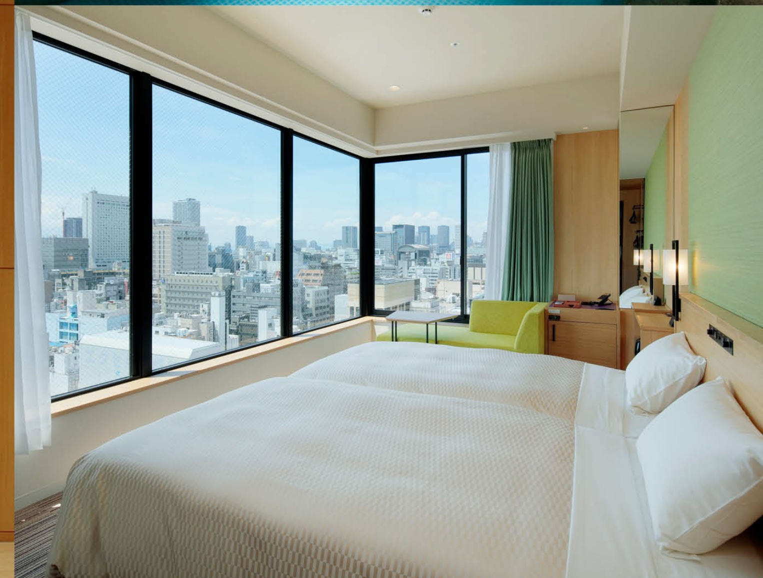


Japan Hotel REIT Investment Corporation (TSE: 8985)

Supplementary Material

for Today's Press Releases

Japan Hotel REIT Investment Corporation
Japan Hotel REIT Advisors Co., Ltd.
https://www.jhrth.co.jp/en/

July 17, 2026

Executive Summary

1 Portfolio Enhancement through Strategic Asset Replacement

- Maintain NOI while enhancing portfolio quality through asset replacement into newer property
- Upside potential from future rent growth

2 JPY24.0 billion Gain on Sale at 5x Book Value (3x Appraisal Value)

- Achieved acquisition, retained earnings, and a JPY403 dividend increase (+7.8%) through capital recycling

3 Strengthened Financial Position through Effective Use of Disposal Gains

- Enhance financial flexibility for future growth and stable dividends
- Increase free cash, maintain negative goodwill, and reduce appraisal-based LTV

Portfolio Enhancement through Strategic Asset Replacement

- Maintain NOI while enhancing portfolio quality through asset replacement into newer property
- Potential for future rent increases given the current low rent burden relative to hotel revenue

Asset to be Sold

The Beach Tower Okinawa

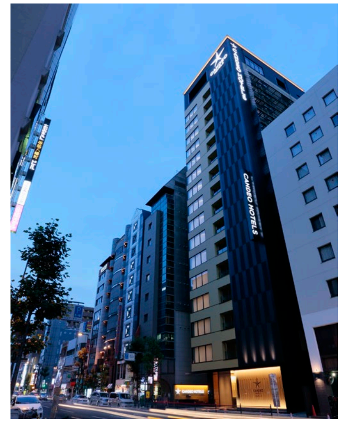
- Stable revenue under a long-term fixed rent lease
- Explored options to realize upside potential, including a sale upon lease expiry
- Executed a short-term lease, providing buyers with multiple investment scenarios and achieving a sale at approx. 3x appraisal value

Planned Sale Date	July 31, 2026
Planned Sale Price	JPY30,900MM
Appraisal Value(*1)	JPY10,400MM
Building Age(*2)	**22.3 years**
NOI(*3)	**JPY464MM**
NOI after Depreciation(*3)	**JPY340MM**
Fixed Rent	JPY511MM (per year)
Variable Rent	10% of excess GOP
Lease Structure	Fixed-term building lease contract
Lease Term	Current lease: June 2026 to June 2027 Previous lease: June 2006 to June 2026

Asset Replacement

Asset to be Acquired

Candeo Hotels Osaka Namba



- Stable revenue under a fixed rent lease at a level comparable to the asset to be sold
- Upside potential from current low rent burden relative to hotel revenue and the Osaka IR effect
- Opportunity to realize upside through rent increases upon lease expiry

Planned Acquisition Date	August 3, 2026
Planned Acquisition Price	JPY14,320MM
Appraisal Value(*1)	JPY14,900MM
Building Age(*2)	**9.2 years**
NOI(*3)	**JPY492MM**
NOI after Depreciation(*3)	**JPY424MM**
Fixed Rent	Undisclosed(*4)
Variable Rent	None
Lease Structure	Fixed-term building lease contract
Lease Term	June 2017 to June 2047

(*1) The appraisal values are as of FY12/2025 for the asset to be sold and as of May 31, 2026 for the asset to be acquired. The same applies hereinafter.
(*2) The building ages are as of July 17, 2026.
(*3) NOI and NOI after depreciation represent results for the fiscal year ended December 2025 for the asset to be sold, and forecasts based on the assumptions (annualized) presented in "Notice Concerning Revision of Operating and Dividend Forecasts for the Fiscal Year Ending December 2026 (27th Period)," dated July 17, 2026 for the asset to be acquired.
(*4) This information is not disclosed because we have not obtained the lessee's consent.

Successful Realization of Upside Potential Upon Lease Expiry

- Significant upside realized upon lease expiry for assets with low rent burden relative to hotel revenue
- Maximizing unitholder value through rent increases, rebranding and strategic asset sales

Hakone Setsugetsuka

NOI Yield

6.6% → **15.6%**

Rent Increase Upside (Executed in May 2026)

- Introduced variable rent through negotiations, significantly increasing NOI yield
- Further GOP growth potential through CAPEX investment after nearly 20 years of operation

	Before	After
Fixed Rent	JPY294MM	JPY294MM
Variable Rent	–	**50% of excess GOP**
NOI Yield(*1)	6.6%	**15.6%**
Lease Term	December 2006 to October 2026	November 2026 to May 2028

Hotel Oriental Express Ginza West

NOI Yield

4.7% → **8.5%**

Rebranding Upside (Executed in December 2025)

- Changed lessee to HMJ, capturing upside through rebranding and improved lease terms
- Further GOP growth through enhanced revenue management and operational improvements

	Before	After
Fixed Rent	JPY204MM	JPY204MM
Variable Rent	Revenue-sharing structure	**95% of excess AGOP**
NOI Yield(*2)	4.7%	**8.5%**
Lease Term	April 2023 to March 2026	April 2026 to December 2036

The Beach Tower Okinawa

Appraisal Value → Planned Sale Price

JPY10.4Bn → **JPY30.9Bn**

Asset Sale Upside (Sale in July 2026)

- Realized upside through the sale
- Achieved a sale at approx. 3x appraisal value, maximizing unitholder value

Before	At Sale
Low rent burden relative to hotel revenue	Significant gain on sale reflecting future rent upside potential
JPY10,400MM (Appraisal value)	**JPY30,900MM** (Planned sale price)

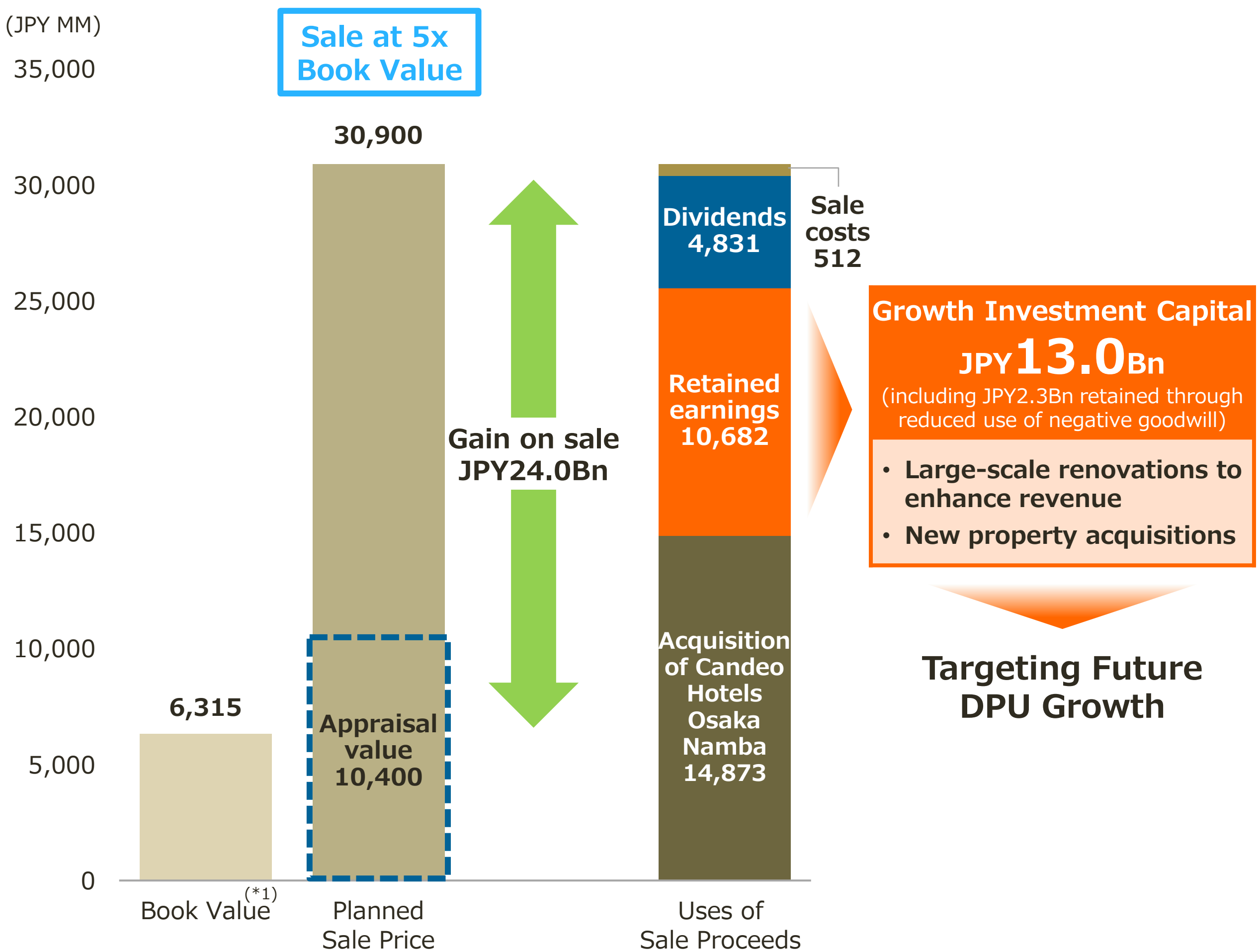
(*1) The NOI yield under the previous lease (before) is calculated by dividing the actual NOI for FY12/2025 by the acquisition price. The NOI yield under the new lease (after) is calculated by dividing the estimated NOI, based on the actual GOP for FY12/2025, by the acquisition price.

(*2) The NOI yield under the previous lease (before) is calculated by dividing the actual NOI for FY12/2025 by the acquisition price. The NOI yield under the new lease (after) is calculated by dividing the NOI underlying the forecast announced in the "Notice Concerning Revision of Operating and Dividend Forecasts for Fiscal Year Ending December 2026 (27th Period)" dated July 17, 2026, by the acquisition price.

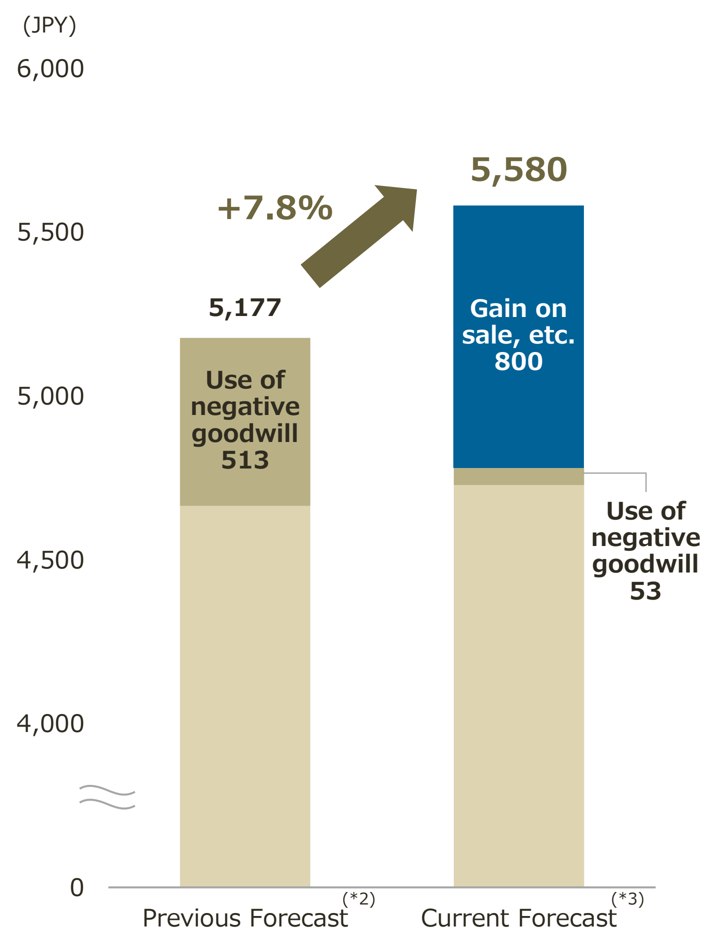
JPY24.0 billion Gain on Sale at 5x Book Value (3x Appraisal Value)

- Sale proceeds to be used for acquisitions, retained earnings for growth investments, and distributions
- FY2026 forecast DPU up 7.8% (+JPY403), supported by the gain on sale

Expected Use of Sale Proceeds (Forecast)



Impact on DPU (FY2026 Forecast)



(*1) The book value is as of the end of May 2026.
(*2) The previous forecast refers to the forecast announced in the Financial Report dated February 25, 2026.
(*3) The current forecast refers to the forecast announced in "Notice Concerning Revision of Operating and Dividend Forecasts for the Fiscal Year Ending December 2026 (27th Period)," dated July 17, 2026.

Strengthened Financial Position through Effective Use of Disposal Gains

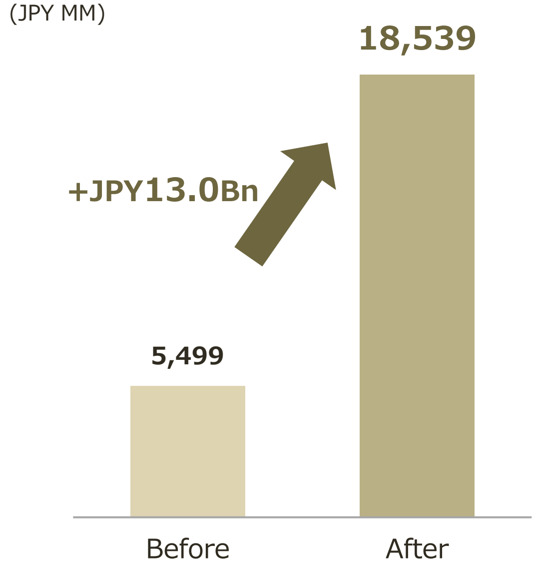
- Retained a portion of the gain on sale to support future growth
- Expanded borrowing capacity through a lower appraisal-based LTV

Increase in Free Cash(*1)

+JPY13.0Bn

For future large-scale renovations and property acquisitions

Free Cash Balance (Expected as of FY12/2026)

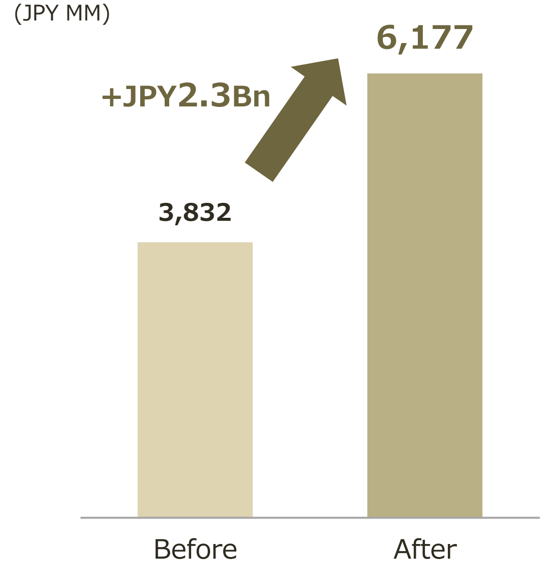


Retention of Negative Goodwill

+JPY2.3Bn(*2)

Supporting future stable distributions

Negative Goodwill Balance (Expected after FY12/2026)

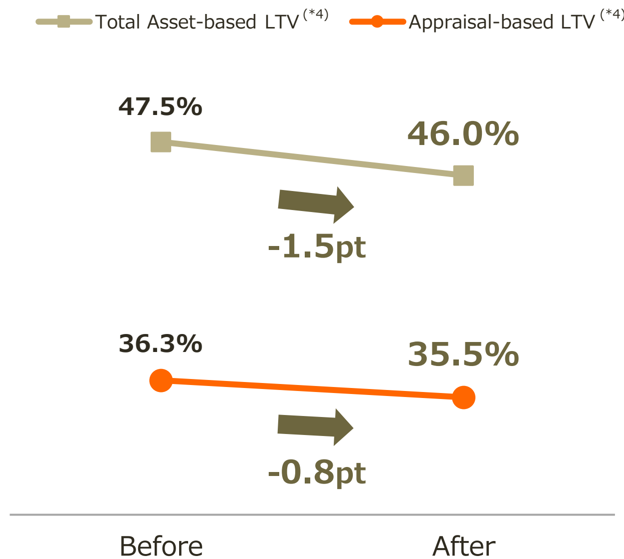


Reduction in Appraisal-based LTV

-0.8pt

Borrowing capacity increased by JPY13.7Bn(*3)

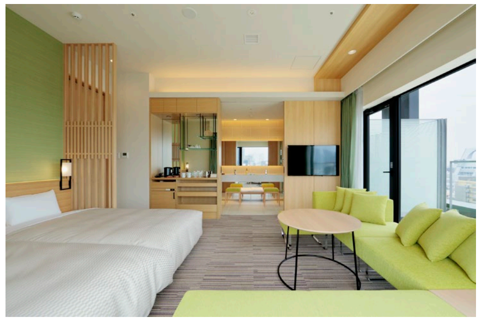
Interest-bearing Debt Ratio (Expected as of August 3, 2026)

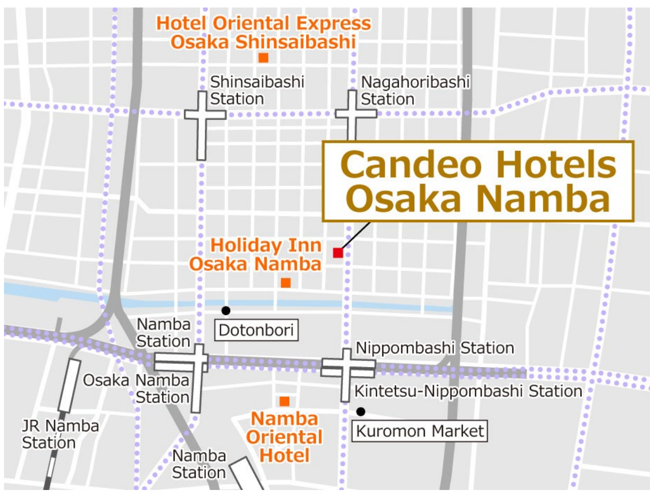


(*1) Free cash represents the amount of cash and deposits, excluding various trust reserves, etc.
(*2) By reinvesting this gain on sale, we plan to reduce the use of negative goodwill from the original plan of JPY2,346 million. The breakdown of the JPY2,346 million is as follows: JPY1,859 million to cover the cost of large-scale renovation work for Hilton Tokyo Odaiba; JPY416 million to cover depreciation expenses for HYATT REGENCY TOKYO; and JPY69 million that was intended to be allocated to address dilution resulting from the public offering conducted in March 2026.
In the forecast announced in the "Notice Concerning Revision of Operating Forecast for the Fiscal Year Ending December 2026 (27th Period)," dated February 25, 2026, the use of JPY483 million of negative goodwill was anticipated to address dilution. However, the planned use of negative goodwill decreased by JPY414 million to JPY69 million due to a reduction in the amount required to address dilution following the finalization of the number of investment units to be issued in the new investment unit offering.
(*3) Borrowing capacity represents an approximate amount estimated by JHRA, based on the difference in maximum borrowings before and after the asset replacement, assuming an appraisal-value LTV limit of 40% in each case.
(*4) Total asset-based LTV and appraisal-based LTV are calculated based on total interest-bearing debt and total assets as of the end of December 2025, reflecting the impact of the public offering in March 2026, the acquisition of the HYATT REGENCY TOKYO, and this asset replacement. Appraisal-based LTV is calculated using total assets plus unrealized gains and losses as the denominator.
(*5) "Before" refers to the projected figures prior to the asset replacement, while "After" refers to the projected figures after reflecting the effect of asset replacement.

Overview of the Asset to be Acquired (Candeo Hotels Osaka Namba)

- Located in Osaka's Minami district, a major destination for domestic and inbound leisure demand, and completed in 2017
- All rooms accommodate two or more guests, with an open-air rooftop spa and other facilities differentiating the hotel from competitors





Property Overview

Planned Acquisition Price	JPY14,320MM	**Appraisal Value**	JPY14,900MM
Hotel Type	Limited-service	**Grade**	Mid-price
Location	2-2-5 Higashi-Shinsaibashi, Chuo-ku, Osaka City, Osaka		
Acreage of Land	1,674.45㎡		
Total Floor Space	14,095.07㎡		
Structure and Stories	S; 17 stories above ground		
Completion	May 2017		
No. of Guest Rooms	496 rooms		
Attached Facilities	Restaurant, Public bath, Open-air rooftop spa, Sauna, Relaxation area, Laundry room		
Rent Type	Fixed rent		
Fixed Rent	June 1, 2017 to June 30, 2047		
Hotel Lessee	Candeo Hospitality Management, Inc.		

Room Mix

Room Category	No. of Rooms	Capacity (Guests)
Superior Queen	87	2
Superior Twin / Corner Twin	142	2
Deluxe King	23	2
Executive Twin	178	3
Executive Deluxe King	64	3
Universal Twin	1	2
Luxury Suite	1	2
Total / Average	496	2.5

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