.

1. Revenue Forecast for the Full Year Ending December 2021 (cont.)

Comparison with the Initial Forecast and the Forecast This Time

(Unit: JPY MM)

	FY12/2021 (22nd Period)		FY12/2021 (22nd Period)		Variance with Initial Forecast			
	Initial Forecast (A)		Forecast This Time (B)		(B)-(A)	Variance	Sale of Property in This Period	Existing Properties
Proper ties	No. of Properties	42	41		(1)	-	-	-
	Acquisition Price	370,031	363,542		(6,489)	-	(7,243)	753
Profit and Loss	Operating Revenue	13,920	12,808		(1,112)	(8.0%)	3,161	(4,273)
	Real Estate Operating Revenue	13,920	9,643		(4,277)	(30.7%)	(3)	(4,273)
	Fixed Rent, etc.	45.6% 6,345	66.5% 6,411		66	1.0%	(3)	69
	Other Income	6.7% 932	9.4% 907		(25)	(2.7%)	-	(25)
	Variable Rent	47.7% 6,642	24.1% 2,324		(4,317)	(65.0%)	-	(4,317)
	Gain on Sale of Properties, etc.	-	3,165		3,165	-	3,165	-
	NOI	9,455	5,433		(4,022)	(42.5%)	0	(4,022)
	NOI Yield	2.6%	1.5%		(1.1%)			
	NOI after Depreciation	4,628	648		(3,979)	(86.0%)	0	(3,979)
	NOI Yield after Depreciation	1.3%	0.2%		(1.1%)			
Operating Income	2,715	1,917		(797)	(29.4%)			
Ordinary Profit	879	208		(670)	(76.3%)			
Net Income	877	207		(670)	(76.4%)			
Dividend	Use of Negative Goodwill	330	329		0	(0.3%)		
	Total Dividends	1,204	536		(668)	(55.5%)		
	Number of Units Issued (Unit)	4,462,347	4,467,006		4,659	-		
	Dividend per Unit (JPY)	270	120		(150)	(55.6%)		

Variance with Initial Forecast (Existing Properties)

Fixed Rent

• Other tenants	JPY69MM
total	JPY69MM

Variable Rent

• The HMJ Group Hotel	(JPY3,954MM)
• The Accor Group Hotels	(JPY645MM)
• The Ishin Group Hotels (the b)	JPY227MM
• Other hotels, etc.	JPY54MM
total	(JPY4,317MM)

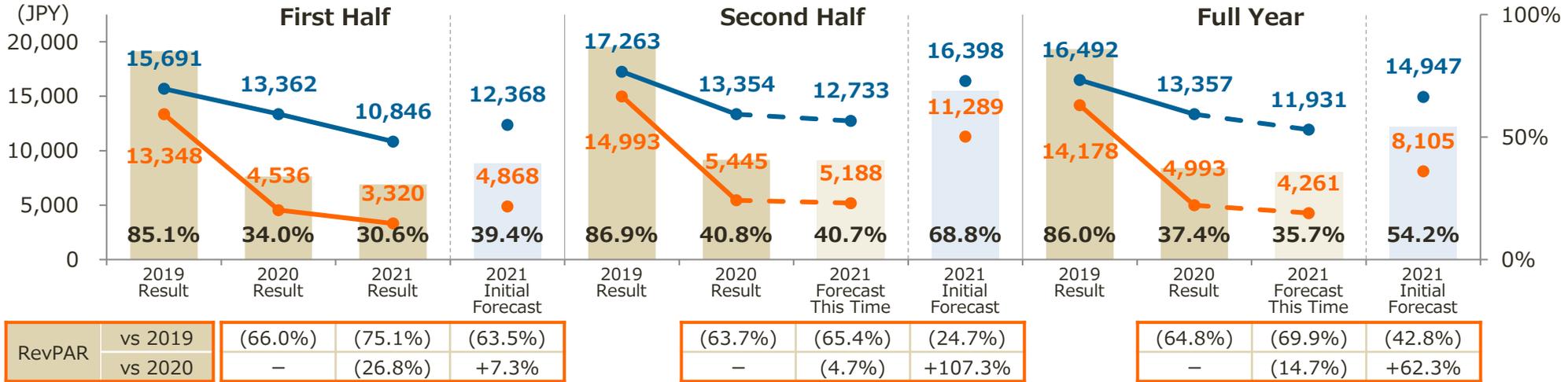
III. Status of Hotel Operations

1. Performance of The 24 Hotels with Variable Rent, etc.

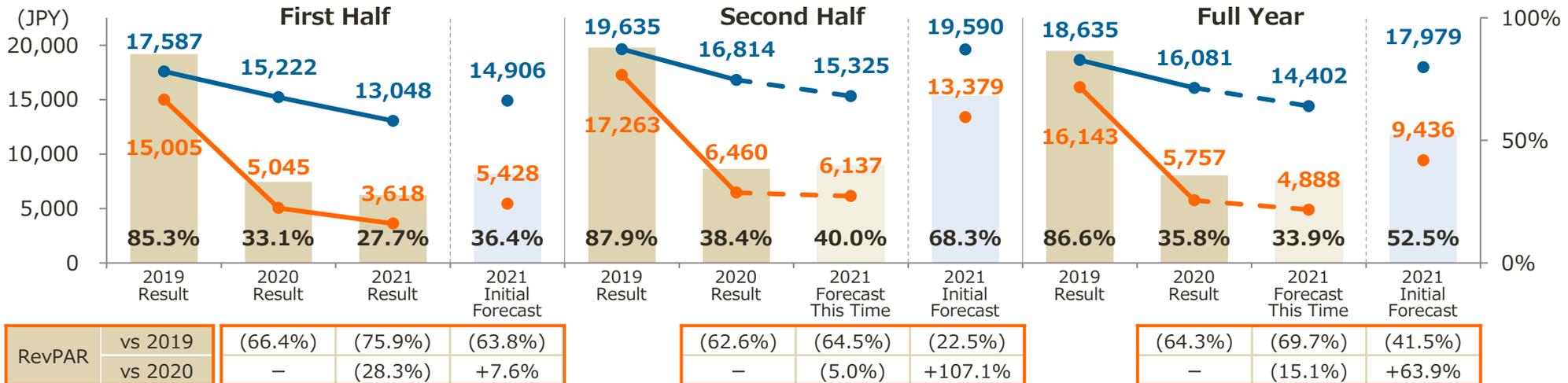
Performance and Forecast of Major Indicators

Occupancy (right axis) ADR (left axis) RevPAR (left axis)

Total of The 24 Hotels with Variable Rent, etc.



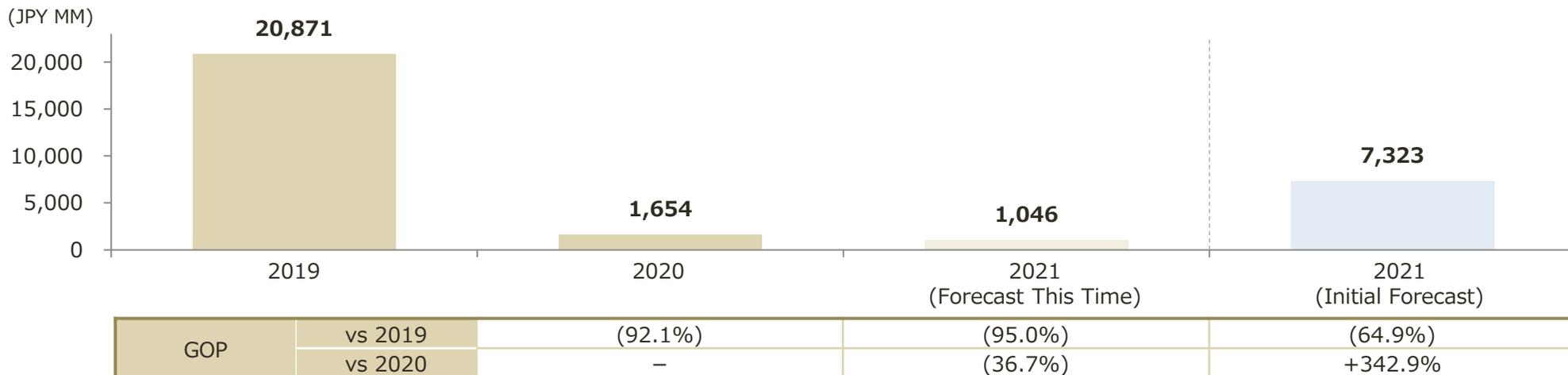
The HMJ Group Hotels



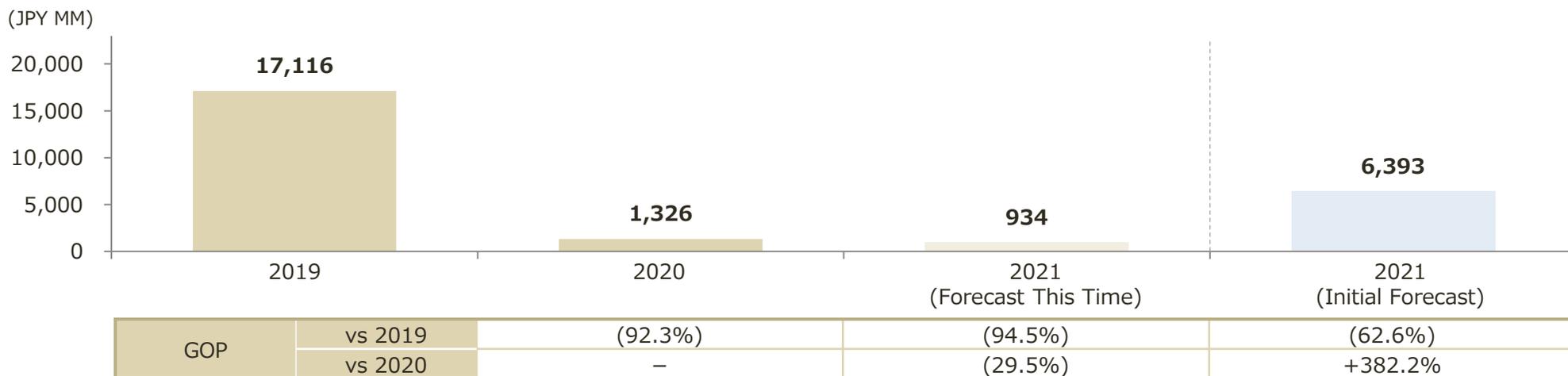
1. Performance of The 24 Hotels with Variable Rent, etc. (cont.)

Performance and Forecast of GOP

Total of The 24 Hotels with Variable Rent, etc.



The HMJ Group Hotels



2. Sale of Property

Sale of Property

- Plan to sell a large, limited-service hotel in Tokyo, which has a large amount of unrealized gain
- Plan to sell the property at a price substantially excess of the appraisal value

ibis Tokyo Shinjuku

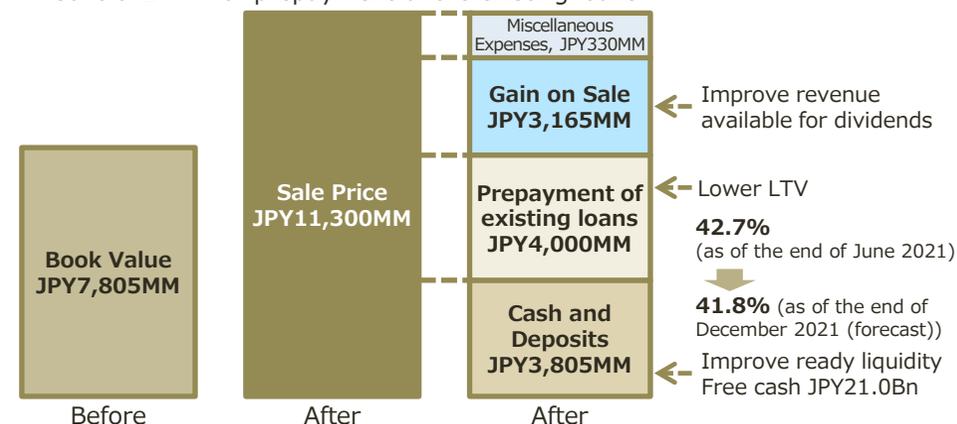
Scheduled Date of Sale	December 15, 2021
Sale Price	JPY11,300MM
Acquisition Price	JPY7,243MM
Book Value^(*1)	JPY7,805MM
Gain on Sale	JPY3,165MM
Appraisal Value^(*2)	JPY9,900MM

(*1) Estimated book value as of December 15, 2021. Rounded down to JPY1MM.

(*2) As of the end of June 2021.

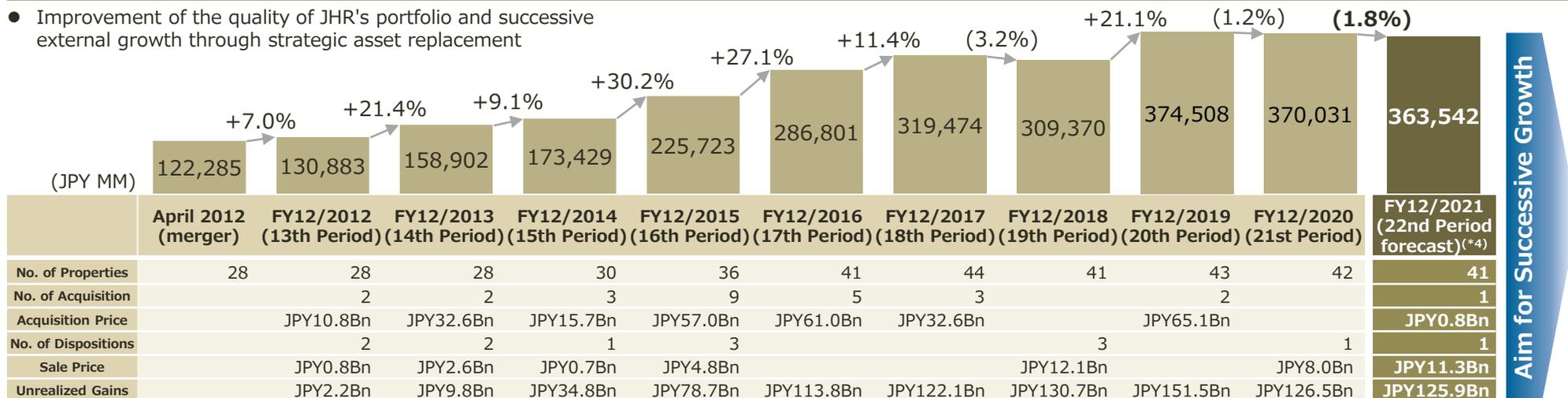
Use of Gain on Sale

- Aim to improve ready liquidity and to increase dividend
- Control LTV with prepayment of the existing loans



Change in Asset Size^(*3)

- Improvement of the quality of JHR's portfolio and successive external growth through strategic asset replacement



(*3) Asset size is based on the aggregate acquisition price of the properties at the end of each fiscal period. The same shall apply hereinafter.

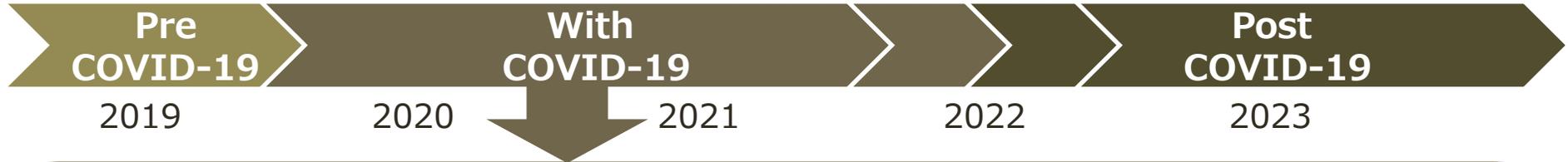
(*4) Stating the figures after the sale of ibis Tokyo Shinjuku. The number of properties and acquisition price states the acquisition of part of site of Oriental Hotel Universal City (July 2021). As Oriental Hotel Universal City is the existing property owned by JHR, the total number of properties is not added. Unrealized gains are calculated based on the appraisal value at the end of June 2021 for 41 properties excluding ibis Tokyo Shinjuku.

Aim for Successive Growth

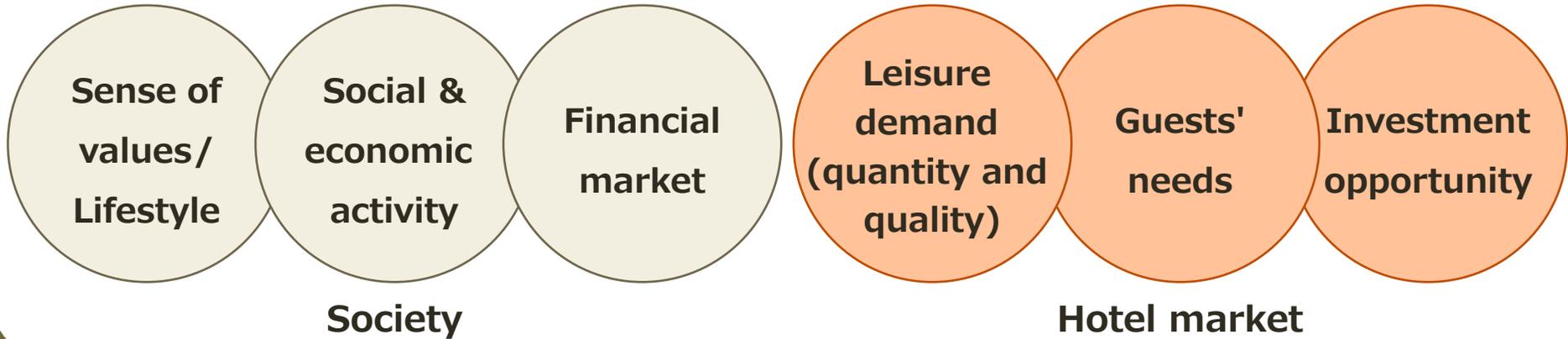
IV. Takeaways

1. Takeaways

● Development and distribution of effective vaccine and medicine



Change



Respond flexibly to change

Survive the "with COVID-19" period

Aim to become a front-runner adopting to the "post COVID-19" period

Appendix
Information on Properties

1. Rent Structures

Stability



Upside

(FY12/2021 forecast)

Rent Structure ^(*1)		Fixed rent	Fixed rent + Revenue sharing	Fixed rent + Variable rent	Variable rent	Management contract	Total
Type of Contract		Lease contract	Lease contract	Lease contract	Lease contract	Management contract	
Type of Rent	Fixed	○	○	○	-	-	-
	Variable	-	A certain percentage of sales exceeding the threshold	A certain percentage of hotel GOP	A certain percentage of hotel revenue or hotel GOP	Hotel GOP	-
Real Estate Operating Revenue ^(*2) (%)		JPY2,344MM (24.4%)	JPY2,385MM (24.8%)	JPY3,478MM (36.2%)	JPY1,057MM (11.0%)	JPY344MM (3.6%)	JPY9,609MM (100.0%)
(breakdown)	Fixed Rent, etc. ^(*3) (%)	JPY2,344MM (24.4%)	JPY2,385MM (24.8%)	JPY1,769MM (18.4%)	JPY441MM (4.6%)	JPY344MM (3.6%)	JPY7,284MM (75.8%)
	Variable Rent (%)	-	0 (0%)	JPY1,709MM (17.8%)	JPY615MM (6.4%)	0 (0%)	JPY2,324MM (24.2%)
Involvement in Hotel Operation		Low	Low	High	High	High	-
CAPEX Paid by JHR		1) Renewal of building and facilities	1) Renewal of building and facilities <3) Strategic investment>	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	-
No. of Properties		10	3	20	4	4	41
Acquisition Price (%)		JPY32,375MM (8.9%)	JPY31,904MM (8.8%)	JPY257,630MM (70.9%)	JPY19,235MM (5.3%)	JPY22,397MM (6.2%)	JPY363,542MM (100.0%)
Hotels		The Beach Tower Okinawa Hotel Francs CANDEO HOTELS UENO-KOEN and other hotels	Hilton Tokyo Bay Smile Hotel Nihombashi Mitsukoshimae Comfort Hotel Tokyo Higashi Nihombashi	The HMJ Group Hotels ^(*4) The Ishin Group Hotels Oriental Hotel Universal City Hotel Oriental Express Fukuoka Tenjin	Hilton Nagoya Mercure Yokosuka Chisun Hotel Kamata Chisun Inn Kamata	ibis Styles Kyoto Station ibis Styles Sapporo Mercure Sapporo Mercure Okinawa Naha	-

(*1) Rent structure is categorized according to the type of rent stated in lease contracts for hotels of each asset owned by JHR.

(*2) Revenue from trademark rights is excluded from the real estate operating revenue in the table above.

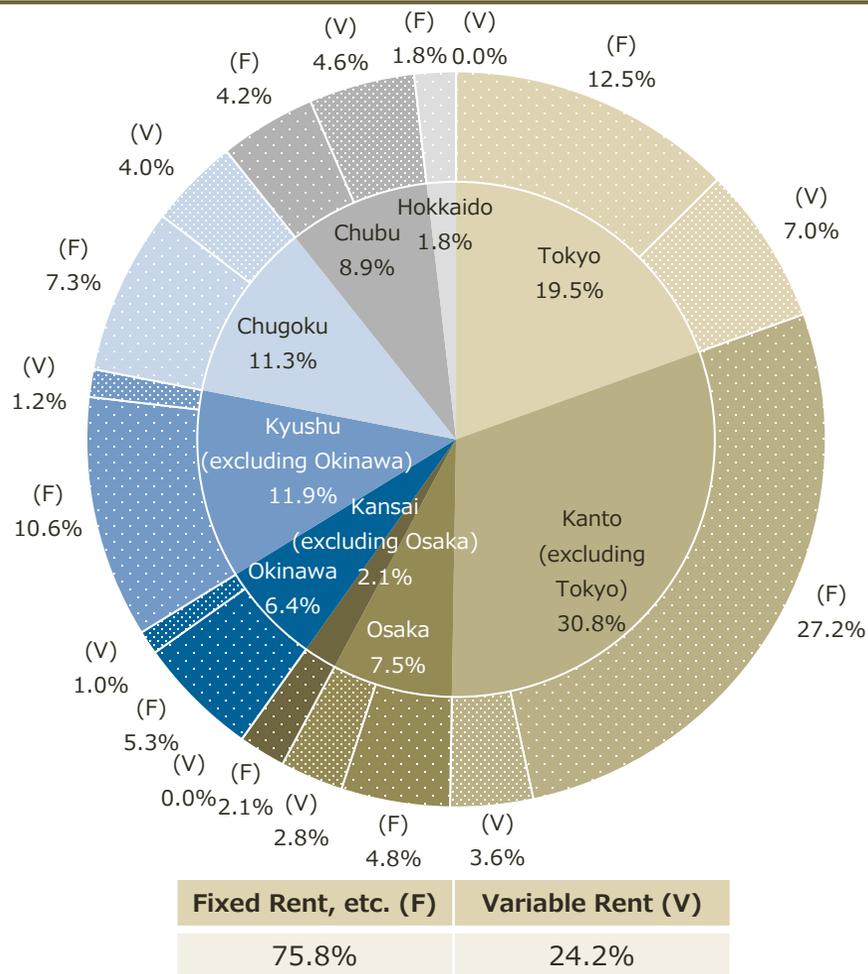
(*3) Fixed rent, etc. includes fixed rent and utility income based on lease contract of non-hotel portion (offices, signage, car parks, retail shops, etc.) of asset owned by JHR.

(*4) The rent structure for The HMJ Group Hotels is only variable rent in 2021.

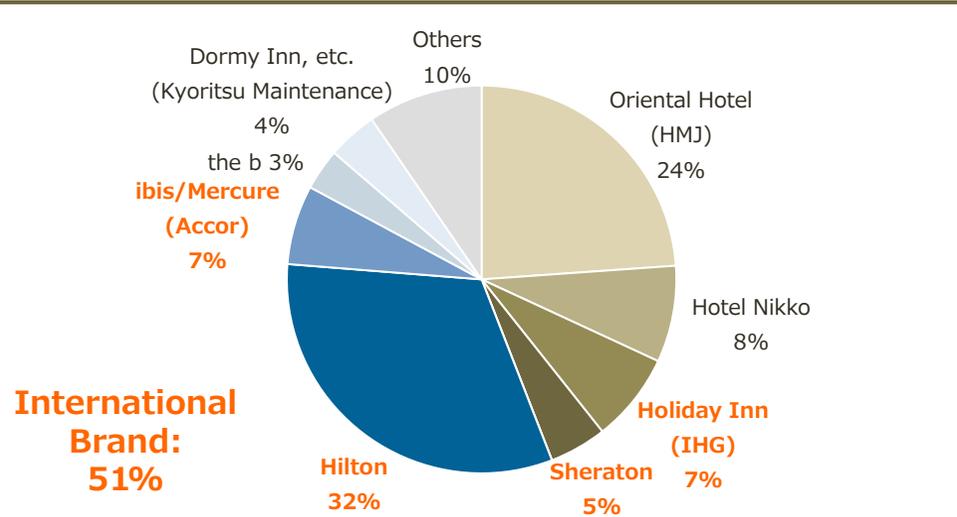
2. Portfolio Diversification

- ◆ Widely diversified and high-quality portfolio
- ◆ Appeal to inbound visitors by international brands

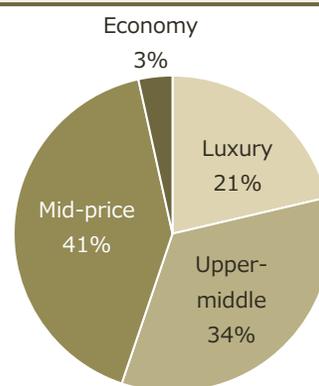
By Area and Rent(*1)



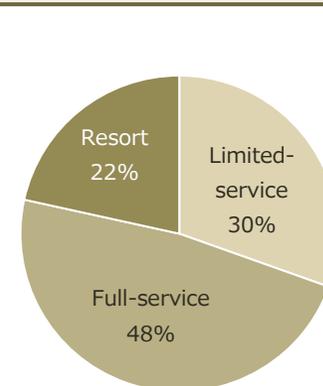
By Hotel Brand(*2)



By Grade(*2)



By Hotel Type(*2)



(*1) Based on the real estate operating revenue (excluding trademark rights) based on the rent in revenue forecast for the fiscal year ending December 2021.

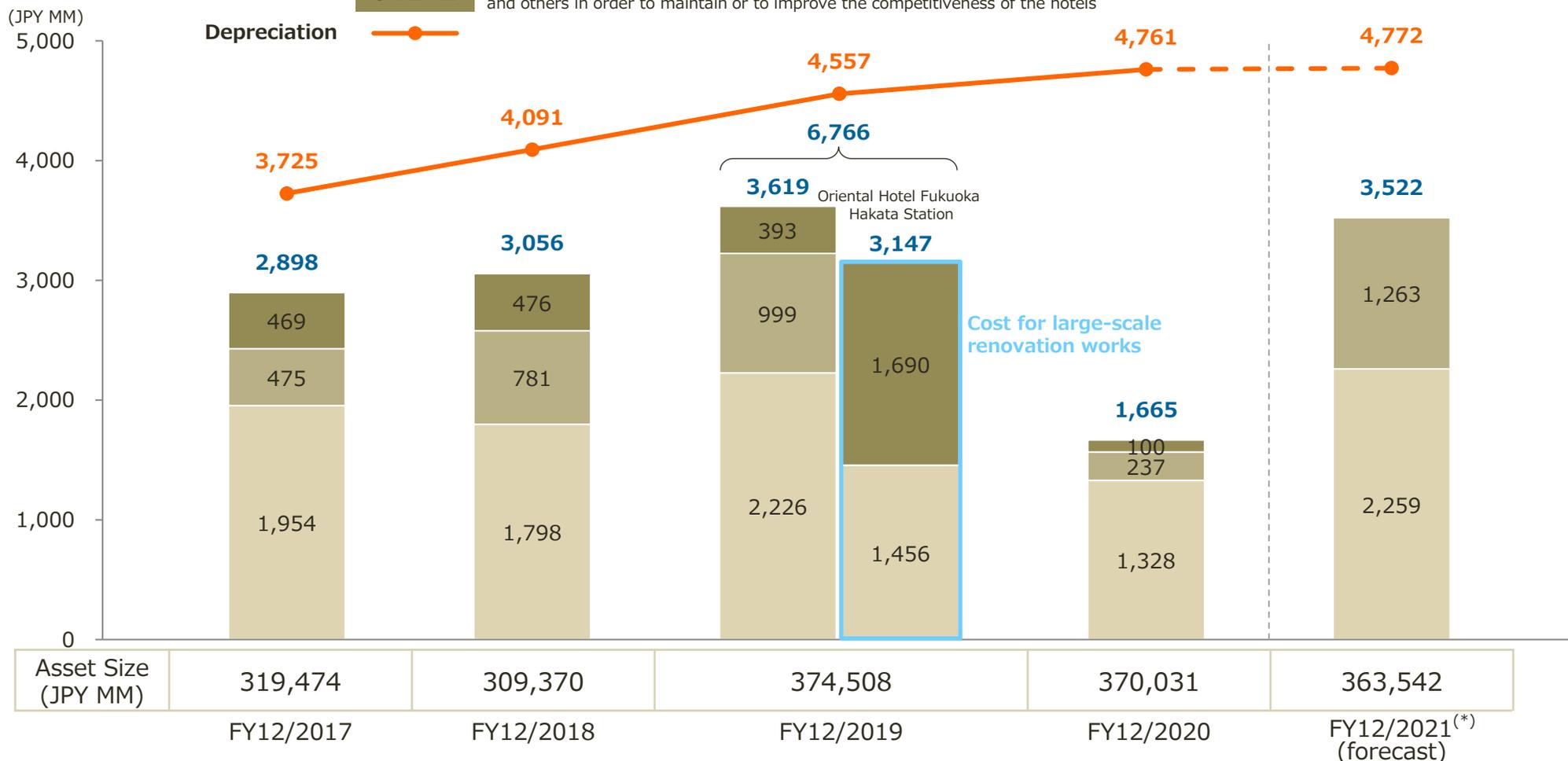
(*2) Based on the estimate of the acquisition price as of the end of the fiscal year ending December 2021.

3. Capital Expenditure and Depreciation

◆ Prioritize securing ready liquidity by restraining mainly CAPEX III, taking into account the conditions of the hotel market

Clarification of CAPEX

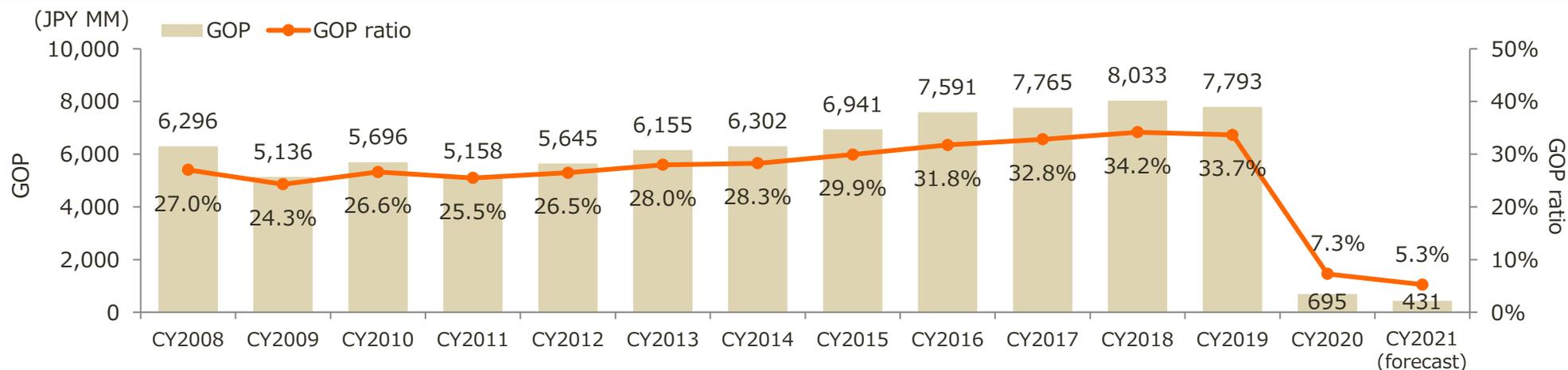
- CAPEX I capital investment related to renewal of buildings, facilities, and equipment which is required to maintain proper values of properties
- CAPEX II capital investment for fixtures, furniture and equipment that are not directly related to building structures or facilities but necessary for operating hotels
- CAPEX III strategic capital investment for renewals of guest rooms, banquet rooms, restaurant and others in order to maintain or to improve the competitiveness of the hotels



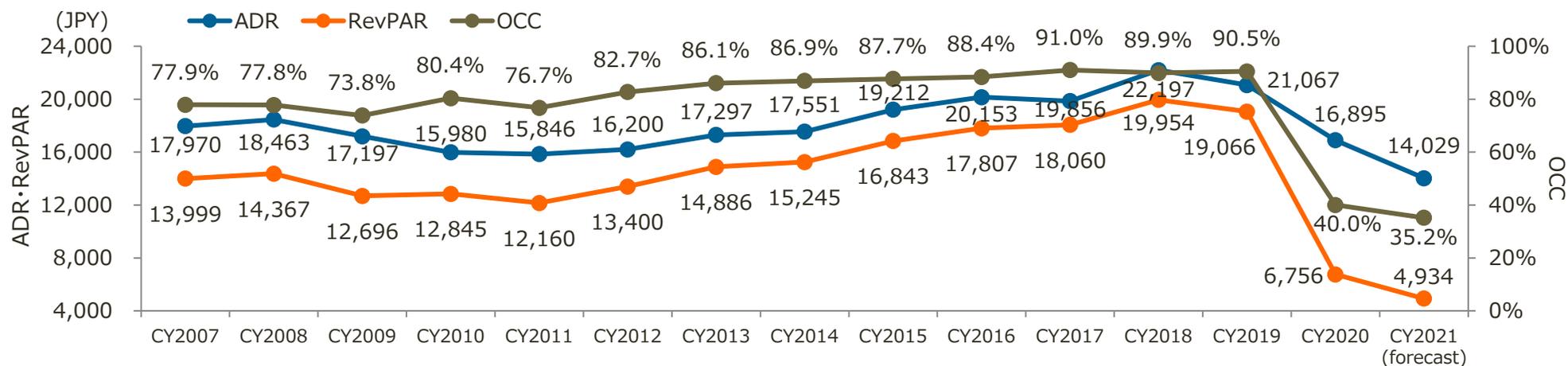
(*) Capital expenditures for the fiscal year ending December 2021 (forecast) include expenses for rebranding of Hotel Oriental Express Fukuoka Tenjin (JPY365MM) and Oriental Hotel Universal City (JPY283MM) (total JPY648MM).

4. Five HMJ Hotels — Highlights

Change in GOP and GOP ratio



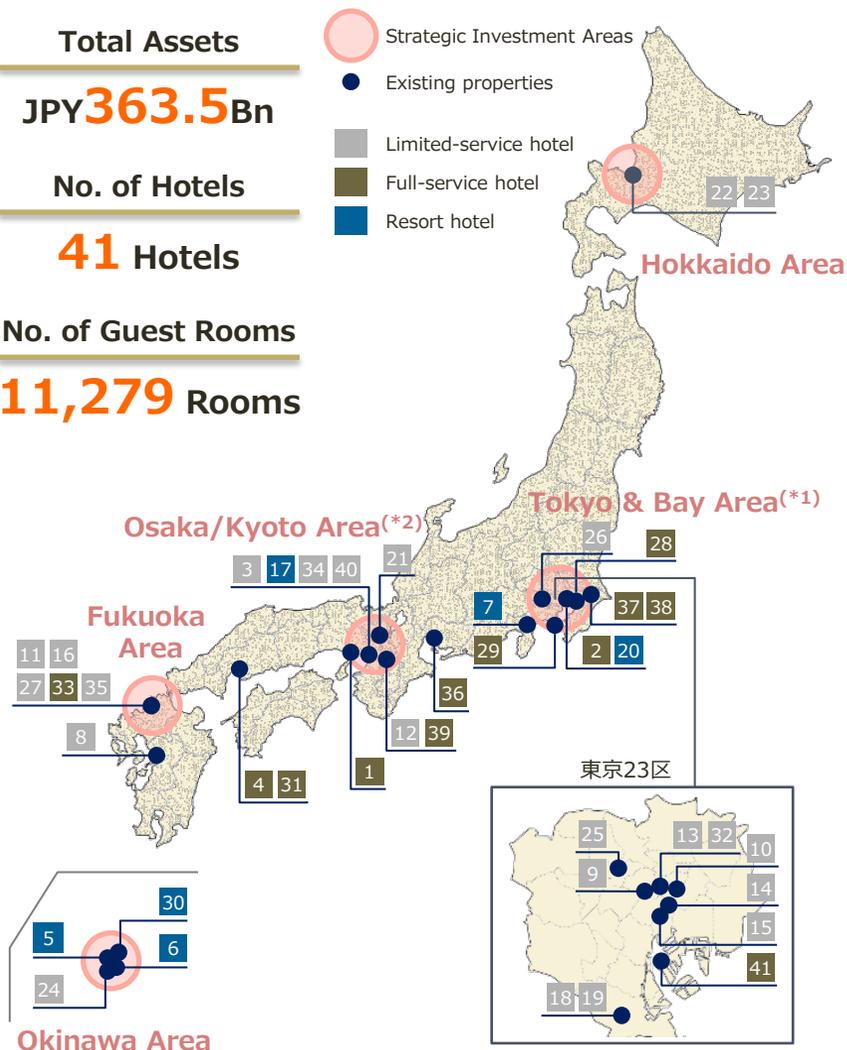
Change in KPI



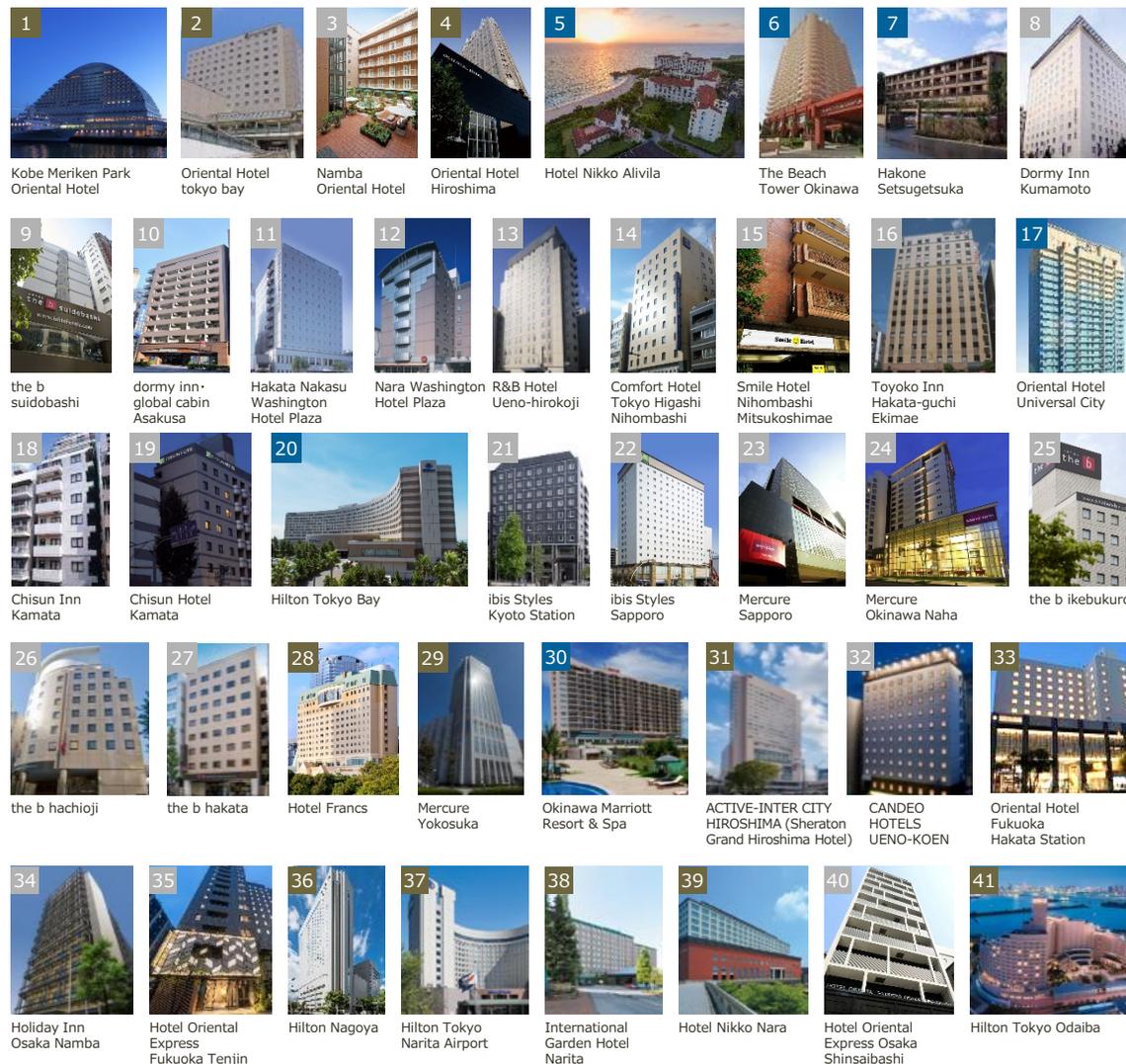
(*) Changes have been made to include service fees in ADR and RevPAR from May 2019 onward to eliminate variations in ADR and RevPAR between hotels due to existence of service fees.

5. Portfolio Map

- ◆ Portfolio consisting of competitive hotels in areas with strong leisure lodging demand
- ◆ Selectively invest in locations with high growth potential of leisure demand such as Strategic Investment Areas



(as of the end of December 2021 (forecast))



(*1) Bay Area includes the coastal area of Tokyo Bay in Kanagawa and Chiba prefectures.
 (*2) Osaka/Kyoto Area refers to Osaka and Kyoto prefectures.

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