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August 24, 2022

Midterm Financial Report for the Fiscal Year Ending December 31, 2022 (January 1, 2022 – June 30, 2022)

Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange
Securities code: 8985
URL: <https://www.jhrth.co.jp/en/>
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Preparation of supplementary material on midterm financial report: Yes
Schedule for presentation of midterm financial results: Yes (Institutional investors and analysts only)

(Amounts are rounded down to the nearest million yen)

1. Status summary of operation and assets for the midterm of the fiscal year ending December 31, 2022 (January 1, 2022 – June 30, 2022)

(1) Operating results

(Percentages: full year—changes from the previous year, midterm period—changes from the previous midterm period)

| | Operating revenue | | Operating income | | Ordinary income | | Net income (loss) | |
|----------------------|-------------------|--------|------------------|-------|-----------------|-------|-------------------|--------|
| | JPY1M | % | JPY1M | % | JPY1M | % | JPY1M | % |
| Midterm period ended | | | | | | | | |
| June 30, 2022 | 5,431 | 18.3 | 323 | - | (470) | - | (471) | - |
| June 30, 2021 | 4,589 | (17.1) | (699) | - | (1,488) | - | (1,488) | - |
| Fiscal year ended | | | | | | | | |
| December 31, 2021 | 13,633 | (1.5) | 2,959 | (6.8) | 1,298 | (7.2) | 1,296 | (15.1) |

| | Net income for current midterm period per unit |
|----------------------|---|
| Midterm period ended | JPY |
| June 30, 2022 | (105) |
| June 30, 2021 | (333) |
| Fiscal year ended | |
| December 31, 2021 | 290 |

(Note) Net income for current midterm period per unit is calculated based on the period-average number of investment units issued.

(2) Financial position

| | Total assets | Net assets | Equity ratio | Net assets per unit |
|----------------------|--------------|------------|--------------|---------------------|
| Midterm period ended | JPY1M | JPY1M | % | JPY |
| June 30, 2022 | 391,483 | 219,914 | 56.2 | 49,230 |
| June 30, 2021 | 395,554 | 218,306 | 55.2 | 48,870 |
| Fiscal year ended | | | | |
| December 31, 2021 | 394,323 | 221,542 | 56.2 | 49,595 |

(Note) Net assets per unit are calculated based on the total number of investment units issued and outstanding at the end of the midterm period / full year.

(3) Cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of year |
|----------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Midterm period ended | JPY1M | JPY1M | JPY1M | JPY1M |
| June 30, 2022 | 1,208 | (3,304) | (1,633) | 26,267 |
| June 30, 2021 | (760) | (1,025) | (1,541) | 25,225 |
| Fiscal year ended | | | | |
| December 31, 2021 | 11,682 | (4,695) | (5,543) | 29,996 |

2. Operating forecast for the fiscal year ending December 31, 2022 (January 1, 2022 – December 31, 2022)

(Percentages show changes from the previous year)

| | Operating revenue | | Operating income | | Ordinary income | | Net income | | Dividend per unit (Excess of earnings exclusive) | Dividend per unit resulting from excess of earnings |
|-----------|-------------------|-------|------------------|-------|-----------------|--------|------------|--------|--|---|
| | JPY1M | % | JPY1M | % | JPY1M | % | JPY1M | % | JPY | JPY |
| Full year | 13,337 | (2.2) | 2,827 | (4.5) | 1,159 | (10.6) | 1,158 | (10.7) | 333 | - |

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2022 (full year) ¥259 (Calculated based on the estimate of period-average number of investment units of 4,467,006.)

(Note) The source of the dividend payment is planned to be the total amount of net income, plus the reversed amount of the reserve for temporary difference adjustment (¥332 million).

* Other

(1) Changes in accounting policies, changes in accounting estimates, and restatement of financial statements for prior period after error corrections

(a) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(b) Changes in accounting policies due to other reasons than above (a): No change

(c) Changes in accounting estimates: No change

(d) Restatement of financial statements for prior period after error corrections: No change

(Note) For details, please refer to “Notes on changes in accounting policies” on page 26.

(2) Total number of investment units issued and outstanding

(a) Total number of investment units issued and outstanding at the end of the fiscal year/period

(including investment units owned by Japan Hotel REIT Investment Corporation (JHR))

As of June 30, 2022 4,467,006 units

As of June 30, 2021 4,467,006 units

As of December 31, 2021 4,467,006 units

(b) Number of JHR's own investment units held at the end of the fiscal year

As of June 30, 2022 0 units

As of June 30, 2021 0 units

As of December 31, 2021 0 units

(Note) For the number of investment units serving as the basis of computation of net income per unit, please refer to “Notes on per unit information” on page 33.

* Status of midterm audit procedures

Midterm financial report is not subject to interim audit procedures by accountants.

* Special items

Forward-looking statements presented in this financial report including operating forecasts are based on information currently available to us and on certain assumptions we deem to be reasonable. As such, actual operating and other results may differ materially from these forecasts due to a number of factors. Furthermore, we do not intend to guarantee any dividend amount by this forecast. For the assumptions of the operating forecast and notes for the use of operating forecast, please refer to “1. Operating results; (1) Operating results; (B) Outlook for the second half of the fiscal year” on page 6 and “Assumptions of the operating forecast for the full year of the fiscal year ending December 2022 (23rd period)” on page 11

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1. Operating results

(1) Operating results

(A) Overview of the midterm period under review

(a) Brief history and principal activities

Japan Hotel REIT Investment Corporation (JHR) was established under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter referred to as the “Investment Trusts Act”) on November 10, 2005, and was listed on the Real Estate Investment Trust (REIT) section of the Tokyo Stock Exchange (Securities code: 8985) on June 14, 2006.

JHR entrusts asset management to Japan Hotel REIT Advisors Co., Ltd. (hereinafter referred to as the “Asset Management Company”). Focusing on importance as social infrastructure and profitability as investment real estate of hotels, JHR primarily invests in real estate which are wholly or partially used as hotels or real estate equivalents of such real estate or related assets that are backed by such real estate or real estate equivalents (hereinafter referred to as “Real Estate for Hotels, etc.”).

JHR, the former Nippon Hotel Fund Investment Corporation, merged with Japan Hotel and Resort, Inc. with an effective date of April 1, 2012 (hereinafter referred to as the “Merger”), and changed its name to Japan Hotel REIT Investment Corporation. Since the Merger through the end of the midterm period under review (6 months period from January 1, 2022 to June 30, 2022), JHR has carried out nine public offerings for capital increase and continuously acquired “highly competitive hotels” in mainly “strategic investment areas” where domestic and inbound leisure demand can be expected over the medium to long term.

By implementing the aforementioned growth strategy, JHR has expanded its asset size while improving the quality of its portfolio through new property acquisitions of 26 properties amounting to ¥275,160 million (acquisition price basis) in total in little over ten years since the Merger through the end of the midterm period under review. As a result, JHR had a portfolio of 41 properties with a combined acquisition price of ¥363,542 million, and the total number of investment units issued and outstanding stood at 4,467,006 units at the end of the midterm period under review.

(b) Investment performance for midterm period under review

During the midterm period under review (six months period from January 1, 2022 to June 30, 2022), while a sixth wave of the spread of infections occurred from the beginning of the year due to the epidemic of COVID-19 variants, movement restrictions have been eased as strict measures to prevent the spread of the virus were lifted nationwide in March and efforts towards the recovery of social and economic activities have been gradually made.

The number of foreign visitors to Japan (hereinafter referred to as “inbound visitors”) was estimated to be 507,000 in the first half of 2022 (minus 96.9% from that of 2019), although the maximum number of foreigners allowed to enter Japan from various countries was gradually increased. On the other hand, the cumulative number of overnight guests at domestic accommodation facilities in the first half of 2022 rose by 51.7% year on year or fell by 33.4% from that of 2019 to 190 million guest nights (preliminary release). The figure showed a significant year-on-year increase despite the continuous impact of COVID-19 and a recovery in accommodation demand from Japanese guests was seen.

As to the performance of hotels owned by JHR under these circumstances, RevPAR (Note 1) of The 25 Hotels with Variable Rent, etc. (Note 2) for the midterm period under review increased significantly year on year by 91.4%, and GOP (gross operating profit) turned from a deficit of ¥96 million in the previous midterm period to a surplus of ¥1,819 million supported by the successful cost management measures at hotels.

Under such circumstances, JHR practiced close communication with the lessees and operators of its respective hotels and worked to secure hotel earnings through reduction of operating costs, etc. In particular, Hotel Management Japan Co., Ltd. (hereinafter referred to as “HMJ”), which is a group company of the Asset Management Company, and its subsidiaries (hereinafter collectively referred to as the “HMJ Group”) implemented restructuring (such as reduction of labor costs through closure of unprofitable restaurants within hotels, reduction of outsourcing costs with the switch from outsourcing to insourcing and change of specifications, and consolidation of back offices and common operations) from 2020, and the results of cost reduction exceeded those initially anticipated. Despite such achievement, we are working to further promote the above measures.

In addition, at the same time as these efforts, we are also focusing on measures to improve earnings towards the full-fledged recovery period of accommodation demand. Particularly, for hotels that have changed the lessee to the HMJ Group and conducted rebranding in the previous year, we are promoting measures for the realization of effective operation and improvement of earnings.

On the other hand, as a countermeasure against downside risks under the impact of COVID-19, JHR took measures to adopt full variable rent from February 2020 to the end of 2021 in lease contracts of The 14 HMJ Hotels, and has also concluded a memorandum on February 25, 2022, to change the entire rent of The 14 HMJ Hotels to variable rent in 2022.

For further details of sales, GOP (gross operating profit) and other management indicators for The 25 Hotels with Variable Rent, etc., please refer to “<Reference Information 2> Hotel operation indexes, sales and GOP (gross operating profit)” on page 17.

- (Note 1) The Five HMJ hotels refers to following five hotels which JHR leases to HMJ. Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima. The same shall apply hereinafter.
 The 14 HMJ hotels refers to The Five HMJ Hotels plus following 9 hotels which JHR leases to subsidiaries of HMJ. Oriental Hotel Okinawa 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, Hilton Tokyo Odaiba. The same shall apply hereinafter
 The Two HMJ Rebranded hotels refers to following two hotels. Hotel Oriental Express Fukuoka Tenjin and Oriental Hotel Universal City. The same shall apply hereinafter in this document.
 The 16 HMJ Hotels refers to The 14 HMJ Hotels plus The Two HMJ Rebranded Hotels. The same shall apply hereinafter.
 The Accor Group Hotels refers to following 5 hotels. ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, Mercure Yokosuka. The same shall apply hereinafter.
 The Ishin Group Hotels refers to following 4 hotels. the b Suidobashi, the b Ikebukuro, the b Hachioji and the b Hakata, The same shall apply hereinafter.
 The 25 Hotels with Variable Rent, etc. refers to The 16 HMJ Hotels plus The Accor Group Hotels plus The Ishin Group Hotels. The same shall apply hereinafter.
- (Note 2) RevPAR represents Revenue Per Available Room, which is calculated by dividing total rooms 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.

(c) Funding status

In the midterm period under review, JHR took out loans of ¥15,234 million in total to refinance existing loans that were due for repayment in January, March and June.

Consequently, as of the end of the midterm period under review, the balance of interest-bearing debt totaled ¥164,754 million, including short-term loans payable of ¥32,436 million, current portion of long-term loans payable of ¥11,172 million, long-term loans payable of ¥81,046 million, current portion of investment corporation bonds of ¥6,000 million and investment corporation bonds of ¥34,100 million, and the ratio of interest-bearing debt to total assets (Note) at end of the midterm period under review stood at 42.1%. The ratio of fixed interest rate to total interest-bearing debt at the end of the midterm period was at 78.5%.

(Note) Ratio of interest-bearing debt to total assets at end of the midterm period under review = Balance of interest-bearing debt at end of the midterm period under review ÷ Total assets at end of the midterm period under review × 100

As of the end of the midterm period under review, JHR’s issuer ratings were as follows.

| Rating agency | Rating | |
|---|--------|------------|
| Japan Credit Rating Agency, Ltd. (JCR) | A+ | (Negative) |
| Rating and Investment Information, Inc. (R&I) | A | (Negative) |

(d) Financial results

As a result of the abovementioned asset management, operating revenue, operating income and ordinary loss were ¥5,431 million, ¥323 million and ¥470 million, respectively, for the midterm period under review (six months period from January 1, 2022 to June 30, 2022). Net loss for the midterm period under review was ¥471 million. Variable rent received from hotels under variable rent contract and recognized as operating revenue include the amount of ¥1,384 million received from the hotels leased to the HMJ Group. However, this amount is calculated based on the GOP of The 16 HMJ Hotels for the midterm period under review. The variable rent to be ultimately received from The 16 HMJ Hotels will be determined by the full-year GOP (12 months period) of each hotel of The 16 HMJ Hotels.

JHR settles accounts on an annual basis and investment corporations do not have a system for interim dividends under the Investment Trusts Act. Accordingly, no distribution of earnings can be made in the midterm period under review. Distribution of earnings is made based on the earnings for the full year (12 months period from January 1, 2022 to December 31, 2022). With regard to such distribution of earnings, in accordance with the policy that earnings exceeding 90% of JHR's distributable profit as defined by Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957; as amended; hereinafter called "the Act on Special Measures Concerning Taxation") will be distributed.

(B) Outlook for the second half of the fiscal year

(a) Investment policies and issues to be addressed

In 2022, while the impact of COVID-19 variants continued to be seen from the beginning of the year, a sign of recovery in demand for domestic leisure started to be seen with moves to ease movement restrictions. As for inbound tourism, progress towards normalization is seen through efforts such as easing immigration restrictions and partially allowing the entry of foreign tourists from June. Although the impact of further infection is unknown, the government plans not to implement movement restrictions, and it is believed that the behavior of people is gradually changing towards enjoying tourism and events while paying full attention to the prevention of infection. The market continues to be significantly impacted by COVID-19, but we believe the recovery trend of accommodation demand centering on demand for domestic travel will grow stronger.

JHR will strive to capture demand which is on a recovery trend as well as continue to implement a variety of measures with lessees and operators, such as reducing operating costs through review of operations at each hotel, maintaining necessary employment, handling cash management, and also implementing sales measures in response to new demand including "staycation" and "workation." Especially for the hotels with variable rent, etc., JHR will endeavor to maximize the GOP of each hotel and thus maximize the rent JHR can receive as a result. In particular, with the HMJ Group, a strategic partner of JHR, in addition to pursuing further consistent cost reduction through strengthening the initiatives of the restructuring plan mentioned earlier, proactively promoting measures to create and capture demand, such as creating attractive products which make the hotel itself as the tourism destination and increasing brand awareness through TV commercials, etc. We are conducting initiatives from both sides to enhance profitability.

Given the large potential demand for overseas tourism globally, particularly due to the improvement in income levels in Asian countries and the popularity of Japan as a travel destination, etc., JHR expects Japan's accommodation demand from inbound visitors to exceed that in 2019 over the medium term and believes that the accommodation and tourism market will expand. On the belief that the location and competitiveness of individual hotels as well as the capabilities of operators (the ability to differentiate from other hotels, improve profitability including cost management and capture recovering demand, etc.) will lead to differentiation of performance among hotels, JHR will continue to implement strategies to differentiate its hotels as it has done to date.

In the meanwhile, as a result of the spread of infection by COVID-19, contactless behavior patterns, such as web conferencing, have spread, and these may cause structural changes in the hotel industry such as a reduction in banquet demand. JHR will work more closely than ever with hotel lessees and operators to flexibly respond to the changes. Under the recognition of such circumstances, JHR intends to work with the Asset Management Company to continue to implement strategies to differentiate by utilizing the experience it has cultivated as a J-REIT specializing in hotels, and manage assets based on the approach described below.

Internal growth

JHR will work to secure "stability" mainly with fixed rent contracts, while at the same time aim for "upside potential" through implementation of active asset management strategies which proactively pursue greater profitability and asset value in properties by way of a variety of measures such as expanding international brands and coordinating with the HMJ Group.

For properties with fixed-rent contracts, JHR will continue to focus on setting and maintaining appropriate rents based on rent levels in the market where respective hotels are located and each tenant's creditworthiness and ability to bear the rent costs, and aiming at raising rents (including introduction of a revenue-sharing structure) in accordance with the conditions of the accommodation market while appropriately responding to requests for reduction of fixed rent from lessees greatly affected by COVID-19.

For hotels under variable rent contracts and under a management contract structure, JHR is working to increase variable rent, etc. and reduce management contract fees by implementing active asset management strategies.

i) Properties under variable rent contracts

JHR works to enhance the profitability of its properties under variable rent contracts through its active asset management strategies. JHR has adopted world-leading international brands such as Hilton, Sheraton, Mercure and Holiday Inn as well as leading brands in Japan including Oriental Hotel and Hotel Nikko that are operated in various areas throughout the country and, together with excellent operators, aims to increase variable rent, etc. through improved performance of these hotels. JHR coordinates with the operators in an effort to enhance hotel performance by requesting them to implement marketing initiatives to attract a wider range of demand with considerations given to recovery of leisure demand from domestic and inbound visitors, measures to maintain and increase room rates, and realization of synergy effects like cost reductions from operating multiple properties, among other efforts.

On the other hand, as the impact of infection by COVID-19 continues to be seen, JHR will closely cooperate with the lessees and operators of respective hotels to promote drastic reform of the earnings structure through various cost-cutting measures centered on thoroughly enhancing efficiency of the operating system, while continuing efforts on consideration for the health of guests and employees of respective hotels and environmental sanitation management. JHR will also promote various measures to restore hotel earnings, such as the creation of appropriate products in response to major changes in the market environment and the preparation of hotel facility environments.

Moreover, JHR will strive to recover and improve hotel earnings by implementing strategic capital expenditure (CAPEX) as necessary through accurately grasping the conditions in the domestic accommodation and tourism market and changing customers' needs.

ii) Properties under fixed rent contracts

JHR will monitor operating conditions of these hotels appropriately, pay careful attention to each lessee's ability to bear the cost of rent, and pursue efforts to set and maintain reasonable rent, while appropriately responding to requests for reduction of fixed rent from lessees greatly affected by the spread of infection by COVID-19. In addition, JHR will continuously execute investment to maintain and renew facilities and equipment in order to ensure each hotel becomes prominent in the market and to maintain and enhance asset value.

External growth

In terms of external growth strategy, JHR believes that domestic and inbound leisure demand will recover over the medium to long term and will continue targeting acquisition of highly competitive Real Estate for Hotels, etc. (Hotel Assets) in areas which can expect "domestic and inbound leisure demand" over the medium to long term as it has done to date. In addition, JHR will build a portfolio which can secure stable revenues with future growth potential in mind in order to achieve upside gains.

Upon acquiring properties, JHR will focus on infrastructure aspects of the relevant Hotel Assets such as buildings and facilities, services aspects such as the credibility of the hotel lessee and operator (including the ability of the hotel lessee to bear the cost of rent) as well as operation and management capabilities, and the properties' locational superiority that serves as the base for stability in demand and growth potential.

Specifically, JHR will aim to invest in "full-service hotels" and "resort hotels" that pose barriers to new opening due to such factors as operation and management know-how required for operating the hotels and limitations in terms of invested capital and location. As for "limited-service hotels," JHR emphasizes the credibility and operation capabilities of the hotel lessee and operator as well as the building age, location, guestroom composition, profitability, etc. of the properties. Moreover, JHR will take a particularly selective approach to hotels specialized for accommodation and of a budget type (low price zone) that mainly offers single rooms and where the source of competitiveness relies only on prices.

While many investors continue to take a cautious view on hotel investments due to a sense of uncertainty over the domestic accommodation and tourism market stemming from the impact of COVID-19, transactions, including those involving large properties, have started to show movement since 2021 against the backdrop of expectations regarding the recovery of the hotel market and the easing of lending attitudes for hotels by financial institutions. Furthermore, there is also increasing possibility of special investment opportunities unlike before, such as sales of assets due to rapid deterioration in the financial position of operators, sales of hotels which are non-core assets due to deterioration in main business performance, sales of hotels completed or scheduled to be completed without operators, etc. JHR will flexibly deal with such investment opportunities by utilizing the efficient hotel operation platform of the HMJ Group and such. Moreover, over the medium to long term, JHR believes that, along with the spread of infection by COVID-19 coming to an end and accompanying recovery of domestic accommodation demand including that from inbound visitors, many investors who have been on the sideline may resume investment in hotels, and competition over acquisition may become more active. Going forward, while closely monitoring market trends from many angles, JHR will flexibly respond to changes in earnings structures of hotels and the investment environment by leveraging the strengths and advantages it has cultivated as a J-REIT specializing in hotel investment and aim to expand asset size that accompanies improvement of the portfolio quality through acquiring highly competitive properties, while utilizing the operation platform of HMJ as necessary. Considering the uncertainty of the hotel market environment due to the impact of COVID-19, JHR intends to be careful with property acquisition for the time being, from the standpoint of procurement of new funds for property acquisition. In addition, from a comprehensive standpoint including financial soundness and portfolio management, JHR will also consider asset replacement accompanying property disposition as necessary.

Finance strategy

As the impact of the spread of infection by COVID-19 prolongs and the outlook of earnings remains uncertain, JHR will focus on the enhancement of financial stability and soundness more than before and intends to maintain and enhance the relationship of trust with financial institutions with which it does business through close communication and such.

Specifically, JHR will conduct refinancing of existing borrowings while paying attention to financing costs and maintaining good relationships with respective lenders. In addition, JHR will secure liquidity on hand in an effort to strengthen its financial foundation through appropriate control of capital expenditures and property disposition, if necessary, etc. It aims to conduct financial operations by keeping the ratio of interest-bearing debt to total assets at no larger than 50% as in the past, but maintains roughly the current level for the time being. In addition, when seeking new borrowing for property acquisitions, JHR will work to disperse the maturity dates of its debt as well as further reinforce its composition of lenders and further diversify funding methods, such as issuance of investment corporation bonds (including green bonds), while considering the balance with the funding costs.

Policy on handling of negative goodwill

From the fiscal year ended December 31, 2017 (18th period), JHR started appropriation for dividends through reversal of reserve for temporary difference adjustment in connection with partial amendments to the “Ordinance on Accounting of Investment Corporations” (Cabinet Office Ordinance No. 47 of 2006, as amended; hereinafter referred to as the “Ordinance on Accountings of Investment Corporations”) and the “Regulation for Real Estate Investment Trusts and Real Estate Investment Corporations” of The Investment Trusts Association, Japan. JHR stipulated a policy to reverse ¥262 million (hereinafter called the “50-year amortization amount of negative goodwill”), which is an amount equivalent to 2% (1/50) of the balance of the reserve for temporary difference adjustment for the fiscal year ended December 31, 2017, to pay out as dividends every year, with the balance of the reserve for temporary difference adjustment remaining at the time of reversal set as the maximum reversal amount (Note).

Furthermore, in cases of incurrence of losses caused by property dispositions, impairment loss of assets, dilution of dividend per unit due to the issuance of new investment units through public offerings, etc., loss on retirement of noncurrent assets, and suspension of sales and such due to large-scale renovations with significant impact on revenues, JHR stipulated a policy to reverse additional portion of the negative goodwill on top of the 50-year amortization amount of negative goodwill (¥262 million) (Note).

(Note) The policy may change due to a resolution of the board of directors of JHR, and it does not guarantee the method of reversing the reserve for temporary difference adjustment, and amounts to be reversed, etc., in the future.

Initiatives for sustainability

In recent years, consideration for ESG (Environment, Social and Governance) has grown in importance in the investment management industry from the standpoint of long-term sustainability. JHR recognizes that conducting real estate investment management that considers for ESG is important to maximize unitholder value and to further raise the attractiveness of JHR. In addition, JHR believes that it is indispensable to establish favorable relationships with its stakeholders, including unitholders, hotel guests, lessees, operators, business partners such as property managers, local communities, and officers and employees of the Asset Management Company, and to fulfill our social responsibilities expected from each of them.

In order to put such ideas into practice, JHR, along with the Asset Management Company, has established a “Sustainability Policy” as guidance to ESG initiatives. We have promoted efforts to reduce environmental impact at properties in our portfolio based on this policy, and received the Building-Housing Energy-efficiency Labeling System (BELS) evaluation for Hotel Nikko Alivila and Mercure Okinawa Naha in February 2018 as first such cases for hotel properties owned by a J-REIT (Note 1). In September 2018, JHR became the first J-REIT specializing in hotels to be recognized by GRESB (Note 2) for its environmental awareness and sustainability initiatives, and acquired “Green Star” in the GRESB Real Estate Assessment for four consecutive years thereafter. Moreover, for the second consecutive year, JHR was selected as a Sector Leader of Asian Hotel Sector in the GRESB Real Estate Assessment conducted in 2021. In April 2020, Hilton Tokyo Odaiba acquired CASBEE (Comprehensive Assessment System for Built Environment Efficiency) Certification for Buildings, the first such recognition for an existing hotel property. In May 2021, Oriental Hotel Fukuoka Hakata Station also acquired CASBEE Certification for Buildings, the second case of such for an existing hotel property following Hilton Tokyo Odaiba. In addition, in December 2021, JHR defined its materiality (key issues) in terms of ESG from the dual standpoints of stakeholder expectations and impact on its business. Also, the Asset Management Company expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB), and joined the TCFD Consortium, an organization made up of Japanese companies that support the recommendations. Based on such various efforts, JHR renewed the ESG-related pages on its website on a full scale with an aim to further enhance information disclosure on ESG-related efforts in January 2022. Going forward, JHR, together with the Asset Management Company, will continue to actively promote enhancement of its initiatives and disclosure on a variety of sustainability issues.

Furthermore, JHR issued green bonds in July 2019 to allocate funds mainly to refinancing of loans procured for funding investment capital and constructions cost, etc. for equipment which contribute to environment, including reduction of CO₂ and water consumption in the renovation work at Oriental Hotel Fukuoka Hakata Station. It was the first case of a J-REIT specializing in hotels issuing green bonds. Of the funds procured from the green bonds, the remaining funds, excluding the repayment of such loans, were allocated to construction costs for reduction of CO₂, etc. at four hotels including Hilton Nagoya as funds for renovation work at the hotels. As a result, the funds procured from the green bonds have been fully appropriated for eligible projects and there is no unappropriated balance.

In addition, as an effort under the spread of infection by COVID-19, JHR worked together with the lessees to provide a total of nine hotels it owns as facilities to accept patients with mild or no symptoms who do not require hospital treatment among the patients infected with COVID-19 from 2020 through the date of this document. JHR also provided restaurants and banquet rooms in Oriental Hotel Tokyo Bay and Hotel Nikko Nara as venues for vaccination under workplace vaccination programs and for local residents. Furthermore, the HMJ Group conducted workplace vaccination to provide vaccinations to its employees who wish to be vaccinated so that hotel guests can use the hotels safely with peace of mind.

Recognizing its social responsibility towards local communities as a J-REIT specializing in hotels, JHR will continue to proactively carry out social contribution activities capitalizing on the characteristics of the hotel sector and each hotel.

(Note 1) Investigated by the Asset Management Company based on public information.

(Note 2) GRESB which stands for Global Real Estate Sustainability Benchmark is an annual benchmarking assessment to measure ESG (Environmental, Social and Governance) considerations of real estate companies and funds. It evaluates initiatives for sustainability of real estate companies, REITs and real estate funds, not of individual properties. The GRESB Rating makes relative assessment based on total scores, with 5 Stars being the highest ranking.

(b) Significant subsequent events

Not applicable.

(c) Operating forecast

JHR estimates its' operating forecast and forecast of dividend for the full year of the fiscal year ending December 2022 (23rd period) as follows. For the assumptions of these forecasts, please refer to "Assumptions of the operating forecast for the full fiscal year ending December 2022 (23rd period)" on page 11.

| Full year of the fiscal year ending December 2022 (23rd period) | Forecast this time | Previous Forecast (Note 1) | Variance |
|---|--------------------|----------------------------|----------|
| Operating revenue | ¥13,337 million | TBD | — |
| Operating income | ¥2,827 million | TBD | — |
| Ordinary income | ¥1,159 million | TBD | — |
| Net income | ¥1,158 million | TBD | — |
| Dividend per unit | ¥333 | TBD | — |
| Dividend per unit resulting from excess of earnings | — | TBD | — |

(Note 1) Operating forecast and estimate of dividend for fiscal year ending December 2022 were announced as TBD in the "Financial Report for the Fiscal Year Ended December 31, 2021 (22nd Period)" dated February 25, 2022.

(Note 2) The forecasted figures above are the current forecasts calculated based on certain assumptions. As such, actual operating revenue, operating income, ordinary income, net income, dividend per unit and dividend per unit resulting from excess of earnings may vary due to changes in the circumstances. Furthermore, the forecasts are not intended to guarantee any dividend amount per unit.

Assumptions of the operating forecast for the full fiscal year ending December 2022 (23rd period)

| Item | Assumptions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|------------|--------------------|---------------------|---------------|---------------|--------------------|---------------------|---------------|----------------------------------|---------|-----|-----------|----|-----------|-----|-----|--------------------------|---------|-----|-------|-----|-----------|-----|-----|----------------------|---------|-----|-------|-----|-----------|-----|-----|---------------------|---------|----|-------|----|-----------|-----|-----|--------------------------|---------|-----|-------|-----|-----------|-----|-----|-------------------------------------|---------|-------|-------|---|-----------|-----|-----|-------------------------------------|---------|-----|-------|----|-----------|-----|-----|---------------------------------------|---------|-----|-------|-----|-----------|-----|-----|-------------------------|---------|-----|-------|-----|-----------|-----|-----|-----------------------------|---------|----|-------|----|-----------|-----|----|-----------------------------------|---------|-----|-------|-----|-----------|-----|-----|------------------|---------|---|-------|---|-----------|-----|-----|--|---------|------|-------|---|-----------|------|---|---------------------|---------|------|-------|---|-----------|-----|-----|-------|---------|-------|---|-------|-----------|-------|---|-------|
| Calculation Period | <ul style="list-style-type: none"> Full fiscal year ending December 2022 (23rd Period): January 1, 2022 through December 31, 2022 (365 days) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Assets under Management | <ul style="list-style-type: none"> The 41 properties owned by JHR as of today are assumed. It is assumed that there will be no change (acquisition of new property or disposition of the existing properties, etc.) in assets under management through the end of the fiscal year ending December 2022 (23rd period). However, the actual results may fluctuate depending on the changes in assets under management that may take place. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating Revenue | <ul style="list-style-type: none"> Operating revenue is calculated based on the conditions of the lease and other effective contracts, taking into consideration the competitiveness of hotels, market environment, and other factors. If there are lease contracts with facilities other than hotels, such as commercial facilities and offices, operating revenue calculated based on the said lease contracts is included. Moreover, operating revenue may fluctuate significantly due to the impact of COVID-19. Rents, etc. of the main hotels are calculated based on the following assumptions. <p>(1) The 14 HMJ Hotels</p> <p>JHR concluded a memorandum of understanding for the fixed-term building lease contract for The 14 HMJ Hotels on February 25, 2022. From January 1, 2022 through December 31, 2022, the rent is only variable rent and is calculated by multiplying the hotel AGOP (*1) by the variable rent ratio for each hotel. However, if AGOP is less than 0 (zero), the variable rent will be 0 (zero).</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th></th> <th>AGOP of each hotel</th> <th>Variable rent ratio</th> <th>Variable rent</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Kobe Meriken Park Oriental Hotel</td> <td>Midterm</td> <td>92</td> <td rowspan="2">86.0%</td> <td>79</td> </tr> <tr> <td>Full year</td> <td>447</td> <td>384</td> </tr> <tr> <td rowspan="2">Oriental Hotel tokyo bay</td> <td>Midterm</td> <td>276</td> <td rowspan="2">79.0%</td> <td>218</td> </tr> <tr> <td>Full year</td> <td>809</td> <td>639</td> </tr> <tr> <td rowspan="2">Namba Oriental Hotel</td> <td>Midterm</td> <td>183</td> <td rowspan="2">91.0%</td> <td>166</td> </tr> <tr> <td>Full year</td> <td>402</td> <td>366</td> </tr> <tr> <td rowspan="2">Hotel Nikko Alivila</td> <td>Midterm</td> <td>63</td> <td rowspan="2">74.0%</td> <td>47</td> </tr> <tr> <td>Full year</td> <td>977</td> <td>723</td> </tr> <tr> <td rowspan="2">Oriental Hotel Hiroshima</td> <td>Midterm</td> <td>332</td> <td rowspan="2">89.0%</td> <td>295</td> </tr> <tr> <td>Full year</td> <td>584</td> <td>520</td> </tr> <tr> <td rowspan="2">Oriental Hotel Okinawa Resort & Spa</td> <td>Midterm</td> <td>(154)</td> <td rowspan="2">89.0%</td> <td>—</td> </tr> <tr> <td>Full year</td> <td>244</td> <td>217</td> </tr> <tr> <td rowspan="2">Sheraton Grand Hiroshima Hotel (*2)</td> <td>Midterm</td> <td>106</td> <td rowspan="2">93.0%</td> <td>98</td> </tr> <tr> <td>Full year</td> <td>331</td> <td>308</td> </tr> <tr> <td rowspan="2">Oriental Hotel Fukuoka Hakata Station</td> <td>Midterm</td> <td>193</td> <td rowspan="2">97.0%</td> <td>187</td> </tr> <tr> <td>Full year</td> <td>591</td> <td>574</td> </tr> <tr> <td rowspan="2">Holiday Inn Osaka Namba</td> <td>Midterm</td> <td>109</td> <td rowspan="2">98.0%</td> <td>106</td> </tr> <tr> <td>Full year</td> <td>151</td> <td>148</td> </tr> <tr> <td rowspan="2">Hilton Tokyo Narita Airport</td> <td>Midterm</td> <td>68</td> <td rowspan="2">95.0%</td> <td>65</td> </tr> <tr> <td>Full year</td> <td>102</td> <td>97</td> </tr> <tr> <td rowspan="2">International Garden Hotel Narita</td> <td>Midterm</td> <td>117</td> <td rowspan="2">95.0%</td> <td>111</td> </tr> <tr> <td>Full year</td> <td>188</td> <td>179</td> </tr> <tr> <td rowspan="2">Hotel Nikko Nara</td> <td>Midterm</td> <td>8</td> <td rowspan="2">95.0%</td> <td>8</td> </tr> <tr> <td>Full year</td> <td>172</td> <td>164</td> </tr> <tr> <td rowspan="2">Hotel Oriental Express Osaka Shinsaibashi (*3)</td> <td>Midterm</td> <td>(10)</td> <td rowspan="2">87.0%</td> <td>—</td> </tr> <tr> <td>Full year</td> <td>(34)</td> <td>—</td> </tr> <tr> <td rowspan="2">Hilton Tokyo Odaiba</td> <td>Midterm</td> <td>(10)</td> <td rowspan="2">97.0%</td> <td>—</td> </tr> <tr> <td>Full year</td> <td>707</td> <td>686</td> </tr> <tr> <td rowspan="2">Total</td> <td>Midterm</td> <td>1,374</td> <td>—</td> <td>1,384</td> </tr> <tr> <td>Full year</td> <td>5,678</td> <td>—</td> <td>5,010</td> </tr> </tbody> </table> | | | | | | AGOP of each hotel | Variable rent ratio | Variable rent | Kobe Meriken Park Oriental Hotel | Midterm | 92 | 86.0% | 79 | Full year | 447 | 384 | Oriental Hotel tokyo bay | Midterm | 276 | 79.0% | 218 | Full year | 809 | 639 | Namba Oriental Hotel | Midterm | 183 | 91.0% | 166 | Full year | 402 | 366 | Hotel Nikko Alivila | Midterm | 63 | 74.0% | 47 | Full year | 977 | 723 | Oriental Hotel Hiroshima | Midterm | 332 | 89.0% | 295 | Full year | 584 | 520 | Oriental Hotel Okinawa Resort & Spa | Midterm | (154) | 89.0% | — | Full year | 244 | 217 | Sheraton Grand Hiroshima Hotel (*2) | Midterm | 106 | 93.0% | 98 | Full year | 331 | 308 | Oriental Hotel Fukuoka Hakata Station | Midterm | 193 | 97.0% | 187 | Full year | 591 | 574 | Holiday Inn Osaka Namba | Midterm | 109 | 98.0% | 106 | Full year | 151 | 148 | Hilton Tokyo Narita Airport | Midterm | 68 | 95.0% | 65 | Full year | 102 | 97 | International Garden Hotel Narita | Midterm | 117 | 95.0% | 111 | Full year | 188 | 179 | Hotel Nikko Nara | Midterm | 8 | 95.0% | 8 | Full year | 172 | 164 | Hotel Oriental Express Osaka Shinsaibashi (*3) | Midterm | (10) | 87.0% | — | Full year | (34) | — | Hilton Tokyo Odaiba | Midterm | (10) | 97.0% | — | Full year | 707 | 686 | Total | Midterm | 1,374 | — | 1,384 | Full year | 5,678 | — | 5,010 |
| | | | AGOP of each hotel | Variable rent ratio | Variable rent | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Kobe Meriken Park Oriental Hotel | Midterm | 92 | 86.0% | 79 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Full year | 447 | | 384 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Oriental Hotel tokyo bay | Midterm | 276 | 79.0% | 218 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Full year | 809 | | 639 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Namba Oriental Hotel | Midterm | 183 | 91.0% | 166 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Full year | 402 | | 366 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Hotel Nikko Alivila | Midterm | 63 | 74.0% | 47 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Full year | 977 | | 723 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Oriental Hotel Hiroshima | Midterm | 332 | 89.0% | 295 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Full year | 584 | | 520 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Oriental Hotel Okinawa Resort & Spa | Midterm | (154) | 89.0% | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Full year | 244 | | 217 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Sheraton Grand Hiroshima Hotel (*2) | Midterm | 106 | 93.0% | 98 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Full year | 331 | | 308 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Oriental Hotel Fukuoka Hakata Station | Midterm | 193 | 97.0% | 187 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Full year | 591 | | 574 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Holiday Inn Osaka Namba | Midterm | 109 | 98.0% | 106 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Full year | 151 | | 148 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Hilton Tokyo Narita Airport | Midterm | 68 | 95.0% | 65 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Full year | 102 | | 97 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | International Garden Hotel Narita | Midterm | 117 | 95.0% | 111 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Full year | | 188 | 179 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hotel Nikko Nara | Midterm | 8 | 95.0% | 8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Full year | 172 | | 164 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hotel Oriental Express Osaka Shinsaibashi (*3) | Midterm | (10) | 87.0% | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Full year | (34) | | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hilton Tokyo Odaiba | Midterm | (10) | 97.0% | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Full year | 707 | | 686 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | Midterm | 1,374 | — | 1,384 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Full year | 5,678 | — | 5,010 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>(*1) AGOP (adjusted GOP) is the amount calculated by subtracting certain fees and other items from GOP. GOP (gross operating profit) are the remainder after expenses incurred in hotel operation, such as personnel costs and general and administrative expenses, etc., are deducted from total sales. The same shall apply hereinafter.</p> <p>(*2) Stating the rent for Sheraton Grand Hiroshima Hotel, the major 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> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Variable rent</th> <th>Fixed rent</th> <th>Total rent</th> </tr> </thead> <tbody> <tr> <td>Midterm</td> <td>3</td> <td>251</td> <td>254</td> </tr> <tr> <td>Full year</td> <td>5</td> <td>501</td> <td>507</td> </tr> </tbody> </table> <p>(*3) Hotel Oriental Express Osaka Shinsaibashi is assumed to be closed throughout the fiscal period.</p> | | | | | | Variable rent | Fixed rent | Total rent | Midterm | 3 | 251 | 254 | Full year | 5 | 501 | 507 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Variable rent | Fixed rent | Total rent | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Midterm | 3 | 251 | 254 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Full year | 5 | 501 | 507 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Item | Assumptions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|------------------|------------------|---------------------|---------------|--|---------|------------|--------------------------------|---------------------|---------------|---------------------------------------|---------|-----|----------------------|-------|----|---------------------------|-----|-----|------------------|-------------------------------|---------|------------------|-----|-------|-----------------|-----------|-----|----------------|---|-------|--------------|----|---|--|---|-----------|--------------------------------------|---|---|---------------------|---|----|-------------------|---|----|------------------|------------------|------------------|---------------|------------------|------------------|-------|-----|-------|
| | <p>(2) The Two HMJ Rebranded Hotels</p> <p>Hotel Oriental Express Fukuoka Tenjin and Oriental Hotel Universal City were rebranded with HMJ subsidiaries as the lessees on June 18, 2021 and July 1, 2021, respectively. The assumptions for fixed and variable rent stipulated in the fixed-term building contract after rebranding concluded on February 12, 2021 are as follows.</p> <p>< Hotel Oriental Express Fukuoka Tenjin > Lease term: June 18, 2021 to December 31, 2031 Total rent = Fixed rent + Variable rent Fixed rent = ¥150 million (actual amount for the year) Fixed rent is waived from June 18, 2021 through June 30, 2022. The fixed rent to be recognized for the fiscal year ending December 2022 is expected to be ¥135 million, which is 12 months' worth of the average fixed rent of ¥11 million per month, calculated as the total fixed rent for the whole lease period (¥1,425 million) divided proportionally by the period of lease contract. Variable rent = [Hotel AGOP – AGOP base amount of ¥165 million] × Variable rent ratio (97.0%)</p> <p>< Oriental Hotel Universal City > Lease term: July 1, 2021 to December 31, 2031 Total rent = Fixed rent + Variable rent Fixed rent = ¥350 million (actual amount for the year) Fixed rent is waived from July 1, 2021 through June 30, 2022. The fixed rent to be recognized for the fiscal year ending December 2022 is expected to be ¥316 million, which is 12 months' worth of the average fixed rent of ¥26 million per month, calculated as the total fixed rent for the whole lease period (¥3,325 million) divided proportionally by the period of lease contract. Variable rent = [Hotel AGOP – AGOP base amount of ¥370 million] × Variable rent ratio (95.0%)</p> <p>Variable rent of The Two HMJ Rebranded Hotels are as follows</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th></th> <th style="text-align: center;">Hotel AGOP</th> <th style="text-align: center;">AGOP base amount</th> <th style="text-align: center;">Variable rent ratio</th> <th style="text-align: center;">Variable rent</th> </tr> </thead> <tbody> <tr> <td rowspan="2" style="text-align: center;">Hotel Oriental Express Fukuoka Tenjin</td> <td style="text-align: center;">Midterm</td> <td style="text-align: center;">32</td> <td style="text-align: center;">82</td> <td rowspan="2" style="text-align: center;">97.0%</td> <td style="text-align: center;">—</td> </tr> <tr> <td style="text-align: center;">Full year</td> <td style="text-align: center;">134</td> <td style="text-align: center;">165</td> <td style="text-align: center;">—</td> </tr> <tr> <td rowspan="2" style="text-align: center;">Oriental Hotel Universal City</td> <td style="text-align: center;">Midterm</td> <td style="text-align: center;">30</td> <td style="text-align: center;">185</td> <td rowspan="2" style="text-align: center;">95.0%</td> <td style="text-align: center;">—</td> </tr> <tr> <td style="text-align: center;">Full year</td> <td style="text-align: center;">336</td> <td style="text-align: center;">370</td> <td style="text-align: center;">—</td> </tr> <tr> <td rowspan="2" style="text-align: center;">Total</td> <td style="text-align: center;">Midterm</td> <td style="text-align: center;">62</td> <td></td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td style="text-align: center;">Full year</td> <td style="text-align: center;">471</td> <td></td> <td></td> <td style="text-align: center;">—</td> </tr> </tbody> </table> | | | | | | | Hotel AGOP | AGOP base amount | Variable rent ratio | Variable rent | Hotel Oriental Express Fukuoka Tenjin | Midterm | 32 | 82 | 97.0% | — | Full year | 134 | 165 | — | Oriental Hotel Universal City | Midterm | 30 | 185 | 95.0% | — | Full year | 336 | 370 | — | Total | Midterm | 62 | | — | — | Full year | 471 | | | — | | | | | | | | | | | | | | |
| | | Hotel AGOP | AGOP base amount | Variable rent ratio | Variable rent | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hotel Oriental Express Fukuoka Tenjin | Midterm | 32 | 82 | 97.0% | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Full year | 134 | 165 | | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Oriental Hotel Universal City | Midterm | 30 | 185 | 95.0% | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Full year | 336 | 370 | | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | Midterm | 62 | | — | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Full year | 471 | | | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>(3) Income from management contracts (*4) and variable rent from other hotels with variable rent, etc.</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Midterm</th> <th style="text-align: center;">Full year</th> </tr> </thead> <tbody> <tr> <td>ibis Styles Kyoto Station (*4)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">11</td> </tr> <tr> <td>ibis Styles Sapporo (*4)</td> <td style="text-align: center;">0</td> <td style="text-align: center;">114</td> </tr> <tr> <td>Mercure Sapporo (*4)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">93</td> </tr> <tr> <td>Mercure Okinawa Naha (*4)</td> <td style="text-align: center;">4</td> <td style="text-align: center;">18</td> </tr> <tr> <td>Mercure Yokosuka</td> <td style="text-align: center;">66</td> <td style="text-align: center;">125</td> </tr> <tr> <td>the b suidobashi</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>the b ikebukuro</td> <td style="text-align: center;">162</td> <td style="text-align: center;">249</td> </tr> <tr> <td>the b hachioji</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>the b hakata</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Comfort Hotel Tokyo Higashi Nihombashi</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Smile Hotel Nihombashi Mitsukoshimae</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Chisun Hotel Kamata</td> <td style="text-align: center;">4</td> <td style="text-align: center;">28</td> </tr> <tr> <td>Chisun Inn Kamata</td> <td style="text-align: center;">3</td> <td style="text-align: center;">15</td> </tr> <tr> <td>Hilton Tokyo Bay</td> <td style="text-align: center;">Undisclosed (*5)</td> <td style="text-align: center;">Undisclosed (*5)</td> </tr> <tr> <td>Hilton Nagoya</td> <td style="text-align: center;">Undisclosed (*5)</td> <td style="text-align: center;">Undisclosed (*5)</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">475</td> <td style="text-align: center;">1,129</td> </tr> </tbody> </table> <p>(*4) Management contract structure is introduced. The management contract structure involves entrusting the management of owned hotel properties to the management company, and incorporating the results of the business into JHR as real estate operating revenue. The amount of GOP for each hotel is recognized as management contract revenue and as operating revenue. In case that GOP is negative amount (GOL), such amount will be recognized as management contract cost and accounted as operating expense.</p> | | | | | | Midterm | Full year | ibis Styles Kyoto Station (*4) | — | 11 | ibis Styles Sapporo (*4) | 0 | 114 | Mercure Sapporo (*4) | — | 93 | Mercure Okinawa Naha (*4) | 4 | 18 | Mercure Yokosuka | 66 | 125 | the b suidobashi | — | — | the b ikebukuro | 162 | 249 | the b hachioji | — | — | the b hakata | — | — | Comfort Hotel Tokyo Higashi Nihombashi | — | — | Smile Hotel Nihombashi Mitsukoshimae | — | — | Chisun Hotel Kamata | 4 | 28 | Chisun Inn Kamata | 3 | 15 | Hilton Tokyo Bay | Undisclosed (*5) | Undisclosed (*5) | Hilton Nagoya | Undisclosed (*5) | Undisclosed (*5) | Total | 475 | 1,129 |
| | Midterm | Full year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ibis Styles Kyoto Station (*4) | — | 11 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ibis Styles Sapporo (*4) | 0 | 114 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mercure Sapporo (*4) | — | 93 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mercure Okinawa Naha (*4) | 4 | 18 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mercure Yokosuka | 66 | 125 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| the b suidobashi | — | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| the b ikebukuro | 162 | 249 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| the b hachioji | — | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| the b hakata | — | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Comfort Hotel Tokyo Higashi Nihombashi | — | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Smile Hotel Nihombashi Mitsukoshimae | — | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chisun Hotel Kamata | 4 | 28 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chisun Inn Kamata | 3 | 15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hilton Tokyo Bay | Undisclosed (*5) | Undisclosed (*5) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hilton Nagoya | Undisclosed (*5) | Undisclosed (*5) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 475 | 1,129 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Item | Assumptions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------------|---|-----------|---------|-----------|---------------------------|------|---|-----------------|-----|---|-------|------|---|--|---------|-----------|-------------------|-------|-------|------------------------------|---|---|------------------------------------|---|---|---------------------------------------|-----|-------|-------|-------|-------|
| | <p>GOL of each hotel, which is accounted as management contract costs, is as follows.</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1" data-bbox="349 248 1323 405"> <thead> <tr> <th></th> <th>Midterm</th> <th>Full year</th> </tr> </thead> <tbody> <tr> <td>ibis Styles Kyoto Station</td> <td>(17)</td> <td>—</td> </tr> <tr> <td>Mercure Sapporo</td> <td>(2)</td> <td>—</td> </tr> <tr> <td>Total</td> <td>(20)</td> <td>—</td> </tr> </tbody> </table> <p>(*5) Undisclosed since tenants that concluded lease contracts did not agree to disclose rent revenue, etc.</p> <ul style="list-style-type: none"> The following is the breakdown of variable rent and income from management contracts <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1" data-bbox="349 539 1323 757"> <thead> <tr> <th></th> <th>Midterm</th> <th>Full year</th> </tr> </thead> <tbody> <tr> <td>The 14 HMJ Hotels</td> <td>1,384</td> <td>5,010</td> </tr> <tr> <td>The Two HMJ Rebranded Hotels</td> <td>—</td> <td>—</td> </tr> <tr> <td>Office and commercial tenants (*6)</td> <td>3</td> <td>5</td> </tr> <tr> <td>Other hotels with variable rent, etc.</td> <td>475</td> <td>1,129</td> </tr> <tr> <td>Total</td> <td>1,863</td> <td>6,145</td> </tr> </tbody> </table> <p>(*6) Variable rent for office and commercial tenants of ACTIVE-INTER CITY HIROSHIMA is shown. (*7) For details of variable rent, please refer to page 45, “3. Reference Information; (1) Information on values of assets under management, etc. B. Assets under management; (C) Other major assets under management; (iii) Overview of the hotel business; a. Rent structures of hotels with variable rent, management contract or revenue sharing.”.</p> | | Midterm | Full year | ibis Styles Kyoto Station | (17) | — | Mercure Sapporo | (2) | — | Total | (20) | — | | Midterm | Full year | The 14 HMJ Hotels | 1,384 | 5,010 | The Two HMJ Rebranded Hotels | — | — | Office and commercial tenants (*6) | 3 | 5 | Other hotels with variable rent, etc. | 475 | 1,129 | Total | 1,863 | 6,145 |
| | Midterm | Full year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ibis Styles Kyoto Station | (17) | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mercure Sapporo | (2) | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | (20) | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Midterm | Full year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| The 14 HMJ Hotels | 1,384 | 5,010 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| The Two HMJ Rebranded Hotels | — | — | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Office and commercial tenants (*6) | 3 | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other hotels with variable rent, etc. | 475 | 1,129 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 1,863 | 6,145 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating Expenses | <ul style="list-style-type: none"> With respect to real estate operating costs, 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. It is assumed that ¥1,923 million will be recognized as expenses for fixed asset taxes, city planning taxes, etc. Capital expenditure is assumed to be ¥4,716 million (¥3,366 million for capital expenditure I, ¥1,349 million for capital expenditure II). Capital expenditure III is not planned for the fiscal year ending December 2022. <p>(*) JHR classifies capital expenditures into 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"> Depreciation is calculated using the straight-line method including the planned capital expenditures above and is assumed to be ¥4,733 million. 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. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-operating Expenses | <ul style="list-style-type: none"> ¥1,680 million is expected as non-operating expenses for borrowing-related costs and other expenses. Borrowing-related costs include interest expense, amortization for financing fee and arrangement fee. Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest-bearing Debt | <ul style="list-style-type: none"> The balance of interest-bearing debt (sum of loans and investment corporation bonds) as of today is ¥164,754 million. Balance of interest-bearing debt as of end of December 2022 is expected to be ¥164,754 million. There are ¥17,625 million of debt that will mature during the 2nd half of the fiscal year ending December 2022 (23rd Period), all of these debts are assumed to be refinanced. There are ¥6,000 million of investment corporation bonds that will mature during the 2nd half of the fiscal year ending December 2022 (23rd Period), however, it is assumed that the same amount of investment corporation bonds will be issued. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Item | Assumptions | | | | | | | | | | | | | | | | | | | | |
|---|---|------------|----------------|---|--|---|--------------|--|-------------|---------------------------------------|-------------|-------|--|----------------------|----------------|---|-----------------|-------|--|-------------------|------|
| Dividend per Unit | <ul style="list-style-type: none"> • Dividend per unit for the fiscal year ending December 2022 (23rd period) is calculated based on the following assumptions. <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Net income</td> <td style="text-align: right;">¥1,158 million</td> </tr> <tr> <td style="padding-left: 20px;">Reversal of reserve for temporary difference adjustment (negative goodwill)</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">50-year amortization amount of negative goodwill (*1)</td> <td style="text-align: right;">¥262 million</td> </tr> <tr> <td style="padding-left: 40px;">Loss on retirement of noncurrent assets (*2)</td> <td style="text-align: right;">¥13 million</td> </tr> <tr> <td style="padding-left: 40px;">Amortization of trademark rights (*3)</td> <td style="text-align: right;">¥56 million</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td style="padding-left: 20px;">Distributable amount</td> <td style="text-align: right;">¥1,491 million</td> </tr> <tr> <td style="padding-left: 20px;">Total number of investment units issued</td> <td style="text-align: right;">4,467,006 units</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td style="padding-left: 20px;">Dividend per unit</td> <td style="text-align: right;">¥333</td> </tr> </table> <p style="margin-top: 10px;">(*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.</p> <p>(*2) The amount recognized as a 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.</p> <p>(*3) The trademark rights are amortized over 10 years using the straight-line method. Amortization is 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.</p> <ul style="list-style-type: none"> • 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. at hotels, change in the business environment of hotel business for hotel tenants, etc., unexpected repairs, and actual number of new investment units issued, etc. • The remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 2022 (23rd period) is expected to be ¥9,643 million. | Net income | ¥1,158 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) | ¥13 million | Amortization of trademark rights (*3) | ¥56 million | <hr/> | | Distributable amount | ¥1,491 million | Total number of investment units issued | 4,467,006 units | <hr/> | | Dividend per unit | ¥333 |
| Net income | ¥1,158 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) | ¥13 million | | | | | | | | | | | | | | | | | | | | |
| Amortization of trademark rights (*3) | ¥56 million | | | | | | | | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | | | | | | | | |
| Distributable amount | ¥1,491 million | | | | | | | | | | | | | | | | | | | | |
| Total number of investment units issued | 4,467,006 units | | | | | | | | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | | | | | | | | |
| Dividend per unit | ¥333 | | | | | | | | | | | | | | | | | | | | |
| Dividend per Unit Resulting from Excess of Earnings | <ul style="list-style-type: none"> • It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed. | | | | | | | | | | | | | | | | | | | | |
| Others | <ul style="list-style-type: none"> • It is assumed that revision in law, tax system, accounting standard, regulations of the listing, and regulations of the Investment Trusts Association, Japan that may impact the forecast above will not be made. • It is assumed that unexpected major incident will not occur in the general economy, real estate market and hotel business environment, etc. • The numerical values are rounded down to the nearest millions of yen in the assumptions above. | | | | | | | | | | | | | | | | | | | | |

<Reference Information 1>
Highlight of operational forecast and estimate of dividend

(Unit : JPY MM)

| | | FY2021/12 (22nd Period) | FY2022/12 (23rd Period) | Comparison with the Previous Year | | Factors Causing Variance |
|-----------------------|---|----------------------------|----------------------------|--------------------------------------|----------|---|
| | | Result (A) | Forecast (B) | (B)-(A) | Variance | |
| Properties | No. of Properties | 41 | 41 | — | — | |
| | Acquisition Price | 363,542 | 363,542 | — | — | |
| Profit and Loss | Operating Revenue | 13,633 | 13,337 | (296) | (2.2%) | |
| | Real Estate Operating Revenue | 10,374 | 13,337 | 2,962 | 28.6% | |
| | Fixed Rent | Composition 61.8% 6,413 | Composition 47.0% 6,273 | (140) | (2.2%) | <ul style="list-style-type: none"> •The Ishin Group Hotels: increase by JPY114 MM •The Two HMJ Rebranded Hotels: decrease by JPY168 MM •Other hotels and tenants: increase by JPY6 MM •Impact of property sold in 2021: decrease by JPY92 MM |
| | Other Income | 8.4% 872 | 6.9% 918 | 46 | 5.3% | |
| | Variable Rent | 29.8% 3,088 | 46.1% 6,145 | 3,056 | 99.0% | <ul style="list-style-type: none"> •The 14 HMJ Hotels: increase by JPY2,895 MM •The Accor Group Hotels: increase by JPY152 MM •The Ishin Group Hotels: decrease by JPY51 MM •Other hotels and tenants: increase by JPY93 MM •Impact of property sold in 2021: decrease by JPY33 MM |
| | Gain on Sale of Real Estate Properties, etc. | 3,258 | — | (3,258) | (100.0%) | |
| | NOI (*1) | 6,366 | 9,452 | 3,085 | 48.5% | |
| | NOI Yield | 1.8% | 2.6% | | | |
| | NOI after Depreciation (*1) | 1,544 | 4,703 | 3,159 | 204.6% | |
| | NOI Yield after Depreciation | 0.4% | 1.3% | | | |
| | Operating Income | 2,959 | 2,827 | (132) | (4.5%) | |
| | Ordinary Income | 1,298 | 1,159 | (138) | (10.6%) | |
| Net Income | 1,296 | 1,158 | (138) | (10.7%) | | |
| Dividend | Amount of Reversal from Reserve for Temporary Difference Adjustments (Negative Goodwill) | 335 | 332 | (2) | (0.8%) | Amount of reversal from reserve for temporary difference adjustments (*2) |
| | Total Dividends | 1,634 | 1,487 | (147) | (9.0%) | 2021 : 50-year negative goodwill amortization: JPY262 MM, Loss on retirement of noncurrent assets: JPY16 MM, Amortization of trademark rights: JPY56 MM |
| | Number of Units Issued (Unit) | 4,467,006 | 4,467,006 | — | — | 2022 : 50-year negative goodwill amortization: JPY262 MM, Loss on retirement of noncurrent assets: JPY13 MM, Amortization of trademark rights: JPY56 MM |
| | Dividend per Unit (JPY) | 366 | 333 | (33) | (9.0%) | |

(*1) Each is calculated using the following formula. The same shall apply hereinafter.
 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

(*2) For the detail of amount to be reversed from reserve for temporary difference adjustments, please see “Assumptions of the operating forecast for the full fiscal year ending December 2022 (23rd period)” above. The same shall apply hereinafter.

<Reference Information 2>

Hotel operation indexes, sales and GOP (gross operating profit)

The numeral figures are based on figures obtained from hotel lessees, etc. Please note that these figures have not been audited nor have they gone through other procedures. No guarantee is made as to the accuracy or completeness of the figures and information.

ADR (Note 1) and RevPAR (Note 2) are rounded off to the nearest yen. Sales and GOP are rounded off to the nearest million yen. Occupancy rate and comparison with the previous period are rounded off to one decimal place.

<1> The 16 HMJ Hotels

| | | Fiscal year ended December 2021 | | Fiscal year ending December 2022 | | |
|----------------|-------------------------|---------------------------------|----------------------|--|---------------------------------|----------------------|
| | | Result | Comparison with 2019 | 1st Half: Result 2nd Half: Forecast Full Year: Forecast. | Comparison with previous period | Comparison with 2019 |
| Occupancy rate | First half of the year | 26.4% | (59.5pt) | 54.6% | 28.2pt | (31.3pt) |
| | Second half of the year | 47.8% | (40.6pt) | 69.2% | 21.4pt | (19.2pt) |
| | Full year | 37.2% | (50.0pt) | 62.0% | 24.8pt | (25.2pt) |
| ADR | First half of the year | 12,615 | (26.2%) | 12,292 | (2.6%) | (28.1%) |
| | Second half of the year | 14,038 | (26.2%) | 16,239 | 15.7% | (14.6%) |
| | Full year | 13,537 | (25.1%) | 14,514 | 7.2% | (19.7%) |
| RevPAR | First half of the year | 3,333 | (77.3%) | 6,716 | 101.5% | (54.2%) |
| | Second half of the year | 6,709 | (60.1%) | 11,238 | 67.5% | (33.1%) |
| | Full year | 5,035 | (68.0%) | 8,995 | 78.7% | (42.9%) |
| Sales (JPY1M) | First half of the year | 8,429 | (66.8%) | 12,720 | 50.9% | (49.8%) |
| | Second half of the year | 13,140 | (54.0%) | 19,491 | 48.3% | (31.8%) |
| | Full year | 21,569 | (60.0%) | 32,211 | 49.3% | (40.3%) |
| GOP (JPY1M) | First half of the year | (164) | (102.1%) | 1,536 | —% | (80.5%) |
| | Second half of the year | 2,178 | (79.5%) | 4,878 | 124.0% | (54.0%) |
| | Full year | 2,014 | (89.1%) | 6,414 | 218.4% | (65.3%) |

(Note 1) ADR: Represents average daily rate, which is calculated by dividing total rooms revenue for a certain period (including service charges) by the total number of rooms sold during the period. The same shall apply hereinafter.

(Note 2) RevPAR: Represents revenue per available room, which is calculated by dividing total rooms 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 25 Hotels with Variable Rent, etc.

| | | Fiscal year ended December 2021 | | Fiscal year ending December 2022 | | |
|-------------------|----------------------------|------------------------------------|-------------------------|---|---------------------------------------|-------------------------|
| | | Result | Comparison with 2019 | 1st Half: Result 2nd Half: Forecast Full Year: Forecast | Comparison with previous period | Comparison with 2019 |
| Occupancy rate | First half of the year | 29.5% | (56.0pt) | 55.8% | 26.3pt | (29.6pt) |
| | Second half of the year | 48.7% | (38.6pt) | 69.9% | 21.2pt | (17.4pt) |
| | Full year | 39.2% | (47.2pt) | 62.9% | 23.7pt | (23.5pt) |
| ADR | First half of the year | 10,755 | (30.9%) | 10,872 | 1.1% | (30.1%) |
| | Second half of the year | 12,143 | (28.9%) | 14,089 | 16.0% | (17.5%) |
| | Full year | 11,625 | (28.8%) | 12,675 | 9.0% | (22.4%) |
| RevPAR | First half of the year | 3,169 | (76.2%) | 6,063 | 91.4% | (54.4%) |
| | Second half of the year | 5,913 | (60.4%) | 9,846 | 66.5% | (34.0%) |
| | Full year | 4,552 | (67.7%) | 7,971 | 75.1% | (43.5%) |
| Sales (JPY1M) | First half of the year | 9,512 | (67.3%) | 14,364 | 51.0% | (50.6%) |
| | Second half of the year | 14,567 | (55.0%) | 21,780 | 49.5% | (32.8%) |
| | Full year | 24,079 | (60.8%) | 36,144 | 50.1% | (41.2%) |
| GOP (JPY1M) | First half of the year | (96) | (101.0%) | 1,819 | —% | (80.8%) |
| | Second half of the year | 2,463 | (79.9%) | 5,387 | 118.7% | (56.0%) |
| | Full year | 2,367 | (89.1%) | 7,206 | 204.4% | (66.8%) |

(2) Material events related to going concern assumption

In the midterm period under review,

Although accommodation and tourism markets for the midterm fiscal period under review showed some trend of recovery, they were significantly affected by COVID-19 continuously.

Under such circumstance, JHR concluded “memorandums of understanding related to fixed-term building lease contracts” for The 14 HMJ Hotels on February 25, 2022. JHR agreed to exempt fixed rents throughout 2022 and adopt full variable rent scheme for full year 2022 as it did for February 2020 through end of 2021.

In addition to continuing impact by COVID-19, due to exemption of fixed rent of The 14 HMJ Hotels, operating revenue for midterm period under review declined 57.3% in comparison to same period in 2019.

As a result, the debt-service coverage ratio, which is designated in the loan-related contracts with the financial institutions which JHR conducts business with, fell below the predetermined reference value. Because such financial situation caused temporary breach of financial covenants, there is a condition where substantial doubts on going concern may arise. However, JHR has agreed with the financial institutions with which it conducts business that such financial situation is not considered a breach of the financial covenants. In the case where the debt-service coverage ratio is lower than the predetermined reference value in the full-year period of the current fiscal year and thereafter, JHR may breach the financial covenants. Still, JHR believes that there is no material uncertainty regarding the going concern assumption due to consideration of good relationships between JHR and financial institutions with which it conducts business, continuing support from sponsor-related entities, the sufficient amount of cash it has on hand and conservative debt ratio, etc.

2. Semi-annual financial statements

(1) Semi-annual balance sheets

(thousands of yen)

| | As of December 31, 2021 | As of June 30, 2022 |
|---|----------------------------|------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 22,838,609 | 21,040,304 |
| Cash and deposits in trust | 7,458,225 | 7,026,851 |
| Operating accounts receivable | 1,750,164 | 1,941,149 |
| Prepaid expenses | 485,240 | 442,848 |
| Income taxes receivable | 40 | — |
| Other | 108,411 | 108,911 |
| Total current assets | 32,640,693 | 30,560,064 |
| Noncurrent assets | | |
| Property and equipment, at cost | | |
| Machinery and equipment | 677,977 | 713,826 |
| Accumulated depreciation | (311,345) | (343,200) |
| Machinery and equipment, net | 366,632 | 370,625 |
| Tools, furniture and fixtures | 4,889,299 | 5,153,801 |
| Accumulated depreciation | (3,204,701) | (3,461,506) |
| Tools, furniture and fixtures, net | 1,684,597 | 1,692,295 |
| Construction in progress | 21,972 | 23,127 |
| Buildings in trust | *1 137,035,704 | *1 137,788,781 |
| Accumulated depreciation | (28,062,086) | (29,889,881) |
| Buildings in trust, net | 108,973,617 | 107,898,900 |
| Structures in trust | 2,844,532 | 2,968,601 |
| Accumulated depreciation | (585,251) | (624,376) |
| Structures in trust, net | 2,259,280 | 2,344,224 |
| Machinery and equipment in trust | 645,033 | 645,033 |
| Accumulated depreciation | (198,085) | (212,976) |
| Machinery and equipment in trust, net | 446,947 | 432,056 |
| Tools, furniture and fixtures in trust | 126,678 | 126,678 |
| Accumulated depreciation | (109,785) | (110,965) |
| Tools, furniture and fixtures in trust, net | 16,893 | 15,713 |
| Land in trust | 212,263,515 | 212,263,515 |
| Construction in progress in trust | 110,371 | 162,926 |
| Net property and equipment | 326,143,828 | 325,203,385 |
| Intangible assets | | |
| Software | 275,488 | 245,969 |
| Trademark right | 467,409 | 439,365 |
| Leasehold rights in trust | 27,324,752 | 27,324,752 |
| Fixed-term leasehold rights in trust | 4,630,789 | 4,563,186 |
| Other | 5,920 | 5,580 |
| Total intangible assets | 32,704,360 | 32,578,854 |
| Investments and other assets | | |
| Security deposits | 12,520 | 12,520 |
| Leasehold and security deposits in trust | 139,668 | 139,668 |
| Long-term prepaid expenses | 2,191,650 | 2,071,018 |
| Derivative assets | 12,117 | 461,411 |
| Reserve for repairs and maintenance | 327,476 | 322,355 |
| Total investments and other assets | 2,683,432 | 3,006,974 |
| Total noncurrent assets | 361,531,621 | 360,789,214 |
| Deferred assets | | |
| Investment unit issuance costs | 7,735 | 5,950 |
| Investment corporation bond issuance costs | 143,863 | 127,988 |
| Total deferred assets | 151,598 | 133,938 |
| Total assets | 394,323,913 | 391,483,217 |

(thousands of yen)

| | As of December 31, 2021 | As of June 30, 2022 |
|---|----------------------------|------------------------|
| Liabilities | | |
| Current liabilities | | |
| Operating accounts payable | 1,426,861 | 682,390 |
| Short-term loans payable | 24,002,000 | 32,436,000 |
| Current portion of investment corporation bonds payable | 6,000,000 | 6,000,000 |
| Current portion of long-term loans payable | 8,434,000 | 11,172,000 |
| Accrued expenses | 538,359 | 512,579 |
| Income taxes payable | 1,210 | 605 |
| Consumption taxes payable | 172,743 | 57,662 |
| Advances received | 658,839 | 355,151 |
| Dividends payable | 9,714 | 7,254 |
| Deposits received | 6,002 | 4,429 |
| Derivative liabilities | 5,289 | 615 |
| Other | 10,281 | 10,232 |
| Total current liabilities | 41,265,303 | 51,238,920 |
| Long-term liabilities | | |
| Investment corporation bonds | 34,100,000 | 34,100,000 |
| Long-term loans payable | 92,218,000 | 81,046,000 |
| Tenant leasehold and security deposits | 1,040,520 | 1,040,520 |
| Tenant leasehold and security deposits in trust | 3,614,474 | 3,632,134 |
| Derivative liabilities | 202,673 | 28,213 |
| Deferred tax liabilities | 3,812 | 145,019 |
| Asset retirement obligations | 336,783 | 337,598 |
| Total long-term liabilities | 131,516,263 | 120,329,485 |
| Total liabilities | 172,781,567 | 171,568,406 |
| Net assets | | |
| Unitholders' equity | | |
| Unitholders' capital | 187,194,209 | 187,194,209 |
| Surplus | | |
| Capital surplus | 21,746,398 | 21,746,398 |
| Voluntary reserve | | |
| Reserve for temporary difference adjustment | *2 10,311,886 | *2 9,976,515 |
| Reserve for tax purpose reduction entry | 1,174,860 | 1,174,860 |
| Total voluntary reserve | 11,486,747 | 11,151,375 |
| Unappropriated retained earnings (undisposed loss) | 1,300,724 | (470,268) |
| Total surplus | 34,533,870 | 32,427,506 |
| Total unitholders' equity | 221,728,079 | 219,621,715 |
| Valuation and translation adjustments | | |
| Deferred gains (losses) on hedges | (185,733) | 293,095 |
| Total valuation and translation adjustments | (185,733) | 293,095 |
| Total net assets | *3 221,542,346 | *3 219,914,810 |
| Total liabilities and net assets | 394,323,913 | 391,483,217 |

(2) Semi-annual statements of income

(thousands of yen)

| | For the six months ended June 30, 2021 | For the six months ended June 30, 2022 |
|--|---|---|
| Operating revenue | | |
| Real estate operating revenue | *1 4,143,994 | *1 5,002,976 |
| Other real estate operating revenue | *1 445,316 | *1 428,405 |
| Total operating revenue | 4,589,311 | 5,431,381 |
| Operating Expenses | | |
| Real estate operating costs | *1 4,417,463 | *1 4,230,740 |
| Asset management fee | 706,383 | 706,221 |
| Asset custody and administrative service fee | 60,943 | 59,484 |
| Directors' compensation | 8,700 | 8,700 |
| Other operating expenses | 95,590 | 102,414 |
| Total operating expenses | 5,289,080 | 5,107,561 |
| Operating profit (loss) | (699,769) | 323,820 |
| Non-operating income | | |
| Interest income | 147 | 130 |
| Gain on forfeiture of unclaimed dividends | 4,233 | 3,460 |
| Gain on insurance claims | 33,172 | 36 |
| Refunded fixed asset tax | 20,527 | — |
| Interest on tax refunds | 10,590 | — |
| Gain on derivative instruments | 7,356 | 8,393 |
| Other | 151 | 541 |
| Total non-operating income | 76,180 | 12,561 |
| Non-operating Expenses | | |
| Interest expense | 454,793 | 426,174 |
| Interest expense on investment corporation bonds | 157,322 | 151,169 |
| Borrowing costs | 199,628 | 205,229 |
| Amortization of investment corporation bond issuance costs | 16,763 | 15,874 |
| Amortization of investment unit issuance costs | 29,245 | 1,785 |
| Other | 6,994 | 6,983 |
| Total non-operating expenses | 864,747 | 807,216 |
| Ordinary loss | (1,488,336) | (470,834) |
| Loss before income taxes | (1,488,336) | (470,834) |
| Income taxes – current | 605 | 605 |
| Total income taxes | 605 | 605 |
| Profit (loss) | (1,488,941) | (471,439) |
| Retained earnings brought forward | 3,922 | 1,171 |
| Unappropriated retained earnings (undisposed loss) | (1,485,018) | (470,268) |

(3) Semi-annual statements of changes in net assets

For the six months ended June 30, 2021

(thousands of yen)

| | Unitholders' equity | | | | | | | | |
|---|----------------------|-----------------|---|---|-------------------------|--|-------------|---------------|---------------------------|
| | Unitholders' capital | Surplus | | | | | | Total surplus | Total unitholders' equity |
| | | Capital surplus | Voluntary reserve | | | Unappropriated retained earnings (undisposed loss) | | | |
| | | | Reserve for temporary difference adjustment | Reserve for tax purpose reduction entry | Total voluntary reserve | | | | |
| Balance, January 1, 2021 | 186,894,169 | 21,746,398 | 10,617,580 | 1,174,860 | 11,792,441 | 1,527,790 | 35,066,630 | 221,960,800 | |
| Changes of items during the period | | | | | | | | | |
| Issuance of new investment unit | 300,039 | | | | | | | 300,039 | |
| Reversal of reserve for temporary difference adjustment | | | (305,694) | | (305,694) | 305,694 | — | — | |
| Dividends paid | | | | | | (1,829,562) | (1,829,562) | (1,829,562) | |
| Profit (loss) | | | | | | (1,488,941) | (1,488,941) | (1,488,941) | |
| Net changes of items other than unitholders' equity | | | | | | | | | |
| Total changes of items during the period | 300,039 | — | (305,694) | — | (305,694) | (3,012,809) | (3,318,504) | (3,018,464) | |
| Balance, June 30, 2021 | *1 187,194,209 | 21,746,398 | 10,311,886 | 1,174,860 | 11,486,747 | (1,485,018) | 31,748,126 | 218,942,336 | |

(thousands of yen)

| | Valuation and translation adjustments | | Total net assets |
|---|---------------------------------------|---|------------------|
| | Deferred gains (losses) on hedges | Total valuation and translation adjustments | |
| Balance, January 1, 2021 | (759,492) | (759,492) | 221,201,308 |
| Changes of items during the period | | | |
| Issuance of new investment unit | | | 300,039 |
| Reversal of reserve for temporary difference adjustment | | | — |
| Dividends paid | | | (1,829,562) |
| Profit (loss) | | | (1,488,941) |
| Net changes of items other than unitholders' equity | 123,648 | 123,648 | 123,648 |
| Total changes of items during the period | 123,648 | 123,648 | (2,894,816) |
| Balance, June 30, 2021 | (635,843) | (635,843) | 218,306,492 |

For the six months ended June 30, 2022

(thousands of yen)

| | Unitholders' equity | | | | | | | | |
|---|---|-----------------|-------------------------|-----------|------------|--|-------------|---------------|---------------------------|
| | Unitholders' capital | Surplus | | | | | | Total surplus | Total unitholders' equity |
| | | Capital surplus | Voluntary reserve | | | Unappropriated retained earnings (undisposed loss) | | | |
| Reserve for temporary difference adjustment | Reserve for tax purpose reduction entry | | Total voluntary reserve | | | | | | |
| Balance, January 1, 2022 | 187,194,209 | 21,746,398 | 10,311,886 | 1,174,860 | 11,486,747 | 1,300,724 | 34,533,870 | 221,728,079 | |
| Changes of items during the period | | | | | | | | | |
| Reversal of reserve for temporary difference adjustment | | | (335,371) | | (335,371) | 335,371 | — | — | |
| Dividends paid | | | | | | (1,634,924) | (1,634,924) | (1,634,924) | |
| Profit (loss) | | | | | | (471,439) | (471,439) | (471,439) | |
| Net changes of items other than unitholders' equity | | | | | | | | | |
| Total changes of items during the period | — | — | (335,371) | — | (335,371) | (1,770,992) | (2,106,364) | (2,106,364) | |
| Balance, June 30, 2022 | *1 187,194,209 | 21,746,398 | 9,976,515 | 1,174,860 | 11,151,375 | (470,268) | 32,427,506 | 219,621,715 | |

(thousands of yen)

| | Valuation and translation adjustments | | Total net assets |
|---|---------------------------------------|---|------------------|
| | Deferred gains (losses) on hedges | Total valuation and translation adjustments | |
| Balance, January 1, 2022 | (185,733) | (185,733) | 221,542,346 |
| Changes of items during the period | | | |
| Reversal of reserve for temporary difference adjustment | | | — |
| Dividends paid | | | (1,634,924) |
| Profit (loss) | | | (471,439) |
| Net changes of items other than unitholders' equity | 478,828 | 478,828 | 478,828 |
| Total changes of items during the period | 478,828 | 478,828 | (1,627,535) |
| Balance, June 30, 2022 | 293,095 | 293,095 | 219,914,810 |

(4) Semi-annual statements of cash flows

(thousands of yen)

| | For the six months ended June 30, 2021 | For the six months ended June 30, 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | (1,488,336) | (470,834) |
| Depreciation and amortization | 2,334,009 | 2,312,304 |
| Loss on retirement of noncurrent assets | 7,227 | 432 |
| Loss (profit) on derivative instruments | (7,356) | (8,393) |
| Amortization of investment corporation bond issuance costs | 16,763 | 15,874 |
| Amortization of investment unit issuance costs | 29,245 | 1,785 |
| Interest income | (147) | (130) |
| Interest expense | 612,116 | 577,344 |
| Interest on tax refunds | (10,590) | — |
| (Increase) decrease in operating accounts receivable | 131,468 | (190,985) |
| (Increase) decrease in prepaid expenses | 98,178 | 42,392 |
| (Increase) decrease in long-term prepaid expenses | 131,221 | 120,631 |
| Increase (decrease) in operating accounts payable | (1,653,476) | (166,091) |
| Increase (decrease) in accrued expenses | (11,790) | (22,711) |
| Increase (decrease) in consumption taxes payable | (128,363) | (115,081) |
| Increase (decrease) in advances received | (86,360) | (303,687) |
| Increase (decrease) in deposits received | (2,143) | (1,573) |
| Other | (125,668) | (1,238) |
| Subtotal | (154,002) | 1,790,036 |
| Interest received | 150 | 130 |
| Interest paid | (615,657) | (580,412) |
| Interest received on tax refunds | 10,590 | — |
| Income taxes - refunded (paid) | (1,167) | (1,169) |
| Net cash provided by (used in) operating activities | (760,085) | 1,208,584 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (224,682) | (394,726) |
| Purchase of property and equipment in trust | (775,972) | (1,363,339) |
| Purchase of intangible assets | (29,766) | (43,613) |
| Payments of reserve for repairs and maintenance | (20,312) | (20,312) |
| Proceeds from tenant leasehold and security deposits in trust | 49,049 | 38,789 |
| Reimbursements of tenant leasehold and security deposits in trust | (23,589) | (21,129) |
| Payments into deposit with withdrawal restrictions | — | (1,500,000) |
| Net cash provided by (used in) investing activities | (1,025,273) | (3,304,332) |
| Cash flows from financing activities | | |
| Proceeds from short-term loans payable | 7,735,000 | 15,234,000 |
| Repayments of short-term loans payable | (935,000) | (6,800,000) |
| Repayments of long-term loans payable | (6,800,000) | (8,434,000) |
| Proceeds from issuance of investment units | 289,329 | — |
| Dividends paid | (1,831,295) | (1,633,932) |
| Net cash provided by (used in) financing activities | (1,541,965) | (1,633,932) |
| Net increase (decrease) in cash and cash equivalents | (3,327,325) | (3,729,680) |
| Cash and cash equivalents at beginning of year | 28,553,164 | 29,996,835 |
| Cash and cash equivalents at end of period | *1 25,225,838 | *1 26,267,155 |

(5) Notes on going concern assumption

Not applicable.

(6) Notes on matters concerning significant accounting policies

| | | | | | | | | | | | | | | | | | |
|---|---|-------------------------|---------------|-------------------------------|---------------|--------------------|---------------|---------------------|---------------|----------------------------------|---------------|--|---------------|-----------------------------|------------------------------------|-----------------|----------|
| 1. Method of depreciation and amortization of noncurrent assets | <p>(1) Property and equipment (including trust accounts) Property and equipment are amortized using the straight-line method. The useful lives of major property and equipment components are as follows:</p> <table border="0"><tr><td>Machinery and equipment</td><td>2 to 17 years</td></tr><tr><td>Tools, furniture and fixtures</td><td>2 to 26 years</td></tr><tr><td>Buildings in trust</td><td>2 to 64 years</td></tr><tr><td>Structures in trust</td><td>2 to 64 years</td></tr><tr><td>Machinery and equipment in trust</td><td>3 to 32 years</td></tr><tr><td>Tools, furniture and fixtures in trust</td><td>2 to 27 years</td></tr></table> <p>(2) Intangible assets Intangible assets are amortized using the straight-line method. The amortization period of major intangible assets is as follows.</p> <table border="0"><tr><td>Software (for internal use)</td><td>5 years as internally usable years</td></tr><tr><td>Trademark right</td><td>10 years</td></tr></table> <p>Fixed-term leasehold rights in trust is amortized using the straight-line method based on remaining period (41 years) of the contract.</p> <p>(3) Long-term prepaid expenses Long-term prepaid expenses are amortized using the straight-line method.</p> | Machinery and equipment | 2 to 17 years | Tools, furniture and fixtures | 2 to 26 years | Buildings in trust | 2 to 64 years | Structures in trust | 2 to 64 years | Machinery and equipment in trust | 3 to 32 years | Tools, furniture and fixtures in trust | 2 to 27 years | Software (for internal use) | 5 years as internally usable years | Trademark right | 10 years |
| Machinery and equipment | 2 to 17 years | | | | | | | | | | | | | | | | |
| Tools, furniture and fixtures | 2 to 26 years | | | | | | | | | | | | | | | | |
| Buildings in trust | 2 to 64 years | | | | | | | | | | | | | | | | |
| Structures in trust | 2 to 64 years | | | | | | | | | | | | | | | | |
| Machinery and equipment in trust | 3 to 32 years | | | | | | | | | | | | | | | | |
| Tools, furniture and fixtures in trust | 2 to 27 years | | | | | | | | | | | | | | | | |
| Software (for internal use) | 5 years as internally usable years | | | | | | | | | | | | | | | | |
| Trademark right | 10 years | | | | | | | | | | | | | | | | |
| 2. Accounting for deferred assets | <p>(1) Investment unit issuance costs Investment unit issuance costs are amortized using the straight-line method over three years.</p> <p>(2) Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized using the interest method over the respective term of the bond.</p> | | | | | | | | | | | | | | | | |
| 3. Accounting for recognition of revenues and expenses | <p>(1) Revenue recognition The details of main performance obligations concerning revenue generated from contracts concluded with JHR's customers and the ordinary time to fulfil such performance obligations (ordinary time to recognize revenue) are as follows.</p> <p>(a) Sale of real estate properties For the proceeds from sale of real estate properties, JHR recognizes revenue when the purchaser who is a customer obtains control of the relevant real estate properties, etc. as a result of the seller fulfilling its delivery obligations stipulated in the transaction agreement of the real estate, properties, etc. The amount obtained by deducting "Cost of sale of properties," which is the book value of real estate, etc. sold, and "Other selling expenses," which are the various expenses directly required in the sale, from "Proceeds from sale of properties," which are the sales proceeds of real estate, etc., is indicated as "Gain on sales of real estate properties" or "Loss on sales of real estate properties" in the statements of income. There is no gain or loss on sales of real estate properties in the midterm period under review.</p> <p>(b) Utilities income For utilities income, JHR recognizes revenue in accordance with the supply of electricity, water, etc. to the lessee who is a customer based on the lease agreement of real estate, etc. and agreements incidental to it.</p> <p>(2) Treatment of property taxes and other taxes For taxes imposed on properties, etc. under management such as property taxes, city planning taxes, and depreciable asset taxes, the imposed amounts are allocated to the midterm period and expensed as "Real estate operating costs." Cash paid for property taxes and city planning taxes, etc. to the transferor of real estate properties, etc. at acquisition is not recorded as "Real estate operating costs" but capitalized as part of the acquisition cost of the relevant property. The amount of such taxes capitalized in the acquisition cost of real properties, etc. was none for the previous midterm period and the midterm period under review.</p> | | | | | | | | | | | | | | | | |
| 4. Method of hedge accounting | <p>(1) Method of hedge accounting Deferred hedge accounting is applied</p> <p>(a) Hedging instruments and hedged items Hedging instruments Interest rate swaps Hedged items Interest rates on loans payable</p> <p>(b) Hedging policy JHR enters into certain derivative transactions in accordance with its financial policy in order to manage risks, which is provided in the Articles of Incorporation.</p> <p>(2) Method for assessing hedge effectiveness JHR evaluates hedge effectiveness by comparing the cumulative changes in cash flow of hedging instruments and the hedged items and assessing the ratio between the changes.</p> | | | | | | | | | | | | | | | | |

| | |
|--|---|
| 5. Scope of funds (cash and cash equivalents) in the semi-annual statements of cash flows | Cash and cash equivalents in the semi-annual statements of cash flows consist of cash on hand, cash in trust accounts, bank deposit and trust deposit, which can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased, which can easily be converted to cash and subject to minimal risk of change in value. |
| 6. Other significant matters serving as the basis for preparing semi-annual financial statements | <p>Accounting treatment of beneficial interests in trust with real estate, etc. as their assets</p> <p>For trust beneficial interests in real estate, etc., under management, all assets and liabilities held in trust accounts as well as all income generated and expenses incurred from assets in trust are presented in the accompanying semi-annual balance sheet and income statement accounts accordingly.</p> <p>The following material items of the trust accounts recorded in the relevant accounts are presented separately on the semi-annual balance sheets.</p> <ul style="list-style-type: none"> (a) Cash and deposits in trust (b) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust (c) Leasehold rights in trust; Fixed-term leasehold rights in trust; Leasehold and security deposits in trust (d) Tenant leasehold and security deposits in trust |

(7) Notes on Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition, etc.)

JHR has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 (revised 2020) issued on March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. from the beginning of the midterm period under review, and decided to recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of such goods or services is transferred to the customer. This has minimal impact on the semi-annual financial statements for the midterm period under review.

Furthermore, in accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, the note related to revenue recognition for the previous midterm period is not shown.

(Application of Accounting Standard for Fair Value Measurement, etc.)

JHR has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the midterm period under review, and decided to apply the new accounting policy set forth in the Fair Value Measurement Accounting Standard, etc. going forward in accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 (revised 2019) issued on July 4, 2019). This has minimal impact on the semi-annual financial statements for the midterm period under review.

Moreover, the matters set forth in Article 8-6-2, Paragraph 1, Item 3 of the revised Regulation on Terminology, Forms, and Preparation Methods of Financial Statements are omitted pursuant to Article 4, Paragraph 5 of supplementary provisions in Cabinet Office Ordinance on Partially Amending Regulation on Terminology, Forms and Preparation Methods of Interim Financial Statement. etc. (Cabinet Office Ordinance No.61 issued on September 24th, 2021).

(8) Notes to semi-annual financial statements

Disclosure of notes on “securities” and “share of (profit) loss of entities accounted for using equity method” is omitted because there is thought to be no significant need for disclosure in the midterm financial report.

[Notes to semi-annual balance sheets]

*1. Accumulated advanced depreciation of property and equipment deducted from acquisition costs due to government subsidies received, etc.

(thousands of yen)

| | As of December 31, 2021 | As of June 30, 2022 |
|--------------------|----------------------------|------------------------|
| Buildings in trust | 24,921 | 24,921 |

*2. Matters concerning provision and reversal of reserve for temporary difference adjustment
As of December 31, 2021

(thousands of yen)

| | Amount of initial accrual | Balance at beginning of period | Amount of provision during period | Amount of reversal during period | Balance at end of period | Grounds for provision and reversal |
|-------------------------------|------------------------------|--------------------------------------|---|--|-----------------------------|------------------------------------|
| Dividend reserve (Note) | 13,127,153 | 10,617,580 | - | 305,694 | 10,311,886 | Allocation for dividend |

(Note) Dividend reserve indicates the remaining balance of the amount subdivided into gain on negative goodwill, which was recorded as a dividend reserve before the fiscal year ended December 2016, and is scheduled for reversal every fiscal year starting from the fiscal year following the fiscal year in which the reserve was made in an amount that shall be no less than that in equal amounts every fiscal year over a period of no more than 50 years.

As of June 30, 2022

(thousands of yen)

| | Amount of initial accrual | Balance at beginning of period | Amount of provision during period | Amount of reversal during period | Balance at end of period | Grounds for provision and reversal |
|-------------------------------|------------------------------|--------------------------------------|---|--|-----------------------------|------------------------------------|
| Dividend reserve (Note) | 13,127,153 | 10,311,886 | - | 335,371 | 9,976,515 | Allocation for dividend |

(Note) Dividend reserve indicates the remaining balance of the amount subdivided into gain on negative goodwill, which was recorded as a dividend reserve before the fiscal year ended December 2016, and is scheduled for reversal every fiscal year starting from the fiscal year following the fiscal year in which the reserve was made in an amount that shall be no less than that in equal amounts every fiscal year over a period of no more than 50 years.

*3. Minimum net assets as required by Article 67, Paragraph 4 of the Investment Trusts Act

| | As of December 31, 2021 | As of June 30, 2022 |
|--|----------------------------|------------------------|
| | ¥50,000 thousand | ¥50,000 thousand |

[Notes to semi-annual statements of income]

*1. Components of real estate operating revenue and real estate operating costs

(thousands of yen)

| | For the six months ended June 30, 2021 | For the six months ended June 30, 2022 |
|---|---|---|
| A. Real estate operating revenue | | |
| Real estate operating revenue | | |
| Fixed rent | 3,302,542 | 3,139,560 |
| Variable rent | 838,154 | 1,858,186 |
| Income from management contracts | 3,297 | 5,228 |
| Total | <u>4,143,994</u> | <u>5,002,976</u> |
| Other real estate operating revenue | | |
| Parking lots | 48,272 | 63,765 |
| Other incidental revenue | 32,262 | 36,127 |
| Utilities | 217,611 | 269,035 |
| Other | 147,169 | 59,476 |
| Total | <u>445,316</u> | <u>428,405</u> |
| Total real estate operating revenue | <u>4,589,311</u> | <u>5,431,381</u> |
| B. Real estate operating costs | | |
| Real estate operating costs | | |
| Land lease and other rent expenses | 433,307 | 422,755 |
| Property taxes | 981,618 | 957,825 |
| Outsourcing expenses (Note) | 312,058 | 187,885 |
| Nonlife insurance | 38,757 | 33,861 |
| Depreciation and amortization | 2,334,009 | 2,312,304 |
| Loss on retirement of noncurrent assets | 7,227 | 432 |
| Repairs | 7,601 | 6,709 |
| Utilities | 228,019 | 283,244 |
| Trust fees | 24,015 | 18,591 |
| Other | 50,846 | 7,131 |
| Total real estate operating costs | <u>4,417,463</u> | <u>4,230,740</u> |
| C. Net real estate operating income (A-B) | <u>171,847</u> | <u>1,200,640</u> |

(Note) Outsourcing expenses include management contract fees of ¥136,852 thousand for the six months ended June 30, 2021, and ¥29,655 thousand for the six months ended June 30, 2022.

[Notes to semi-annual statements of changes in net assets]

| | For the six months ended June 30, 2021 | For the six months ended June 30, 2022 |
|--|---|---|
| *1 Total number of investment units authorized, and issued and outstanding | | |
| Total number of investment units authorized | 20,000,000 units | 20,000,000 units |
| Total number of investment units issued and outstanding | 4,467,006 units | 4,467,006 units |

[Notes to semi-annual statements of cash flows]

*1. Relation of balance of cash and cash equivalents at end of period and the amount in semi-annual balance sheet accounts

(thousands of yen)

| | For the six months ended June 30, 2021 | For the six months ended June 30, 2022 |
|--------------------------------------|---|---|
| Cash and deposits | 18,040,761 | 21,040,304 |
| Cash and deposits in trust | 7,185,076 | 7,026,851 |
| Deposit with withdrawal restrictions | — | (1,800,000) |
| Cash and cash equivalents | 25,225,838 | 26,267,155 |

[Notes on lease transactions]

Operating leases (as lessor)

Minimum rental revenue under non-cancellable operating leases

(thousands of yen)

| | As of December 31, 2021 | As of June 30, 2022 |
|---------------------|----------------------------|------------------------|
| Due within one year | 1,293,157 | 1,286,528 |
| Due after one year | 4,979,488 | 4,598,983 |
| Total | 6,272,645 | 5,885,511 |

[Notes on financial instruments]

Matters concerning fair value, etc. of financial instruments.

Carrying amounts of financial instruments on the (semi-annual) balance sheets, their fair values, and the differences were as follows. Furthermore, notes on “Cash and deposits,” “Cash and deposits in trust,” “Operating accounts receivable” and “Short-term loans payable” are omitted as these are settled with cash and within a short period of time and thus the fair value approximates the book value. Notes on “Tenant leasehold and security deposits” and “Tenant leasehold and security deposits in trust” are also omitted as they lack materiality.

As of December 31, 2021

| | Carrying amount (JPY 1,000) | Fair value (JPY 1,000) | Difference (JPY 1,000) |
|---|--------------------------------|---------------------------|---------------------------|
| (1) Current portion of investment corporation bonds payable | 6,000,000 | 5,886,600 | (113,400) |
| (2) Current portion of long-term loans payable | 8,434,000 | 8,434,000 | - |
| (3) Investment corporation bonds | 34,100,000 | 29,514,460 | (4,585,540) |
| (4) Long-term loans payable | 92,218,000 | 92,218,000 | - |
| Total liabilities | 140,752,000 | 136,053,060 | (4,698,940) |
| (5) Derivative transactions (*) | (195,846) | (195,846) | - |

As of June 30, 2022

| | Carrying amount (JPY 1,000) | Fair value (JPY 1,000) | Difference (JPY 1,000) |
|---|--------------------------------|---------------------------|---------------------------|
| (1) Current portion of investment corporation bonds payable | 6,000,000 | 5,956,200 | (43,800) |
| (2) Current portion of long-term loans payable | 11,172,000 | 11,172,000 | - |
| (3) Investment corporation bonds | 34,100,000 | 29,766,270 | (4,333,730) |
| (4) Long-term loans payable | 81,046,000 | 81,046,000 | - |
| Total liabilities | 132,318,000 | 127,940,470 | (4,377,530) |
| (5) Derivative transactions (*) | 432,582 | 432,582 | - |

(*) Receivables and payables arising from derivative transactions are presented on a net basis and amounts in parenthesis denote net payables.

(Note) Methods to measure fair value of financial instruments, and derivative transactions

(1) Current portion of investment corporation bonds payable; (3) Investment corporation bonds

The fair value of these instruments is measured based on the market price.

(2) Current portion of long-term loans payable; (4) Long-term loans payable

The carrying value is deemed to approximate the fair value since the interest rate on long-term loans payable are floating interest rates which are revised periodically to reflect market interest rates.

(5) Derivative transactions

The information on the fair value of derivative transactions is presented in “Notes on derivative transactions” below.

[Notes on derivative transactions]

1. Derivative transactions to which hedge accounting is not applied

As of December 31, 2021

For derivative transactions which hedge accounting is not applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date was as follows:

(thousands of yen)

| Classification | Type, etc. of derivative transaction | Contract amount, etc. | | Fair value | Method to measure the fair value |
|---|---|-----------------------|------------------------------|------------|---|
| | | | Of which, due after one year | | |
| Transactions other than market transactions | Interest rate swaps (fixed rate payment, floating rate receipt) | 3,494,000 | 3,494,000 | (13,924) | The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions. |

As of June 30, 2022

For derivative transactions which hedge accounting is not applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date for the midterm was as follows:

(thousands of yen)

| Classification | Type, etc. of derivative transaction | Contract amount, etc. | | Fair value | Method to measure the fair value |
|---|---|-----------------------|------------------------------|------------|---|
| | | | Of which, due after one year | | |
| Transactions other than market transactions | Interest rate swaps (fixed rate payment, floating rate receipt) | 3,494,000 | 3,494,000 | (5,531) | The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions. |

2. Derivative transactions to which hedge accounting is applied

As of December 31, 2021

For derivative transactions which hedge accounting is applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date for each method of hedge accounting was as follows:

(thousands of yen)

| Method of hedge accounting | Type, etc. of derivative transaction | Main hedged item | Contract amount, etc. | | Fair value | Method to measure the fair value |
|----------------------------|---|-------------------------|-----------------------|------------------------------|------------|---|
| | | | | Of which, due after one year | | |
| Deferral method | Interest rate swaps (fixed rate payment, floating rate receipt) | Long-term loans payable | 89,660,000 | 78,460,000 | (181,921) | The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions. |

As of June 30, 2022

For derivative transactions which hedge accounting is applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date for the midterm for each method of hedge accounting was as follows:

(thousands of yen)

| Method of hedge accounting | Type, etc. of derivative transaction | Main hedged item | Contract amount, etc. | | Fair value | Method to measure the fair value |
|----------------------------|---|-------------------------|-----------------------|------------------------------|------------|---|
| | | | | Of which, due after one year | | |
| Deferral method | Interest rate swaps (fixed rate payment, floating rate receipt) | Long-term loans payable | 78,460,000 | 74,372,000 | 438,114 | The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions. |

[Notes on asset retirement obligations]

Asset retirement obligations recognized on the balance sheet

1. Outline of the subject asset retirement obligations

JHR recognizes asset retirement obligations as it is obliged to restore the land of Oriental Hotel Fukuoka Hakata Station (former name: Hotel Centraza Hakata), acquired on April 1, 2016 to the original state in accordance with the fixed-term leasehold agreement.

2. Calculation method of the subject asset retirement obligations

Calculated the amount of asset retirement obligations by estimating the expected useful period of use of 34 years based on the remaining useful lives of the period of buildings and using the discount rate of 0.484%.

3. Increase and decrease of the subject asset retirement obligations

(thousands of yen)

| | For the year ended December 31, 2021 | For the six months ended June 30, 2022 |
|-----------------------------------|---|---|
| Balance at beginning of period | 335,161 | 336,783 |
| Adjustment due to passage of time | 1,622 | 815 |
| Balance at end of period | 336,783 | 337,598 |

[Notes on rental properties, etc.]

JHR owns rental properties for hotels to earn lease income and income from management contracts. The carrying amounts, changes in such balances, and fair values of such properties were as follows:

(thousands of yen)

| Use | | For the year ended December 31, 2021 | For the six months ended June 30, 2022 |
|-------|---------------------------------------|---|---|
| Hotel | Carrying amount | | |
| | Balance at beginning of period | 367,283,696 | 358,819,865 |
| | Net increase (decrease) during period | (8,463,831) | (1,064,133) |
| | Balance at end of period | 358,819,865 | 357,755,731 |
| | Fair value at end of period | 485,480,000 | 486,080,000 |

(Note 1) Decrease during the year ended December 31, 2021 principally represent sale of ibis Tokyo Shinjuku (¥7,809 million) and recording of depreciation. Decrease during the six months ended June 30, 2022 principally represents recording of depreciation.

(Note 2) Fair value at end of mid-term (end of fiscal period) is the appraisal value determined by licensed real estate appraisers from outside.

[Notes on revenue recognition]

For the six months ended June 30, 2022

Breakdown of information on revenue generated from contracts with customers

For the breakdown of information on revenue generated from contracts with customers, please refer to “*1. Components of real estate operating revenue and real estate operating costs” in [Notes to semi-annual statements of income].

“*1. Components of real estate operating revenue and real estate operating costs” include revenue based on the “Accounting Standard for Lease Transactions” (Corporate Accounting Standard No. 13). In addition, the revenue generated from contracts with major customers is “Utilities income.”

[Notes on segment and related information]

1. Segment information

The segment information has been omitted because JHR has only one segment, which is the investment and management of hotel real estate.

2. Related information

For the six months ended June 30, 2021

(1) Information about products and services

Information about products and services has been omitted because operating revenue from external customers in a single product/service category accounted for more than 90% of total operating revenue on the semi-annual statements of income.

(2) Information about geographical areas

(i) Operating revenue

Information about geographical areas has been omitted because operating revenue from external customers in Japan accounted for more than 90% of total operating revenue on the semi-annual statements of income.

(ii) Property and equipment, at cost

Information about property and equipment has been omitted because the amount of property and equipment located in Japan accounted for more than 90% of net property and equipment on the semi-annual balance sheets.

(3) Information about major customers

(thousands of yen)

| Name of customer | Operating revenue | Name of related segment |
|---|----------------------|--|
| THE DAIICHI BUILDING CO., LTD. | Undisclosed (Note 1) | Investment and management of hotel real estate |
| Kyoritsu Maintenance Co., Ltd. | 531,901 | Investment and management of hotel real estate |
| Hotel Management Japan Co., Ltd. (Note 2) | 508,905 | Investment and management of hotel real estate |

(Note 1) Undisclosed as the consent of the lessee has not been obtained.

(Note 2) Operating revenue includes the operating revenue from customers belonging to the same company group as said customers.

For the six months ended June 30, 2022

(1) Information about products and services

Information about products and services has been omitted because operating revenue from external customers in a single product/service category accounted for more than 90% of total operating revenue on the semi-annual statements of income.

(2) Information about geographical areas

(i) Operating revenue

Information about geographical areas has been omitted because operating revenue from external customers in Japan accounted for more than 90% of total operating revenue on the semi-annual statements of income.

(ii) Property and equipment, at cost

Information about property and equipment has been omitted because the amount of property and equipment located in Japan accounted for more than 90% of net property and equipment on the semi-annual balance sheets.

(3) Information about major customers

(thousands of yen)

| Name of customer | Operating revenue | Name of related segment |
|---|----------------------|--|
| Hotel Management Japan Co., Ltd. (Note 1) | 1,726,757 | Investment and management of hotel real estate |
| THE DAIICHI BUILDING CO., LTD. | Undisclosed (Note 2) | Investment and management of hotel real estate |

(Note 1) Operating revenue includes the operating revenue from customers belonging to the same company group as said customers.

(Note 2) Undisclosed as the consent of the lessee has not been obtained.

[Notes on per unit information]

Net assets per unit is as follows:

| | As of December 31, 2021 | As of June 30, 2022 |
|---------------------|----------------------------|------------------------|
| Net assets per unit | ¥49,595 | ¥49,230 |

Net income (loss) per unit and the basis of computation of net income per unit are as follows:

| | For the six months ended June 30, 2021 | For the six months ended June 30, 2022 |
|---|---|---|
| Net income (loss) per unit | (¥333) | (¥105) |
| [Basis of computation] | | |
| Net income (loss) for midterm (JPY 1,000) | (1,488,941) | (471,439) |
| Amount not attributable to common unitholders (JPY 1,000) | — | — |
| Net income (loss) for midterm attributable to common investment units (JPY 1,000) | (1,488,941) | (471,439) |
| Average number of investment units during period (units) | 4,465,101 | 4,467,006 |

(Note) Net income (loss) per unit for midterm is computed by dividing net loss for midterm by the average number of investment units during the midterm period. Net income (loss) per unit for midterm after the adjustment of potentially dilutive units is not presented since there are no potentially dilutive units.

[Notes on significant subsequent events]

Not applicable.

[Additional information]

Impact by spread of infection by COVID-19

Since real estate investment management business of JHR is significantly affected by worldwide pandemic of COVID-19 and changes in society and economic conditions caused by such pandemic, risks such as decreasing operating revenue, etc. are arising due to decrease of variable rent linked to performance of hotels, etc.

Although timing of convergence of spread of COVID-19 and its impacts are unknown and difficult to estimate, based on available information as of the date we prepared this financial report, we assume the impact by COVID-19 will continue through this fiscal year and recovery may be seen certain period after that and we made accounting estimate for application of impairment loss of fixed assets.

Since it is difficult to precisely estimate timing of convergence of pandemic of COVID-19 and degree of impact by pandemic, JHR's status of asset, profit and loss and cash flow may be affected by delay of recovery.

(9) Changes in total number of investment units issued and outstanding

The following is the status of increase (decrease) in the total number of investment units issued and outstanding and unitholders' capital for past five years through to the end of the midterm period under review.

| Date | Capital transaction | Total number of investment units issued and outstanding (Units) | | Unitholders' capital (JPY1M) | | Note |
|-------------------|--|---|-----------|------------------------------|---------|----------|
| | | Increase (Decrease) | Balance | Increase (Decrease) | Balance | |
| July 5, 2017 | Capital increase through public offering of investment units | 236,000 | 3,997,907 | 17,715 | 152,544 | (Note 1) |
| August 2, 2017 | Capital increase through third-party allotment of investment units | 12,940 | 4,010,847 | 971 | 153,516 | (Note 2) |
| January 23, 2019 | Capital increase through public offering of investment units | 447,800 | 4,458,647 | 33,104 | 186,620 | (Note 3) |
| February 20, 2019 | Capital increase through third-party allotment of investment units | 3,700 | 4,462,347 | 273 | 186,894 | (Note 4) |
| March 16, 2021 | Capital increase through third-party allotment of investment units | 4,659 | 4,467,006 | 300 | 187,194 | (Note 5) |

(Note 1) New investment units were issued through public offering with an issue price per unit of ¥77,518 (issue value of ¥75,065) in order to procure funds for the acquisition of new properties, etc.

(Note 2) New investment units were issued through third-party allotment with an issue value per unit of ¥75,065 in order to procure part of funds for future acquisitions of specified assets, part of funds for repayment of loans, or for repair and capital expenditures to maintain or improve competitiveness of existing properties.

(Note 3) New investment units were issued through public offering with an issue price per unit of ¥76,342 (issue value of ¥73,927) in order to procure funds for the acquisition of new properties, etc.

(Note 4) New investment units were issued through third-party allotment with an issue value per unit of ¥73,927 in order to procure part of funds for the acquisition of new properties.

(Note 5) New investment units were issued through third-party allotment with an issue value per unit of ¥64,400 in order to procure part of funds for capital expenditures.

3. Reference information

For detailed information of each property and the operating result of hotels, please see the reference information below as well as the Financial Results Briefing dated today and the website of JHR (<https://www.jhrth.co.jp/en/ir/library.html>).

(1) Information on values of assets under management, etc.

A. Investment status

The following outlines the investment status of JHR as of the end of the midterm period under review.

| Asset category | Hotel type (Note 1) | Prefectural location | Name | As of December 31, 2021 | | As of June 30, 2022 | | |
|------------------------------------|-----------------------|---------------------------------------|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------|
| | | | | Total amount held (JPY1M) (Note 2) | Ratio to total assets (%) (Note 3) | Total amount held (JPY1M) (Note 2) | Ratio to total assets (%) (Note 3) | |
| Real estate in trust | Limited-service hotel | Osaka | Holiday Inn Osaka Namba | 26,757 | 6.8 | 26,700 | 6.8 | |
| | | | Namba Oriental Hotel | 14,354 | 3.6 | 14,296 | 3.7 | |
| | | | Hotel Oriental Express Osaka Shinsaibashi | 2,793 | 0.7 | 2,787 | 0.7 | |
| | | Tokyo | the b ikebukuro | 6,567 | 1.7 | 6,556 | 1.7 | |
| | | | CANDEO HOTELS UENO-KOEN | 6,567 | 1.7 | 6,554 | 1.7 | |
| | | | Comfort Hotel Tokyo Higashi Nihombashi | 3,457 | 0.9 | 3,439 | 0.9 | |
| | | | the b hachioji | 2,683 | 0.7 | 2,670 | 0.7 | |
| | | | Smile Hotel Nihombashi Mitsukoshimae | 2,028 | 0.5 | 2,019 | 0.5 | |
| | | | R&B Hotel Ueno Hirokoji | 1,794 | 0.5 | 1,785 | 0.5 | |
| | | | Chisun Hotel Kamata | 1,452 | 0.4 | 1,440 | 0.4 | |
| | | | the b suidobashi | 1,170 | 0.3 | 1,159 | 0.3 | |
| | | | dormy inn global cabin Asakusa | 930 | 0.2 | 930 | 0.2 | |
| | | | Chisun Inn Kamata | 775 | 0.2 | 770 | 0.2 | |
| | | Hokkaido | ibis Styles Sapporo | 6,432 | 1.6 | 6,395 | 1.6 | |
| | | | Mercure Sapporo | 5,671 | 1.4 | 5,639 | 1.4 | |
| | | Fukuoka | Hotel Oriental Express Fukuoka Tenjin | 5,716 | 1.4 | 5,748 | 1.5 | |
| | | | the b hakata | 2,345 | 0.6 | 2,336 | 0.6 | |
| | | | Hakata Nakasu Washington Hotel Plaza | 2,054 | 0.5 | 2,050 | 0.5 | |
| | | Kyoto | Toyoko Inn Hakata-guchi Ekimae | 1,382 | 0.4 | 1,373 | 0.4 | |
| | | | ibis Styles Kyoto Station | 6,599 | 1.7 | 6,585 | 1.7 | |
| | Okinawa | Mercure Okinawa Naha | 2,784 | 0.7 | 2,758 | 0.7 | | |
| | Kumamoto | Dormy Inn Kumamoto | 2,203 | 0.6 | 2,177 | 0.6 | | |
| | | Nara Washington Hotel Plaza | 1,736 | 0.4 | 1,719 | 0.4 | | |
| | Subtotal | | | | 108,259 | 27.5 | 107,897 | 27.6 |
| | Full-service hotel | Tokyo | Hilton Tokyo Odaiba | 63,266 | 16.0 | 63,157 | 16.1 | |
| | | | Oriental Hotel tokyo bay | 16,945 | 4.3 | 16,819 | 4.3 | |
| | | | Hilton Tokyo Narita Airport | 13,015 | 3.3 | 12,947 | 3.3 | |
| | | | International Garden Hotel Narita | 9,059 | 2.3 | 8,989 | 2.3 | |
| | | | Hotel Frances | 3,141 | 0.8 | 3,121 | 0.8 | |
| | | Hiroshima | ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 4) | 17,060 | 4.3 | 17,004 | 4.3 | |
| | | | Oriental Hotel Hiroshima | 4,043 | 1.0 | 4,009 | 1.0 | |
| | | Aichi | Hilton Nagoya | 15,618 | 4.0 | 15,529 | 4.0 | |
| | | Nara | Hotel Nikko Nara | 10,145 | 2.6 | 10,106 | 2.6 | |
| Hyogo | | Kobe Meriken Park Oriental Hotel | 9,337 | 2.4 | 9,231 | 2.4 | | |
| Fukuoka | | Oriental Hotel Fukuoka Hakata Station | 8,955 | 2.3 | 8,831 | 2.3 | | |
| Kanagawa | | Mercure Yokosuka | 1,598 | 0.4 | 1,591 | 0.4 | | |
| Subtotal | | | | 172,186 | 43.7 | 171,340 | 43.8 | |
| Resort hotel | Okinawa | Hotel Nikko Alivila | 17,627 | 4.5 | 17,534 | 4.5 | | |
| | | Oriental Hotel Okinawa Resort & Spa | 14,597 | 3.7 | 14,891 | 3.8 | | |
| | | The Beach Tower Okinawa | 6,472 | 1.6 | 6,425 | 1.6 | | |
| | Chiba | Hilton Tokyo Bay | 26,159 | 6.6 | 26,078 | 6.7 | | |
| | Osaka | Oriental Hotel Universal City | 7,019 | 1.8 | 7,127 | 1.8 | | |
| | Kanagawa | Hakone Setsugetsuka | 3,593 | 0.9 | 3,547 | 0.9 | | |
| Subtotal | | | | 75,469 | 19.1 | 75,604 | 19.3 | |
| Real estate in trust – Total | | | | 355,915 | 90.3 | 354,842 | 90.6 | |
| Deposits and other assets (Note 5) | | | | 38,408 | 9.7 | 36,640 | 9.4 | |
| Total assets | | | | 394,323 | 100.0 | 391,483 | 100.0 | |

| | Amount (JPY1M) | Ratio to total assets (%) | Amount (JPY1M) | Ratio to total assets (%) |
|-------------------|----------------|---------------------------|----------------|---------------------------|
| Total liabilities | 172,781 | 43.8 | 171,568 | 43.8 |
| Total net assets | 221,542 | 56.2 | 219,914 | 56.2 |

(Note 1) Hotels are categorized as limited-service hotels, full-service hotels or resort hotels according to the manner of operation.

(Note 2) For real estate in trust, “Total amount held” shows the amount calculated by deducting accumulated depreciation from acquisition price (including expenses incidental to acquisition).

(Note 3) “Ratio to total assets” shows the ratio of total amount of each asset held to total assets, rounded off to one decimal place.

(Note 4) ACTIVE-INTER CITY HIROSHIMA is classified in accordance with the business category of Sheraton Grand Hiroshima Hotel, its main facility.

(Note 5) Includes machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust, and intangible assets (excluding leasehold rights in trust and fixed-term land lease right in trust).

B. Assets under management

(A) Major issues of investment securities

Not applicable.

(B) Real estate properties under management

Not applicable.

(C) Other major assets under management

(i) Summary of real estate properties (in trust) under management

The following summarizes the real estate properties (in trust) under management by JHR as of the end of the midterm period under review.

a. Details of assets under management (acquisition price, etc.)

| Property No. | Name | Grade (Note 1) | Acquisition price (JPY1M) (Note 2) | Carrying amount at end of period (JPY1M) (Note 3) | Appraisal value at end of period (JPY1M) (Note 4) | Appraisal agency (Note 5) | Investment ratio (Acquisition price) (%) (Note 6) | Collateral (Note 7) |
|--------------|--|----------------|------------------------------------|---|---|---------------------------|---|---------------------|
| 1 | Kobe Meriken Park Oriental Hotel | Upper-middle | 10,900 | 9,414 | 14,000 | N | 3.0 | Unsecured |
| 2 | Oriental Hotel tokyo bay | Mid-price | 19,900 | 16,964 | 32,100 | N | 5.5 | Unsecured |
| 3 | Namba Oriental Hotel | Mid-price | 15,000 | 14,360 | 31,200 | N | 4.1 | Unsecured |
| 4 | Hotel Nikko Alivila | Luxury | 18,900 | 17,733 | 28,900 | N | 5.2 | Unsecured |
| 5 | Oriental Hotel Hiroshima | Upper-middle | 4,100 | 4,064 | 4,200 | N | 1.1 | Unsecured |
| 8 | The Beach Tower Okinawa | Mid-price | 7,610 | 6,428 | 9,960 | N | 2.1 | Unsecured |
| 9 | Hakone Setsugetsuka | Mid-price | 4,070 | 3,552 | 5,260 | N | 1.1 | Unsecured |
| 10 | Dormy Inn Kumamoto | Mid-price | 2,334 | 2,177 | 2,930 | N | 0.6 | Unsecured |
| 12 | the b suidobashi | Mid-price | 1,120 | 1,173 | 2,270 | N | 0.3 | Unsecured |
| 13 | dormy inn·global cabin Asakusa | Economy | 999 | 930 | 1,300 | J | 0.3 | Unsecured |
| 14 | Hakata Nakasu Washington Hotel Plaza | Mid-price | 2,130 | 2,050 | 4,510 | N | 0.6 | Unsecured |
| 15 | Nara Washington Hotel Plaza | Mid-price | 2,050 | 1,719 | 2,430 | N | 0.6 | Unsecured |
| 16 | R&B Hotel Ueno Hirokoji | Economy | 1,720 | 1,785 | 1,850 | J | 0.5 | Unsecured |
| 18 | Comfort Hotel Tokyo Higashi Nihombashi | Economy | 3,746 | 3,439 | 5,370 | J | 1.0 | Unsecured |
| 22 | Smile Hotel Nihombashi Mitsukoshimae | Economy | 2,108 | 2,020 | 2,940 | J | 0.6 | Unsecured |
| 24 | Toyoko Inn Hakata-guchi Ekimae | Economy | 1,652 | 1,373 | 2,760 | T | 0.5 | Unsecured |
| 25 | Chisun Hotel Kamata | Economy | 1,512 | 1,453 | 2,020 | T | 0.4 | Unsecured |
| 26 | Chisun Inn Kamata | Economy | 823 | 776 | 1,370 | T | 0.2 | Unsecured |
| 29 | Oriental Hotel Universal City | Mid-price | 6,753 | 7,472 | 17,700 | R | 1.9 | Unsecured |
| 31 | Hilton Tokyo Bay | Luxury | 26,050 | 26,087 | 40,400 | D | 7.2 | Unsecured |
| 32 | ibis Styles Kyoto Station | Mid-price | 6,600 | 6,600 | 9,990 | D | 1.8 | Unsecured |
| 33 | ibis Styles Sapporo | Mid-price | 6,797 | 6,426 | 11,100 | N | 1.9 | Unsecured |
| 34 | Mercure Sapporo | Mid-price | 6,000 | 5,687 | 10,500 | N | 1.7 | Unsecured |
| 35 | Mercure Okinawa Naha | Mid-price | 3,000 | 2,796 | 6,940 | N | 0.8 | Unsecured |
| 37 | the b ikebukuro | Mid-price | 6,520 | 6,566 | 7,160 | N | 1.8 | Unsecured |
| 39 | the b hachioji | Mid-price | 2,610 | 2,686 | 2,560 | N | 0.7 | Unsecured |
| 40 | the b hakata | Mid-price | 2,300 | 2,351 | 4,320 | N | 0.6 | Unsecured |
| 41 | Hotel Francs | Mid-price | 3,105 | 3,121 | 4,040 | D | 0.9 | Unsecured |
| 42 | Mercure Yokosuka | Mid-price | 1,650 | 1,616 | 3,360 | D | 0.5 | Unsecured |
| 43 | Oriental Hotel Okinawa Resort & Spa | Upper-middle | 14,950 | 15,105 | 17,800 | N | 4.1 | Unsecured |
| 44 | ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) | Luxury | 17,320 | 17,140 | 20,700 | D | 4.8 | Unsecured |
| 45 | CANDEO HOTELS UENO-KOEN | Mid-price | 6,705 | 6,560 | 7,440 | D | 1.8 | Unsecured |
| 46 | Oriental Hotel Fukuoka Hakata Station | Upper-middle | 7,197 | 8,977 | 15,200 | D | 2.0 | Unsecured |
| 47 | Holiday Inn Osaka Namba | Mid-price | 27,000 | 26,728 | 26,500 | N | 7.4 | Unsecured |
| 48 | Hotel Oriental Express Fukuoka Tenjin | Mid-price | 5,248 | 5,845 | 6,620 | D | 1.4 | Unsecured |
| 49 | Hilton Nagoya | Luxury | 15,250 | 15,530 | 14,800 | D | 4.2 | Unsecured |
| 50 | Hilton Tokyo Narita Airport | Upper-middle | 13,175 | 13,164 | 13,500 | N | 3.6 | Unsecured |
| 51 | International Garden Hotel Narita | Mid-price | 9,125 | 9,050 | 9,520 | N | 2.5 | Unsecured |
| 52 | Hotel Nikko Nara | Upper-middle | 10,373 | 10,194 | 9,870 | D | 2.9 | Unsecured |
| 53 | Hotel Oriental Express Osaka Shinsaibashi | Mid-price | 2,738 | 2,808 | 2,890 | D | 0.8 | Unsecured |

| Property No. | Name | Grade (Note 1) | Acquisition price (JPY1M) (Note 2) | Carrying amount at end of period (JPY1M) (Note 3) | Appraisal value at end of period (JPY1M) (Note 4) | Appraisal agency (Note 5) | Investment ratio (Acquisition price) (%) (Note 6) | Collateral (Note 7) |
|--------------|---------------------|----------------|------------------------------------|---|---|---------------------------|---|---------------------|
| 54 | Hilton Tokyo Odaiba | Upper-middle | 62,400 | 63,377 | 67,800 | N | 17.2 | Unsecured |
| | Total | | 363,542 | 357,316 | 486,080 | | 100.0 | |

(Note 1) JHR categorizes hotels into the four grade classes of “Luxury,” “Upper-middle,” “Mid-price” and “Economy” mainly from the perspective of average daily rate, etc.

(Note 2) “Acquisition price” is the acquisition price stated on the purchase and sale agreement for beneficial interest in trust, etc. (consumption tax, local consumption tax and the acquisition expense such as broker’s fee are not included). The acceptance prices are indicated for the properties that have been accepted through the Merger.

(Note 3) “Carrying amount at end of period” is the book value at the end of the midterm period under review, and includes not only the amounts for real estate in trust, but also for machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust and intangible assets.

(Note 4) “Appraisal value at end of period” is the appraisal value at the end of the midterm period under review as the date of appraisal, in accordance with the asset valuation methods and standards provided in JHR’s Articles of Incorporation and the regulations set forth by The Investment Trusts Association, Japan.

(Note 5) Under “Appraisal agency,” the letters indicate the appraisers for the properties as follows:

N: Nihon Fudosan Kenkyusho (Japan Real Estate Institute)

J: JLL Morii Valuation & Advisory K.K.

T: The Tanizawa Sōgō Appraisal Co., Ltd.

R: Rich Appraisal Institute Co., Ltd.

D: DAIWA REAL ESTATE APPRAISAL CO., LTD.

(Note 6) “Investment ratio” is the ratio of acquisition price of the respective asset held at the end of the midterm period under review to the total amount of acquisition price of all assets held at the end of the midterm period under review, rounded off to one decimal place.

(Note 7) “Collateral” is whether or not a pledge has been established for the beneficial interest in trust.

(Note 8) The omitted property numbers are the property numbers of assets that have been transferred.

b. Details of assets under management (change in tenants of portfolio)

The following is the change in total number of tenants, total leasable area, total leased area, and occupancy rate, etc. of real estate properties (in trust) under management for the past five years.

| | End of 18th period December 2017 | End of 19th period December 2018 | End of 20th period December 2019 | End of 21st period December 2020 | End of 22nd period December 2021 | End of midterm period of 23rd period June 2022 |
|----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|---|
| Total number of tenants (Note 1) | 131 | 126 | 125 | 121 | 116 | 113 |
| Total leasable area (Note 2) | 687,124.54 m ² | 678,714.48 m ² | 746,329.68 m ² | 741,083.02 m ² | 733,995.61 m ² | 733,995.61 m ² |
| Total leased area (Note 3) | 686,694.46 m ² | 677,863.00 m ² | 745,227.67 m ² | 740,146.96 m ² | 732,764.69 m ² | 732,697.03 m ² |
| Occupancy rate (Note 4) | 99.9% | 99.9% | 99.9% | 99.9% | 99.8% | 99.8% |

(Note 1) Total number of tenants indicates the total number of tenants based on the lease contracts for respective real estate in trust (excluding tenants of parking lots, etc.) as of the end of each fiscal period or midterm period. However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amounts of rents, etc. from end tenants as is in principle, the total number of end tenants (excluding tenants of parking lots, etc.) is indicated.

(Note 2) In principle, total leasable area represents leasable area of the building, which does not include leasable area of land (including parking lots on ground), based on a lease contract or plan for each real estate in trust. For properties in which the leased area is not described in the lease contract, leasable area represents the area described in the registration of the building. Furthermore, when the leasable area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578 square meters per one tsubo). The same shall apply hereinafter.

(Note 3) In principle, total leased area represents the leased area described in the lease contract of the building. For properties in which the leased area is not described in the lease contract, leased area shows the area described in the registration of the building. Furthermore, when the leased area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578 square meters per one tsubo). However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amounts of rents, etc. from end tenants as is in principle, the total area for which lease contracts have been concluded with end tenants and which are actually leased is indicated. The same shall apply hereinafter.

(Note 4) Occupancy rate indicates the percentage of leased area of leasable area of respective real estate properties in trust as of the end of each fiscal period or midterm period. The same shall apply hereinafter.

c. Details of assets under management (information on major real estate)

Major real estate of which total annual rent accounts for 10% or more of the total annual rent (Note 1) of the entire portfolio is as follows.

| Property name | Total number of tenants | Total annual rent | Total leased area | Total leasable area | Change in occupancy rate for the past five years | |
|------------------|-------------------------|-------------------|--------------------------------------|--------------------------------------|--|--------|
| | | | | | | |
| Hilton Tokyo Bay | 1 | (Note 2) | 64,928.83 m ² (Note 3) | 64,928.83 m ² (Note 3) | December 2017 | 100.0% |
| | | | | | December 2018 | 100.0% |
| | | | | | December 2019 | 100.0% |
| | | | | | December 2020 | 100.0% |
| | | | | | December 2021 | 100.0% |
| | | | | | June 2022 | 100.0% |

(Note 1) "Total annual rent" is the total amount of the amount arrived at when monthly fixed rent (rent of the building itself only, excluding common area maintenance charges and signage and parking usage fees; not factoring in any change in rent during the fiscal year) in lease contracts at the end of the midterm period under review is multiplied by 12, plus assumed amounts of revenue sharing, variable rent and income from management contracts for the full fiscal year.

(Note 2) Total annual rent for Hilton Tokyo Bay is not disclosed as consent for disclosure has not been obtained from the tenant.

(Note 3) The building of Hilton Tokyo Bay is co-owned with other right holders, and JHR owns co-ownership interest for 64,928.83 square meters (JHR owns 9/10 of co-ownership interest).

d. Details of assets under management (NOI, etc.)

| Property No. | Name | Rent type (Note 1) | Real estate operating revenue (JPY 1,000) | NOI (Note 2) (JPY 1,000) | NOI after depreciation (Note 3) (JPY 1,000) |
|--------------|--|-------------------------|---|--------------------------|---|
| 1 | Kobe Meriken Park Oriental Hotel | Variable/Fixed (Note 4) | 80,218 | (43,476) | (190,027) |
| 2 | Oriental Hotel Tokyo Bay | Variable/Fixed (Note 4) | 218,288 | 159,712 | 3,435 |
| 3 | Namba Oriental Hotel | Variable/Fixed (Note 4) | 166,768 | 113,861 | 45,354 |
| 4 | Hotel Nikko Alivila | Variable/Fixed (Note 4) | 47,089 | (26,235) | (157,446) |
| 5 | Oriental Hotel Hiroshima | Variable/Fixed (Note 4) | 295,904 | 274,145 | 232,095 |
| 8 | The Beach Tower Okinawa | Fixed | 255,531 | 234,445 | 178,086 |
| 9 | Hakone Setsugetsuka | Fixed | 147,469 | 134,928 | 85,980 |
| 10 | Dormy Inn Kumamoto | Fixed | 97,230 | 86,294 | 59,924 |
| 12 | the b suidobashi | Variable/Fixed | 15,000 | 8,943 | (5,343) |
| 13 | dormy inn-global cabin Asakusa | Fixed | 32,537 | 28,135 | 21,931 |
| 14 | Hakata Nakasu Washington Hotel Plaza (Note 5) | Fixed | 120,000 | 113,000 | 101,000 |
| 15 | Nara Washington Hotel Plaza (Note 5) | Fixed | 75,000 | 66,000 | 48,000 |
| 16 | R&B Hotel Ueno Hirokoji | Fixed | 48,654 | 41,501 | 33,094 |
| 18 | Comfort Hotel Tokyo Higashi Nihombashi | Variable/Fixed (Note 6) | 135,763 | 120,780 | 102,172 |
| 22 | Smile Hotel Nihombashi Mitsukoshimae | Variable/Fixed (Note 6) | 67,200 | 59,069 | 49,094 |
| 24 | Toyoko Inn Hakata-guchi Ekimae | Fixed | 70,519 | 63,691 | 54,590 |
| 25 | Chisun Hotel Kamata | Variable | 4,342 | (2,784) | (18,828) |
| 26 | Chisun Inn Kamata | Variable | 3,826 | 310 | (5,756) |
| 29 | Oriental Hotel Universal City | Variable/Fixed | 178,499 | 151,023 | 38,007 |
| 31 | Hilton Tokyo Bay | Variable/Fixed (Note 6) | 990,117 | 849,617 | 754,582 |
| 32 | ibis Styles Kyoto Station | Management contract | 23,161 | (8,471) | (24,953) |
| 33 | ibis Styles Sapporo | Management contract | 34,419 | (8,176) | (48,517) |
| 34 | Mercure Sapporo | Management contract | 65,180 | (10,953) | (55,778) |
| 35 | Mercure Okinawa Naha | Management contract | 4,746 | (14,756) | (46,549) |
| 37 | the b ikebukuro | Variable/Fixed | 238,936 | 224,694 | 211,407 |
| 39 | the b hachioji | Variable/Fixed | 33,326 | 21,289 | 3,394 |
| 40 | the b hakata | Variable/Fixed | 33,261 | 26,925 | 15,843 |
| 41 | Hotel Frances | Fixed | 150,000 | 118,969 | 96,434 |
| 42 | Mercure Yokosuka | Variable | 88,136 | 37,164 | 18,645 |
| 43 | Oriental Hotel Okinawa Resort & Spa | Variable/Fixed (Note 4) | - | (41,504) | (187,524) |
| 44 | ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) | Variable/Fixed (Note 4) | 472,920 | 263,109 | 155,460 |
| 45 | CANDEO HOTELS UENO-KOEN | Fixed | 174,985 | 162,063 | 141,910 |
| 46 | Oriental Hotel Fukuoka Hakata Station | Variable/Fixed (Note 4) | 187,475 | 63,980 | (126,690) |
| 47 | Holiday Inn Osaka Namba | Variable/Fixed (Note 4) | 106,786 | 82,409 | 22,572 |
| 48 | Hotel Oriental Express Fukuoka Tenjin | Variable/Fixed | 136,222 | 93,459 | 49,354 |
| 49 | Hilton Nagoya | Variable | 430,075 | 126,206 | 36,402 |
| 50 | Hilton Tokyo Narita Airport | Variable/Fixed (Note 4) | 65,290 | 25,132 | (75,448) |

| Property No. | Name | Rent type (Note 1) | Real estate operating revenue (JPY 1,000) | NOI (Note 2) (JPY 1,000) | NOI after depreciation (Note 3) (JPY 1,000) |
|--------------|--|-------------------------|---|--------------------------|---|
| 51 | International Garden Hotel Narita | Variable/Fixed (Note 4) | 111,105 | 89,264 | 11,682 |
| 52 | Hotel Nikko Nara | Variable/Fixed (Note 4) | 8,053 | (15,335) | (89,120) |
| 53 | Hotel Oriental Express Osaka Shinsaibashi (Note 7) | Variable/Fixed (Note 4) | - | (7,018) | (14,868) |
| 54 | Hilton Tokyo Odaiba | Variable/Fixed (Note 4) | - | (164,625) | (312,450) |
| | Total | | 5,414,765 | 3,497,576 | 1,212,069 |

(Note 1) Under “Rent type,” “Fixed” is a property under a fixed rent structure, “Variable” is a property under a variable rent structure, “Management contract” is a property under a management contract structure, and “Variable/Fixed” is a property under a combination of fixed and variable rent structures.

(Note 2) NOI = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses

(Note 3) NOI after depreciation (net real estate operating income) = Real estate operating revenue – Real estate operating costs

(Note 4) Only variable rent is paid in the fiscal year ending December 2022 and no fixed rent will be incurred.

(Note 5) For Hakata Nakasu Washington Hotel Plaza and Nara Washington Hotel Plaza, consent on disclosure of rent in units of thousand yen has not been obtained from the lessees and numbers are thus rounded down to the nearest million yen.

(Note 6) For Comfort Hotel Tokyo Higashi Nihombashi, Smile Hotel Nihombashi Mitsukoshimae, and Hilton Tokyo Bay, the rent structure is one that has set not only fixed rent but also partial rent based on a revenue sharing structure.

(Note 7) Temporarily closed during the midterm period under review due to the impact of the spread of the infection by COVID-19.

(Note 8) The property numbers of assets that were sold before the end of the previous fiscal year are intentionally omitted.

e. Summary of analyses, etc. of earthquake risk

The following is the PML value, etc. of real estate properties (in trust) under management as of the end of the midterm period under review.

| Property No. | Name | Probable Maximum Loss (PML) ratio by earthquake risk analyses (%) (Note 1) | Existence of earthquake insurance | Provider of PML value |
|--------------|--|--|-----------------------------------|-----------------------|
| 1 | Kobe Meriken Park Oriental Hotel | 11.6 | None | P |
| 2 | Oriental Hotel tokyo bay | 14.2 | None | P |
| 3 | Namba Oriental Hotel | 13.4 | None | P |
| 4 | Hotel Nikko Alivila | 7.3 | None | P |
| 5 | Oriental Hotel Hiroshima | 10.7 | None | O |
| 8 | The Beach Tower Okinawa | 2.7 | None | S |
| 9 | Hakone Setsugetsuka | 14.4 | None | P |
| 10 | Dormy Inn Kumamoto | 5.6 | None | S |
| 12 | the b suidobashi | 5.4 | None | S |
| 13 | dormy inn global cabin Asakusa | 4.9 | None | S |
| 14 | Hakata Nakasu Washington Hotel Plaza | 8.2 | None | P |
| 15 | Nara Washington Hotel Plaza | 13.7 | None | P |
| 16 | R&B Hotel Ueno Hirokoji | 3.6 | None | S |
| 18 | Comfort Hotel Tokyo Higashi Nihombashi | 6.7 | None | S |
| 22 | Smile Hotel Nihombashi Mitsukoshimae | 7.5 | None | S |
| 24 | Toyoko Inn Hakata-guchi Ekimae | Total: 3.8 | None | S |
| 25 | Chisun Hotel Kamata | 9.0 | None | S |
| 26 | Chisun Inn Kamata | 4.2 | None | S |
| 29 | Oriental Hotel Universal City | 8.7 | None | P |
| 31 | Hilton Tokyo Bay | 3.2 | None | T |
| 32 | ibis Styles Kyoto Station | 10.5 | None | T |
| 33 | ibis Styles Sapporo | 1.0 | None | T |
| 34 | Mercure Sapporo | 1.0 | None | T |
| 35 | Mercure Okinawa Naha | 0.5 | None | T |
| 37 | the b ikebukuro | 5.3 | None | T |
| 39 | the b hachioji | 4.9 | None | T |
| 40 | the b hakata | 3.3 | None | T |
| 41 | Hotel Francs | 2.5 | None | T |

| Property No. | Name | Probable Maximum Loss (PML) ratio by earthquake risk analyses (%) (Note 1) | Existence of earthquake insurance | Provider of PML value |
|--------------|--|--|-----------------------------------|-----------------------|
| 42 | Mercure Yokosuka | 7.1 | None | T |
| 43 | Oriental Hotel Okinawa Resort & Spa | 0.7 | None | T |
| 44 | ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) | 2.0 | None | T |
| 45 | CANDEO HOTELS UENO-KOEN | 3.1 | None | T |
| 46 | Oriental Hotel Fukuoka Hakata Station | 2.4 | None | T |
| 47 | Holiday Inn Osaka Namba | 6.5 | None | T |
| 48 | Hotel Oriental Express Fukuoka Tenjin | 3.3 | None | T |
| 49 | Hilton Nagoya | 1.7 | None | T |
| 50 | Hilton Tokyo Narita Airport | 2.4 | None | T |
| 51 | International Garden Hotel Narita | 5.2 | None | T |
| 52 | Hotel Nikko Nara | 7.5 | None | T |
| 53 | Hotel Oriental Express Osaka Shinsaibashi | 7.3 | None | S |
| 54 | Hilton Tokyo Odaiba | 4.3 | None | T |

(Note 1) PML (Probable Maximum Loss) represent damage caused by major earthquake that may occur once every 475 years (estimated probability of such earthquake to occur during the 50 years is 10%) during expected holding period (50 years = useful life of ordinary buildings.) PML is anticipated percentage of recovery cost against the building replacement cost. JHR will evaluate possibility to acquire earthquake insurance for the property if the PML of the particular property exceed 15%. As of the end of the midterm fiscal period under review, there is no property with plan to be insured by earthquake insurance.

(Note 2) Under "Provider of PML value" the letters indicate the provider as follows.

T: Tokio Marine dR Co., Ltd.

P: Deloitte Tohmatsu Property Risk Solution Co., Ltd.

O: OBAYASHI CORPORATION

S: SOMPO Risk Management, Inc.

(Note 3) The property numbers of assets that were sold before the end of the previous fiscal year are intentionally omitted.

(ii) Income statements for individual real estate properties (in trust) under management

The following are the individual income statements for real estate properties (in trust) under management for the midterm period under review (from January 1, 2022, to June 30, 2022). Figures are rounded down to the nearest thousand yen in principle, but are otherwise noted if circumstances do not allow for the figures to be stated in units of thousand yen.

| Property No. | - | 1 | 2 | 3 | 4 | 5 |
|--|-----------------------------|--|-----------------------------|-------------------------|------------------------|-----------------------------|
| Property name | Portfolio total (Note 1) | Kobe Meriken Park Oriental Hotel | Oriental Hotel tokyo bay | Namba Oriental Hotel | Hotel Nikko Alivila | Oriental Hotel Hiroshima |
| Number of operating days | - | 181 | 181 | 181 | 181 | 181 |
| (A) Real estate operating revenue subtotal | 5,414,765 | 80,218 | 218,288 | 166,768 | 47,089 | 295,904 |
| Fixed rent | 3,139,560 | - | - | - | - | - |
| Variable rent | 1,863,415 | 79,248 | 218,288 | 166,768 | 47,089 | 295,904 |
| Other revenue | 411,789 | 969 | - | - | - | - |
| (B) Real estate operating costs subtotal | 4,202,696 | 270,245 | 214,852 | 121,413 | 204,536 | 63,809 |
| Land lease and other rent expenses | 422,755 | 96,351 | - | - | 42,074 | - |
| Property taxes | 957,825 | 23,956 | 55,550 | 50,393 | 27,723 | 20,145 |
| Outsourcing expenses | 187,885 | 480 | 480 | 480 | 960 | 480 |
| Nonlife insurance | 33,861 | 2,090 | 2,039 | 820 | 1,553 | 628 |
| Depreciation and amortization | 2,284,259 | 146,551 | 156,257 | 68,506 | 131,210 | 41,713 |
| Loss on retirement of noncurrent assets | 432 | - | 19 | - | - | 336 |
| Other costs | 315,677 | 816 | 505 | 1,213 | 1,014 | 505 |
| (C) Net real estate operating income = (A) – (B) | 1,212,069 | (190,027) | 3,435 | 45,354 | (157,446) | 232,095 |
| (Reference) Occupancy rate | 99.8% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| (Reference) Number of tenants | 113 | 1 | 1 | 1 | 1 | 1 |

| Property No. | 8 | 9 | 10 | 12 | 13 | 14 |
|--|----------------------------|------------------------|-----------------------|---------------------|-----------------------------------|---|
| Property name | The Beach Tower Okinawa | Hakone Setsugetsuka | Dormy Inn Kumamoto | the b suidobashi | dormy inn·global cabin Asakusa | Hakata Nakasu Washington Hotel Plaza (Note 2) |
| Number of operating days | 181 | 181 | 181 | 181 | 181 | 181 |
| (A) Real estate operating revenue subtotal | 255,531 | 147,469 | 97,230 | 15,000 | 32,537 | 120,000 |
| Fixed rent | 255,504 | 147,169 | 97,230 | 15,000 | 31,697 | 120,000 |
| Variable rent | - | - | - | - | - | - |
| Other revenue | 27 | 300 | - | - | 840 | 0 |
| (B) Real estate operating costs subtotal | 77,444 | 61,489 | 37,305 | 20,343 | 10,606 | 19,000 |
| Land lease and other rent expenses | - | - | - | - | - | - |
| Property taxes | 19,781 | 11,687 | 10,118 | 3,973 | 3,043 | 5,000 |
| Outsourcing expenses | - | - | - | 600 | 600 | 0 |
| Nonlife insurance | 785 | 448 | 298 | 117 | 78 | 0 |
| Depreciation and amortization | 56,358 | 48,948 | 26,370 | 14,287 | 6,204 | 11,000 |
| Loss on retirement of noncurrent assets | - | - | - | - | - | - |
| Other costs | 519 | 405 | 518 | 1,365 | 679 | 0 |
| (C) Net real estate operating income = (A) – (B) | 178,086 | 85,980 | 59,924 | (5,343) | 21,931 | 101,000 |
| (Reference) Occupancy rate | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| (Reference) Number of tenants | 1 | 1 | 1 | 1 | 1 | 1 |

| Property No. | 15 | 16 | 18 | 22 | 24 | 25 |
|--|--------------------------------------|-------------------------|--|--------------------------------------|--------------------------------|---------------------|
| Property name | Nara Washington Hotel Plaza (Note 2) | R&B Hotel Ueno Hirokoji | Comfort Hotel Tokyo Higashi Nihombashi | Smile Hotel Nihombashi Mitsukoshimae | Toyoko Inn Hakata-guchi Ekimae | Chisun Hotel Kamata |
| Number of operating days | 181 | 181 | 181 | 181 | 181 | 181 |
| (A) Real estate operating revenue subtotal | 75,000 | 48,654 | 135,763 | 67,200 | 70,519 | 4,342 |
| Fixed rent | 73,000 | 48,252 | 130,160 | 67,200 | 70,519 | - |
| Variable rent | - | - | - | - | - | 4,272 |
| Other revenue | 1,000 | 402 | 5,602 | - | - | 70 |
| (B) Real estate operating costs subtotal | 26,000 | 15,559 | 33,590 | 18,105 | 15,929 | 23,171 |
| Land lease and other rent expenses | - | - | - | - | - | - |
| Property taxes | 5,000 | 6,100 | 13,371 | 6,575 | 5,587 | 5,863 |
| Outsourcing expenses | 1,000 | 420 | 807 | 600 | 540 | 600 |
| Nonlife insurance | 0 | 115 | 283 | 128 | 182 | 146 |
| Depreciation and amortization | 17,000 | 8,406 | 18,607 | 9,975 | 9,101 | 16,043 |
| Loss on retirement of noncurrent assets | 0 | - | - | - | - | - |
| Other costs | 0 | 517 | 520 | 826 | 518 | 517 |
| (C) Net real estate operating income = (A) – (B) | 48,000 | 33,094 | 102,172 | 49,094 | 54,590 | (18,828) |
| (Reference) Occupancy rate | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| (Reference) Number of tenants | 2 | 1 | 2 | 1 | 1 | 1 |

| Property No. | 26 | 29 | 31 | 32 | 33 | 34 |
|--|-------------------|-------------------------------|----------------------|------------------------------------|------------------------------|--------------------------|
| Property name | Chisun Inn Kamata | Oriental Hotel Universal City | Hilton Tokyo Bay | ibis Styles Kyoto Station (Note 1) | ibis Styles Sapporo (Note 1) | Mercure Sapporo (Note 1) |
| Number of operating days | 181 | 181 | 181 | 181 | 181 | 181 |
| (A) Real estate operating revenue subtotal | 3,826 | 178,499 | 990,117 | 23,161 | 34,419 | 65,180 |
| Fixed rent | - | 158,333 | Undisclosed (Note 3) | 21,167 | 12,846 | 25,031 |
| Variable rent | 3,826 | - | Undisclosed (Note 3) | - | 505 | - |
| Other revenue | - | 20,166 | Undisclosed (Note 3) | 1,993 | 21,066 | 40,148 |
| (B) Real estate operating costs subtotal | 9,583 | 140,492 | 235,534 | 48,114 | 82,936 | 120,959 |
| Land lease and other rent expenses | - | - | 61,860 | - | - | - |
| Property taxes | 2,400 | 23,769 | 69,828 | 10,743 | 18,549 | 24,600 |
| Outsourcing expenses | 540 | 1,967 | 5,965 | 18,881 | 2,984 | 13,143 |
| Nonlife insurance | 57 | 1,080 | 2,220 | 211 | 595 | 693 |
| Depreciation and amortization | 6,067 | 113,016 | 95,035 | 16,481 | 40,340 | 44,825 |
| Loss on retirement of noncurrent assets | - | - | - | - | - | - |
| Other costs | 517 | 658 | 624 | 1,796 | 20,466 | 37,695 |
| (C) Net real estate operating income = (A) – (B) | (5,756) | 38,007 | 754,582 | (24,953) | (48,517) | (55,778) |
| (Reference) Occupancy rate | 100.0% | 100.0% | 100.0% | 100.0% | 99.4% | 95.7% |
| (Reference) Number of tenants | 1 | 1 | 1 | 2 | 5 | 9 |

| Property No. | 35 | 37 | 39 | 40 | 41 | 42 |
|--|-------------------------------|-----------------|----------------|--------------|--------------|------------------|
| Property name | Mercure Okinawa Naha (Note 1) | the b ikebukuro | the b hachioji | the b hakata | Hotel Francs | Mercure Yokosuka |
| Number of operating days | 181 | 181 | 181 | 181 | 181 | 181 |
| (A) Real estate operating revenue subtotal | 4,746 | 238,936 | 33,326 | 33,261 | 150,000 | 88,136 |
| Fixed rent | - | 75,658 | 29,846 | 33,261 | 150,000 | - |
| Variable rent | 4,723 | 162,911 | - | - | - | 66,494 |
| Other revenue | 23 | 366 | 3,480 | - | - | 21,642 |
| (B) Real estate operating costs subtotal | 51,296 | 27,528 | 29,932 | 17,417 | 53,565 | 69,491 |
| Land lease and other rent expenses | 166 | - | - | - | - | - |
| Property taxes | 11,591 | 11,106 | 10,458 | 5,046 | 28,378 | 16,432 |
| Outsourcing expenses | 5,699 | 1,812 | 600 | 600 | 900 | 10,494 |
| Nonlife insurance | 493 | 277 | 333 | 177 | 722 | 1,063 |
| Depreciation and amortization | 31,793 | 13,286 | 17,895 | 11,081 | 22,535 | 18,519 |
| Loss on retirement of noncurrent assets | - | - | - | - | - | - |
| Other costs | 1,552 | 1,045 | 645 | 511 | 1,029 | 22,981 |
| (C) Net real estate operating income = (A) – (B) | (46,549) | 211,407 | 3,394 | 15,843 | 96,434 | 18,645 |
| (Reference) Occupancy rate | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| (Reference) Number of tenants | 1 | 3 | 10 | 2 | 1 | 1 |

| Property No. | 43 | 44 | 45 | 46 | 47 | 48 |
|--|-------------------------------------|-----------------------------|-------------------------|---------------------------------------|-------------------------|---------------------------------------|
| Property name | Oriental Hotel Okinawa Resort & Spa | ACTIVE-INTER CITY HIROSHIMA | CANDEO HOTELS UENO-KOEN | Oriental Hotel Fukuoka Hakata Station | Holiday Inn Osaka Namba | Hotel Oriental Express Fukuoka Tenjin |
| Number of operating days | 181 | 181 | 181 | 181 | 181 | 181 |
| (A) Real estate operating revenue subtotal | - | 472,920 | 174,985 | 187,475 | 106,786 | 136,222 |
| Fixed rent | - | 251,827 | Undisclosed (Note 3) | - | - | 111,724 |
| Variable rent | - | 101,802 | - | 187,475 | 106,786 | - |
| Other revenue | - | 119,289 | Undisclosed (Note 3) | - | - | 24,497 |
| (B) Real estate operating costs subtotal | 187,524 | 317,459 | 33,075 | 314,166 | 84,213 | 86,867 |
| Land lease and other rent expenses | - | - | - | 111,103 | - | - |
| Property taxes | 38,244 | 60,079 | 11,348 | 9,678 | 22,577 | 16,031 |
| Outsourcing expenses | 1,200 | 48,695 | 600 | 1,500 | 780 | 5,886 |
| Nonlife insurance | 1,631 | 2,410 | 333 | 787 | 600 | 310 |
| Depreciation and amortization | 146,020 | 107,649 | 20,153 | 189,856 | 59,836 | 44,104 |
| Loss on retirement of noncurrent assets | - | - | - | - | - | - |
| Other costs | 428 | 98,625 | 640 | 1,241 | 418 | 20,535 |
| (C) Net real estate operating income = (A) – (B) | (187,524) | 155,460 | 141,910 | (126,690) | 22,572 | 49,354 |
| (Reference) Occupancy rate | 100.0% | 99.3% | 100.0% | 100.0% | 100.0% | 96.1% |
| (Reference) Number of tenants | 1 | 39 | 1 | 1 | 1 | 5 |

| Property No. | 49 | 50 | 51 | 52 | 53 | 54 |
|--|----------------------|-----------------------------|-----------------------------------|------------------|--|---------------------|
| Property name | Hilton Nagoya | Hilton Tokyo Narita Airport | International Garden Hotel Narita | Hotel Nikko Nara | Hotel Oriental Express Osaka Shinsaibashi (Note 4) | Hilton Tokyo Odaiba |
| Number of operating days | 181 | 181 | 181 | 181 | 181 | 181 |
| (A) Real estate operating revenue subtotal | 430,075 | 65,290 | 111,105 | 8,053 | - | - |
| Fixed rent | Undisclosed (Note 3) | - | - | - | - | - |
| Variable rent | Undisclosed (Note 3) | 65,290 | 111,105 | 8,053 | - | - |
| Other revenue | Undisclosed (Note 3) | - | - | - | - | - |
| (B) Real estate operating costs subtotal | 393,672 | 140,738 | 99,422 | 97,173 | 14,868 | 312,450 |
| Land lease and other rent expenses | 111,200 | - | - | - | - | - |
| Property taxes | 48,702 | 36,295 | 19,298 | 20,116 | 5,602 | 161,328 |
| Outsourcing expenses | 51,364 | 1,260 | 1,140 | 1,200 | 1,080 | 60 |
| Nonlife insurance | 2,206 | 2,128 | 929 | 1,748 | 87 | 2,581 |
| Depreciation and amortization | 89,804 | 100,580 | 77,581 | 73,784 | 7,850 | 147,824 |
| Loss on retirement of noncurrent assets | - | - | - | - | - | - |
| Other costs | 90,394 | 474 | 473 | 323 | 248 | 655 |
| (C) Net real estate operating income = (A) – (B) | 36,402 | (75,448) | 11,682 | (89,120) | (14,868) | (312,450) |
| (Reference) Occupancy rate | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| (Reference) Number of tenants | 4 | 1 | 1 | 1 | 1 | 1 |

(Note 1) Variable rent includes income from management contracts. For details of the management contract, please refer to “(iii). Overview of the hotel business; a. Rent structures of hotels with variable rent, management contract or revenue sharing” on page 45.

(Note 2) Consent on disclosure of rent in units of thousand yen has not been obtained from the lessee and numbers are thus rounded down to the nearest million yen.

(Note 3) Undisclosed as consent on disclosure has not been obtained from the tenant with whom a lease contract has been concluded.

(Note 4) Temporarily closed for the midterm period under review due to the impact of the spread of COVID-19.

(Note 5) The property numbers of assets that were sold before the end of the previous fiscal year are intentionally omitted.

(iii) Overview of the hotel business

a. Rent structures of hotels with variable rent, management contract or revenue sharing

| | Property No. | Name | Rent type | Method of calculating variable rent and income from management contracts | |
|--|---------------------|--|------------------------------|--|--|
| | | | | FY2022 | FY2023 and after |
| The 16 HMJ Hotels | 1 | Kobe Meriken Park Oriental Hotel | Variable/Fixed | AGOP (Note 2) x 86.0% | (Total AGOP of The Five HMJ Hotels – base amount (¥4,120 million/year (Note 3))) x 85.0% |
| | 2 | Oriental Hotel tokyo bay | | AGOP x 79.0% | |
| | 3 | Namba Oriental Hotel | | AGOP x 91.0% | |
| | 4 | Hotel Nikko Alivila | | AGOP x 74.0% | |
| | 5 | Oriental Hotel Hiroshima | | AGOP x 89.0% | |
| | 29 | Oriental Hotel Universal City | Variable/Fixed | (AGOP – base amount (¥370 million/year)) x 95.0% | |
| | 43 | Oriental Hotel Okinawa Resort & Spa | Variable/Fixed | AGOP x 89.0% | (AGOP – base amount (¥655 million/year)) x 95.0% |
| | 44 | ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) | Variable/Fixed (Note 1) | AGOP x 93.0% | (AGOP – base amount (¥360 million/year)) x 90.0% |
| | 46 | Oriental Hotel Fukuoka Hakata Station | Variable/Fixed | AGOP x 97.0% | (AGOP – base amount (¥442 million/year)) x 98.0% |
| | 47 | Holiday Inn Osaka Namba | Variable/Fixed | AGOP x 98.0% | (AGOP – base amount (¥580 million/year)) x 97.0% |
| | 48 | Hotel Oriental Express Fukuoka Tenjin | Variable/Fixed | (AGOP – base amount (¥165 million/year)) x 97.0% | |
| | 50 | Hilton Tokyo Narita Airport | Variable/Fixed | AGOP x 95.0% | (AGOP – base amount (¥450 million/year)) x 93.0% |
| | 51 | International Garden Hotel Narita | Variable/Fixed | AGOP x 95.0% | (AGOP – base amount (¥360 million/year)) x 98.0% |
| | 52 | Hotel Nikko Nara | Variable/Fixed | AGOP x 95.0% | (AGOP – base amount (¥440 million/year)) x 95.0% |
| | 53 | Hotel Oriental Express Osaka Shinsaibashi | Variable/Fixed | AGOP x 87.0% | (AGOP – base amount (¥128 million/year)) x 91.0% |
| 54 | Hilton Tokyo Odaiba | Variable/Fixed | AGOP x 97.0% | (AGOP – base amount (¥1,660 million/year)) x 98.0% | |
| The Accor Group Hotels | 32 | ibis Styles Kyoto Station | Management contract (Note 4) | Amount equivalent to GOP | |
| | 33 | ibis Styles Sapporo | | | |
| | 34 | Mercure Sapporo | | | |
| | 35 | Mercure Okinawa Naha | | | |
| | 42 | Mercure Yokosuka | Variable | Amount linked to GOP (Note 5) | |
| The Ishin Group Hotels | 12 | the b suidobashi | Variable/Fixed | Amount linked to GOP (Note 5) | |
| | 37 | the b ikebukuro | | | |
| | 39 | the b Hachioji | | | |
| | 40 | the b hakata | | | |
| Other hotels with variable rent or revenue sharing | 18 | Comfort Hotel Tokyo Higashi Nihombashi | Fixed + Revenue sharing | Amount that is a certain percentage of sales exceeding the threshold (Note 5) | |
| | 22 | Smile Hotel Nihombashi Mitsukoshimae | Fixed + Revenue sharing | Amount that is a certain percentage of sales exceeding the threshold (Note 5) | |
| | 25 | Chisun Hotel Kamata | Variable | Amount that is the monthly GOP multiplied by 86.0% (¥0 if the amount is below ¥0). | |
| | 26 | Chisun Inn Kamata | Variable | Amount that is the monthly GOP multiplied by 86.0% (¥0 if the amount is below ¥0). | |
| | 31 | Hilton Tokyo Bay | Fixed + Revenue sharing | Amount that is a certain percentage of sales exceeding the threshold (Note 5) | |
| | 49 | Hilton Nagoya | Variable | Variable rents linked to hotel sales, etc. (Note 5) | |

(Note 1) The indicated figures are for Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA.

(Note 2) AGOP (adjusted GOP) is the amount calculated by subtracting certain fees and other items from GOP. The same shall apply hereinafter.

(Note 3) For the purpose of payments of variable rent from each hotel, etc. JHR has set individual GOP base amount for each hotel. The breakdown of the AGOP base amount of The Five HMJ Hotels (¥4,120 million/year) is as follows.

Kobe Meriken Park Oriental Hotel ¥690,000 thousands, Oriental Hotel tokyo bay ¥1,060,000 thousands, Namba Oriental Hotel ¥890,000 thousands, Hotel Nikko Alivila ¥1,250,000 thousands, and Oriental Hotel Hiroshima ¥230,000 thousands.

(Note 4) The management contract structure is a structure for hotel real estate owned by JHR in which JHR entrusts an operator to operate the hotel and takes in the outcome of that business as real estate operating revenue. Specifically, JHR, the owner of the hotel real estate, concludes a management contract with an operator and entrusts the operator with the tasks necessary to run the hotel business. JHR receives the hotel revenue achieved from the hotel business (operation) by the operator and, at the same time, pays a management fee to the operator. This hotel revenue achieved is recognized as “real estate operating revenue through management contract” and is equivalent to the rent that is the real estate operating revenue under the leasing structure.

(Note 5) The detailed content of the contract is not disclosed as consent on disclosure has not been obtained from the lessee.

b. Major indicators of the hotel business

The following tables indicate the figures related to the hotel business of The 16 HMJ Hotels for the operating period from January 1, 2022, through June 30, 2022, based on the data provided by the hotel lessees. While these indicators of the hotels are among the indicators that show the operating status of the rooms departments, please note that they do not necessarily represent the operating revenue and the ability to bear rent, etc. of the respective hotels, as the room rates and profit margins, etc. of the respective rooms available for sale are not uniform, among other reasons. As such, the indicators are no more than the reference figures.

| | Kobe Meriken Park Oriental Hotel | | Oriental Hotel tokyo bay | | Namba Oriental Hotel | | Hotel Nikko Alivila | | Oriental Hotel Hiroshima | | The Five HMJ Hotels Total/Average | |
|----------------------------|----------------------------------|--------------------------|--------------------------|--------------------------|----------------------|--------------------------|---------------------|--------------------------|--------------------------|--------------------------|-----------------------------------|--------------------------|
| | | Ratio to total sales (%) | | Ratio to total sales (%) | | Ratio to total sales (%) | | Ratio to total sales (%) | | Ratio to total sales (%) | | Ratio to total sales (%) |
| Occupancy rate | 56.7% | — | 72.3% | — | 43.4% | — | 37.8% | — | 100.0% | — | 60.7% | — |
| ADR (Note 1) | 17,459 | — | 14,357 | — | 7,396 | — | 24,395 | — | 9,092 | — | 14,454 | — |
| RevPAR (Note 2) | 9,897 | — | 10,385 | — | 3,208 | — | 9,226 | — | 9,092 | — | 8,775 | — |
| Total sales | 1,638 | 100.0 | 1,707 | 100.0 | 401 | 100.0 | 1,222 | 100.0 | 568 | 100.0 | 5,536 | 100.0 |
| Rooms department | 579 | 35.3 | 961 | 56.3 | 150 | 37.4 | 663 | 54.3 | 374 | 65.8 | 2,725 | 49.2 |
| Food & beverage department | 931 | 56.8 | 521 | 30.5 | 10 | 2.5 | 397 | 32.5 | 15 | 2.6 | 1,874 | 33.9 |
| Tenant department | 33 | 2.0 | 71 | 4.2 | 226 | 56.4 | 1 | 0.1 | — | — | 331 | 6.0 |
| Other departments (Note 3) | 96 | 5.9 | 154 | 9.0 | 16 | 4.0 | 160 | 13.1 | 180 | 31.7 | 605 | 10.9 |
| GOP | 92 | 5.6 | 276 | 16.2 | 183 | 45.6 | 65 | 5.3 | 332 | 58.5 | 949 | 17.1 |

| | Oriental Hotel Universal City | | Oriental Hotel Okinawa Resort & Spa | | Sheraton Grand Hiroshima Hotel (Note 4) | | Oriental Hotel Fukuoka Hakata Station | | Holiday Inn Osaka Namba | | Hotel Oriental Express Fukuoka Tenjin | |
|----------------------------|-------------------------------|--------------------------|-------------------------------------|--------------------------|---|--------------------------|---------------------------------------|--------------------------|-------------------------|--------------------------|---------------------------------------|--------------------------|
| | | Ratio to total sales (%) | | Ratio to total sales (%) | | Ratio to total sales (%) | | Ratio to total sales (%) | | Ratio to total sales (%) | | Ratio to total sales (%) |
| Occupancy rate | 42.4% | — | 32.7% | — | 44.5% | — | 52.5% | — | 100.0% | — | 50.1% | — |
| ADR (Note 1) | 15,081 | — | 17,362 | — | 19,787 | — | 11,285 | — | 3,324 | — | 5,683 | — |
| RevPAR (Note 2) | 6,389 | — | 5,669 | — | 8,802 | — | 5,924 | — | 3,324 | — | 2,845 | — |
| Total sales | 458 | 100.0 | 640 | 100.0 | 864 | 100.0 | 600 | 100.0 | 199 | 100.0 | 145 | 100.0 |
| Rooms department | 382 | 83.4 | 370 | 57.8 | 379 | 43.9 | 237 | 39.5 | 189 | 95.0 | 135 | 93.1 |
| Food & beverage department | 72 | 15.7 | 168 | 26.3 | 449 | 52.0 | 220 | 36.7 | — | — | 4 | 2.8 |
| Tenant department | — | — | 16 | 2.5 | — | — | 113 | 18.8 | 9 | 4.5 | — | — |
| Other departments (Note 3) | 5 | 1.1 | 84 | 13.1 | 36 | 4.2 | 29 | 4.8 | 0 | 0.0 | 6 | 4.1 |
| GOP | 30 | 6.6 | (155) | (24.2) | 132 | 15.3 | 193 | 32.2 | 118 | 59.3 | 33 | 22.8 |

| | Hilton Tokyo Narita Airport | | International Garden Hotel Narita | | Hotel Nikko Nara | | Hotel Oriental Express Osaka Shinsaibashi (Note 5) | | Hilton Tokyo Odaiba | | The 16 HMJ Hotels Total/Average (Note 6) | |
|----------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------------|------------------|--------------------------|--|--------------------------|---------------------|--------------------------|--|--------------------------|
| | | Ratio to total sales (%) | | Ratio to total sales (%) | | Ratio to total sales (%) | | Ratio to total sales (%) | | Ratio to total sales (%) | | Ratio to total sales (%) |
| Occupancy rate | 58.9% | — | 63.2% | — | 41.0% | — | — | — | 46.5% | — | 54.6% | — |
| ADR (Note 1) | 10,298 | — | 6,974 | — | 12,351 | — | — | — | 21,595 | — | 12,292 | — |
| RevPAR (Note 2) | 6,070 | — | 4,410 | — | 5,069 | — | — | — | 10,051 | — | 6,716 | — |
| Total sales | 957 | 100.0 | 492 | 100.0 | 622 | 100.0 | — | — | 2,206 | 100.0 | 12,720 | 100.0 |
| Rooms department | 602 | 62.9 | 370 | 75.2 | 303 | 48.7 | — | — | 824 | 37.4 | 6,517 | 51.2 |
| Food & beverage department | 276 | 28.8 | 93 | 18.9 | 291 | 46.8 | — | — | 1,224 | 55.5 | 4,672 | 36.7 |
| Tenant department | 11 | 1.1 | 2 | 0.4 | 2 | 0.3 | — | — | 39 | 1.8 | 524 | 4.1 |
| Other departments (Note 3) | 68 | 7.1 | 28 | 5.7 | 26 | 4.2 | — | — | 119 | 5.4 | 1,008 | 7.9 |
| GOP | 103 | 10.8 | 117 | 23.8 | 12 | 1.9 | (10) | — | 13 | 0.6 | 1,536 | 12.1 |

(Note 1) ADR: Represents average daily rate, which is calculated by dividing total rooms revenue for a certain period (including service charges) by the total number of rooms sold during the period.

Service charges are 10% for Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, Oriental Hotel Hiroshima, Oriental Hotel Okinawa Resort & Spa, ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel), International Garden Hotel Narita, Hotel Nikko Nara and Oriental Hotel Fukuoka Hakata Station; 12% for Hilton Tokyo Narita Airport; and 13% for Hilton Tokyo Odaiba. Oriental Hotel Universal City, Holiday Inn Osaka Namba, Hotel Oriental Express Fukuoka Tenjin and Hotel Oriental Express Osaka Shinsaibashi do not request service charges. The same shall apply hereinafter.

(Note 2) RevPAR: Represents revenue per available room, which is calculated by dividing total rooms 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.

(Note 3) Figures for the other departments include sales of the department for sale of goods.

(Note 4) The indicated figures are for Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA.

(Note 5) Due to the impact of the spread of the infection by COVID-19, the temporary closure was implemented during the midterm period.

(Note 6) For Total/Average of The 16 HMJ Hotels, figures are calculated by JHR as reference since no figures have been provided by the hotel lessees.

(Note 7) The occupancy rate is rounded off to one decimal place, while ADR and RevPAR are rounded off to the nearest whole number. Sales and GOP are rounded off to the nearest million yen. For the ratio to total sales, the ratio of sales in each department to total sales is rounded off to one decimal place.

(2) Status of capital expenditures

a. Planned capital expenditures (Note)

The following table shows major estimated capital expenditures items for renovation work during the fiscal year planned as of the end of the midterm period under review. Capital expenditures are expected to total ¥3,521 million for the second half and, in aggregate with the capital expenditures for the first half, capital expenditures are expected to total ¥4,716 million for the full year.

| Name of property, etc. (Location) | Purpose | Scheduled period | Estimated construction costs (JPY 1M) | | |
|---|--|--------------------------------------|--|------------------------|-------------------|
| | | | Total amount | Paid in the first half | Total amount paid |
| Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo) | Renovation of prefabricated bathrooms in guest rooms | From July 2022 to September 2022 | 62 | — | — |
| Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo) | Renovation of executive rooms | From May 2022 to July 2022 | 100 | — | — |
| Oriental Hotel Universal City (Osaka-shi, Osaka) | Renovation of guest rooms, etc. (5F-12F) | From January 2022 to July 2022 | 453 | 3 | 6 |
| Hilton Tokyo Bay (Urayasu-shi, Chiba) | Renewal of elevators | From November 2022 to December 2022 | 65 | — | — |
| Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa) | Renewal of air-conditioning equipment in guest rooms | From May 2022 to December 2022 | 219 | — | — |
| Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa) | Renewal of piping in guest rooms | From September 2022 to December 2022 | 200 | — | — |
| Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa) | Painting of exterior walls | From September 2022 to December 2022 | 70 | — | — |
| Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa) | Renovation of guest rooms | From September 2022 to December 2022 | 264 | — | — |
| ACTIVE-INTER CITY HIROSHIMA (Hiroshima-shi, Hiroshima) | Renovation of lobby and lounge area on 6F | From May 2022 to July 2022 | 147 | 47 | 47 |
| Oriental Hotel Fukuoka Hakata Station (Fukuoka-shi, Fukuoka) | Renovation of restaurant on B2F | From August 2022 to September 2022 | 57 | — | — |
| Total | | | 1,637 | 51 | 54 |

(Note) New construction and renewal work include those for buildings, attached facilities, etc. as well as items classified as furniture and fixtures. The scheduled period of the above planned renovation work and whether the renovation work will be performed may change.

b. Capital expenditures during the period (Note)

Major construction work conducted by JHR during the midterm period under review that represents capital expenditures is as below. Capital expenditures for the midterm period under review totaled ¥1,195 million, and repair expenses that were accounted for as expense for the midterm period under review totaled ¥6 million. In aggregate, ¥1,201 million of construction work was carried out.

| Name of property, etc. (Location) | Purpose | Period | Construction costs (JPY 1M) |
|---|--|------------------------------------|--------------------------------|
| Oriental Hotel Universal City (Osaka-shi, Osaka) | Renovation of guest rooms, etc. (13F-17F) | From January 2022 to February 2022 | 283 |
| Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa) | Renovation of lobby and pool area | From December 2021 to March 2022 | 493 |
| Hotel Oriental Express Fukuoka Tenjin (Fukuoka-shi, Fukuoka) | Renewal of heat-source equipment for air conditioning facilities | From February 2022 to May 2022 | 57 |
| Total | | | 833 |

(Note) New construction and renewal work include those for buildings, attached facilities, etc. as well as items classified as furniture and fixtures.