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February 22, 2023

## Financial Report for the Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

### Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange  
 Securities code: 8985  
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Scheduled date to file Securities Report: March 23, 2023

Scheduled date to start dividend payment: March 20, 2023

Preparation of supplementary material on financial report: Yes

Schedule for presentation of financial results: Yes (Analysts and institutional investors only)

(Amounts are rounded down to the nearest million yen)

### 1. Status summary of operation and assets for the fiscal year ended December 31, 2022 (January 1, 2022 – December 31, 2022)

#### (1) Operating results

(Percentages show changes from the previous year)

	Operating revenue		Operating income		Ordinary income		Net income	
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%
Fiscal year ended								
December 31, 2022	14,912	9.4	4,296	45.2	2,672	105.9	2,671	106.0
December 31, 2021	13,633	(1.5)	2,959	(6.8)	1,298	(7.2)	1,296	(15.1)

	Net income per unit	Return on equity (ROE)	Ordinary income to total assets	Ordinary income to operating revenue
	JPY	%	%	%
Fiscal year ended				
December 31, 2022	598	1.2	0.7	17.9
December 31, 2021	290	0.6	0.3	9.5

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

#### (2) Cash distributions

	Dividend per unit (Excess of earnings exclusive)	Total dividends (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings	Total dividends from excess of earnings	Payout ratio	Dividend to net assets
Fiscal year ended	JPY	JPY1M	JPY	JPY1M	%	%
December 31, 2022	682	3,046	—	—	114.0	1.4
December 31, 2021	366	1,634	—	—	126.1	0.7

(Note 1) The source of dividends for the fiscal year ended December 31, 2022, is calculated by adding appropriation for dividends (¥376 million) to unappropriated retained earnings. For details of the appropriation for dividends, please refer to “<Reference Information 3> Dividend per unit and appropriation for dividends” on page 18.

(Note 2) The source of dividends for the fiscal year ended December 31, 2021, is calculated by adding appropriation for dividends (¥335 million) to unappropriated retained earnings. For details of the appropriation for dividends, please refer to “<Reference Information 3> Dividend per unit and appropriation for dividends” on page 18.

(Note 3) Payout ratio is calculated using the following formula, rounded off to one decimal place.  

$$\text{Total dividends (total dividends from excess of earnings exclusive)} / \text{Net income} \times 100$$

### (3) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
Fiscal year ended	JPY1M	JPY1M	%	JPY
December 31, 2022	396,799	223,574	56.3	50,050
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 fiscal year.

### (4) 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
Fiscal year ended	JPY1M	JPY1M	JPY1M	JPY1M
December 31, 2022	5,331	(3,640)	(2,172)	29,515
December 31, 2021	11,682	(4,695)	(5,543)	29,996

## 2. Operating forecast for the fiscal year ending December 31, 2023 (January 1, 2023 – December 31, 2023)

(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
Midterm	9,627	77.3	4,178	—	3,262	—	3,261	—	—	—
Full year	21,837	46.4	10,566	145.9	8,629	222.9	8,628	223.0	2,005	—

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2023 (full year): ¥1,931

(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 (¥330 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: Changed

(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 28.

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

As of December 31, 2022 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 December 31, 2022 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 38.

\* Financial reports are exempt from the audit by a certified public accountant or an auditing firm.

### \* 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.

Moreover, this forecast is not intended to guarantee any dividend amount. For use of assumptions of operating forecast and notes, please see “1. Operating results (1) Operating results (B) Outlook for the next fiscal year” on page 6 and “Assumptions of the operating forecast for the midterm of the fiscal year ending December 2023 (24th period) and the full fiscal year ending December 2023 (24th period)” on page 12.

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# 1. Operating results

## (1) Operating results

### (A) Overview of the fiscal year 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 fiscal year under review (12 months period from January 1, 2022 to December 31, 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 since the Merger through the end of the fiscal year 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 fiscal year under review.

#### (b) Investment performance for the fiscal year under review

The Japanese economy in the fiscal year under review (12 months period from January 1, 2022 to December 31, 2022) was on a recovery trend as the impact of COVID-19 on social and economic activities gradually became limited with the easing of movement restrictions by the government in phases since the strict measures to prevent the spread of the virus were lifted in March.

The domestic accommodation and tourism market in the first half of the year was heavily impacted by COVID-19 like in the previous fiscal year but showed robust recovery in the second half of the year, particularly after October due to launch of the national travel subsidy program and substantial easing of entry restrictions to Japan for foreign visitors to Japan (hereinafter referred to as “inbound visitors”). The number of inbound visitors is estimated as 3.83 million for 2022 (increased 1,458.6% compared with the previous year and decreased 88.0% compared with 2019). However, in November to December of 2022, the figure ended up decrease around the 46.4% level compared with the same period of 2019 due to the easing of entry restrictions to Japan. The trend of recovery in domestic demand was striking and the cumulative number of overnight guests of Japanese nationality among the cumulative number of overnight guests at domestic accommodation facilities since October 2022 turned positive compared with the same period of 2019. As a result, the cumulative number of overnight guests at domestic accommodation facilities in 2022 was increased 42.9% from the previous year or decreased by 23.8% from 2019 to 4.54 million guest nights (preliminary release).

JHR maintained close communication with the lessees and operators of its hotels under management and worked to secure hotel earnings through reduction of operating costs, etc., as well as promoted measures to increase earnings for when accommodation demand makes a full-fledged recovery. 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”) kept implementing large-scale 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. HMJ Group have succeeded to accomplish cost reduction that were better than initially planned and to organize an operating system that could facilitate proactive pursuit of profits in the hotel market where the recovery trend is striking.

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 fiscal year under review significantly exceeded that of the previous year by 89.4%, and GOP (gross operating profit) was ¥8,874 million (increased 274.9% from the previous year) due to earnings improving with the recovery in the accommodation and tourism market and also cost management measures at hotels proving effective.

For further details of sales, GOP (gross operating profit) and other operating indexes 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” represent following 5 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 14 HMJ Hotels” represent Five HMJ Hotels plus following hotels 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, and Hilton Tokyo Odaiba  
 “The Two HMJ Rebranded HMJ Hotels” represent following 2 hotels which lessees were changed to subsidiaries of HMJ in 2021 due to rebranding.  
 Hotel Oriental Express Fukuoka Tenjin and Oriental Hotel Universal City  
 “The 16 HMJ Hotels” represent The 14 HMJ Hotels plus The Two Rebranded HMJ Hotels.  
 “The Accor Group Hotels” represent following 5 hotels.  
 ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka.  
 “The Ishin Group Hotels” represent following 4 hotels.  
 the b suidobashi, the b ikebukuro, the b hachioji, and the b hakata.  
 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 fiscal year under review (12 months period from January 1, 2022 to December 31, 2022), JHR took out loans in January, March, June and September to refinance existing borrowings that were due for repayment in the same month. Total amount of the loans was ¥30,936 million. Moreover, with regard to the fifth unsecured investment corporation bonds of ¥6,000 million due for redemption in October 2022, in addition to issuance of investment corporation bonds in amount of ¥2,800 million in September which part of the procured fund were appropriated for redemption, JHR took out new loans in amount of ¥4,600 million and used cash on hand to appropriate for the redemption. For the loans took out in October, we invited The Minato Bank, Ltd. as a new lender to expand our lenders formation. In addition, a part of the procured fund from issuance of investment corporation bonds mentioned above were appropriated to repay existing loans to enhance our financial soundness through controlling balance of interest-bearing debt.

Consequently, as of the end of the fiscal year under review, the balance of interest-bearing debt totaled ¥164,231 million, including short-term loans payable of ¥35,113 million, current portion of long-term loans payable of ¥15,432 million, long-term loans payable of ¥76,786 million, and investment corporation bonds of ¥36,900 million, and the ratio of interest-bearing debt to total assets (Note) at the end of the fiscal year under review stood at 41.4%. The ratio of fixed interest rate to total interest-bearing debt at the end of the fiscal year under review was at 76.8%.

(Note) Ratio of interest-bearing debt to total assets at end of period = Balance of interest-bearing debt at end of period / Total assets at end of period x 100

As of the end of the fiscal year 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 income were ¥14,912 million, ¥4,296 million and ¥2,672 million, respectively, for the fiscal year under review (12 months period from January 1, 2022 to December 31, 2022). Net income was ¥2,671 million. With regard to dividends, it was decided that ¥3,046 million, an amount excluded fractions of less than one yen of dividend per unit from ¥3,049 million will be distributed. ¥3,049 million was calculated by adding a reversal of reserve for temporary difference adjustment (appropriation for dividends) of ¥376 million to unappropriated retained earnings of ¥2,672 million. Consequently, the dividend per unit came to ¥682. For details of the appropriation for dividends for the fiscal year under review, please refer to “<Reference Information 3> Dividend per unit and appropriation for dividends” on page 18.

(B) Outlook for the next fiscal year

(a) Investment policies and issues to be addressed

The Japanese economy is in transition period to post COVID-19 society and expected to recover due to the effect by various policies by the government. On the other hand, we need to keep our eye on impact on financial and foreign exchange market caused by worldwide monetary tightening, etc. as well as inflation caused by heightening of geopolitical risks and other factors.

With regard to hotel market in 2023, we see domestic demand for accommodation to overcome recovery and exceed the level in 2019 due to governmental measures to stimulate leisure demand such as restart of national travel subsidy program from January 10, 2023 under policies to implement simultaneous pursuit to prevent infection and to stimulate social and economic activities without enforcement of new moving restrictions despite of increased cases of infection by COVID-19 from the end of 2022 as the 8th wave of spread of infection, With regard to inbound visitors, although we need to pay attention to tendency of policy for COVID-19 by Chinese government, recovery of international flight and other factors, steady progress to normalization is seen since significant easing was made on entry restrictions in October 2022. Since behavior pattern of people is sifting to enjoy travels and events while paying enough attention to prevent infection, we expect demand for accommodation will be gradually enhanced due to the inbound demand for travel in addition to steady domestic demand for travel.

JHR will continue to implement a variety of measures with lessees and operators, such as reducing operating costs through review of operations, etc., at each hotel, maintaining necessary employment, handling cash management, and also implementing sales measures in response to new demand including “staycation” and “workation.” We intended to draw the demand which is under the recovery trend through these measures. Especially for the hotels with variable rent, etc., JHR will endeavor to maximize 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 strengthening the initiatives of the restructuring plan mentioned earlier and together with further reduction of constant cost, measures to develop and capture demand will be proactively promoted, such as making attractive products which turn the hotel itself as the tourism destination and increasing brand awareness through TV commercials, etc. The HMJ Group is conducting initiatives from both sides to enhance profitability. The rent scheme with the HMJ Group was changed to full variable rent scheme until the end of December 2022 and it returned to fixed rent plus variable rent scheme from January 2023 as before based on memorandum of understanding related to fixed term building lease contract concluded on February 25, 2022.

On the other hand, 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 that accommodation demand from inbound visitors will show growth to exceed numbers achieved in 2019. As such, JHR 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 implement strategies to differentiate its hotels.

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, for instance, a reduction in banquet demand, etc.. 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 adopting adequate brand to meet characteristic of each hotel and coordinating with HMJ.

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 or 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 respond if there are any requests for reduction of fixed rent, etc. 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. 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 (brand of the HMJ Group) and Hotel Nikko 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, JHR will continue to closely cooperate with the lessees and operators of respective hotels to promote drastic reform of the earnings structures of hotels through various cost-cutting measures centered on thoroughly enhancing efficiency of the operating system, while considering 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 (if any). 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.

In the hotel transaction market, some investors continue to take cautious stance for investment due to a sense of uncertainty over the domestic accommodation and tourism market stemming from the impact of COVID-19. On the other hand, transactions, including those involving large properties, have seen since 2021 due to expectation for recovery of hotel market and easing attitude by financial institutions to provide finance on hotels. 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 HMJ and such. Moreover, over the medium to long term, JHR believes that transition to post COVID-19 society 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 JHR will aim to expand asset size that accompanies improvement of the portfolio quality through acquiring highly competitive properties, while utilizing the operation platform of the HMJ Group as necessary.

### Finance strategy

JHR will focus on the enhancement of financial stability and soundness and intends to maintain and enhance the relationship of trust with financial institutions with which it does business through close communication and such.

With regard to refinancing of existing borrowings, JHR will work to extend borrowing period while paying attention to financing costs and maintaining good relationships with respective lenders under the conditions that the hotel market is on recovery trend. In addition, JHR will strengthen its financial foundation through invitation of new lender and appropriate control of capital expenditures, etc. JHR 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 it 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, 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 JHR acquired “Green Star” in the GRESB Real Estate Assessment. Moreover, for the third consecutive year, JHR was selected as a Sector Leader of Asian Hotel Sector in the GRESB Real Estate Assessment conducted in 2022. 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 property used as hotel. In May 2021, Oriental Hotel Fukuoka Hakata Station also acquired CASBEE Certification for Buildings, the second case of such for an existing property used as hotels 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. In August 2022, it disclosed the initiatives for the four disclosure themes recommended by the TCFD, including the degree of financial impact based on climate change-related scenario analysis. In addition, it is working to sequentially clarify targets in numerical terms, such as formulating and disclosing the CO<sub>2</sub> reduction target by 2050 in February 2023. 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 CO<sub>2</sub> 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 used to fund renovation work, etc. at other hotels, and JHR allocated funds to construction costs for reduction of CO<sub>2</sub>, etc. at four hotels including Hilton Nagoya. 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 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

Acquisition of assets

JHR acquired UAN Kanazawa on January 31, 2023.

Name of acquired asset	UAN Kanazawa
Asset category	Real estate beneficial interest in trust and movable asset attached to the hotel
Asset type	Hotel
Address	6-30, Oyama-machi, Kanazawa-shi, Ishikawa
Acquisition date	January 31, 2023
Seller	GK Esquilino Investment
Acquisition price (Note)	¥2,050 million

(Note) The acquisition price does not include expenses for acquisition, settlement of property tax, city planning tax, etc., and consumption tax and local consumption tax.

(c) Operating forecast

JHR estimates its operating forecast for the midterm of the fiscal year ending December 2023 (24th period) and the full year of the fiscal year ending December 2023 (24th period) as follows. For the assumptions of the operating forecast, please refer to “Assumptions of the operating forecast for the midterm of the fiscal year ending December 2023 (24th period) and the full fiscal year ending December 2023 (24th period)” on page 12.

Midterm of the fiscal year ending December 31, 2023 (24th period)

Operating revenue	¥9,627 million
Operating income	¥4,178 million
Ordinary income	¥3,262 million
Net income	¥3,261 million

Full year of the fiscal year ending December 31, 2023 (24th period)

Operating revenue	¥21,837 million
Operating income	¥10,566 million
Ordinary income	¥8,629 million
Net income	¥8,628 million
Dividend per unit	¥2,005
Dividend per unit resulting from excess of earnings	¥—

(Note) The forecast figures above are the current forecasts calculated based on certain assumptions. As such, actual operating revenue, operating income, ordinary income, net income (net income for midterm period), 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.

Assumptions of the operating forecast for the midterm of the fiscal year ending December 2023 (24th period) and full fiscal year ending December 2023 (24th period)

Item	Assumptions																																																																																										
Calculation Period	<ul style="list-style-type: none"> <li>Midterm of the fiscal year ending December 2023 (24th Period): January 1, 2023 through June 30, 2023 (181 days).</li> <li>Full fiscal year ending December 2023 (24th Period): January 1, 2023 through December 31, 2023 (365 days).</li> </ul>																																																																																										
Assets under Management	<ul style="list-style-type: none"> <li>The 41 properties owned by JHR as of December 31, 2022, and following acquired property ("Acquired Property"), total 42 properties are assumed. <table border="1" data-bbox="347 474 1083 555"> <thead> <tr> <th>Date of acquisition</th> <th>Name</th> </tr> </thead> <tbody> <tr> <td>January 31, 2023</td> <td>UAN kanazawa</td> </tr> </tbody> </table> </li> <li>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 2023 (24th period). However, changes in the actual assets under management may take place.</li> </ul>	Date of acquisition	Name	January 31, 2023	UAN kanazawa																																																																																						
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Operating Revenue	<ul style="list-style-type: none"> <li>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.</li> <li>Rents, etc. of the main hotels are calculated based on the following assumptions. <ol style="list-style-type: none"> <li>The 16 HMJ Hotels <ul style="list-style-type: none"> <li>Rents for The 16 HMJ Hotels consist of fixed and variable rents, and variable rents are calculated using the following formula.  <math display="block">\text{Variable rent} = [\text{Hotel AGOP (Note 1)} - \text{Base Amount}] \times \text{Variable rent ratio (\%)} </math>                     However, if AGOP is less than the Base Amount, the variable rent will be zero. </li> </ul> </li> </ol> </li> </ul> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1" data-bbox="300 1055 1442 1921"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Fixed rent</th> <th colspan="2">Variable rent</th> <th colspan="2">Total rent</th> </tr> <tr> <th>Midterm</th> <th>Full year</th> <th>Midterm</th> <th>Full year</th> <th>Midterm</th> <th>Full year</th> </tr> </thead> <tbody> <tr> <td>The Five HMJ Hotels</td> <td>1,610</td> <td>3,221</td> <td>123</td> <td>1,291</td> <td>1,733</td> <td>4,512</td> </tr> <tr> <td>Oriental Hotel Okinawa Resort &amp; Spa</td> <td>274</td> <td>550</td> <td>—</td> <td>267</td> <td>274</td> <td>817</td> </tr> <tr> <td>Sheraton Grand Hiroshima Hotel (*2)</td> <td>174</td> <td>348</td> <td>57</td> <td>201</td> <td>231</td> <td>549</td> </tr> <tr> <td>Oriental Hotel Fukuoka Hakata Station</td> <td>212</td> <td>425</td> <td>323</td> <td>673</td> <td>535</td> <td>1,098</td> </tr> <tr> <td>Holiday Inn Osaka Namba</td> <td>288</td> <td>576</td> <td>—</td> <td>178</td> <td>288</td> <td>754</td> </tr> <tr> <td>Hilton Tokyo Narita Airport</td> <td>222</td> <td>444</td> <td>—</td> <td>108</td> <td>222</td> <td>552</td> </tr> <tr> <td>International Garden Hotel Narita</td> <td>168</td> <td>336</td> <td>—</td> <td>78</td> <td>168</td> <td>414</td> </tr> <tr> <td>Hotel Nikko Nara</td> <td>210</td> <td>420</td> <td>—</td> <td>20</td> <td>210</td> <td>440</td> </tr> <tr> <td>Hotel Oriental Express Osaka Shinsaibashi</td> <td>55</td> <td>110</td> <td>7</td> <td>6</td> <td>62</td> <td>116</td> </tr> <tr> <td>Hilton Tokyo Odaiba</td> <td>799</td> <td>1,600</td> <td>—</td> <td>87</td> <td>799</td> <td>1,687</td> </tr> <tr> <td>Total of The 14 HMJ Hotels</td> <td>4,015</td> <td>8,030</td> <td>511</td> <td>2,912</td> <td>4,526</td> <td>10,942</td> </tr> </tbody> </table>		Fixed rent		Variable rent		Total rent		Midterm	Full year	Midterm	Full year	Midterm	Full year	The Five HMJ Hotels	1,610	3,221	123	1,291	1,733	4,512	Oriental Hotel Okinawa Resort & Spa	274	550	—	267	274	817	Sheraton Grand Hiroshima Hotel (*2)	174	348	57	201	231	549	Oriental Hotel Fukuoka Hakata Station	212	425	323	673	535	1,098	Holiday Inn Osaka Namba	288	576	—	178	288	754	Hilton Tokyo Narita Airport	222	444	—	108	222	552	International Garden Hotel Narita	168	336	—	78	168	414	Hotel Nikko Nara	210	420	—	20	210	440	Hotel Oriental Express Osaka Shinsaibashi	55	110	7	6	62	116	Hilton Tokyo Odaiba	799	1,600	—	87	799	1,687	Total of The 14 HMJ Hotels	4,015	8,030	511	2,912	4,526	10,942
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Item	Assumptions						
		Fixed rent		Variable rent		Total rent	
		Midterm	Full year	Midterm	Full year	Midterm	Full year
Hotel Oriental Express Fukuoka Tenjin	158	316	290	741	449	1,058	
Oriental Hotel Universal City	67	135	119	258	187	393	
Total of The Two HMJ Rebranded Hotels	225	451	410	999	636	1,451	
Total of The 16 HMJ Hotels	4,240	8,482	922	3,912	5,163	12,394	

(\*)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.

(\*)2 Stating the rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA.

(2) Income from management contracts (\*3) and variable rent from other hotels with variable rent, etc.  
(Unit: millions of yen)

	Midterm	Full year
ibis Styles Kyoto Station (*3)	73	175
ibis Styles Sapporo (*3)	145	412
Mercure Sapporo (*3)	180	496
Mercure Okinawa Naha (*3)	62	179
Mercure Yokosuka	52	124
the b suidobashi	25	61
the b ikebukuro	55	126
the b hachioji	27	62
the b hakata	30	70
Dormy Inn Kumamoto	—	—
Comfort Hotel Tokyo Higashi Nihombashi	50	50
Smile Hotel Nihombashi Mitsukoshimae	—	—
Chisun Hotel Kamata	38	76
Chisun Inn Kamata	26	52
Hilton Tokyo Bay	Undisclosed (*4)	Undisclosed (*4)
Hilton Nagoya	Undisclosed (*4)	Undisclosed (*4)
UAN kanazawa	2	15
Total	1,063	2,583

(\*)3 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.

(\*)4 Undisclosed since tenants that concluded lease contracts did not agree to disclose rent revenue, etc.

• The following is the breakdown of variable rent and income from management contracts.  
(Unit: millions of yen)

	Midterm	Full year
The 16 HMJ Hotels	922	3,912
Other hotels with variable rent, etc.	1,063	2,583
Office and commercial tenants (*5)	4	9
Total	1,990	6,504

(\*)5 Variable rent for office and commercial tenants of ACTIVE-INTER CITY HIROSHIMA is shown.

(\*)6 For details of variable rent, please refer to page 49, “3. Reference Information; (1) Information on values of assets under management, etc. B. Assets under management; I Other major assets under management; c. Overview of the hotel business; (a) Rent structures of hotels with variable rent, management contract or revenue sharing”.

Item	Assumptions																				
Operating Expenses	<ul style="list-style-type: none"> <li>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.</li> <li>It is assumed that ¥1,985 million will be recognized as expenses for fixed asset taxes, city planning taxes, etc.</li> <li>Capital expenditure is assumed to be ¥4,848 million (¥2,868 million for capital expenditure I, ¥807 million for capital expenditure II and ¥1,172 million for capital expenditure III.) (* ) 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.</li> <li>Depreciation is calculated using the straight-line method including the planned capital expenditures above and is assumed to be ¥5,018 million.</li> <li>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.</li> </ul>																				
Non-operating Expenses	<ul style="list-style-type: none"> <li>¥1,937 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.</li> <li>Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method.</li> </ul>																				
Interest-bearing Debt	<ul style="list-style-type: none"> <li>The balance of interest-bearing debt (sum of loans and investment corporation bonds) as of today is ¥164,231 million. Balance of interest-bearing debt as of end of December 2023 (24th Period) is expected to be unchanged at ¥164,231 million as well.</li> <li>There are ¥44,234 million of borrowings that will be due during the fiscal year ending December 2023 (24th Period). It is assumed that the entire amount will be refinanced.</li> </ul>																				
Dividend per Unit	<ul style="list-style-type: none"> <li>Dividend per unit for the fiscal year ending December 2023 (24th period) is calculated based on the following assumptions.</li> </ul> <table border="0" data-bbox="316 1205 1281 1532"> <tr> <td>Net income</td> <td style="text-align: right;">¥8,628 million</td> </tr> <tr> <td>Reversal of reserve for temporary difference adjustment (negative goodwill)</td> <td></td> </tr> <tr> <td>    50-year amortization amount of negative goodwill (*1)</td> <td style="text-align: right;">¥262 million</td> </tr> <tr> <td>    Loss on retirement of noncurrent assets (*2)</td> <td style="text-align: right;">¥11 million</td> </tr> <tr> <td>    Amortization of trademark rights (*3)</td> <td style="text-align: right;">¥56 million</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Distributable amount</td> <td style="text-align: right;">¥8,958 million</td> </tr> <tr> <td>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>Dividend per unit</td> <td style="text-align: right;">¥2,005</td> </tr> </table> <ul style="list-style-type: none"> <li>(*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.</li> <li>(*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.</li> <li>(*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.</li> </ul> <ul style="list-style-type: none"> <li>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.</li> <li>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 2023 (24th period) is expected to be ¥9,269 million.</li> </ul>	Net income	¥8,628 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)	¥11 million	Amortization of trademark rights (*3)	¥56 million	<hr/>		Distributable amount	¥8,958 million	Total number of investment units issued	4,467,006 units	<hr/>		Dividend per unit	¥2,005
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Item	Assumptions
Dividend per Unit Resulting from Excess of Earnings	<ul style="list-style-type: none"> <li>• It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.</li> </ul>
Others	<ul style="list-style-type: none"> <li>• 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.</li> <li>• It is assumed that unexpected major incident will not occur in the general economy, real estate market and hotel business environment, etc.</li> <li>• The numerical values are rounded down to the nearest millions of yen in the assumptions above.</li> </ul>

<Reference Information 1> Highlights of the operating forecast and forecast of dividend

The following is the comparison and the major factors causing the variance between the result of the previous period and the operating forecast and forecast of dividend for the fiscal year ending December 2023.

(Unit : JPY MM)

		FY12/2022 (23rd Period)	FY12/2023 (24th Period)	Comparison with the Previous Period		Factors Causing Variance
		Results (A)	Forecast (B)	(B)-(A)	% of increase/ decrease	
Properties	No. of Properties	41	42	1	-	
	Acquisition Price	363,542	365,592	2,050	0.6%	
Profit and Loss	<b>Operating Revenue</b>	14,912	21,837	6,924	46.4%	
	Real Estate Operating Revenue	14,912	21,837	6,924	46.4%	
	<b>Fixed Rent</b>	6,279	14,327	8,047	128.2%	The 14 HMJ Hotels: increase by JPY8,030 MM Other retail tenants: decrease by JPY81 MM Property acquired in January 2023: increase by JPY 99MM
	Composition	42.1%	65.6%			
	<b>Other Income</b>	986	1,005	18	1.8%	
	Composition	6.6%	4.6%			
	<b>Variable Rent</b>	7,646	6,504	(1,141)	(14.9%)	The 14 HMJ Hotels: decrease by JPY2,941 MM The Two HMJ Rebranded Hotels: increase by JPY734 MM The Accor Group Hotels: increase by JPY864 MM The Ishin Group Hotels: decrease by JPY27 MM Other tenants: increase by JPY212MM Property acquired in January 2023: increase by JPY 15MM
	Composition	51.3%	29.8%			
	<b>NOI (*1)</b>	10,963	17,656	6,692	61.0%	
	NOI Yield (*1)	3.0%	4.8%	1.8%		
	<b>NOI after Depreciation (*1)</b>	6,116	12,624	6,508	106.4%	
NOI Yield after Depreciation (*1)	1.7%	3.5%	1.8%			
<b>Operating Income</b>	4,296	10,566	6,269	145.9%		
<b>Ordinary Income</b>	2,672	8,629	5,956	222.9%		
<b>Net Income</b>	2,671	8,628	5,956	223.0%		
Dividened	<b>Use of Negative Goodwill (*2)</b>	376	330	(46)	(12.3%)	Use of Negative Goodwill 2022 : 50-year amortization amount on negative goodwill: JPY262 MM Loss on retirement of noncurrent assets: JPY57 MM Amortization of trademark rights: JPY56 MM 2023: 50-year amortization amount on negative goodwill: JPY 262MM Loss on retirement of noncurrent assets: JPY11 MM Amortization of trademark rights: JPY56 MM
	<b>Total Dividends</b>	3,046	8,956	5,909	194.0%	
	<b>No. of Units Issued (Unit)</b>	4,467,006	4,467,006	-	-	
	<b>Dividend per Unit (JPY)</b>	682	2,005	1,323	194.0%	

(\*1) NOI (Net Operating Income) = Real estate operating revenue - Real estate operating costs + Depreciation and amortization + Loss on retirement of noncurrent assets + Asset retirement obligation cost.

NOI yield = NOI / acquisition price.

NOI after depreciation = Real estate operating revenue - Real estate operating costs.

NOI yield = NOI after depreciation / acquisition price.

The same shall apply hereinafter.

(\*2) For details of the reversal amount of the reserve for temporary difference adjustment, please refer to "Assumptions for the operating forecast for the midterm of the fiscal year ending December 31, 2023 (24th period) and for the full fiscal year ending December 31, 2023 (24th 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 31, 2022		Fiscal year ending December 31, 2023		
		Result	Comparison with 2019	Forecast	Comparison with 2019	Comparison with previous period
Occupancy rate	First half of the year	54.6%	(31.3pt)	74.9%	(11.0pt)	20.2pt
	Second half of the year	73.4%	(15.0pt)	82.3%	(6.1pt)	8.9pt
	Full year	64.1%	(23.0pt)	78.6%	(8.5pt)	14.5pt
ADR (Note 1)	First half of the year	12,292	(28.1%)	18,100	6.0%	47.3%
	Second half of the year	17,192	(9.6%)	20,907	9.9%	21.6%
	Full year	15,121	(16.3%)	19,581	8.4%	29.5%
RevPAR (Note 2)	First half of the year	6,716	(54.2%)	13,554	(7.6%)	101.8%
	Second half of the year	12,625	(24.9%)	17,211	2.4%	36.3%
	Full year	9,694	(38.5%)	15,397	(2.2%)	58.8%
Sales (JPY1M)	First half of the year	12,720	(49.8%)	21,959	(13.4%)	72.6%
	Second half of the year	22,031	(22.9%)	27,458	(3.9%)	24.6%
	Full year	34,752	(35.6%)	49,417	(8.4%)	42.2%
GOP (JPY1M)	First half of the year	1,536	(80.5%)	5,600	(28.8%)	264.7%
	Second half of the year	6,222	(41.4%)	8,772	(17.3%)	41.0%
	Full year	7,757	(58.0%)	14,372	(22.2%)	85.3%

(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 31, 2022		Fiscal year ending December 31, 2023		
		Result	Comparison with 2019	Forecast	Comparison with 2019	Comparison with previous period
Occupancy rate	First half of the year	55.8%	(29.6pt)	75.4%	(10.0pt)	19.6pt
	Second half of the year	74.2%	(13.1pt)	82.9%	(4.4pt)	8.7pt
	Full year	65.1%	(21.3pt)	79.1%	(7.2pt)	14.1pt
ADR	First half of the year	10,872	(30.1%)	15,941	2.5%	46.6%
	Second half of the year	15,018	(12.1%)	18,337	7.3%	22.1%
	Full year	13,255	(18.8%)	17,206	5.3%	29.8%
RevPAR	First half of the year	6,063	(54.4%)	12,014	(9.6%)	98.1%
	Second half of the year	11,140	(25.3%)	15,196	1.9%	36.4%
	Full year	8,623	(38.9%)	13,618	(3.5%)	57.9%
Sales (JPY1M)	First half of the year	14,364	(50.6%)	24,859	(14.5%)	73.1%
	Second half of the year	24,735	(23.6%)	31,063	(4.1%)	25.6%
	Full year	39,100	(36.4%)	55,923	(9.0%)	43.0%
GOP (JPY1M)	First half of the year	1,819	(80.8%)	6,407	(32.3%)	252.2%
	Second half of the year	7,055	(42.3%)	9,983	(18.4%)	41.5%
	Full year	8,874	(59.1%)	16,390	(24.5%)	84.7%

<Reference Information 3> Dividend per unit and appropriation for dividends

Dividend per unit for the fiscal year ended December 31, 2021, and the fiscal year ended December 31, 2022, are calculated based on the following assumptions.

	Fiscal year ended December 31, 2021 (JPY1M)	Fiscal year ended December 31, 2022 (JPY1M)
Unappropriated retained earnings	1,300	2,672
Total of reserve for temporary difference adjustment (negative goodwill) used	335	376
50-year amortization amount of negative goodwill	262	262
Loss on retirement of noncurrent assets	16	57
Amortization of trademark rights	56	56
Total dividends	1,634	3,046
Total number of investment units issued and outstanding	4,467,006 units	4,467,006 units
Dividend per unit	¥366	¥682

## (2) Material events related to going concern assumption

Given the circumstances of the continuing impact of COVID-19, JHR concluded memorandums of understanding related to fixed-term building lease contracts for the lease contracts with The 14 HMJ Hotels on February 25, 2022, to exempt fixed rent throughout 2022 and adopt a full variable rent scheme for the full year of 2022 as it did for February 2020 through end of 2021.

Although the trend of recovery in the domestic accommodation and tourism market is strong, factors such as the exemption of fixed rent for The 14 HMJ Hotels resulted in operating revenue for the fiscal year under review decreasing by 47.3% in comparison with 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 as a breach of the financial covenants. In the case where the debt-service coverage ratio is lower than the predetermined reference value in the midterm of next fiscal period, 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. Financial statements

### (1) Balance sheets

(thousands of yen)

	As of December 31, 2021	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	22,838,609	21,142,716
Cash and deposits in trust	7,458,225	8,372,349
Operating accounts receivable	1,750,164	4,442,532
Prepaid expenses	485,240	484,478
Income taxes receivable	40	41
Other	108,411	111,037
<b>Total current assets</b>	<b>32,640,693</b>	<b>34,553,157</b>
Noncurrent assets		
Property and equipment, at cost		
Machinery and equipment	677,977	804,339
Accumulated depreciation	(311,345)	(373,775)
Machinery and equipment, net	366,632	430,563
Tools, furniture and fixtures	4,889,299	5,911,833
Accumulated depreciation	(3,204,701)	(3,835,395)
Tools, furniture and fixtures, net	1,684,597	2,076,438
Construction in progress	21,972	1,155
Buildings in trust	*1 137,035,704	*1 140,026,191
Accumulated depreciation	(28,062,086)	(31,713,554)
Buildings in trust, net	108,973,617	108,312,636
Structures in trust	2,844,532	2,963,947
Accumulated depreciation	(585,251)	(659,914)
Structures in trust, net	2,259,280	2,304,033
Machinery and equipment in trust	645,033	693,008
Accumulated depreciation	(198,085)	(228,779)
Machinery and equipment in trust, net	446,947	464,228
Tools, furniture and fixtures in trust	126,678	129,718
Accumulated depreciation	(109,785)	(111,540)
Tools, furniture and fixtures in trust, net	16,893	18,178
Land in trust	212,263,515	212,263,515
Construction in progress in trust	110,371	118,127
<b>Net property and equipment</b>	<b>326,143,828</b>	<b>325,988,877</b>
Intangible assets		
Software	275,488	257,298
Trademark right	467,409	411,320
Leasehold rights in trust	27,324,752	27,324,752
Fixed-term leasehold rights in trust	4,630,789	4,495,583
Other	5,920	5,240
<b>Total intangible assets</b>	<b>32,704,360</b>	<b>32,494,195</b>
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	1,958,131
Derivative assets	12,117	1,195,251
Reserve for repairs and maintenance	327,476	327,173
<b>Total investments and other assets</b>	<b>2,683,432</b>	<b>3,632,745</b>
<b>Total noncurrent assets</b>	<b>361,531,621</b>	<b>362,115,817</b>
Deferred assets		
Investment unit issuance costs	7,735	4,165
Investment corporation bond issuance costs	143,863	126,802
<b>Total deferred assets</b>	<b>151,598</b>	<b>130,967</b>
<b>Total assets</b>	<b>394,323,913</b>	<b>396,799,942</b>

(thousands of yen)

	As of December 31, 2021	As of December 31, 2022
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	1,426,861	1,943,815
Short-term loans payable	24,002,000	35,113,000
Current portion of investment corporation bonds payable	6,000,000	—
Current portion of long-term loans payable	8,434,000	15,432,000
Accrued expenses	538,359	570,397
Income taxes payable	1,210	1,210
Consumption taxes payable	172,743	398,802
Advances received	658,839	664,196
Dividends payable	9,714	6,473
Deposits received	6,002	2,592
Derivative liabilities	5,289	11,079
Other	10,281	21,994
<b>Total current liabilities</b>	<b>41,265,303</b>	<b>54,165,561</b>
Long-term liabilities		
Investment corporation bonds	34,100,000	36,900,000
Long-term loans payable	92,218,000	76,786,000
Tenant leasehold and security deposits	1,040,520	1,040,520
Tenant leasehold and security deposits in trust	3,614,474	3,619,666
Derivative liabilities	202,673	—
Deferred tax liabilities	3,812	375,207
Asset retirement obligations	336,783	338,413
<b>Total long-term liabilities</b>	<b>131,516,263</b>	<b>119,059,807</b>
<b>Total liabilities</b>	<b>172,781,567</b>	<b>173,225,369</b>
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
<b>Total voluntary reserve</b>	<b>11,486,747</b>	<b>11,151,375</b>
Unappropriated retained earnings (undisposed loss)	1,300,724	2,672,927
<b>Total surplus</b>	<b>34,533,870</b>	<b>35,570,702</b>
<b>Total unitholders' equity</b>	<b>221,728,079</b>	<b>222,764,911</b>
Valuation and translation adjustments		
Deferred gains (losses) on hedges	(185,733)	809,661
<b>Total valuation and translation adjustments</b>	<b>(185,733)</b>	<b>809,661</b>
<b>Total net assets</b>	<b>*3 221,542,346</b>	<b>*3 223,574,572</b>
<b>Total liabilities and net assets</b>	<b>394,323,913</b>	<b>396,799,942</b>

## (2) Statements of income

(thousands of yen)

	For the year ended December 31, 2021	For the year ended December 31, 2022
<b>Operating revenue</b>		
Real estate operating revenue	*1 9,502,439	*1 13,925,987
Other real estate operating revenue	*1 872,223	*1 986,984
Gain on sales of real estate properties	*2 3,258,950	—
<b>Total operating revenue</b>	<b>13,633,613</b>	<b>14,912,972</b>
<b>Operating Expenses</b>		
Real estate operating costs	*1 8,830,354	*1 8,796,879
Asset management fee	1,447,210	1,491,325
Asset custody and administrative service fee	121,700	115,661
Directors' compensation	17,400	17,400
Other operating expenses	257,097	195,024
<b>Total operating expenses</b>	<b>10,673,763</b>	<b>10,616,291</b>
<b>Operating income</b>	<b>2,959,849</b>	<b>4,296,681</b>
<b>Non-operating income</b>		
Interest income	267	270
Gain on forfeiture of unclaimed dividends	4,233	3,533
Gain on insurance claims	34,144	2,250
Refunded fixed asset tax	20,527	—
Interest on tax refunds	10,590	—
Gain on derivative instruments	15,730	13,228
Other	151	541
<b>Total non-operating income</b>	<b>85,646</b>	<b>19,824</b>
<b>Non-operating Expenses</b>		
Interest expense	907,653	855,183
Interest expense on investment corporation bonds	315,762	301,631
Borrowing costs	416,416	436,444
Amortization of investment corporation bond issuance costs	33,554	32,090
Amortization of investment unit issuance costs	59,086	3,570
Loss on derivative instruments	1,000	—
Other	14,011	14,619
<b>Total non-operating expenses</b>	<b>1,747,484</b>	<b>1,643,539</b>
Ordinary profit (loss)	1,298,011	2,672,966
<b>Income before income taxes</b>	<b>1,298,011</b>	<b>2,672,966</b>
Income taxes – current	1,210	1,210
<b>Total income taxes</b>	<b>1,210</b>	<b>1,210</b>
Net income (loss)	1,296,801	2,671,756
Retained earnings brought forward	3,922	1,171
Unappropriated retained earnings (undisposed loss)	1,300,724	2,672,927

(3) Statements of changes in net assets  
For the year ended December 31, 2021

(thousands of yen)

	Unitholders' equity							
	Unitholders' capital	Surplus						Total unitholders' equity
		Capital surplus	Voluntary reserve			Unappropriated retained earnings (undisposed loss)	Total surplus	
			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 year:								
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)
Net income (loss)						1,296,801	1,296,801	1,296,801
Net changes of items other than unitholders' equity								
Total changes of items during the year	300,039	—	(305,694)	—	(305,694)	(227,066)	(532,760)	(232,720)
Balance, December 31, 2021	*1 187,194,209	21,746,398	10,311,886	1,174,860	11,486,747	1,300,724	34,533,870	221,728,079

	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 year:			
Issuance of new investment unit			300,039
Reversal of reserve for temporary difference adjustment			—
Dividends paid			(1,829,562)
Net income (loss)			1,296,801
Net changes of items other than unitholders' equity	573,758	573,758	573,758
Total changes of items during the year	573,758	573,758	341,037
Balance, December 31, 2021	(185,733)	(185,733)	221,542,346

For the year ended December 31, 2022

(thousands of yen)

	Unitholders' equity							
	Unitholders' capital	Surplus						Total unitholders' equity
		Capital surplus	Voluntary reserve			Unappropriated retained earnings (undisposed loss)	Total surplus	
			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 year:								
Reversal of reserve for temporary difference adjustment			(335,371)		(335,371)	335,371	—	—
Dividends paid						(1,634,924)	(1,634,924)	(1,634,924)
Net income (loss)						2,671,756	2,671,756	2,671,756
Net changes of items other than unitholders' equity								
Total changes of items during the year	—	—	(335,371)	—	(335,371)	1,372,203	1,036,832	1,036,832
Balance, December 31, 2022	*1 187,194,209	21,746,398	9,976,515	1,174,860	11,151,375	2,672,927	35,570,702	222,764,911

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2021	(185,733)	(185,733)	221,542,346
Changes of items during the year:			
Reversal of reserve for temporary difference adjustment			—
Dividends paid			(1,634,924)
Net income (loss)			2,671,756
Net changes of items other than unitholders' equity	995,394	995,394	995,394
Total changes of items during the year	995,394	995,394	2,032,226
Balance, December 31, 2022	809,661	809,661	223,574,572



## (4) Statements of cash dividends

Classification	For the year ended December 31, 2021	For the year ended December 31, 2022
I. Unappropriated retained earnings	¥1,300,724,473	¥2,672,927,976
II. Reversal of voluntary reserve		
Reversal of reserve for temporary difference adjustment	*1 ¥335,371,387	*1 ¥376,501,098
III. Dividends	¥1,634,924,196	¥3,046,498,092
[Dividend per unit]	[¥366]	[¥682]
IV. Retained earnings carried forward	¥1,171,664	¥2,930,982
Method of calculating the amount of dividends	In accordance with the monetary distribution policy stipulated in Article 34, paragraph 1 of JHR's Articles of Incorporation, amount of dividend must exceed 90% of JHR's distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation. It was decided that ¥1,634,924,196, which excludes fractions of less than one yen of dividend per unit from ¥1,636,095,860, an amount calculated by adding a reversal of reserve for temporary difference adjustment of ¥335,371,387 to unappropriated retained earnings of ¥1,300,724,473, would all be distributed. The monetary distribution in excess of earnings stipulated in Article 34, paragraph 1 (4) of JHR's Articles of Incorporation will not be made.	In accordance with the monetary distribution policy stipulated in Article 34, paragraph 1 of JHR's Articles of Incorporation, amount of dividend must exceed 90% of JHR's distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation. It was decided that ¥3,046,498,092, which excludes fractions of less than one yen of dividend per unit from ¥3,049,429,074, an amount calculated by adding a reversal of reserve for temporary difference adjustment of ¥376,501,098 to unappropriated retained earnings of ¥2,672,927,976, would all be distributed. The monetary distribution in excess of earnings stipulated in Article 34, paragraph 1 (4) of JHR's Articles of Incorporation will not be made.

## (5) Statements of cash flows

(thousands of yen)

	For the year ended December 31, 2021	For the year ended December 31, 2022
<b>Cash flows from operating activities</b>		
Income before income taxes	1,298,011	2,672,966
Depreciation and amortization	4,804,111	4,787,822
Loss on retirement of noncurrent assets	16,682	57,811
Loss (profit) on derivative instruments	(14,730)	(13,228)
Amortization of investment corporation bond issuance costs	33,554	32,090
Amortization of investment unit issuance costs	59,086	3,570
Decrease in property and equipment due to sale	48,841	—
Decrease in property and equipment in trust due to sale	7,757,292	—
Decrease in intangible assets due to sale	2,918	—
Interest income	(267)	(270)
Interest expense	1,223,415	1,156,814
Interest on tax refunds	(10,590)	—
(Increase) decrease in operating accounts receivable	(1,077,749)	(2,692,368)
(Increase) decrease in prepaid expenses	47,910	761
(Increase) decrease in long-term prepaid expenses	257,888	233,518
Increase (decrease) in operating accounts payable	(1,694,120)	(9,852)
Increase (decrease) in accrued expenses	12,475	33,714
Increase (decrease) in consumption taxes payable	29,354	226,058
Increase (decrease) in advances received	235,483	5,357
Increase (decrease) in deposits received	(3,108)	(3,410)
Other	(128,639)	(811)
<b>Subtotal</b>	<b>12,897,821</b>	<b>6,490,545</b>
Interest received	271	269
Interest paid	(1,225,104)	(1,158,491)
Interest received on tax refunds	10,590	—
Income tax—s - refunded (paid)	(1,208)	(1,210)
<b>Net cash provided by (used in) operating activities</b>	<b>11,682,370</b>	<b>5,331,112</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(666,633)	(1,102,874)
Purchase of property and equipment in trust	(2,828,665)	(2,767,507)
Purchase of intangible assets	(199,936)	(48,094)
Payments of reserve for repairs and maintenance	(40,625)	(40,625)
Proceeds from collection of guarantee deposits in trust	10,555	—
Proceeds from tenant leasehold and security deposits in trust	56,530	51,124
Reimbursements of tenant leasehold and security deposits in trust	(726,247)	(32,161)
Proceeds from release of deposit with withdrawal restrictions	(300,000)	(1,500,000)
Payment into deposit with withdrawal restrictions	—	1,800,000
<b>Net cash provided by (used in) investing activities</b>	<b>(4,695,022)</b>	<b>(3,640,139)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans payable	25,082,000	35,536,000
Repayments of short-term loans payable	(13,862,000)	(24,425,000)
Repayments of long-term loans payable	(13,720,000)	(8,434,000)
Proceeds from issuance of investment corporation bonds	—	2,800,000
Redemption of investment corporation bonds	(1,500,000)	(6,000,000)
Proceeds from issuance of investment units	289,329	—
Investment corporation bonds issuance costs	—	(15,029)
Dividends paid	(1,833,006)	(1,634,712)
<b>Net cash provided by (used in) financing activities</b>	<b>(5,543,676)</b>	<b>(2,172,742)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,443,670</b>	<b>(481,768)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>28,553,164</b>	<b>29,996,835</b>
<b>Cash and cash equivalents at end of year</b>	<b>*1 29,996,835</b>	<b>*1 29,515,066</b>

(6) Notes on going concern assumption

Not applicable.

(7) 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. Standards 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, etc. The amount obtained by deducting "Cost of sale of real estate properties," which is the book value of real estate properties, etc. sold, and "Other related sales expenses," which are the various expenses directly required in the sale, from "Proceeds from sale of real estate properties," which are the sales proceeds of real estate properties, 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 for the year ended December 31, 2022.</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 contracts of real estate properties, etc. and agreements incidental to it.</p> <p>(2) Treatment of property taxes and other taxes For taxes imposed on properties under management such as property taxes, city planning taxes, and depreciable asset taxes, the imposed amounts are allocated to the respective period and expensed as "Real estate operating costs." Cash paid for property taxes and city planning taxes, etc. to the transferor of real 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 year ended December 31, 2021, and for the year ended December 31, 2022.</p>																

4. Method of hedge accounting	<ul style="list-style-type: none"> <li>(1) Method of hedge accounting Deferred hedge accounting is applied.</li> <li>(2) Hedging instruments and hedged items Hedging instruments Interest rate swaps Hedged items Interest rates on loans payable</li> <li>(3) 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.</li> <li>(4) 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.</li> </ul>
5. Scope of funds (cash and cash equivalents) in the statements of cash flows	Cash and cash equivalents in the 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 financial statements	<p>Accounting treatment of beneficial interests in trust with real estate, etc. as their assets For trust beneficial interests in real estate, etc., 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 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 balance sheets.</p> <ul style="list-style-type: none"> <li>(a) Cash and deposits in trust</li> <li>(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</li> <li>(c) Leasehold rights in trust; Fixed-term leasehold rights in trust; Leasehold and security deposits in trust</li> <li>(d) Tenant leasehold and security deposits in trust</li> </ul>

#### (8) Notes on changes in accounting policies

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

JHR has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (hereinafter referred as “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 fiscal period under review, and JHR 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 financial statements for the fiscal 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 fiscal 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 fiscal 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 financial statements for the fiscal 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 2, 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).

(9) Notes on significant accounting estimates

[Notes on significant accounting estimates]

Valuation of noncurrent assets

1. Amounts recorded in the financial statements for the year ended December 31, 2021

	(thousands of yen)	
	For the year ended December 31, 2021	For the year ended December 31, 2022
Property and equipment, at cost	¥326,143,828	¥325,988,877
Intangible assets	¥32,704,360	¥32,494,195
Impairment loss	¥—	¥—

2. Information on the nature of significant accounting estimates for identified items

In accordance with the accounting standard for impairment of noncurrent assets, JHR has adopted the accounting treatment to reduce the book value of noncurrent assets to a recoverable amount when the invested amount is deemed to be unrecoverable due to decline in profitability.

In adopting the accounting treatment, the respective properties owned by JHR are regarded as a single asset group, and judgment is made whether it is required to recognize impairment losses when indications of impairment are deemed to exist for the group due to a significant decline in the market value and such.

Future cash flow estimates are used to determine whether or not to recognize impairment losses. When it is determined that impairment losses should be recognized, the book value is reduced to the recoverable amount, and the reduced amount is recorded as impairment losses.

In estimating the future cash flow, the underlying rent, occupancy rate and real estate operating costs, etc. are calculated by comprehensively taking into account the market trends and transaction cases of similar properties, etc.

JHR's asset management business in real estate have seen risks of its operating revenue decreasing, etc., due to a decrease in variable rents linked to hotel sales and other factors since our business is largely affected by the worldwide spread of the infection by COVID-19 and the changes in social and economic conditions caused by that.

Although it is uncertain and difficult to foresee when the spread of the infection by COVID-19 will be contained and its impacts, JHR made accounting estimate related to impairment accounting for noncurrent assets by assuming that COVID-19 will be contained gradually and business environment will improve from the fiscal year ending December 31, 2023, based on information available as of the date of preparation of this Financial Report. .

However, as it is difficult to accurately predict when the spread of the infection by COVID-19 will be contained and how large its impact will be, JHR may see its asset status, income and cash flows affected in case the recovery is delayed.

(10) Notes to financial statements

Disclosure of notes on “securities,” “share of (profit) loss of entities accounted for using equity method,” “related-party transactions” and “retirement benefits” is omitted because the significance of disclosure in the financial report is minimal.

[Notes to 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 December 31, 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 December 31, 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 December 31, 2022
	¥50,000 thousand	¥50,000 thousand

[Notes to statements of income]

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

(thousands of yen)

	For the year ended December 31, 2021	For the year ended December 31, 2022
<b>A. Real estate operating revenue</b>		
Real estate operating revenue		
Fixed rent	6,413,988	6,279,169
Variable rent	3,054,524	7,304,059
Income from management contracts	33,926	342,758
Total	<u>9,502,439</u>	<u>13,925,987</u>
Other real estate operating revenue		
Parking lots	116,270	141,741
Other incidental revenue	66,395	69,068
Utilities	483,341	643,154
Other	206,216	133,020
Total	<u>872,223</u>	<u>986,984</u>
Total real estate operating revenue	<u>10,374,662</u>	<u>14,912,972</u>
<b>B. Real estate operating costs</b>		
Real estate operating costs		
Land lease and other rent expenses	857,819	845,567
Property taxes	1,947,316	1,923,806
Outsourcing expenses (Note)	494,005	352,400
Nonlife insurance	73,031	70,695
Depreciation and amortization	4,804,111	4,787,822
Loss on retirement of noncurrent assets	16,682	57,811
Repairs	30,176	21,378
Utilities	498,283	683,346
Trust fees	43,558	39,783
Other	65,369	14,267
Total real estate operating costs	<u>8,830,354</u>	<u>8,796,879</u>
<b>C. Net real estate operating income (A – B)</b>	<u>1,544,308</u>	<u>6,116,092</u>

(Note) Outsourcing expenses include management fees of ¥148,088 thousand for the year ended December 31, 2021, and ¥40,786 thousand for the year ended December 31, 2022.

\*2. Breakdown of gain on sales of real estate properties

For the year ended December 31, 2021

(thousands of yen)

ibis Tokyo Shinjuku	
Proceeds from sale of real estate	11,300,000
Cost of sale of real estate	7,809,052
Other related sales expenses	231,996
Gain on sales of real estate properties	<u>3,258,950</u>

For the year ended December 31, 2022

Not Applicable

[Notes to statements of changes in net assets]

	For the year ended December 31, 2021	For the year ended December 31, 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 statements of cash dividends]

\*1. Reserve for temporary difference adjustment

For the year ended December 31, 2021

By application of the transitional measures of Paragraph 3 of the Supplementary Provisions of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015), ¥13,127,153,216 in dividend reserve that is the remaining balance of the amount subdivided into gain on negative goodwill recorded in prior fiscal years is set aside as reserve for temporary difference adjustment on the statements of cash dividends for the year ended December 31, 2016. Starting from the fiscal year following the fiscal year in which the reserve was made, reversal of the concerned reserve amount in an amount that shall be no less than the 50-year even amortization amount (¥262,543,065) of the remaining balance of the amount when the reserve was made, is required. In this fiscal year under review, reversal of ¥335,371,387 has been decided, which is the amount calculated by adding ¥16,682,237 equivalent to loss on retirement of noncurrent assets and ¥56,089,150 equivalent to amortization of trademark right to ¥262,600,000 of the reversal.

For the year ended December 31, 2022

By application of the transitional measures of Paragraph 3 of the Supplementary Provisions of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015), ¥13,127,153,216 in dividend reserve that is the remaining balance of the amount subdivided into gain on negative goodwill recorded in prior fiscal years is set aside as reserve for temporary difference adjustment on the statements of cash dividends for the year ended December 31, 2016. Starting from the fiscal year following the fiscal year in which the reserve was made, reversal of the concerned reserve amount in an amount that shall be no less than the 50-year even amortization amount (¥262,543,065) of the remaining balance of the amount when the reserve was made, is required. In this fiscal year under review, reversal of ¥376,501,098 has been decided, which is the amount calculated by adding ¥57,811,948 equivalent to loss on retirement of noncurrent assets and ¥56,089,150, equivalent to amortization of trademark right to ¥262,600,000 of the reversal.

[Notes to statements of cash flows]

\*1. Relation of balance of cash and cash equivalents at end of year and the amount in balance sheet accounts

(thousands of yen)

	For the year ended December 31, 2021	For the year ended December 31, 2022
Cash and deposits	22,838,609	21,142,716
Cash and deposits in trust	7,458,225	8,372,349
Deposit with withdrawal restrictions	(300,000)	—
Cash and cash equivalents	29,996,835	29,515,066

[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 December 31, 2022
Due within one year	1,293,157	1,152,214
Due after one year	4,979,488	4,054,288
Total	6,272,645	5,206,502



[Notes on financial instruments]

1. Matters concerning status of financial instruments

(1) Policy for financial instruments

JHR is an investment corporation set forth in Article 2, paragraph 12 of the Investment Trusts Act, managing investments mainly in specified assets as prescribed in the Investment Trusts Act. As a policy, JHR procures funds through issuance of investment units, etc. and loans from financial institutions in order to make investments in specified assets. JHR does not utilize surplus funds to invest in financial instruments except for short-term deposits and other equivalent short-term financial instruments. JHR may enter into derivative transactions in order to hedge against interest rate risk, but not for speculative trading purposes.

(2) Details of financial instruments, their risks, and risk management system

Operating accounts receivable is operating receivables and is exposed to credit risks of clients. As for the risks, JHR is managing payment dates and balances by each client with an aim to grasp concerns in collecting due to deterioration in their financial status and other factors in early stage and reduce the risks.

The floating rate loans payable are exposed to risks of interest rate fluctuations. In order to mitigate interest rate risk, JHR may enter into derivative transactions, if necessary, to fix the interest expense.

Derivative transactions are conducted principally in accordance with rules prescribed by JHR and risk management rules applied by the Asset Management Company. Derivative transactions are arranged by the section in charge of finance at the Asset Management Company by using financial institutions with high credit ratings through approval and resolution by authorized personnel and a meeting committee structure set forth in its decision-making standards and resolution of JHR's board of directors.

Loans payable are exposed to liquidity risks. The section in charge of finance at the Asset Management Company prepares and updates projections and actual cash flows on a monthly basis to manage liquidity risks and monitor compliance with restrictive covenants set forth in the loan contracts. JHR manages liquidity risks by managing the ratio of short-term and long-term loans payable considering the current financial environment through approval and resolution by authorized personnel and meeting committee structure in the Asset Management Company and resolution of JHR's board of directors.

(3) Supplementary explanation on matters concerning fair value, etc. of financial instruments

Regarding the contract amount, etc. of derivative transactions in "2. Matters concerning fair value of financial instruments," the amount itself does not indicate certain scale of market risk exposure related to derivative transactions.

## 2. Matters concerning fair value of financial instruments

Carrying amounts of financial instruments on the balance sheets, their fair values, and the differences were as follows. The notes on “Cash and deposits,” “Cash and deposits in trust,” “Operating accounts receivable” and “Short-term loans payable” are omitted as these are settled 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 those items are immaterial due to materiality.

For the year ended December 31, 2021

	Carrying amount (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(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)	—

For the year ended December 31, 2022

	Carrying amount (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(1) Current portion of investment corporation bonds payable	—	—	—
(2) Current portion of long-term loans payable	15,432,000	15,432,000	—
(3) Investment corporation bonds	36,900,000	33,223,450	(3,676,550)
(4) Long-term loans payable	76,786,000	76,786,000	—
Total liabilities	129,118,000	125,441,450	(3,676,550)
(5) Derivative transactions (*)	1,184,172	1,184,172	—

(\*) 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

Please refer to “Notes on derivative transactions” below.

3. Schedule for redemption of investment corporation bonds and repayment of long-term loans payable after the end of the period under review.

As of December 31, 2021

(thousands of yen)						
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	6,000,000	—	3,000,000	—	13,100,000	18,000,000
Long-term loans payable	8,434,000	15,432,000	18,536,000	19,000,000	4,250,000	35,000,000
Total	14,434,000	15,432,000	21,536,000	19,000,000	17,350,000	53,000,000

As of December 31, 2022

(thousands of yen)						
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	—	3,000,000	2,800,000	13,100,000	—	18,000,000
Long-term loans payable	15,432,000	18,536,000	19,000,000	4,250,000	17,000,000	18,000,000
Total	15,432,000	21,536,000	21,800,000	17,350,000	17,000,000	36,000,000

[Notes on derivative transactions]

1. Derivative transactions to which hedge accounting is not applied

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:

As of December 31, 2021

(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 December 31, 2022

(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	1,750,000	(696)	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

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:

As of December 31, 2021

(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 December 31, 2022

(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	70,600,000	1,184,868	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

[Notes on tax-effect accounting]

1. Components of deferred tax assets and liabilities by cause

(thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Deferred tax assets:		
Valuation difference on assets accepted through merger	1,681,502	1,667,655
Amortization of fixed-term leasehold of land	248,687	291,223
Asset retirement obligations	19,131	25,570
Amortization of trademark right	29,409	47,055
Deferred gains (losses) on hedges	61,045	2,447
Total gross deferred tax assets	2,039,776	2,033,953
Valuation allowance	(2,039,776)	(2,033,953)
Total deferred tax assets	—	—
Deferred tax liabilities		
Deferred gains (losses) on hedges	3,812	375,207
Total gross deferred tax liabilities	3,812	375,207

2. Details of major causes of material differences between the statutory tax rate and the tax rate under effective tax accounting

	As of December 31, 2021	As of December 31, 2022
Statutory tax rate	31.46%	31.46%
[Adjustments]		
Deduction for dividends paid	(35.22%)	(33.44%)
Change in valuation allowance	3.76%	1.97%
Other	0.09%	0.05%
Actual effective tax rate	0.09%	0.05%

[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 life of the period of building 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 year ended December 31, 2022
Balance at beginning of period	335,161	336,783
Adjustment due to passage of time	1,622	1,630
Balance at end of period	336,783	338,413

[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 year ended December 31, 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 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 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 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)	2,524,020	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.

For the year ended December 31, 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 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 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 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)	6,862,661	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 rental properties, etc.]

JHR owns rental properties for hotels. 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 year ended December 31, 2022
Hotel	Carrying amount		
	Balance at beginning of period	367,283,696	358,819,865
	Net increase (decrease) during period	(8,463,831)	(341,052)
	Balance at end of period	358,819,865	358,478,812
	Fair value at end of period	485,480,000	483,110,000

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

(Note 2) Fair value at end of period is the appraisal value determined by external licensed real estate appraisers.

Real estate operating revenue and costs related to the rental properties were as follows:

(thousands of yen)

Use		For the year ended December 31, 2021	For the year ended December 31, 2022
Hotel	Amount on the statements of income		
	Real estate operating revenue	10,374,662	14,912,972
	Real estate operating costs	8,830,354	8,796,879
	Net real estate operating income	1,544,308	6,116,092

(Note) "Real estate operating revenue" and "Real estate operating costs" are income from real estate operation (including other income from real estate operation) and corresponding expenses (such as depreciation, property tax, etc., trust fees, repair expenses and others), and are included in "Real Estate operating revenue" and "Real estate operating costs," respectively.

## [Notes on revenue recognition]

For the year ended December 31, 2022

Broken down information on revenue from contracts with customers.

For broken down information on revenue from contracts with customers, please see [Notes to statements of income] \*1.

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

\*1. Components of real estate operating revenue and real estate operating costs include revenue under Accounting Standard for Leasing Transactions (ASBJ Statement No. 13).

The revenue from contracts with major customers consist mainly of utilities income.

## [Notes on per unit information]

	For the year ended December 31, 2021	For the year ended December 31, 2022
Net assets per unit	¥49,595	¥50,050
Net income per unit	¥290	¥598

(Note 1) Net income per unit is computed by dividing net income by the average number of investment units during the period.

Net income per unit after the adjustment of potentially dilutive units is not presented since there are no potentially dilutive units.

(Note 2) The basis of computation of net income per unit is as follows:

	For the year ended December 31, 2021	For the year ended December 31, 2022
Net income (JPY 1,000)	1,296,801	2,671,756
Amount not attributable to common unitholders (JPY 1,000)	—	—
Net income attributable to common investment units (JPY 1,000)	1,296,801	2,671,756
Average number of investment units during period (units)	4,466,061	4,467,006

[Notes on significant subsequent events]

JHR acquired UAN kanazawa on January 31, 2023.

Name of acquired asset	UAN kanazawa
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	6-30, Oyama-machi, Kanazawa-shi, Ishikawa
Acquisition date	January 31, 2023
Seller	GK Esquilino Investment
Acquisition price (Note)	¥2,050 million

(Note) The acquisition price does not include expenses for acquisition, settlement of property tax, city planning tax, etc., and consumption tax and local consumption tax.

(11) 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 fiscal year under review.

Date	Capital transaction	Total number of investment units issued and outstanding (Units)		Unitholders' capital (JPY1M)		Note
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
January 23, 2019	Capital increase through public offering of investment units	447,800	4,458,647	33,104	186,620	(Note 1)
February 20, 2019	Capital increase through third-party allotment of investment units	3,700	4,462,347	273	186,894	(Note 2)
March 16, 2021	Capital increase through third-party allotment of investment units	4,659	4,467,006	300	187,194	(Note 3)

(Note 1) 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 2) 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 3) 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 fiscal year under review.

Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2021		As of December 31, 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	26,646	6.7	
			Namba Oriental Hotel	14,354	3.6	14,250	3.6	
			Hotel Oriental Express Osaka Shinsaibashi	2,793	0.7	2,781	0.7	
		Tokyo	the b ikebukuro	6,567	1.7	6,548	1.7	
			CANDEO HOTELS UENO-KOEN	6,567	1.7	6,535	1.6	
			Comfort Hotel Tokyo Higashi Nihombashi	3,457	0.9	3,422	0.9	
			the b hachioji	2,683	0.7	2,685	0.7	
			Smile Hotel Nihombashi Mitsukoshimae	2,028	0.5	2,025	0.5	
			R&B Hotel Ueno Hirokoji	1,794	0.5	1,780	0.4	
			Chisun Hotel Kamata	1,452	0.4	1,442	0.4	
			the b suidobashi	1,170	0.3	1,155	0.3	
			dormy inn global cabin Asakusa	930	0.2	922	0.2	
			Chisun Inn Kamata	775	0.2	773	0.2	
		Hokkaido	ibis Styles Sapporo	6,432	1.6	6,366	1.6	
			Mercure Sapporo	5,671	1.4	5,614	1.4	
		Fukuoka	Hotel Oriental Express Fukuoka Tenjin	5,716	1.4	5,728	1.4	
			the b hakata	2,345	0.6	2,330	0.6	
			Hakata Nakasu Washington Hotel Plaza	2,054	0.5	2,062	0.5	
			Toyoko Inn Hakata-guchi Ekimae	1,382	0.4	1,364	0.3	
		Kyoto	ibis Styles Kyoto Station	6,599	1.7	6,580	1.7	
	Okinawa	Mercure Okinawa Naha	2,784	0.7	2,745	0.7		
	Kumamoto	Dormy Inn Kumamoto	2,203	0.6	2,186	0.6		
		Nara Washington Hotel Plaza	1,736	0.4	1,703	0.4		
	Subtotal				108,259	27.5	107,654	27.1
	Full-service hotel	Tokyo	Hilton Tokyo Odaiba	63,266	16.0	63,160	15.9	
			Oriental Hotel Tokyo bay	16,945	4.3	16,724	4.2	
		Chiba	Hilton Tokyo Narita Airport	13,015	3.3	13,038	3.3	
			International Garden Hotel Narita	9,059	2.3	8,983	2.3	
			Hotel Francs	3,141	0.8	3,142	0.8	
		Hiroshima	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 4)	17,060	4.3	17,016	4.3	
			Oriental Hotel Hiroshima	4,043	1.0	4,032	1.0	
		Aichi	Hilton Nagoya	15,618	4.0	15,560	3.9	
		Nara	Hotel Nikko Nara	10,145	2.6	10,047	2.5	
		Hyogo	Kobe Meriken Park Oriental Hotel	9,337	2.4	9,260	2.3	
		Fukuoka	Oriental Hotel Fukuoka Hakata Station	8,955	2.3	8,720	2.2	
		Kanagawa	Mercure Yokosuka	1,598	0.4	1,608	0.4	
		Subtotal				172,186	43.7	171,296
Resort hotel		Okinawa	Hotel Nikko Alivila	17,627	4.5	17,451	4.4	
	Oriental Hotel Okinawa Resort & Spa		14,597	3.7	15,408	3.9		
	The Beach Tower Okinawa		6,472	1.6	6,418	1.6		
	Chiba	Hilton Tokyo Bay	26,159	6.6	26,097	6.6		
	Osaka	Oriental Hotel Universal City	7,019	1.8	7,302	1.8		
	Kanagawa	Hakone Setsugetsuka	3,593	0.9	3,552	0.9		
Subtotal				75,469	19.1	76,231	19.2	
Real estate in trust – Total				355,915	90.3	355,182	89.5	
Deposits and other assets (Note 5)				38,408	9.7	41,617	10.5	
Total assets				394,323	100.0	396,799	100.0	

  

	Amount (JPY1M)	Ratio to total assets (%)	Amount (JPY1M)	Ratio to total assets (%)
Total liabilities	172,781	43.8	173,225	43.7
Total net assets	221,542	56.2	223,574	56.3

(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 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

a. 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 fiscal year 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	9,484	14,100	N	3.0	Unsecured
2	Oriental Hotel tokyo bay	Mid-price	19,900	16,889	31,700	N	5.5	Unsecured
3	Namba Oriental Hotel	Mid-price	15,000	14,317	31,000	N	4.1	Unsecured
4	Hotel Nikko Alivila	Luxury	18,900	17,665	28,100	N	5.2	Unsecured
5	Oriental Hotel Hiroshima	Upper-middle	4,100	4,095	4,150	N	1.1	Unsecured
8	The Beach Tower Okinawa	Mid-price	7,610	6,420	9,960	N	2.1	Unsecured
9	Hakone Setsugetsuka	Mid-price	4,070	3,558	5,260	N	1.1	Unsecured
10	Dormy Inn Kumamoto	Mid-price	2,334	2,186	2,930	N	0.6	Unsecured
12	the b suidobashi	Mid-price	1,120	1,167	2,270	N	0.3	Unsecured
13	dormy inn global cabin Asakusa	Economy	999	922	1,300	J	0.3	Unsecured
14	Hakata Nakasu Washington Hotel Plaza	Mid-price	2,130	2,062	4,520	N	0.6	Unsecured
15	Nara Washington Hotel Plaza	Mid-price	2,050	1,703	2,430	N	0.6	Unsecured
16	R&B Hotel Ueno Hirokoji	Economy	1,720	1,780	1,800	J	0.5	Unsecured
18	Comfort Hotel Tokyo Higashi Nihombashi	Economy	3,746	3,423	5,370	J	1.0	Unsecured
22	Smile Hotel Nihombashi Mitsukoshimae	Economy	2,108	2,025	2,940	J	0.6	Unsecured
24	Toyoko Inn Hakata-guchi Ekimae	Economy	1,652	1,364	2,760	T	0.5	Unsecured
25	Chisun Hotel Kamata	Economy	1,512	1,452	2,050	T	0.4	Unsecured
26	Chisun Inn Kamata	Economy	823	779	1,380	T	0.2	Unsecured
29	Oriental Hotel Universal City (Note 8)	Mid-price	6,753	7,732	17,800	R	1.9	Unsecured
31	Hilton Tokyo Bay	Luxury	26,050	26,106	40,500	D	7.2	Unsecured
32	ibis Styles Kyoto Station	Mid-price	6,600	6,594	9,990	D	1.8	Unsecured
33	ibis Styles Sapporo	Mid-price	6,797	6,414	11,100	N	1.9	Unsecured
34	Mercure Sapporo	Mid-price	6,000	5,679	10,500	N	1.7	Unsecured
35	Mercure Okinawa Naha	Mid-price	3,000	2,807	6,940	N	0.8	Unsecured
37	the b ikebukuro	Mid-price	6,520	6,570	7,180	N	1.8	Unsecured
39	the b hachioji	Mid-price	2,610	2,701	2,570	N	0.7	Unsecured
40	the b hakata	Mid-price	2,300	2,343	4,320	N	0.6	Unsecured
41	Hotel Francs	Mid-price	3,105	3,142	4,100	D	0.9	Unsecured
42	Mercure Yokosuka	Mid-price	1,650	1,629	3,240	D	0.5	Unsecured
43	Oriental Hotel Okinawa Resort & Spa	Upper-middle	14,950	15,756	17,900	N	4.1	Unsecured
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Luxury	17,320	17,190	20,700	D	4.8	Unsecured
45	CANDEO HOTELS UENO-KOEN	Mid-price	6,705	6,548	7,460	D	1.8	Unsecured
46	Oriental Hotel Fukuoka Hakata Station	Upper-middle	7,197	8,879	15,000	D	2.0	Unsecured
47	Holiday Inn Osaka Namba	Mid-price	27,000	26,672	26,600	N	7.4	Unsecured
48	Hotel Oriental Express Fukuoka Tenjin	Mid-price	5,248	5,828	6,520	D	1.4	Unsecured
49	Hilton Nagoya	Luxury	15,250	15,560	14,900	D	4.2	Unsecured
50	Hilton Tokyo Narita Airport	Upper-middle	13,175	13,247	12,300	N	3.6	Unsecured
51	International Garden Hotel Narita	Mid-price	9,125	9,050	9,080	N	2.5	Unsecured
52	Hotel Nikko Nara	Upper-middle	10,373	10,135	9,500	D	2.9	Unsecured
53	Hotel Oriental Express Osaka Shinsaibashi	Mid-price	2,738	2,804	2,890	D	0.8	Unsecured
54	Hilton Tokyo Odaiba	Upper-middle	62,400	63,369	68,000	N	17.2	Unsecured
	Total		363,542	358,067	483,110		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 fiscal year under review and includes the amounts for not only real estate in trust but also machinery and equipment, tools, furniture and fixtures, 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 fiscal year 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 fiscal year under review to the total amount of acquisition price of all assets held at the end of the fiscal year under review and is 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 19th period December 2018	End of 20th period December 2019	End of 21st period December 2020	End of 22nd period December 2021	End of 23rd period December 2022
Total number of tenants (Note 1)	126	125	121	116	110
Total leasable area (Note 2)	678,714.48 m <sup>2</sup>	746,329.68 m <sup>2</sup>	741,083.02 m <sup>2</sup>	733,995.61 m <sup>2</sup>	733,995.61 m <sup>2</sup>
Total leased area (Note 3)	677,863.00 m <sup>2</sup>	745,227.67 m <sup>2</sup>	740,146.96 m <sup>2</sup>	732,764.69 m <sup>2</sup>	732,251.49 m <sup>2</sup>
Occupancy rate (Note 4)	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. However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amount 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 amount 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 to leasable area of respective real estate properties in trust as of the end of each fiscal 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	
					December 2018	December 2019
Hilton Tokyo Bay	1	(Note 2)	64,928.83 m <sup>2</sup> (Note 3)	64,928.83 m <sup>2</sup> (Note 3)	December 2018	100.0%
					December 2019	100.0%
					December 2020	100.0%
					December 2021	100.0%
					December 2022	100.0%

- (Note 1) “Total annual rent” is the amount of (i) 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 fiscal year under review is multiplied by 12, plus (ii) actual amounts of revenue sharing, variable rent or income from management contracts for full 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)	429,003	181,829	(113,706)
2	Oriental Hotel tokyo bay	Variable/Fixed (Note 4)	833,097	714,862	383,268
3	Namba Oriental Hotel	Variable/Fixed (Note 4)	460,814	354,246	218,611
4	Hotel Nikko Alivila	Variable/Fixed (Note 4)	814,249	666,558	400,870
5	Oriental Hotel Hiroshima	Variable/Fixed (Note 4)	618,521	574,851	490,327
8	The Beach Tower Okinawa	Fixed	511,035	468,035	354,276
9	Hakone Setsugetsuka	Fixed	294,944	269,104	171,890
10	Dormy Inn Kumamoto	Fixed (Note 5)	194,460	172,498	119,580
12	the b suidobashi	Variable/Fixed	30,000	17,900	(11,322)
13	dormy inn global cabin Asakusa	Fixed	65,075	55,801	42,394
14	Hakata Nakasu Washington Hotel Plaza (Note 6)	Fixed	240,000	225,000	199,000
15	Nara Washington Hotel Plaza (Note 6)	Fixed	150,000	133,000	97,000
16	R&B Hotel Ueno Hirokoji	Fixed	97,300	82,701	65,848
18	Comfort Hotel Tokyo Higashi Nihombashi	Variable/Fixed (Note 7)	271,527	241,391	204,067
22	Smile Hotel Nihombashi Mitsukoshimae	Variable/Fixed (Note 7)	134,400	118,053	97,832
24	Toyoko Inn Hakata-guchi Ekimae	Fixed	141,039	127,317	109,114
25	Chisun Hotel Kamata	Variable	26,161	11,747	(20,707)
26	Chisun Inn Kamata	Variable	18,327	11,172	(1,197)
29	Oriental Hotel Universal City	Variable/Fixed	627,498	569,689	252,276
31	Hilton Tokyo Bay	Variable/Fixed (Note 7)	1,980,234	1,697,831	1,506,961
32	ibis Styles Kyoto Station	Management contract	71,413	41,219	6,199
33	ibis Styles Sapporo	Management contract	214,126	114,721	33,382
34	Mercure Sapporo	Management contract	269,073	102,917	12,776
35	Mercure Okinawa Naha	Management contract	50,072	8,122	(65,378)
37	the b ikebukuro	Variable/Fixed	478,240	448,826	422,727
39	the b hachioji	Variable/Fixed	91,151	66,358	30,243
40	the b hakata	Variable/Fixed	66,522	53,566	31,468
41	Hotel Francs	Fixed	300,000	237,496	190,018
42	Mercure Yokosuka	Variable	231,678	119,833	82,150
43	Oriental Hotel Okinawa Resort & Spa	Variable/Fixed (Note 4)	199,587	116,666	(216,280)
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed (Note 4)	1,127,826	667,870	443,648
45	CANDEO HOTELS UENO-KOEN	Fixed	349,971	324,257	283,716
46	Oriental Hotel Fukuoka Hakata Station	Variable/Fixed (Note 4)	612,861	366,013	(20,010)
47	Holiday Inn Osaka Namba	Variable/Fixed (Note 4)	213,149	164,068	44,463
48	Hotel Oriental Express Fukuoka Tenjin	Variable/Fixed	286,257	190,023	93,192
49	Hilton Nagoya	Variable	1,037,215	389,134	208,057
50	Hilton Tokyo Narita Airport	Variable/Fixed (Note 4)	228,202	147,855	(59,155)
51	International Garden Hotel Narita	Variable/Fixed (Note 4)	212,497	168,854	8,015
52	Hotel Nikko Nara	Variable/Fixed (Note 4)	178,567	130,291	(18,044)
53	Hotel Oriental Express Osaka Shinsaibashi (Note 8)	Variable/Fixed (Note 4)	—	(14,078)	(30,138)
54	Hilton Tokyo Odaiba	Variable/Fixed (Note 4)	722,054	391,085	89,886
	Total		14,879,363	10,929,748	6,138,573

(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)  $NOI = \text{Real estate operating revenue} - \text{Real estate operating costs} + \text{Depreciation} + \text{Loss on retirement of noncurrent assets} + \text{Asset retirement obligations expenses}$

(Note 3)  $NOI \text{ after depreciation (net real estate operating income)} = \text{Real estate operating revenue} - \text{Real estate operating costs}$

(Note 4) For the 16 HMJ Hotels, only variable rent is paid in the fiscal year ending December 2022 and no fixed rent will be incurred.

(Note 5) Rent type after April 2023 will be Variable/Fixed.

(Note 6) 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 7) 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 8) Temporarily closed for some time during the fiscal year under review due to the impact of the spread of the infection by COVID-19.

(Note 9) The property numbers of assets that were transferred before the end of the previous fiscal year are intentionally omitted.

(e) Summary of risk analysis, etc. for earthquake

The following is the PML value etc. for the real estate properties (in trust) under management for the fiscal year under review (from January 1, 2022 to December 31, 2022).

Property No.	Name	Probable Maximum Loss (PML) ratio by earthquake risk analyses (%) (Note 1)	Existence of earthquake insurance	Provider of PML value (Note 2)
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
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) represents damage caused by a major earthquake that may occur once every 475 years (estimated probability of such earthquake to occur during the 50 years is 10%) during the expected holding period (50 years = useful life of ordinary buildings). PML is the anticipated percentage of recovery cost against the building replacement cost.

JHR will evaluate the possibility of acquiring earthquake insurance for the property if the PML of the particular property exceeds 15%. However, as of the end of the fiscal year under review, no property is planned to be insured by earthquake insurance.

(Note 2) Under "Provider of PML value" the letters indicate the name of provider for the properties as follows:

- T: Tokio Marine dR Co., Ltd.
- P: Deloitte Tohatsu Property Risk Solution Co., Ltd.
- O: OBAYASHI CORPORATION
- S: Sompo Risk Management, Inc.

(Note 3) The property numbers of assets that were transferred are intentionally omitted.

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

The following is the individual income statements for real estate properties (in trust) under management for the fiscal year under review (from January 1, 2022 to December 31, 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	—	365	365	365	365	365
(A) Real estate operating revenue subtotal	14,879,363	429,003	833,097	460,814	814,249	618,521
Fixed rent	6,279,169	—	—	—	—	—
Variable rent	7,646,818	425,330	831,878	460,814	814,249	616,161
Other revenue	953,375	3,672	1,219	—	—	2,360
(B) Real estate operating costs subtotal	8,740,790	542,709	449,828	242,203	413,378	128,194
Land lease and other rent expenses	845,567	192,711	—	—	84,149	—
Property taxes	1,923,806	47,881	111,513	101,540	55,403	40,383
Outsourcing expenses	352,400	960	960	960	1,920	960
Nonlife insurance	70,695	4,300	4,251	1,700	3,196	1,317
Depreciation and amortization	4,731,733	295,201	322,089	133,654	264,158	84,187
Loss on retirement of noncurrent assets	57,811	334	9,504	1,980	1,528	336
Other costs	758,774	1,320	1,509	2,367	3,022	1,009
(C) Net real estate operating income = (A) – (B)	6,138,573	(113,706)	383,268	218,611	400,870	490,327
(Reference) Occupancy rate	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	110	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	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	511,035	294,944	194,460	30,000	65,075	240,000
Fixed rent	511,008	294,340	194,460	30,000	63,395	240,000
Variable rent	—	—	—	—	—	—
Other revenue	27	604	—	—	1,680	0
(B) Real estate operating costs subtotal	156,758	123,054	74,879	41,322	22,680	41,000
Land lease and other rent expenses	—	—	—	—	—	—
Property taxes	39,676	23,364	20,280	7,992	6,125	11,000
Outsourcing expenses	—	—	—	1,200	1,200	1,000
Nonlife insurance	1,799	938	647	246	159	0
Depreciation and amortization	113,758	97,214	52,917	28,552	12,451	24,000
Loss on retirement of noncurrent assets	—	—	—	671	955	1,000
Other costs	1,524	1,537	1,033	2,660	1,788	1,000
(C) Net real estate operating income = (A) – (B)	354,276	171,890	119,580	(11,322)	42,394	199,000
(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	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	150,000	97,300	271,527	134,400	141,039	26,161
Fixed rent	146,000	96,504	260,321	134,400	141,039	—
Variable rent	—	—	—	—	—	26,091
Other revenue	3,000	795	11,205	—	—	70
(B) Real estate operating costs subtotal	52,000	31,451	67,459	36,567	31,924	46,869
Land lease and other rent expenses	—	—	—	—	—	—
Property taxes	11,000	12,304	26,911	13,251	11,237	11,777
Outsourcing expenses	3,000	840	1,614	1,200	1,080	1,200
Nonlife insurance	0	233	552	262	371	302
Depreciation and amortization	35,000	16,853	37,323	20,221	18,202	32,455
Loss on retirement of noncurrent assets	0	—	—	—	—	—
Other costs	1,000	1,221	1,057	1,631	1,032	1,134
(C) Net real estate operating income = (A) – (B)	97,000	65,848	204,067	97,832	109,114	(20,707)
(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 (Note 3)	Hilton Tokyo Bay	ibis Styles Kyoto Station (Note 1)	ibis Styles Sapporo (Note 1)	Mercure Sapporo (Note 1)
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	18,327	627,498	1,980,234	71,413	214,126	269,073
Fixed rent	—	316,666	Undisclosed (Note 3)	42,334	25,693	50,062
Variable rent	18,327	264,191	Undisclosed (Note 3)	25,091	138,956	128,660
Other revenue	—	46,640	Undisclosed (Note 3)	3,987	49,476	90,350
(B) Real estate operating costs subtotal	19,524	375,221	473,272	65,214	180,743	256,297
Land lease and other rent expenses	—	—	123,720	—	—	45
Property taxes	4,819	48,961	140,309	21,714	37,194	49,434
Outsourcing expenses	1,080	4,195	11,984	4,147	11,566	31,331
Nonlife insurance	121	2,270	4,510	449	1,218	1,388
Depreciation and amortization	12,370	291,576	190,869	34,437	81,338	90,140
Loss on retirement of noncurrent assets	—	25,836	—	582	—	—
Other costs	1,133	2,381	1,878	3,882	49,425	83,957
(C) Net real estate operating income = (A) – (B)	(1,197)	252,276	1,506,961	6,199	33,382	12,776
(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	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	50,072	478,240	91,151	66,522	300,000	231,678
Fixed rent	—	153,436	59,393	66,522	300,000	—
Variable rent	50,049	323,591	24,264	—	—	181,210
Other revenue	23	1,212	7,493	—	—	50,467
(B) Real estate operating costs subtotal	115,451	55,512	60,907	35,053	109,981	149,527
Land lease and other rent expenses	333	—	—	—	—	—
Property taxes	23,195	22,423	21,021	10,153	56,763	32,858
Outsourcing expenses	15,363	2,412	1,200	1,200	1,800	21,107
Nonlife insurance	1,030	576	689	375	1,465	2,139
Depreciation and amortization	73,500	26,099	36,114	22,097	46,157	37,683
Loss on retirement of noncurrent assets	—	—	—	—	1,321	—
Other costs	2,027	4,000	1,881	1,227	2,473	55,738
(C) Net real estate operating income = (A) – (B)	(65,378)	422,727	30,243	31,468	190,018	82,150
(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	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	199,587	1,127,826	349,971	612,861	213,149	286,257
Fixed rent	—	502,485	Undisclosed (Note 3)	—	—	222,849
Variable rent	199,587	350,793	—	612,861	213,149	1,408
Other revenue	—	274,546	Undisclosed (Note 3)	—	—	61,999
(B) Real estate operating costs subtotal	415,868	684,178	66,254	632,872	168,685	193,065
Land lease and other rent expenses	—	—	—	222,206	—	—
Property taxes	76,313	120,828	22,779	19,179	45,396	32,475
Outsourcing expenses	2,400	96,413	1,200	3,000	1,560	11,772
Nonlife insurance	3,361	4,887	676	1,611	1,289	631
Depreciation and amortization	319,816	224,206	40,541	384,394	119,604	96,831
Loss on retirement of noncurrent assets	13,129	15	—	—	—	—
Other costs	846	237,826	1,056	2,480	834	51,355
(C) Net real estate operating income = (A) – (B)	(216,280)	443,648	283,716	(20,010)	44,463	93,192
(Reference) Occupancy rate	100.0%	98.4%	100.0%	100.0%	100.0%	94.1%
(Reference) Number of tenants	1	37	1	1	1	4

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 3)	Hilton Tokyo Odaiba
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	1,037,215	228,202	212,497	178,567	—	722,054
Fixed rent	Undisclosed (Note 3)	—	—	—	—	—
Variable rent	Undisclosed (Note 3)	226,673	211,911	178,567	—	719,857
Other revenue	Undisclosed (Note 3)	1,529	586	—	—	2,196
(B) Real estate operating costs subtotal	829,157	287,357	204,482	196,611	30,138	632,167
Land lease and other rent expenses	222,401	—	—	—	—	—
Property taxes	97,868	72,516	38,505	40,197	11,237	324,425
Outsourcing expenses	100,126	2,520	2,280	2,400	2,160	120
Nonlife insurance	5,184	4,361	1,917	3,783	186	5,352
Depreciation and amortization	181,076	207,010	160,839	148,336	16,060	301,198
Loss on retirement of noncurrent assets	—	—	—	—	—	—
Other costs	222,499	949	940	1,895	493	1,070
(C) Net real estate operating income = (A) – (B)	208,057	(59,155)	8,015	(18,044)	(30,138)	89,886
(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 “c. Overview of the hotel business; (a) Rent structures of hotels with variable rent, management contract or revenue sharing” on page 49.

(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 during the fiscal year under review due to the impact of the spread of COVID-19.

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



c. 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 HMJ 16 Hotel	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 Hotel	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 Hotel	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 (Note 6)	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 AGOP base amount for each hotel. The breakdown of the base amount of The Five HMJ Hotels (¥4,120 million/year) are 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.

(Note 6) In addition, from April 2023, the rent type for Dormy Inn Kumamoto will change from fixed to variable/variable, with the variable rent calculated as (GOP – base amount (¥400 million/year)) x 40.0%.

(b) Major Indexes 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 December 31, 2022, based on the data provided by the hotel lessees. While these Indexes of the hotels are among the Indexes 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 Indexes 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	66.9%	—	77.1%	—	54.9%	—	56.3%	—	100.0%	—	70.0%	—
ADR (Note 1)	19,310	—	17,902	—	10,264	—	30,471	—	9,092	—	17,928	—
RevPAR (Note 2)	12,915	—	13,800	—	5,634	—	17,151	—	9,092	—	12,558	—
Total sales	4,016	100.0	4,201	100.0	1,047	100.0	4,057	100.0	1,145	100.0	14,466	100.0
Rooms department	1,523	37.9	2,574	61.3	531	50.7	2,485	61.3	753	65.8	7,866	54.4
Food & beverage department	2,187	54.5	1,296	30.8	32	3.1	1,232	30.4	37	3.2	4,784	33.1
Tenant department	68	1.7	159	3.8	454	43.4	2	0.0	—	—	684	4.7
Other departments (Note 3)	238	5.9	171	4.1	31	3.0	338	8.3	355	31.0	1,133	7.8
GOP	495	12.3	1,053	25.1	506	48.3	1,113	27.4	692	60.4	3,859	26.7

	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 Hakata 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	61.5%	—	47.9%	—	58.2%	—	65.0%	—	100.0%	—	63.1%	—
ADR (Note 1)	20,661	—	22,836	—	20,837	—	13,402	—	3,395	—	7,024	—
RevPAR (Note 2)	12,716	—	10,940	—	12,131	—	8,717	—	3,395	—	4,430	—
Total sales	1,797	100.0	2,307	100.0	2,222	100.0	1,614	100.0	408	100.0	446	100.0
Rooms department	1,532	85.3	1,441	62.5	1,054	47.4	703	43.6	389	95.3	425	95.3
Food & beverage department	256	14.2	588	25.5	1,087	48.9	615	38.1	—	—	9	2.0
Tenant department	—	—	45	2.0	—	—	236	14.6	18	4.4	—	—
Other departments (Note 3)	10	0.6	232	10.1	80	3.6	59	3.7	1	0.2	12	2.7
GOP	648	36.1	224	9.7	443	19.9	632	39.2	236	57.8	166	37.2

	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	64.1%	—	62.7%	—	54.9%	—	5.0%	—	59.2%	—	64.1%	—
ADR (Note 1)	11,039	—	7,362	—	13,208	—	11,684	—	25,201	—	15,121	—
RevPAR (Note 2)	7,079	—	4,616	—	7,245	—	579	—	14,907	—	9,694	—
Total sales	2,192	100.0	1,016	100.0	1,688	100.0	26	100.0	6,569	100.0	34,752	100.0
Rooms department	1,416	64.6	780	76.8	873	51.7	26	100.0	2,465	37.5	18,970	54.6
Food & beverage department	640	29.2	191	18.8	772	45.7	—	—	3,781	57.6	12,723	36.6
Tenant department	22	1.0	4	0.4	4	0.2	—	—	80	1.2	1,095	3.2
Other departments (Note 3)	114	5.2	41	4.0	40	2.4	0	0.0	243	3.7	1,965	5.7
GOP	319	14.6	223	21.9	206	12.2	(11)	(42.3)	812	12.4	7,757	22.3

- (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.  
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 for certain period during the period. However, the occupancy rate is calculated including the closure 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 planned as of the end of the fiscal year under review. Expenditures are expected to total ¥4,858 million, which consists of capital expenditures of ¥4,848 million (Note) and repair expenses of ¥10 million, for the next fiscal year.

Name of property, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (JPY 1M)	
			Total amount	Total amount paid
Kobe Meriken Park Oriental Hotel (Kobeshi, Hyogo)	Renovation of restaurant	From July 2023 to September 2023	110	—
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of guest rooms (12th and 13th floor)	From May 2023 to July 2023	203	—
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of executive rooms	From May 2023 to July 2023	55	—
Oriental Hotel tokyo bay (Urayasu-shi, Chiba)	Construction works of tenant section	From July 2023 to November 2023	50	—
Oriental Hotel tokyo bay (Urayasu-shi, Chiba)	Renovation of restaurant	From August 2023 to August 2023	63	—
Oriental Hotel tokyo bay (Urayasu-shi, Chiba)	Renovation of guest room (11th and 12th floor)	From May 2023 to July 2023	300	—
Hotel Nikko Alivila (Nakagamigun, Okinawa)	Repair works of elevators	From January 2023 to March 2023	151	—
Oriental Hotel Universal City (Osaka-shi, Osaka)	Renewal of disaster prevention panel	From June 2023 to December 2023	90	—
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of elevators	From January 2023 to February 2023	73	--
Hilton Tokyo Bay (Urayasu-shi, Chiba)—	Renewal of air-conditioning equipment in guest rooms	From August 2023 to November 2023	79	—
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Painting of exterior wall	From October 2023 to December 2023	60	—
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renewal of air-conditioning equipment in guest rooms	From October 2023 to December 2023	88	—
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renovation of guest rooms	From October 2023 to December 2023	465	—
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renewal works of piping	From October 2023 to December 2023	60	—
Hilton Tokyo Narita Airport (Narita-shi, Chiba)	Renewal of telephone switchboard	From June 2023 to September 2023	60	—
Hilton Tokyo Odaiba (Minato-ku, Tokyo)	Repair works of receiving and transforming facility	From November 2023 to November 2023	120	—
Total			2,027	—

(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 fiscal year under review that represents capital expenditures is as below. Capital expenditures for the fiscal year under review totaled ¥4,497 million, and repair expenses that were accounted for as expense in the fiscal year under review totaled ¥21 million. In aggregate, ¥4,519 million of construction work was carried out.

Name of property, etc. (Location)	Purpose	Scheduled period	Construction costs (JPY 1M)
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of executive rooms	From May 2022 to July 2022	100
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of prefabricated bathrooms in guest rooms	From July 2022 to September 2022	62
Oriental Hotel Universal City (Osaka-shi, Osaka)	Renovation of guest rooms (13th to 17th floor)	From January 2022 to February 2022	283
Oriental Hotel Universal City (Osaka-shi, Osaka)	Renovation of guest rooms (5th to 12th floor)	From January 2022 to July 2022	447
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of elevator equipment	From November 2022 to December 2022	65
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renovation of lobby and pool area	From December 2021 to March 2022	493
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	51
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Painting of exterior walls	From September 2022 to December 2022	64
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renovation of guest rooms	From September 2022 to December 2022	337
ACTIVE-INTER CITY HIROSHIMA (Hiroshima-shi, Hiroshima)	Renovation of sixth floor lobby and lounge area	From May 2022 to August 2022	144
Oriental Hotel Fukuoka Hakata Station (Fukuoka-shi, Fukuoka)	Repair works of restaurant at B2 floor	From August 2022 to October 2022	57
Hotel Oriental Express Fukuoka Tenjin (Fukuoka-shi, Fukuoka)	Renewal of heat sources	From February 2022 to May 2022	57
Total			2,382

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