

January 5, 2021

For Immediate Release

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Notice Concerning Revision of Fixed-Term Lease Contract

XYMAX REIT Investment Corporation (hereinafter, "XYMAX REIT") announces today that XYMAX REIT resolved and concluded a memorandum (hereinafter "the Memorandum") to revise fixed-term lease contracts (hereinafter "the Contract") on Hotel Vista Sendai (hereinafter "the Property") with Vista Hotel Management Co., Ltd. (hereinafter, "the Lessee"), as below.

1. Reason for revision

Since February 2020, the spread of the COVID-19 has greatly curtailed domestic and overseas economic activities. Domestic demand for accommodations has been significantly affected not only by a decline in the number of foreign visitors to Japan due to the impact of the restrictions on travel from other countries to Japan, but also by self-restraint of nationwide business trips and events associated with the government's declaration of a state of emergency (hereinafter simply referred to as the "State of Emergency"). The State of Emergency was lifted in May 2020, and domestic demand for accommodations has shown signs of recovery after July by stimulating demand through "Go To Campaign." However, it will take more time to recover to a level before the spread of the COVID-19.

The Property held by XYMAX REIT also showed signs of improvement in operating performance after July when the "Go To Campaign" was launched. However, GOP (Note) before rent payment became negative, and the Property experienced an extreme business slump in April and May, when the State of Emergency was declared, and in June immediately after the State of Emergency was lifted.

Against this backdrop, XYMAX REIT has been requested by the Lessee to reduce or waive the rent of the Property. Based on the Lessee's future operation plans of the Property (including reductions in operating expenses), the business conditions, and the financial position, the XYMAX REIT has repeatedly discussed with the Lessee regarding the future rent structures associated with the Property.

As a result of the discussions, the XYMAX REIT has determined that it will contribute to the stability of the operations of the Property by revising the rent structures as an interim measure until the demand for accommodations recovers and has agreed to revise the terms and conditions of the Contracts as stated in "2. Summary of Revisions" below.

(Note)GOP (gross operating profit) is the remainder after deducting expenses, such as personnel costs and general and administrative expenses etc. incurred in hotel operation from total sales (the same shall apply hereafter).

2. Summary of Revisions

The new rent determination methods provided under the Memorandum is consisted of 3 phases as described below.

For the period from November 1, 2020 to August 31, 2021, the rent shall be the variable rent only,

which is the most flexible and effective rent method for the risk that the Lessee may not be able to generate sufficient GOP to pay monthly fixed rents because the lodging demand is in the process of recovery during the period. The percentage to be multiplied by the monthly GOP when calculating the monthly variable rent shall be almost the same level as in the past rent to GOP burden ratio based on the track record of the Property.

For the period from September 1, 2021 to August 31, 2022, it is assumed that lodging demand will recover to the extent that the Lessee is able to continue to generate the GOP required to pay monthly fixed rents. Accordingly, the monthly fixed rent equal to the level prior to the rent revision shall be paid, with the variable rent calculated monthly excess GOP (the portion of GOP exceeds a certain amount) multiplied by a certain percentage.

From September 1, 2022 onward, as lodging demand is expected to recover further, the monthly fixed rent shall be increased from before the revision and to mitigate seasonal fluctuations, monthly variable rent shall also be paid by calculating using the GOP for the past one year, including the previous month of the current month.

[Summary of the new Rent Structure]

		Fixed rent (Note 1)	Variable rent (Note 1)
Before revisions		JPY240 million per year	Calculated by multiplying the amount obtained by subtracting the annual sum of the fixed rent and 12 Million yen (annual tranche) from the sum of GOP from April to the next March every year ("Annual GOP I") by a certain percentage (Note 2). If the Annual GOP I exceeds a certain amount, the rate multiplied by such excess is lower than the percentage when the Annual GOP I is below the amount.
After revisions	From November 1, 2020 to August 31, 2021	-	Calculated by multiplying GOP of the current month by a certain percentage (Note 3). However, if the GOP of the current month becomes negative, the variable rent for the current month shall be JPY0.
	From September 1, 2021 to August 31, 2022	JPY20 million per month	Calculated by multiplying the amount obtained by subtracting fixed rent of the current month and JPY1 Million (monthly tranche) from the GOP of the current month ("Variable Rent Reference Amount I") by a certain percentage (Note 4). However, if the Variable Rent Reference Amount I becomes negative, the variable rent for the current month shall be JPY0.
	After September 1, 2022	JPY20.5 million per month	Calculated by GOP for the past one year including the previous month of the current month ("Annual GOP II") divided by 12 minus fixed rent of the current month and JPY1 Million (monthly tranche) ("Variable Rent Reference Amount II") then multiplied by a certain percentage (Note 4). However, if the Variable Rent Reference Amount II becomes negative, the variable rent for the current month shall be JPY0. If the Annual GOP II exceeds a certain amount, the percentage multiplied by such excess is lower than the rate when the Annual GOP II is below the amount.

(Note 1) Amounts do not include consumption taxes and local consumption taxes.

(Note 2) The percentage shall not be disclosed because the consent of the Lessee has not been obtained.

(Note 3) The percentage shall not be disclosed because the consent of the Lessee has not been obtained. The percentage differs from those for the period from November 1, 2020 to February 28, 2021 and from the period from March 1, 2021 to August 31, 2021.

(Note 4) The percentage shall not be disclosed because the consent of the Lessee has not been obtained. Please note that, however, the percentage on and after September 1, 2021 will be the same as before the revision

3. Future Outlook

For the operating forecasts and distribution forecasts for the fiscal period ending February 2021 (the 6th fiscal period from September 1, 2020 to February 28, 2021) and the Fiscal Period Ending August 2021 (the 7th Fiscal Period from March 1, 2021 to August 31, 2021) which reflect the impact of the revised rent structure stated above, please see the “Notice Concerning Revision of the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending February 2021 (the 6th Fiscal Period) and the Fiscal Period Ending August 2021 (the 7th Fiscal Period)” announced today.

* XYMAX REIT website address: <https://xymaxreit.co.jp/en/index.html>