

Japan Hotel REIT Investment Corporation (TSE: 8985)

# Financial Results

FY12/2022 (23rd Period)

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

August 22, 2022

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## **I . Settlement of Accounts — Highlights**

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# 1. FY12/2022 Highlights

## 1. Status of Hotel Operations

### ▶ Performance of The 25 Hotels with Variable Rent, etc. (\*1)

- For FY2022, the impact of COVID-19 gradually declined, and recovery became more pronounced toward the end of the year. RevPAR for the full year fell 38.9% in comparison to 2019. On the other hand, GOP fell 59.1% in comparison to 2019 due to rising energy costs, etc.
- For FY2023, RevPAR is expected to exceed that of 2019 in the second half of the year and fall 3.5% from 2019 for the full year

	2019 (result)	2022 (result)	Variance		2023 (forecast)	Variance	
			vs previous year	vs 2019		vs previous year	vs 2019
<b>RevPAR (JPY)</b>	<b>14,109</b>	<b>8,623</b>	<b>+89.4%</b>	<b>(38.9%)</b>	<b>13,618</b>	<b>+57.9%</b>	<b>(3.5%)</b>
First Half	13,286	6,063	+91.4%	(54.4%)	12,014	+98.1%	(9.6%)
Second Half	14,918	11,140	+88.4%	(25.3%)	15,196	+36.4%	+1.9%
<b>GOP (JPY MM)</b>	<b>21,697</b>	<b>8,874</b>	<b>+274.9%</b>	<b>(59.1%)</b>	<b>16,390</b>	<b>+84.7%</b>	<b>(24.5%)</b>

### ▶ Lease Agreement with HMJ Group

- Changed to full variable rent scheme from February 2020 to the end of 2022
- Returned to original rent scheme with fixed rent + variable rent from January 2023

## 3. Financial Soundness

### ▶ Conservative Financial Management (\*3)

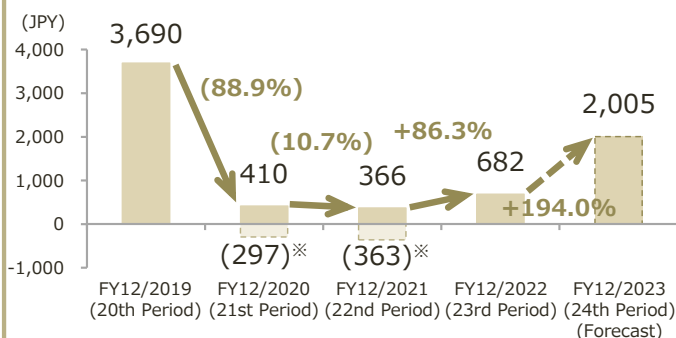
- Strengthen lender formation by inviting new lenders
- All matured loans are fully refinanced. Investment corporation bonds of JPY2.8Bn were issued in September
- Refinanced in January 2023 with a 3-year term loan

(as of the end of December 2022)

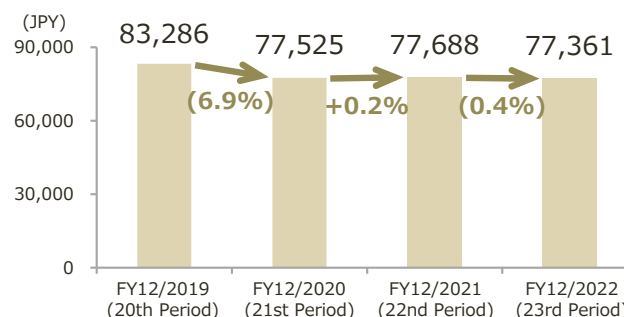
LTV (total asset base)	<b>41.4%</b>	Refinancing	
Costs for Interest-bearing Debt	<b>1.0%</b>	2022 (result)	JPY <b>38.3</b> Bn
Average Life of Debt	<b>2.8</b> years	2023 (forecast)	JPY <b>50.5</b> Bn
Free Cash	JPY <b>20.9</b> Bn		

## 2. Changes in DPU and NAV

### Changes in DPU



### Changes in NAV per Unit



\* Rough estimate in case gain on sale was excluded (\*2)

## 4. Sustainability Initiatives

### ▶ Acquisition of GRESB Real Estate Assessment

- Received "4-star" and selected for "Sector Leader" of Asian Hotel Sector in 2022 for three consecutive years



### ▶ Establishment of Greenhouse Gas (GHG) Emissions Reduction Target

- 30% reduction of GHG emissions per floor area (compared to FY2017) as a long-term goal by 2050

(\*1) The 25 Hotels with Variable Rent, etc. refers to 24 hotels: 14 hotels, which are 5 hotels of Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Aliviva, and Oriental Hotel Hiroshima ("The Five HMJ Hotels"), plus 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 14 HMJ Hotels"), plus 2 hotels which are Hotel Oriental Express Fukuoka Tenjin and Oriental Hotel Universal City whose lessees were replaced with subsidiaries of HMJ in 2021 due to rebranding ("The Two HMJ Rebranded Hotels." Together with The 14 HMJ Hotels, "The 16 HMJ Hotels"), plus 4 hotels of the b ikebukuro, the b hachioji, the b hakata, and the b suidobashi ("The Ishin Group Hotels") and 5 hotels of ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka ("The Accor Group Hotels"). The same shall apply hereinafter.

(\*2) Rough estimate calculated by excluding the amount equivalent to the gain on sale of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi from the distributable profit in FY12/2020 and the amount equivalent to the gain on sale of ibis Tokyo Shinjuku from the distributable profit in FY12/2021 respectively.

(\*3) Please refer to the footnotes on page 19 for the definition of the financial indicators.

## **II. Summary of Settlement of Accounts**

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# 1. Results for FY12/2022

		FY12/2021 (22nd Period)				FY12/2022 (23rd Period)				[Reference] FY12/2019 (20th Period)					
		Actual (A)		Difference from FY2021 Actual		Actual (A)		Difference from FY2019 Actual		Actual (C)		Difference from FY2019 Actual			
				(B)-(A)	%			(B)-(C)	%			(B)-(C)	%		
		(Unit: JPY MM)													
Proper ties	No. of Properties	41		41		-		-		43		(2)		-	
	Acquisition Price	363,542		363,542		-		-		374,508		(10,966)		(2.9%)	
Profit and Loss	Operating Revenue	13,633		14,912		1,279		9.4%		28,278		(13,365)		(47.3%)	
	Real Estate Operating Revenue	10,374		14,912		4,538		43.7%		28,278		(13,365)		(47.3%)	
	Fixed Rent	<b>61.8%</b>	6,413	<b>42.1%</b>	6,279	(134)	(2.1%)	<b>56.3%</b>	15,931	(9,651)	(60.6%)				
	Other Income	<b>8.4%</b>	872	<b>6.6%</b>	986	114	13.2%	<b>4.1%</b>	1,170	(183)	(15.7%)				
	Variable Rent	<b>29.8%</b>	3,088	<b>51.3%</b>	7,646	4,558	147.6%	<b>39.5%</b>	11,176	(3,530)	(31.6%)				
	Gain on Sales of Properties, etc.	3,258		-		(3,258)		(100.0%)		-		-		-	
	NOI <sup>(*2)</sup>	6,366		10,963		4,596		72.2%		24,087		(13,124)		(54.5%)	
	NOI Yield	1.8%		3.0%		1.3pt				6.4%		(3.4pt)			
	Depreciation	4,804		4,787		(16)				4,557		230			
	Asset Retirement Obligations Expenses	1		1		0				2		(0)			
	Loss on Retirement of Noncurrent Assets	16		57		41				246		(189)			
	NOI after Depreciation <sup>(*2)</sup>	1,544		6,116		4,571		296.0%		19,281		(13,165)		(68.3%)	
	NOI Yield after Depreciation	0.4%		1.7%		1.3pt				5.1%		(3.5pt)			
Other Operating Expenses	1,843		1,819		(23)				2,132		(313)				
Operating Income	2,959		4,296		1,336		45.2%		17,148		(12,851)		(74.9%)		
Ordinary Income	1,298		2,672		1,374		105.9%		15,291		(12,618)		(82.5%)		
Others	1		1		-				1		-				
Net Income	1,296		2,671		1,374		106.0%		15,290		(12,618)		(82.5%)		
Dividend	Use of Negative Goodwill	335		376		41		12.3%		1,176		(799)		(68.0%)	
	Total Dividends	1,634		3,046		1,411		86.3%		16,466		(13,419)		(81.5%)	
	Number of Units Issued (Unit)	4,467,006		4,467,006		-		-		4,462,347		4,659		0.1%	
	Dividend per Unit (JPY)	366		682		316		86.3%		3,690		(3,008)		(81.5%)	

## Main Factors of Difference from the Previous Year's Results

### Fixed Rent

• The Ishin Group Hotels	+JPY114MM
• The Two HMJ Rebranded Hotels	(JPY168MM)
• Others	+JPY12MM
• Property sold in 2021 <sup>(*3)</sup>	(JPY92MM)
<b>(Total)</b>	<b>(JPY134MM)</b>

### Variable Rent

• The 14 HMJ Hotels	+JPY3,739MM
• The Two HMJ Rebranded Hotels	+JPY265MM
• The Accor Group Hotels	+JPY313MM
• The Ishin Group Hotels	+JPY47MM
• Others	+JPY227MM
• Property sold in 2021	(JPY33MM)
<b>(Total)</b>	<b>+JPY4,558MM</b>

※ Difference in total rents by hotel group vs previous year's results (JPY MM)

	Fixed Rent	Variable Rent	Total
The 16 HMJ Hotels	(168)	+4,004	+3,836
The 14 HMJ Hotels	-	+3,739	+3,739
The Two HMJ Rebranded Hotels	(168)	+265	+97
The Accor Group Hotels	-	+313	+313
The Ishin Group Hotels	+114	+47	+161
<b>Total</b>	<b>(54)</b>	<b>+4,365</b>	<b>+4,310</b>

(\*1) For detail, please refer to Financial Report for the Fiscal Year Ended December 31, 2022 (January 1, 2022–December 31, 2022) dated February 22, 2023.

(\*2) Each is calculated using the following formula: NOI (Net Operating Income) = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses. NOI after depreciation = Real estate operating revenue – Real estate operating costs

(\*3) Stating the impact by the sale of ibis Tokyo Shinjuku sold on December 15, 2021. The same shall apply hereinafter.

## 2. Operating Forecast for FY12/2023

		FY12/2022 (23rd Period)				FY12/2023 (24th Period)		Difference from FY2022 Actual		[Reference]					
		Actual (A)		Forecast (B)		(B)-(A)	%	FY12/2019 (20th Period)		Difference from FY2019 Actual					
								Actual (C)		(B)-(C)	%				
(Unit: JPY MM)															
Proper ties	No. of Properties	41		42		1		-		43		(1)		-	
	Acquisition Price	363,542		365,592		2,050		0.6%		374,508		(8,916)		(2.4%)	
Profit and Loss	Operating Revenue	14,912		21,837		6,924		46.4%		28,278		(6,441)		(22.8%)	
	Real Estate Operating Revenue	14,912		21,837		6,924		46.4%		28,278		(6,441)		(22.8%)	
	Fixed Rent	<b>42.1%</b>	6,279	<b>65.6%</b>	14,327	8,047	128.2%	<b>56.3%</b>	15,931	(1,604)	(10.1%)				
	Other Income	<b>6.6%</b>	986	<b>4.6%</b>	1,005	18	1.8%	<b>4.1%</b>	1,170	(165)	(14.1%)				
	Variable Rent	<b>51.3%</b>	7,646	<b>29.8%</b>	6,504	(1,141)	(14.9%)	<b>39.5%</b>	11,176	(4,671)	(41.8%)				
	NOI <sup>(*2)</sup>	10,963		17,656		6,692		61.0%		24,087		(6,431)		(26.7%)	
	NOI Yield	3.0%		4.8%		1.8pt				6.4%		(1.6pt)			
	Depreciation	4,787		5,018		230				4,557		460			
	Asset Retirement Obligations Expenses	1		1		0				2		(0)			
	Loss on Retirement of Noncurrent Assets	57		11		(46)				246		(235)			
	NOI after Depreciation <sup>(*2)</sup>	6,116		12,624		6,508		106.4%		19,281		(6,656)		(34.5%)	
	NOI Yield after Depreciation	1.7%		3.5%		1.8pt				5.1%		(1.7pt)			
	Other Operating Expenses	1,819		2,058		238				2,132		(74)			
Operating Income	4,296		10,566		6,269		145.9%		17,148		(6,582)		(38.4%)		
Ordinary Income	2,672		8,629		5,956		222.9%		15,291		(6,661)		(43.6%)		
Others	1		1		-				1		-				
Net Income	2,671		8,628		5,956		223.0%		15,290		(6,661)		(43.6%)		
Dividend	Use of Negative Goodwill	376		330		(46)		(12.3%)		1,176		(846)		(71.9%)	
	Total Dividends	3,046		8,956		5,909		194.0%		16,466		(7,509)		(45.6%)	
	Number of Units Issued (Unit)	4,467,006		4,467,006		-		-		4,462,347		4,659		0.1%	
	Dividend per Unit (JPY)	682		2,005		1,323		194.0%		3,690		(1,685)		(45.7%)	

### Main Factors of Difference from the Previous Year's Results

#### Fixed Rent

- The 14 HMJ Hotels +JPY8,030MM
  - Others (JPY81MM)
  - Property acquired in January 2023<sup>(\*3)</sup> +99MM
- (Total) +JPY8,047MM**

#### Variable Rent

- The 14 HMJ Hotels (JPY2,941MM)
  - The Two HMJ Rebranded Hotels +JPY734MM
  - The Accor Group Hotels +JPY864MM
  - The Ishin Group Hotels (JPY27MM)
  - Others +JPY212MM
  - Property acquired in January 2023 +JPY15MM
- (Total) (JPY1,141MM)**

※ Difference in total rents by hotel group vs previous year's results (JPY MM)

	Fixed Rent	Variable Rent	Total
The 16 HMJ Hotels	+8,030	(2,207)	+5,823
The 14 HMJ Hotels	+8,030	(2,941)	+5,089
The Two HMJ Rebranded Hotels	-	+734	+734
The Accor Group Hotels	-	+864	+864
The Ishin Group Hotels	-	(27)	(27)
<b>Total</b>	<b>+8,030</b>	<b>(1,369)</b>	<b>+6,660</b>

(\*1) For detail, please refer to Financial Report for the Fiscal Year Ended December 31, 2022 (January 1, 2022–December 31, 2022) dated February 22, 2023.

(\*2) Each is calculated using the following formula: NOI (Net Operating Income) = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses.

NOI after depreciation = Real estate operating revenue – Real estate operating costs  
 (\*3) Stating the impact by the acquisition of UAN kanazawa acquired on January 31, 2023. The same shall apply hereinafter.

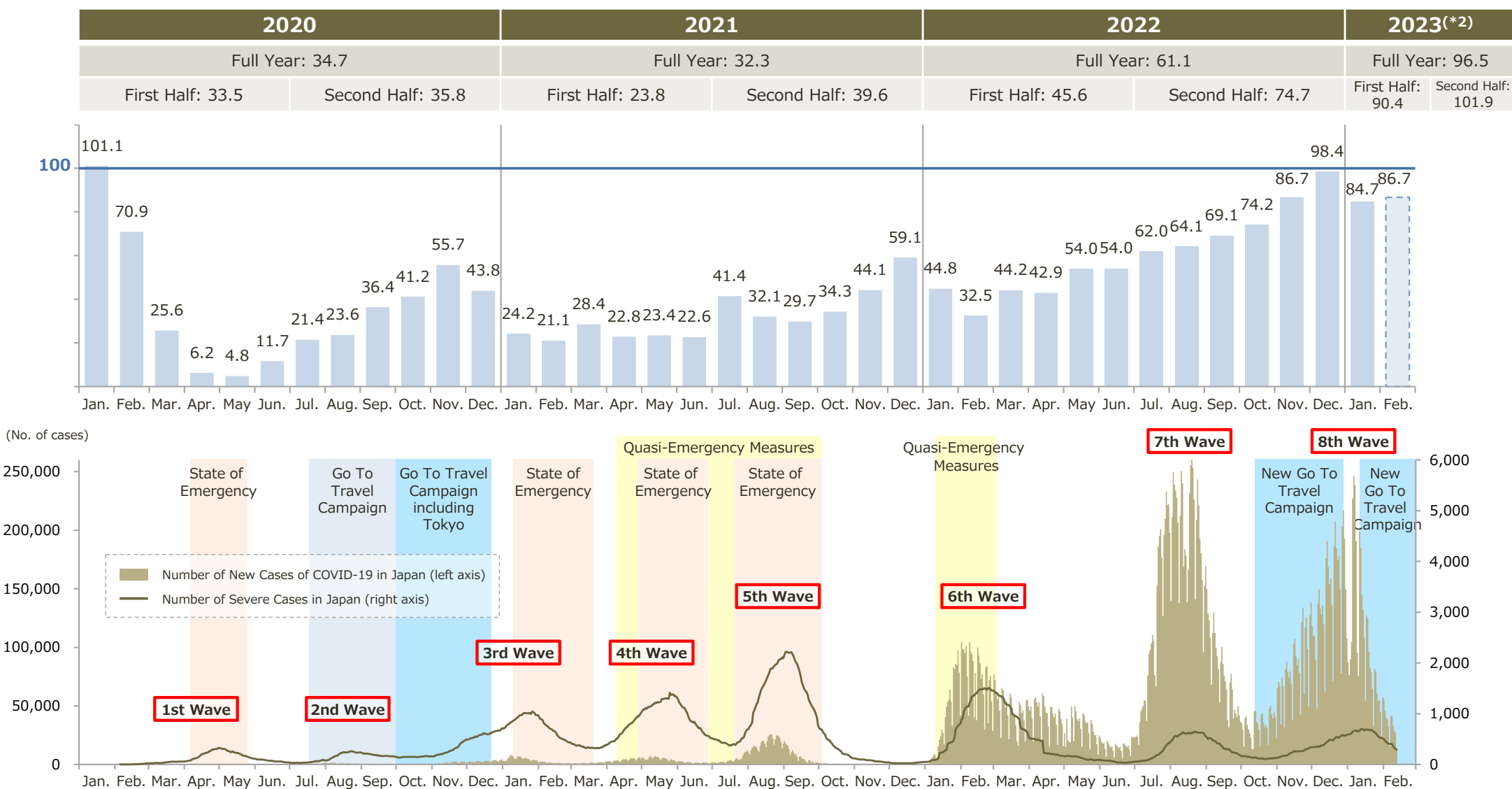
### **III. Status of Hotel Operations**

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# 1. Trend of RevPAR Index and Status of Infection by COVID-19 in Japan

Trend of RevPAR Index<sup>(\*1)</sup> of The 25 Hotels with Variable Rent, etc. in Comparison with 2019/Number of New Cases of Infection by COVID-19 in Japan



Source: Ministry of Health, Labour and Welfare

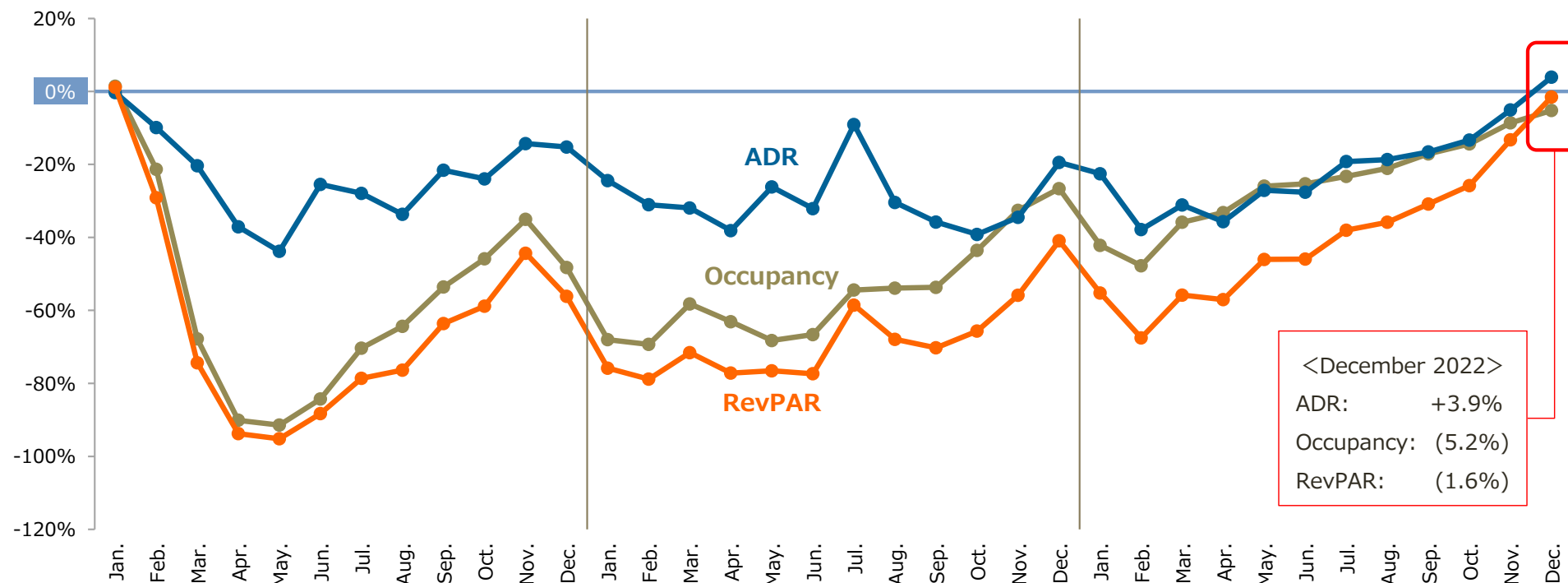
(\*1) The RevPAR for each period is indexed with the same period in 2019 as 100.

(\*2) Index for February 2023, first half 2023, second half 2023 and full year 2023 are estimate as of the date of this document.

## 2. Variance Trends of Occupancy, ADR, and RevPAR

◆ ADR-focused revenue management brought ADR in December 2022 above the same month in 2019

Variance trend in Major Indicators of The 25 Hotels with Variable Rent, etc. (vs same month in 2019)



※ Variance of Major Indicators vs 2019

ADR

Occupancy

RevPAR

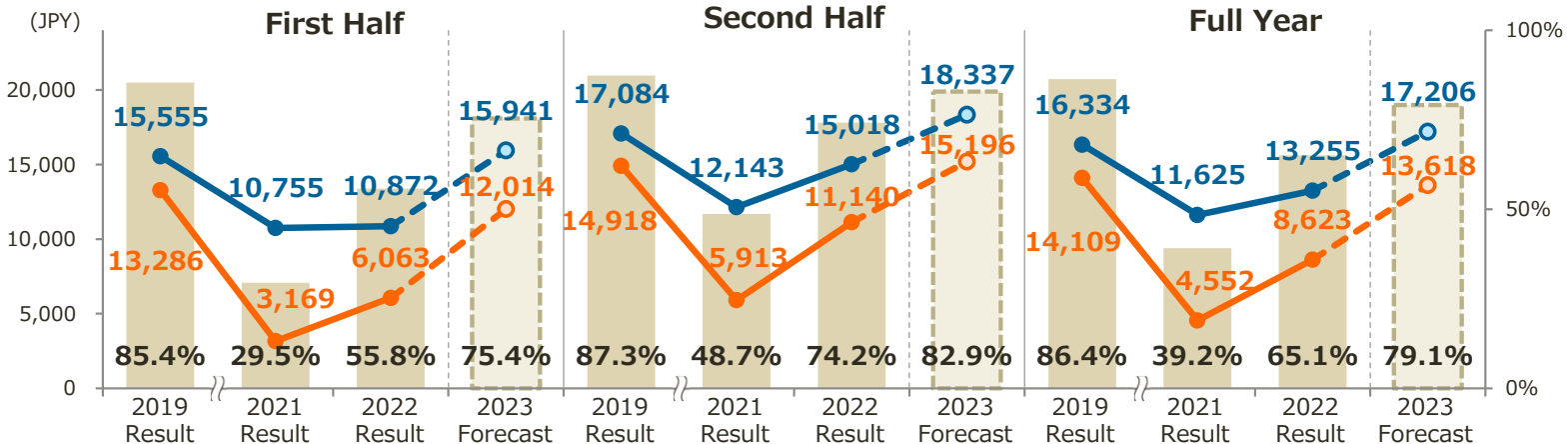
2020		2021		2022	
Full Year		Full Year		Full Year	
First Half	Second Half	First Half	Second Half	First Half	Second Half
(19.9%)		(28.8%)		(18.8%)	
(15.5%)	(23.7%)	(30.9%)	(28.9%)	(30.1%)	(12.1%)
(56.6%)		(54.7%)		(24.7%)	
(60.3%)	(53.1%)	(65.5%)	(44.2%)	(34.7%)	(15.0%)
(65.3%)		(67.7%)		(38.9%)	
(66.5%)	(64.2%)	(76.2%)	(60.4%)	(54.4%)	(25.3%)

# 3. Performance of The 25 Hotels with Variable Rent, etc.

## Performance and Forecast of Major Indicators

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

### Total of The 25 Hotels with Variable Rent, etc.



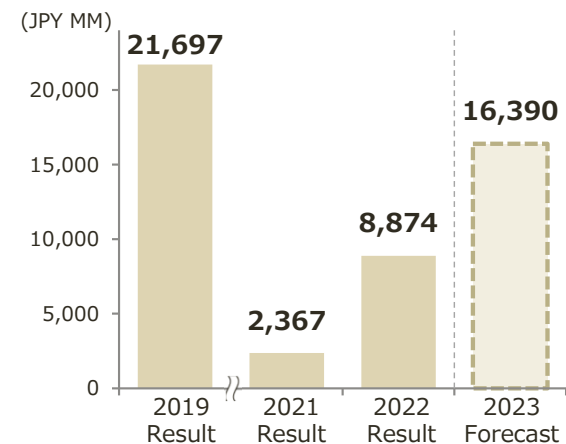
RevPAR	vs 2019	(76.2%)	(54.4%)	(9.6%)
	vs previous year	(28.9%)	+91.4%	+98.1%

	(60.4%)	(25.3%)	+1.9%
	+10.7%	+88.4%	+36.4%

	(67.7%)	(38.9%)	(3.5%)
	(7.1%)	+89.4%	+57.9%

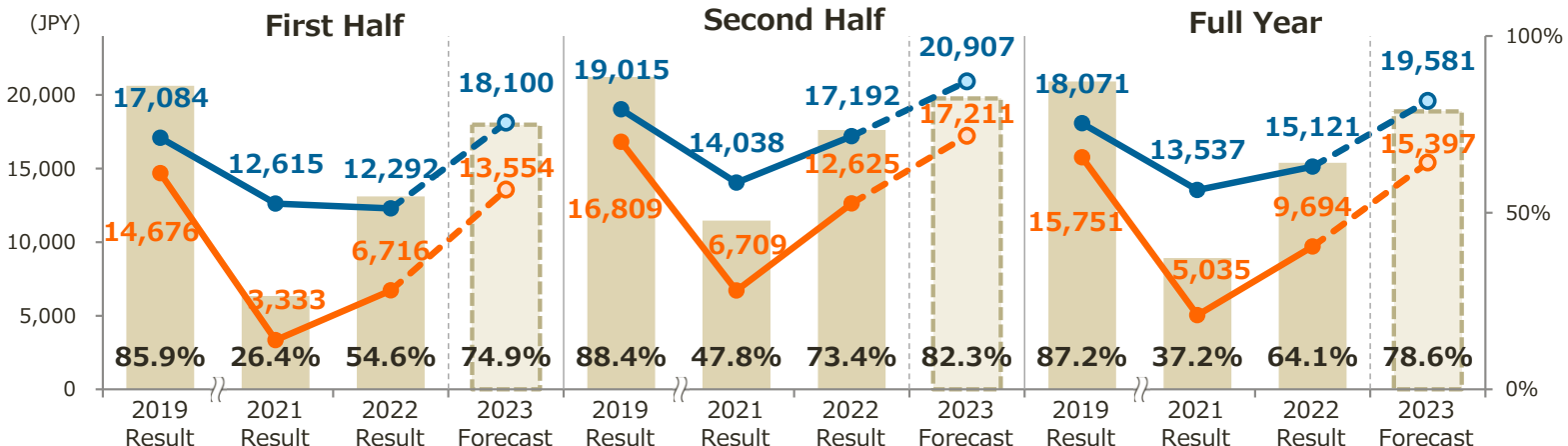
## Performance and Forecast of GOP

### Total of The 25 Hotels with Variable Rent, etc.



vs 2019	(89.1%)	(59.1%)	(24.5%)
vs previous year	+38.4%	+274.9%	+84.7%

### The 16 HMJ Hotels

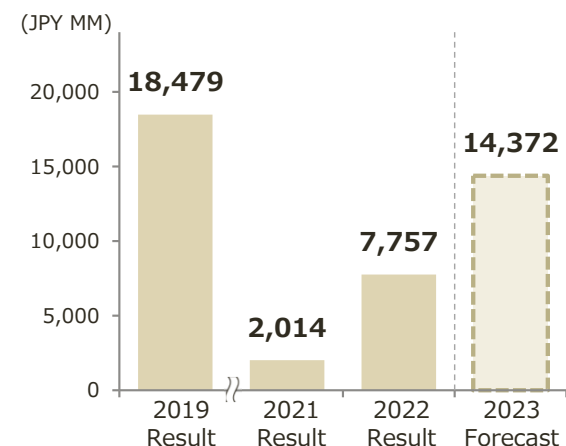


RevPAR	vs 2019	(77.3%)	(54.2%)	(7.6%)
	vs previous year	(31.2%)	+101.5%	+101.8%

	(60.1%)	(24.9%)	+2.4%
	+10.7%	+88.2%	+36.3%

	(68.0%)	(38.5%)	(2.2%)
	(7.7%)	+92.5%	+58.8%

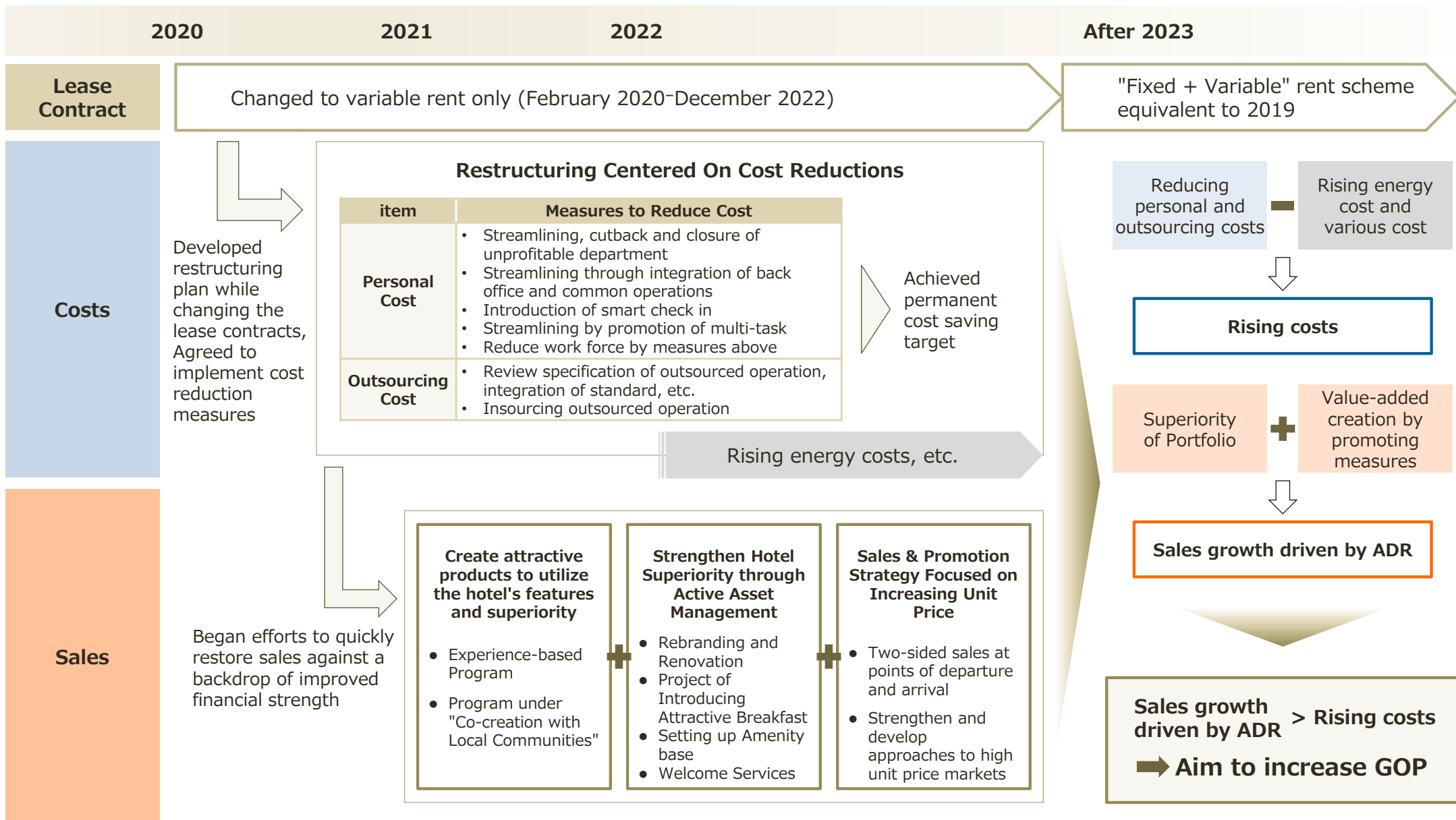
### The 16 HMJ Hotels



vs 2019	(89.1%)	(58.0%)	(22.2%)
vs previous year	+46.7%	+285.1%	+85.3%

# 4. Status and initiatives of HMJ Group

- ◆ Early implementation of a restructuring plans centered on cost reductions
- ◆ Promotion of strategic measures aimed at making a significant advance during the market recovery period, making the most of the superiority of portfolio (centered on high price range, full-service and resorts)



# 5. Examples of HMJ Group's Initiatives to Increase Sales

- Continuously developing measures to increase the attractiveness of the hotel by taking advantage of its superiority. Aiming to differentiate from other hotels and increase sales by improving customer loyalty

## Creation of attractive product

- Provide attractive experience-based programs that connect with the local community based on the "Strategy of Co-creation with Local Communities" to discover the charm of the area

### Hotel Nikko Alivila

**Kayaking experience in the mangroves**  
Activities that will make guests feel like an adventurer in the rich nature of Okinawa



### Reef Trail Experience

An activity where guests can actually walk along the reef to see, touch, and learn about the creatures that live in the clear blue ocean.



### Kobe Meriken Park Oriental Hotel

**Tour of Sake Breweries in Nada area**  
Nada Gogo is known throughout Japan as a production center of Japanese sake. Guests can enjoy sake tasting while understanding the traditions of Japan from experience, which is popular among inbound tourists.



### Oriental Hotel Fukuoka Hakata Station

**Soba Making Experience**  
Guests can experience the Japanese culture of buckwheat noodle making in a casual, yet authentic way.



## Amenity Base

- Established amenity base, which is exclusive space where guest can select amenities to be used inside guest rooms by itself



(Oriental Hotel Okinawa Resort & Spa)

## Welcome Service

- In addition to free services of drinks and local sweets, cultural experience events are held for inbound visitors to increase customer satisfaction



Sake tasting  
(Namba Oriental Hotel)



Tasting of various brown sugars  
(Oriental Hotel Okinawa Resort & Spa)



Pottery experience (Left), Maccha experience (Right)  
(Oriental Hotel Fukuoka Hakata Station)



## Project of Introducing Attractive Breakfast

- In addition to the signature menus served in the kitchens with live feeling, etc., the hotel's own local menu is also available

### Signature Menu



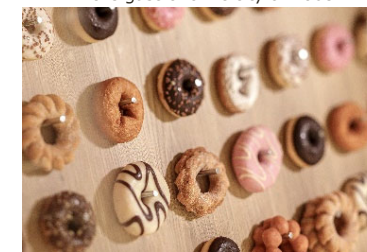
"Meaty hamburger" with plenty of meat juice, prepared in front of guests' eyes by the chef



"Kobe High Curry" is a reproduction of the traditional taste that has long been loved in the gastronomic city of Kobe



"Fresh Squeezed Orange Juice" made by squeezing whole oranges on the spot



Stylish, cute, and colorfully decorated "Doughnut Wall"



### Local menu (Examples)



Pork and egg rice balls, Okinawan soul food  
(Oriental Hotel Okinawa Resort & Spa)



Takoyaki and kushikatsu, Osaka's local delicacies  
(Oriental Hotel Universal City)

Average score of breakfast by OTA<sup>(\*)2</sup> Review Rating for Oriental Hotel Universal City<sup>(\*)3</sup>

Before initiatives **3.57 point** → After initiative **4.38 point**  
(January 2021) (February 2023)

(\*1) The plans listed on this page are the actual achievement to the date of this document and sale of these tour packages are subject to be suspended or changed.

(\*2) OTA, which stands for Online Travel Agent, is a travel agent that conduct transactions only via the internet.

(\*3) Questionnaire evaluation by guests who have booked through Rakuten Travel and actually used the service.

Guests fill in a score of satisfaction on a 5-point scale.

# 6. Rebranding and Renovation

## Rebranding

- Three properties were rebranded to HMJ Group in 2021

**Hotel Oriental Express Fukuoka Tenjin**  
(former HOTEL ASCENT FUKUOKA)

➔ Rebrand opening: June 2021  
The grade of the hotels has been upgraded from economy to mid-price

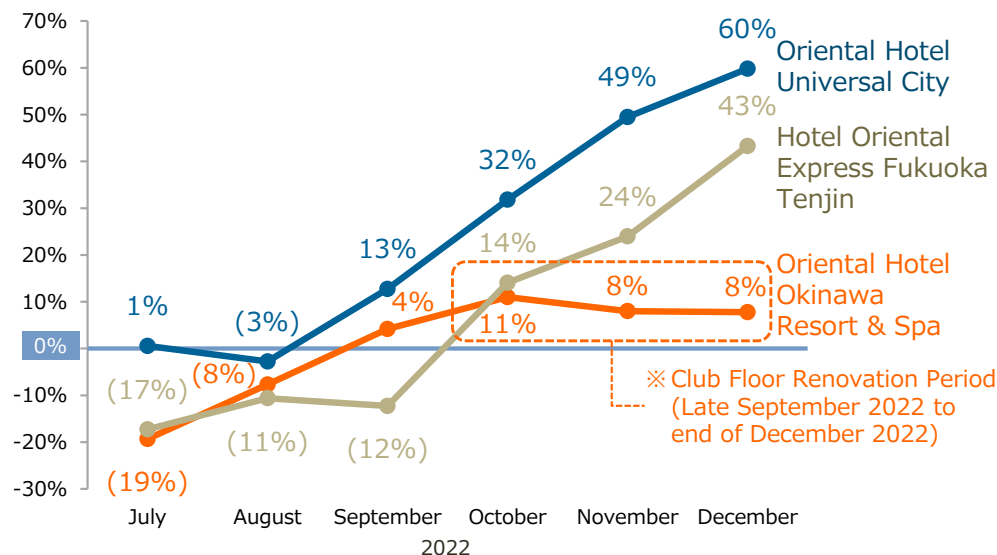
**Oriental Hotel Universal City**  
(former Hotel Keihan Universal City)

➔ Grand opening: December 2021  
All renovations completed in July 2022

**Oriental Hotel Okinawa Resort & Spa**  
(former Okinawa Marriott Resort & Spa)

➔ Rebrand opening: October 2021  
Completed renovation of lobby and pool in March 2022 and guest rooms on two club floors in December 2022

### ADR Variance of Rebranded Properties (vs same month in 2019)



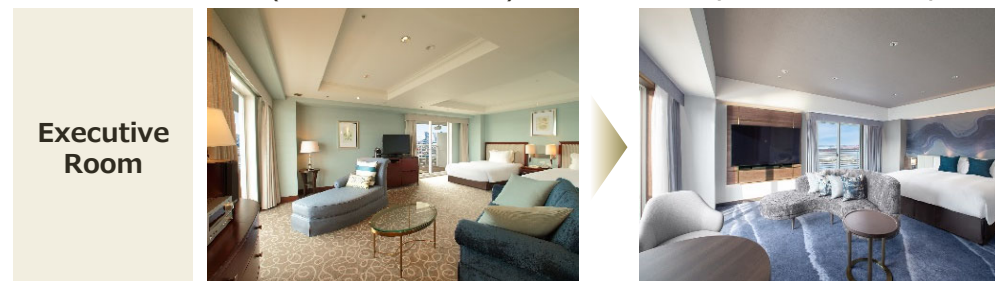
## Renovation of Existing Hotels

### Kobe Meriken Park Oriental Hotel

- Upgraded some existing rooms to executive rooms and set up an executive lounge (completed in July 2021)
- Renovation of executive rooms (completed in July 2022)

(Before renovation)

(After renovation)



Executive Room

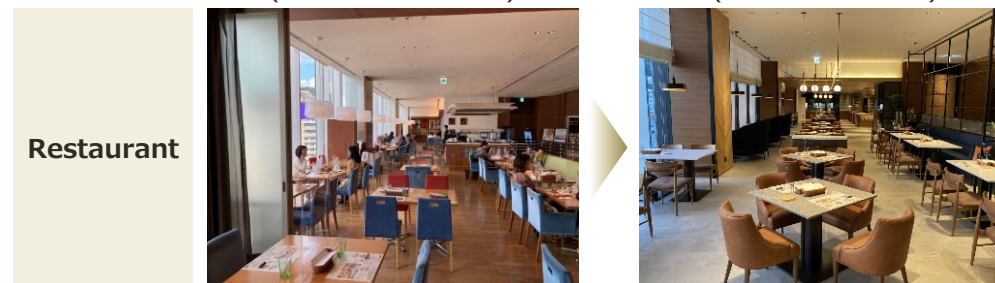
ADR of executive rooms in 4Q 2022:  
+69.3% compared to the same period in 2019(\*)

### Sheraton Grand Hiroshima Hotel

- Renovation of dining space and lobby lounge (completed in June 2022)

(Before renovation)

(After renovation)



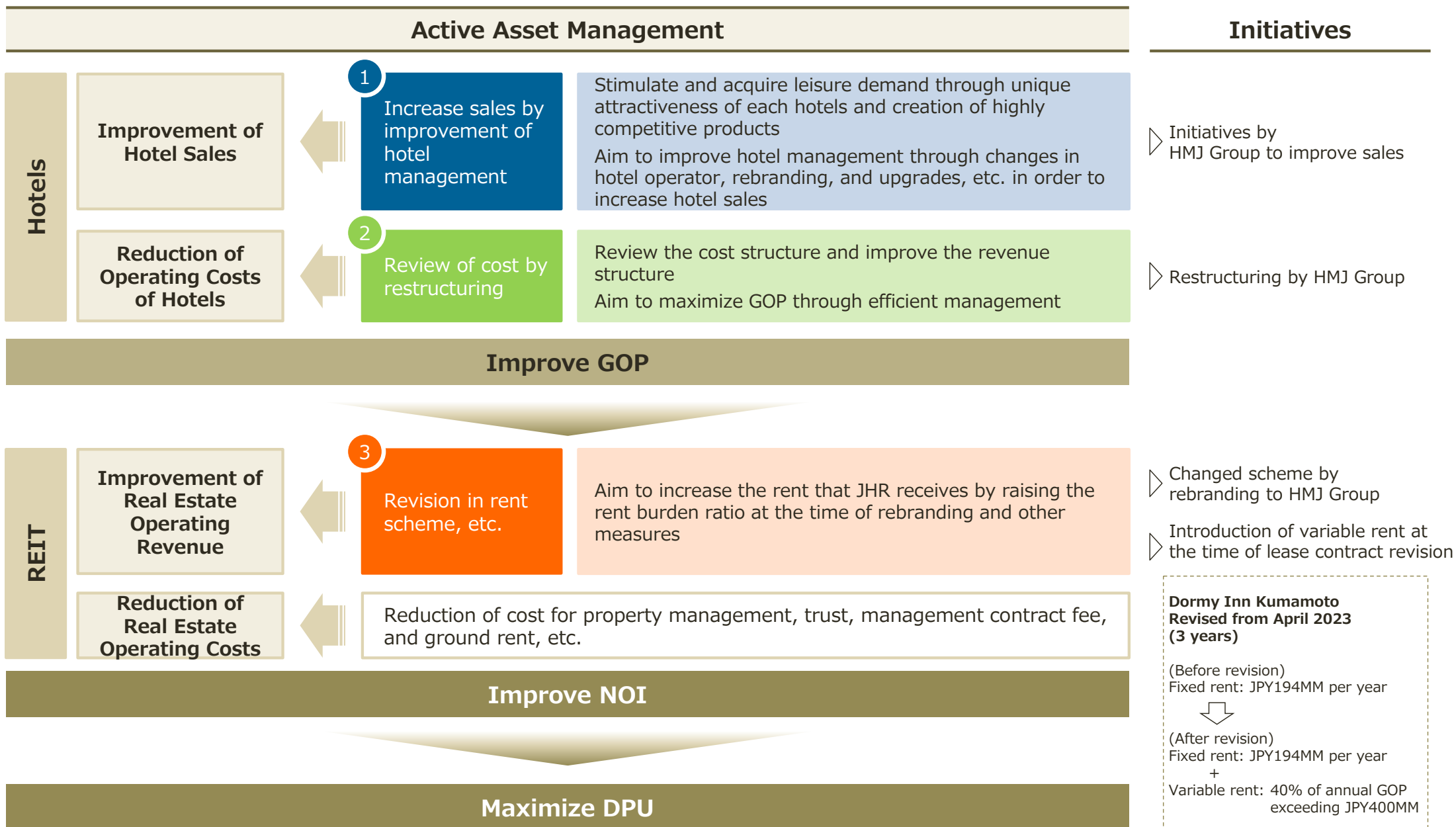
Restaurant

Unit price spent by customer at restaurant in 4Q 2022:  
+40.3% compared to the same period in 2019

(\*) Difference of ADR of the 33 rooms converted to executive rooms for 4Q 2022 compared to ADR for the same rooms for the same period in 2019.

# 7. Internal Growth by Active Asset Management

◆ Potential upside by active asset management



# 8. Acquisition of Property (January 2023)

- ◆ First property acquisition since the COVID-19 pandemic as the hotel market heads toward a full-fledged recovery
- ◆ JHR's first hotel located in the Kanazawa area

## UAN kanazawa



### Features

- The hotel opened in December 2017, which is dedicated to lodging. The hotel has superiority to capture inbound leisure demand, since the average room size is large as it exceeds 30 sqm, and all rooms are double or twin rooms
- The hotel is in a favorable location. It located within walking distance of numerous tourist attractions such as Kenrokuen Garden, 21st Century Museum of Contemporary Art, Kanazawa Castle, Higashi Chaya District, and Omi-cho Market
- The hotel's rent structure can secure stability by fixed rent and can expect upside through variable rent linked to its sales of accommodation

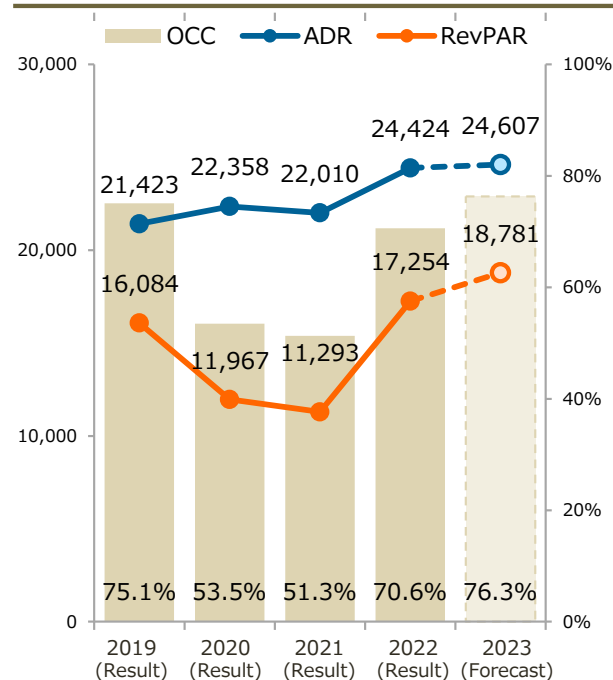
Acquisition Date	Acquisition Price	Appraisal Value
January 31, 2023	JPY2,050MM	JPY2,140MM

### Property Overview

Hotel Type	Limited-service
Grade	Upper-middle
Location	Kanazawa city, Ishikawa
Acreage of Land	729.91 sqm
Total Floor Area Space	2,606.85 sqm
Structure and Stories	S with flat roof, Six stories above ground
Completion	September 2017
No. of Guest Rooms	47
Rent Structure	Fixed rent + Variable rent
Hotel Lessee	Solare Hotels and Resorts Co., Ltd.



### Changes in KPI (Results and forecast)



### 2023 Forecasts (annualized)(\*1)

Rent	Fixed Rent	JPY108MM
	Variable Rent(*2)	JPY15MM
NOI		JPY112MM
NOI Yield		5.5%
NOI Yield after Depreciation		4.4%

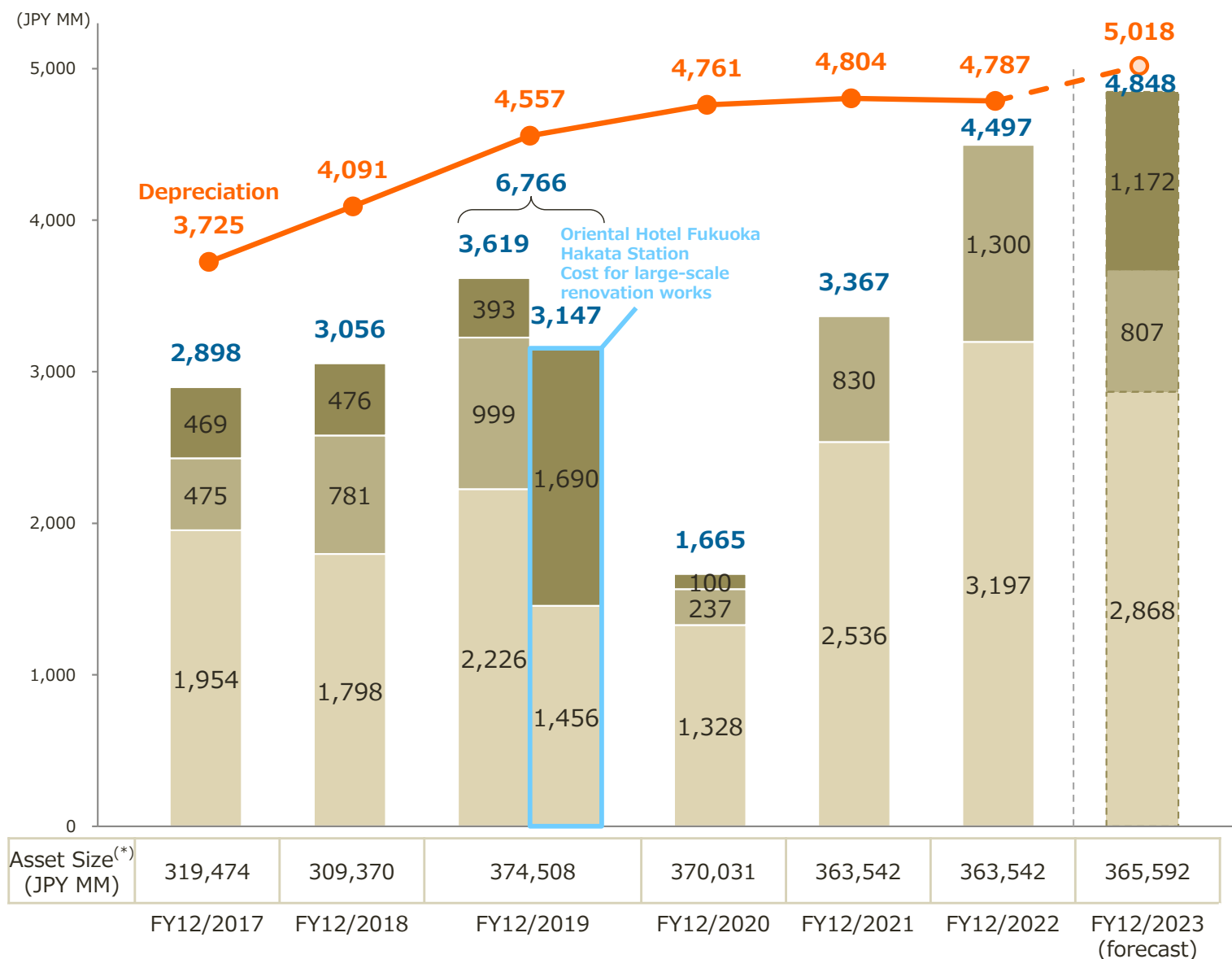
(\*1) Annualized figures for the property in the revenue forecast for the fiscal year ending December 31, 2023.

(\*2) In case room sales exceeds base amount (JPY270MM), the amount arrived by multiplying 30% to the exceeded amount.



# 9. Capital Expenditure (CAPEX) and Depreciation

◆ Appropriate CAPEX within depreciation



➤ CAPEX III to be implemented in FY12/2023

Kobe Meriken Park Oriental Hotel	
Renewal of guest room interiors (12th and 13th floors)	JPY212MM
Restaurant renovation (buffet-style restaurant Santa Monica's Wind)	JPY110MM
Oriental Hotel tokyo bay	
Renewal of guest room interiors (11th and 12th floors)	JPY315MM
Restaurant renovation (Buffet-style restaurant Grand Cinq)	JPY63MM
Oriental Hotel Okinawa Resort & Spa	
Renewal of guest room interiors (8th to 13th floors)	JPY472MM
<b>Total</b>	<b>JPY1,172MM</b>

※ The Definition of CAPEX

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

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

# 10. ESG Initiatives

◆ JHR formulated policy on sustainability in December 2017. Aiming for medium to long term growth in harmony and coexistence with society and the environment, JHR implements initiatives to improve sustainability through appropriate responses to ESG issues

## Timeline of Achievements

**2017** ➤ Establishment of Sustainability Policy

**2018** ➤ Two properties—Hotel Nikko Alivila and Mercure Hotel Okinawa Naha—acquired BELS<sup>(\*1)</sup> certification



Hotel Nikko Alivila



Mercure Okinawa Naha



➤ Received an "A" rating indicating excellent environmentally friendly management, in the SMBC Environmental Assessment Loan<sup>(\*2)</sup>



**2019** ➤ Issued Hotel Green Bonds (nickname) and used the procured funds to carry out construction works to save energy



Oriental Hotel Fukuoka Hakata Station



Okinawa Marriott Resort & Spa

**2020** ➤ Hilton Tokyo Odaiba acquired a CASBEE "B+ (good)" building certification



Hilton Tokyo Odaiba



**2021** ➤ the Oriental Hotel Fukuoka Hakata Station acquired CASBEE "B+ (good)" building certification



Oriental Hotel Fukuoka Hakata Station



➤ Identified JHR's seven materialities related to ESG (key issues)

➤ JHRA stated its expression of support for the TCFD<sup>(\*3)</sup> recommendations

**2022** ➤ Released Initiatives for Four Disclosure themes recommended by TCFD

**2023** ➤ Established GHG reduction targets

## GRESB Real Estate Assessment<sup>(\*4)</sup>

Acquired **"Green Star"** for five consecutive years from 2018

➤ In 2022, JHR was selected for **"Sector Leader"** in **Asian hotel sector** for three consecutive years



➤ Acquired **"4-star"** in GRESB Rating



sector leader 2022

## Establishment of GHG Reduction Targets

**30%** reduction of GHG emissions per floor area (GHG emissions intensity)<sup>(\*5)</sup> by 2050 (compared to FY2017<sup>(\*6)</sup>)

**ESG Disclosure Information on JHR Website**

<https://www.jhrth.co.jp/en/esg/index.html>

※ ESG report to be published by the end of March 2023



(\*1) BELS (Building-Housing Energy-Efficiency Labeling System) is a display system of energy conservation performance of a building set by Ministry of Land, Infrastructure, Transport and Tourism.  
 (\*2) "SMBC Environmental Assessment Loan" is a loan which SMBC set condition of loan based on assessment on status of environmental considerations by the corporation based on environmental assessment standards developed independently by SMBC and the Japan Research Institute, Limited.  
 (\*3) TCFD is an abbreviation for Task Force on Climate-related Financial Disclosures.  
 (\*4) The GRESB is an annual benchmarking program to evaluate ESG considerations of property companies and real estate funds. The GRESB Real Estate Assessment is distinguished by its comprehensive evaluation of initiatives for sustainability of property companies, REITs and real estate funds, not of individual properties. GRESB rating is a relative evaluation based on comprehensive scores and the highest being "5-star."  
 (\*5) Properties owned by JHR are managed by hotel lessees, etc. GHG emissions of JHR fall under Scope 3, Category 13, Leased Assets (Downstream).  
 (\*6) The GHG emissions (GHG emissions intensity) for FY2017 (Baseline fiscal year, April 2017–March 2018) is 0.135 (t-CO<sub>2</sub>/m<sup>2</sup>).

## **IV. Financial Conditions**

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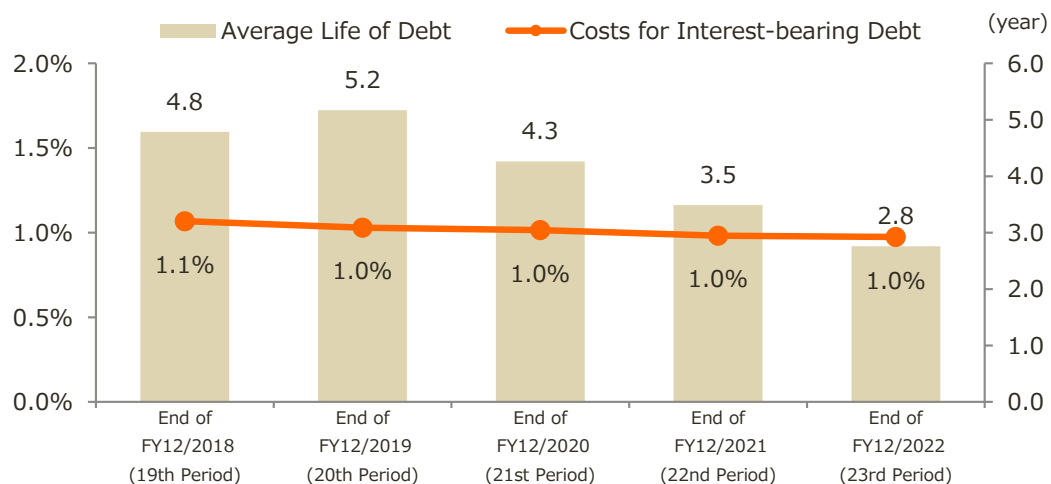
# 1. Financial Conditions (1)

## Main Financial Indicators

(as of the end of December 2022)

LTV (total asset base)	<b>41.4%</b>
Cost for interest-bearing debt <sup>(*1)</sup>	<b>1.0%</b>
Average life of interest-bearing debt <sup>(*2)</sup>	<b>2.8</b> years
Free cash <sup>(*3)</sup>	JPY <b>20.9</b> Bn
Unrealized gain <sup>(*4)</sup>	JPY <b>125.0</b> Bn

## Changes in Costs for Interest-bearing Debt<sup>(\*1)</sup> and Average Life of Interest-bearing Debt<sup>(\*2)</sup>



## Repayment Schedule of Interest-bearing Debt

(as of the end of December 2022)



## Refinancing Result in 2022

Repayment Date	Balance
Full Year	JPY38,336MM (Including Investment Corporation Bonds: JPY2,800MM)
First Half	JPY15,234MM
Second Half	JPY23,102MM (Including Investment Corporation Bonds: JPY2,800MM)

(\*1) Weighted-average costs for interest-bearing debt (including up-front fee, etc.) as of the end of each year. Rounded off to one decimal place.

(\*2) Average life of interest-bearing debt as of the end of each year.

(\*3) Represent the balance of cash and deposits, excluding various reserves in trust, etc.

(\*4) Unrealized gains are calculated by subtracting book value from appraisal value. The same shall apply hereinafter.

# 1. Financial Conditions (2)

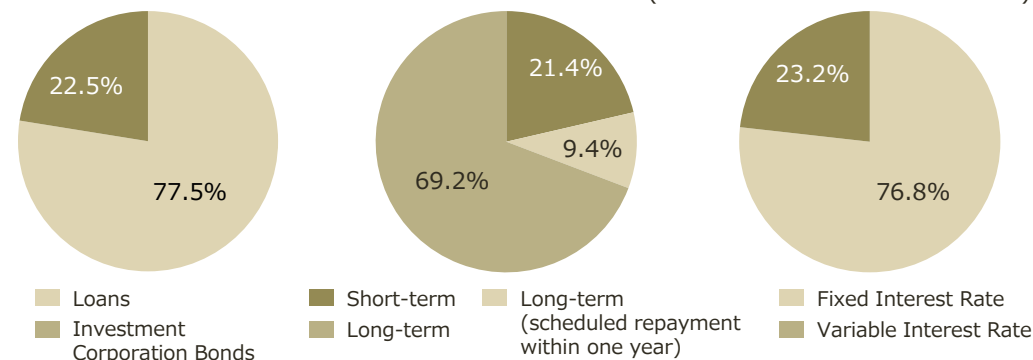
## Lender List for Interest-bearing Debt

(Unit: JPY MM)

Lenders/Bond Name	Balance (as of the end of December 2021)		Balance (as of the end of December 2022)		Variance
	Balance	%	Balance	%	
Sumitomo Mitsui Banking Corporation	32,323	19.6%	33,238	20.2%	915
Mizuho Bank, Ltd.	19,330	11.7%	19,818	12.1%	488
SBI Shinsei Bank, Ltd.	18,558	11.3%	18,558	11.3%	-
Sumitomo Mitsui Trust Bank, Limited	13,795	8.4%	14,143	8.6%	348
Resona Bank, Limited	9,882	6.0%	9,982	6.1%	100
Development Bank of Japan Inc.	5,885	3.6%	6,034	3.7%	149
Fukuoka Bank, Ltd.	4,636	2.8%	4,636	2.8%	-
The Nomura Trust and Banking Co., Ltd.	4,548	2.8%	4,548	2.8%	-
Aozora Bank, Ltd.	3,352	2.0%	3,352	2.0%	-
The Chiba Bank, Ltd.	2,732	1.7%	2,732	1.7%	-
MUFG Bank, Ltd.	3,123	1.9%	2,700	1.6%	(423)
The Nishi-Nippon City Bank, Ltd.	2,684	1.6%	2,684	1.6%	-
Hiroshima Bank, Ltd.	1,854	1.1%	1,854	1.1%	-
Sompo Japan Insurance Inc.	1,464	0.9%	1,464	0.9%	-
The Minato Bank, Ltd.	-	-	1,000	0.6%	1,000
The Shizuoka Bank, Ltd.	488	0.3%	588	0.4%	100
<b>Total of Bank Loans</b>	<b>124,654</b>	<b>75.7%</b>	<b>127,331</b>	<b>77.5%</b>	<b>2,677</b>
<b>Investment Corporation Bonds (for institutional investors)</b>					
6th Investment Corporation Bonds without Collateral	3,000	1.8%	3,000	1.8%	-
8th Investment Corporation Bonds without Collateral	1,100	0.7%	1,100	0.7%	-
9th Investment Corporation Bonds without Collateral	1,000	0.6%	1,000	0.6%	-
12th Investment Corporation Bonds without Collateral	2,000	1.2%	2,000	1.2%	-
13th Investment Corporation Bonds without Collateral	-	-	2,800	1.7%	2,800
<b>Total of Investment Corporation Bonds (for institutional investors)</b>	<b>7,100</b>	<b>4.3%</b>	<b>9,900</b>	<b>6.0%</b>	<b>2,800</b>
<b>Investment Corporation Bonds (for individual investors)</b>					
5th Investment Corporation Bonds without Collateral	6,000	3.6%	-	-	(6,000)
7th Investment Corporation Bonds without Collateral	9,000	5.5%	9,000	5.5%	-
10th Investment Corporation Bonds without Collateral	10,000	6.1%	10,000	6.1%	-
11th Investment Corporation Bonds without Collateral	8,000	4.9%	8,000	4.9%	-
<b>Total of Investment Corporation Bonds (for individual investors)</b>	<b>33,000</b>	<b>20.0%</b>	<b>27,000</b>	<b>16.4%</b>	<b>(6,000)</b>
<b>Total of Investment Corporation Bonds</b>	<b>40,100</b>	<b>24.3%</b>	<b>36,900</b>	<b>22.5%</b>	<b>(3,200)</b>
<b>Total of Interest-bearing Debt</b>	<b>164,754</b>	<b>100.0%</b>	<b>164,231</b>	<b>100.0%</b>	<b>(523)</b>

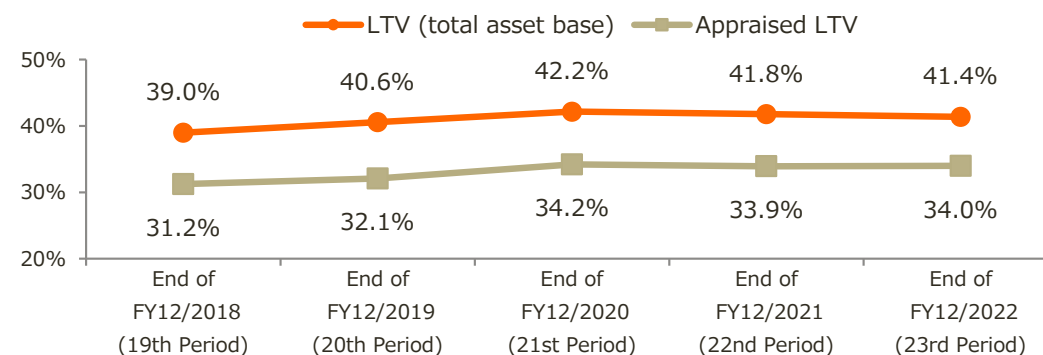
## Breakdown of Interest-bearing Debt

(as of the end of December 2022)



(\*) Long-term represents debts with original maturity over one year, and short-term represents debts with original maturity within one year.

## Changes in LTV

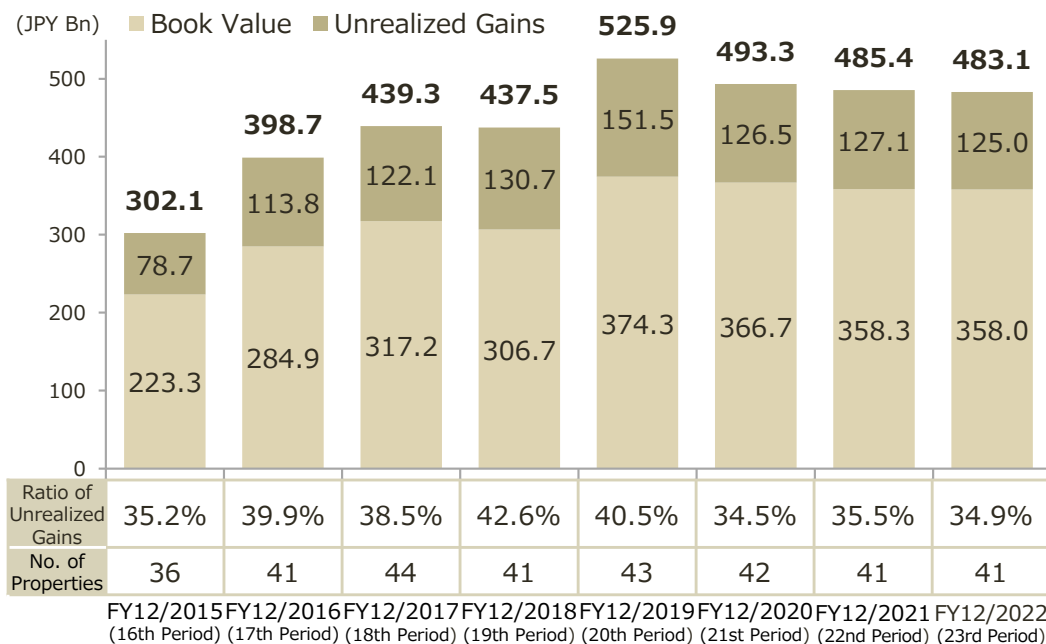


## Status of Credit Rating

Japan Credit Rating Agency, Ltd. (JCR)	<b>A+</b> (negative)
Rating and Investment Information, Inc. (R&I)	<b>A</b> (negative)

# 1. Financial Conditions (3)

## Changes in Appraisal Value (Unrealized Gains)



## Changes in Appraisal Value

(Based on 41 hotels owned by JHR at the end of FY12/2022)

	No. of Property (*2)	Acquisition Price (JPY MM)	Appraisal <sup>(*1)</sup>					
			Appraisal Value (JPY MM)	Variance of Appraisal Value	CAP Rate (*3)	Variance of Cap Rate (*3)	Net Cash Flow (JPY MM)	Variance of Net Cash Flow (*3)
End of December 2022	41	363,542	483,110	(0.5%)	4.5%	(0.0pt)	21,897	(1.2%)
End of December 2021	41	363,542	485,480	+0.4%	4.6%	(0.0pt)	22,158	+0.0%
End of December 2020	41	362,465	483,430	(4.6%)	4.6%	+0.0pt	22,151	(2.3%)
End of December 2019	41	362,465	506,760	-	4.5%	-	22,682	-

(\*1) Based on the appraisal report at each period.

(\*2) Numbers in this table are for 41 properties after exclusion of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi and ibis Tokyo Shinjuku.

(\*3) Cap rate, variance of cap rate and net cash flow are rounded off to one decimal place.

## Negative Goodwill

### <Policy for Use of Negative Goodwill>

1. Add JPY262 million (50-year amortization amount of negative goodwill) to dividends every fiscal year
2. In addition to above, dividends will be increased in response to the following

- Cope with loss on sales caused by property dispositions
- Cope with loss on retirement of noncurrent assets
- Cope with dilution of dividend per unit
- Cope with inconsistency between tax and accounting treatments (Amortization of fixed-term leasehold of land, amortization of asset retirement obligations, etc.)
- Cope with suspension of sales and such due to large-scale renovation works with significant impact on revenues

### <Amount used in FY12/2022>

50-year amortization amount on negative goodwill :	JPY262MM
Cope with loss on retirement of noncurrent assets :	JPY57MM
Amortization of trademark rights :	JPY56MM
<b>Total amount :</b>	<b>JPY376MM</b>

<b>Balance of Negative Goodwill after the end of December 2022</b>	<b>JPY9,600MM</b>
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## **V . Market Environment**

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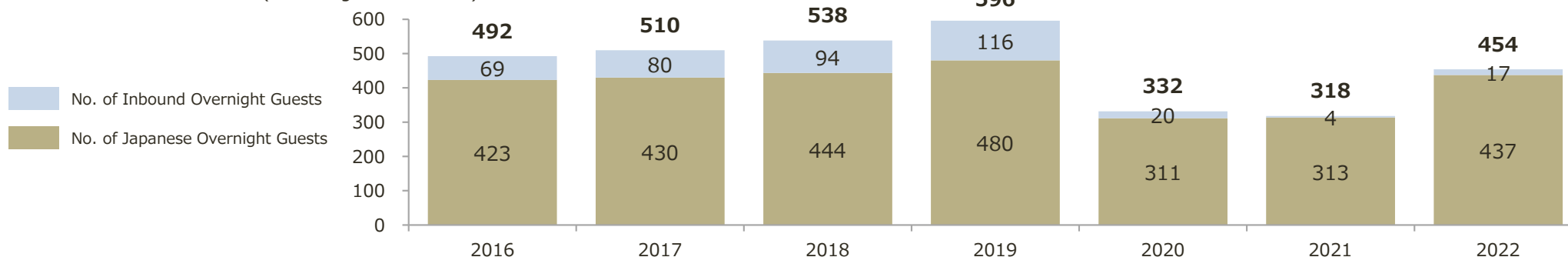
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# 1. Status of Domestic Accommodation Demand

- ◆ Prior to the COVID-19 pandemic, domestic accommodation demand was generally at 80% of the total demand
- ◆ Domestic accommodation demand remains above 2019 levels from October 2022 onward

## Changes in Number of Overnight Guests in Japan (by calendar year)

(Guest nights in millions)



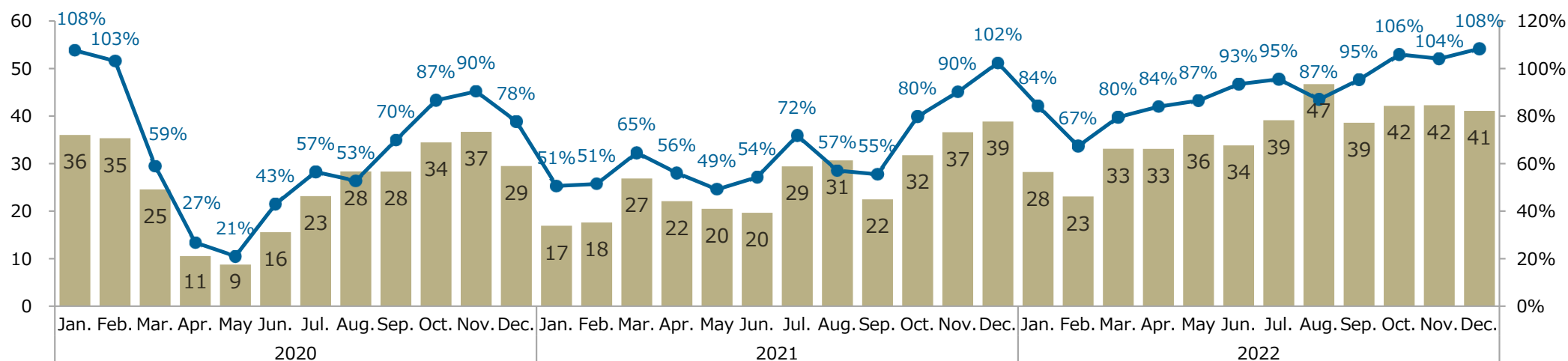
\* Ratio of Japanese overnight guests

2016	85.9%	2017	84.4%	2018	82.5%	2019	80.6%
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## Trend of Number of Japanese Overnight Guests in Domestic Accommodation Facilities (by month)

(Guest nights in millions)

■ No. of Japanese Overnight Guests    ● vs 2019



Source: Statistics of Overnight Travel by Japan Tourism Agency

(\*) Rounded off to the nearest millions of overnight guests. Numbers for January to November 2022 are second preliminary figure, numbers for December 2022 are first preliminary figure. The annual revised report, which reflects newly opened hotels in 2022, etc. is scheduled to be released on June 30, 2023.



## 2. Status of Inbound Visitors

- ◆ The number of inbound visitors increased remarkably since the significant easing of entry restriction in October 2022. In December 2022, recovered to 54.2% of the same month in 2019
- ◆ For composition of inbound visitors since the easing of entry restriction, South Korea took major portion, followed by those from US and Southeast Asia

### Changes in Number of Inbound Visitors

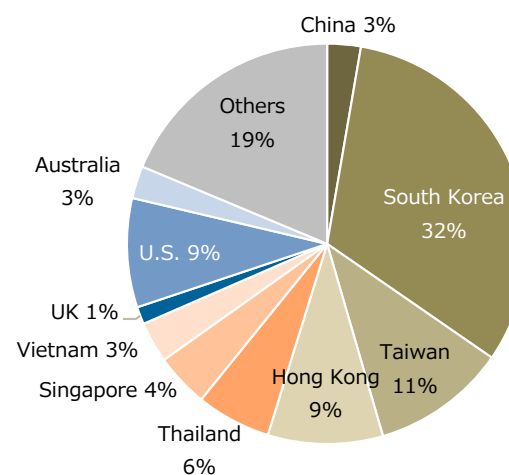


### Number of Inbound Visitors to Japan and Composition Per Year

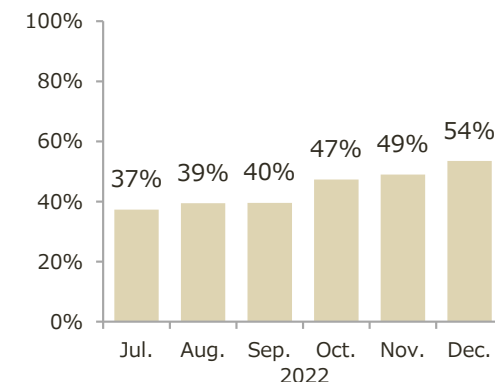
(Thousands people)

	2018	(Composition Ratio)	2019	(Composition Ratio)	2022	(Composition Ratio)
China	8,380	27%	9,594	30%	189	5%
South Korea	7,539	24%	5,585	18%	1,013	26%
Taiwan	4,757	15%	4,891	15%	331	9%
Hong Kong	2,208	7%	2,291	7%	269	7%
Thailand	1,132	4%	1,319	4%	198	5%
Singapore	437	1%	492	2%	132	3%
Vietnam	389	1%	495	2%	284	7%
UK	334	1%	424	1%	58	2%
U.S.	1,526	5%	1,724	5%	324	8%
Australia	552	2%	622	2%	89	2%
Others	3,937	13%	4,445	14%	946	25%
Total	31,192	100%	31,882	100%	3,832	100%

### Composition from October to December 2022



### Level of International Passenger Flight Arrivals and Departures at Narita Airport (vs same month in 2019)



Source: NARITA INTERNATIONAL AIRPORT CORPORATION "Monthly Traffic Statistics"

Source: Number of International Visitors to Japan by Japan National Tourism Organization (JNTO)

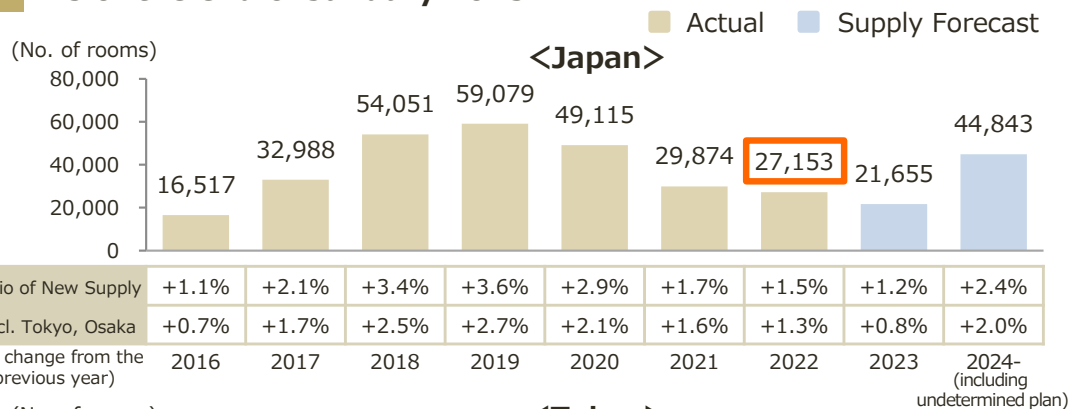
(\* ) Rounded off to the nearest thousands of people. The figures for January to November 2022 are provisional numbers, and the figure for December 2022 and the annual figures for 2022 are estimated numbers.

# 3. Status of New Supply of Hotels

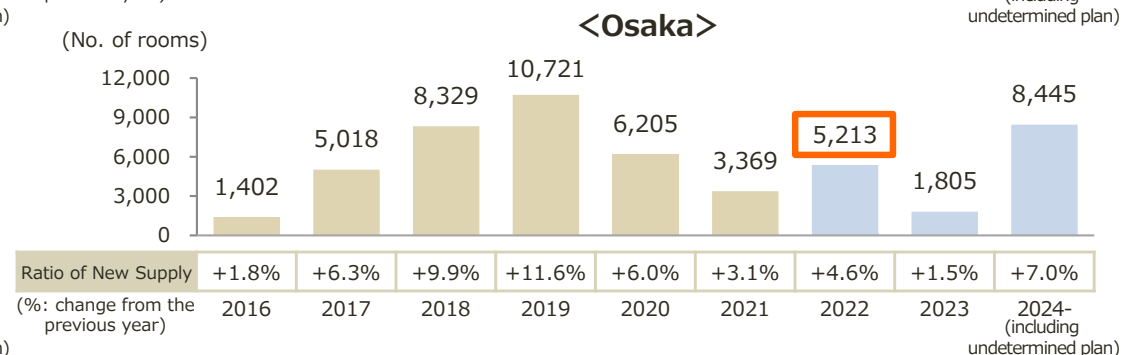
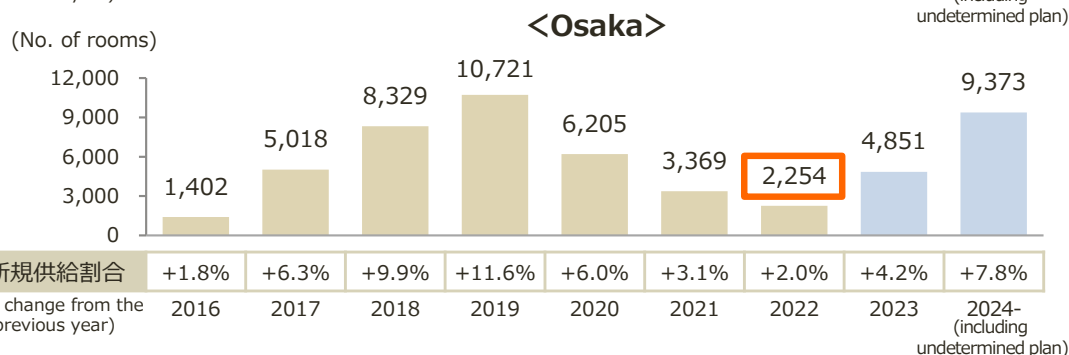
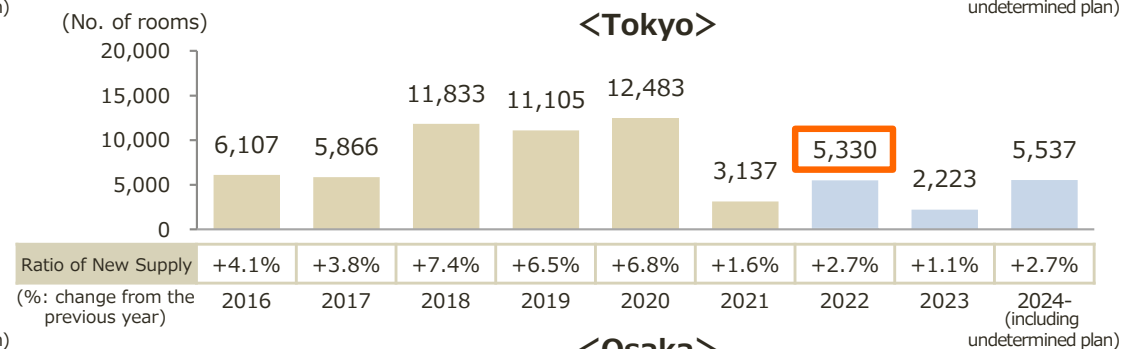
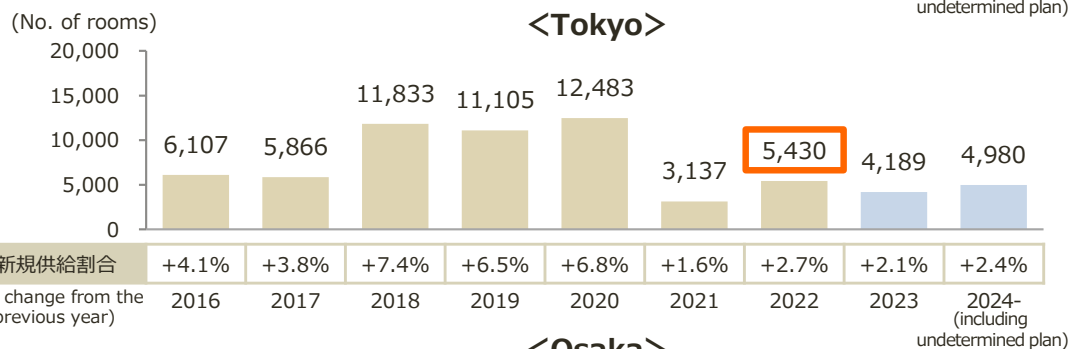
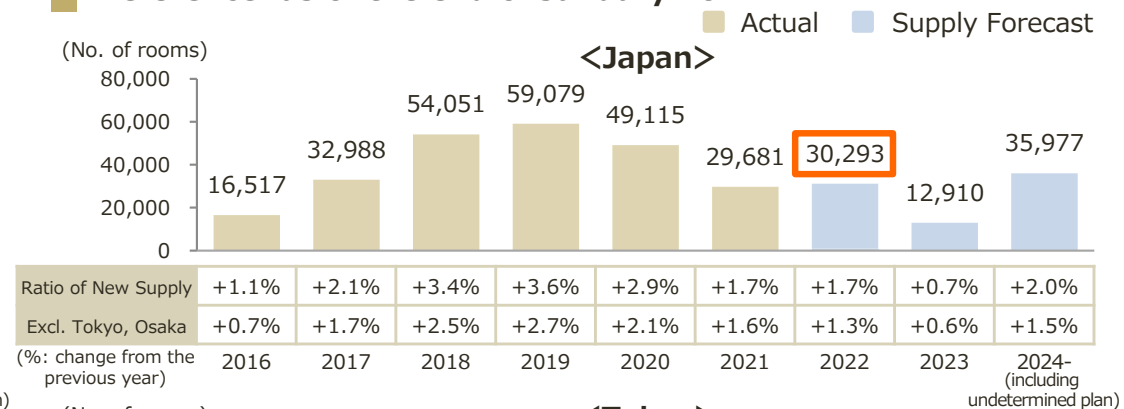
◆ New supply for 2022 were reduced by around 3,000 rooms compared to the forecast a year ago

## Supply of Rooms in Hotels/Ryokans in Japan

### As of the end of January 2023



### Reference: as of the end of January 2022(\*2)

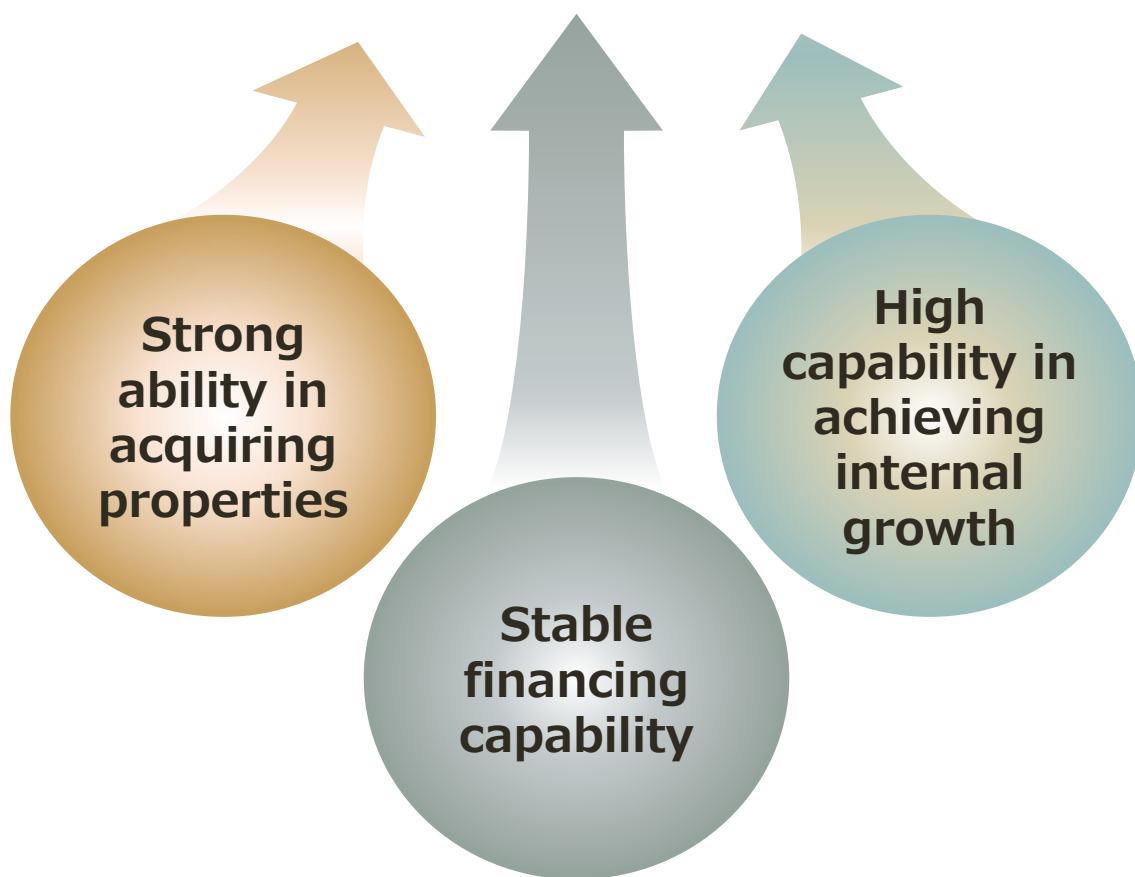


Source: Estimated by the Asset Management Company using data from "Public Health Administration Report" by Ministry of Health, Labour and Welfare (MHLW), a weekly hotel & restaurant magazine (HOTERES), and Nikkei Telecom.  
 (\*1) Ratio of new supply is the ratio of new rooms to be supplied in a year to the stock of rooms (Hotels/Ryokans) at the beginning of the year. With regard to the above data, please note that in case the number of rooms are stated as "to be determined" by hotels, the asset management company has used 180, the average number of new supply of hotel rooms, for calculation.  
 (\*2) The figures were announced in the Financial Results Briefing for the fiscal year ended December 2021.

**Appendix 1**  
**JHR's Characteristics and Strategy**

# 1. JHR's Investment Targets

## Aim to increase dividend for mid to long term



### Strong ability in acquiring properties

- Highly recognized as Japan's largest J-REIT specializing in hotels
- High presence and credibility in the property market by continuously acquiring properties
- Capability to propose various acquisition schemes and to execute acquisitions

### High capability in achieving internal growth

- Management approach through active asset management strategies that achieves a good balance between stability and upside potential
- Increase hotel revenue through collaboration with high-quality operators
- Attract inbound demand through enhanced international brand portfolio
- Strengthen and maintain competitiveness by investing in appropriate capital expenditures

### Stable financing capability

- Secure sound and stable finance
- Diversify financing methods

## 2. Simultaneous Pursuit of Stability and Upside Potential

◆ JHR pursues both stability and upside potential by steadily implementing growth strategies

### Ensure Stable Revenue

#### Fixed rent structure

- ◆ Appropriate monitoring of hotel operation
- ◆ Capital expenditures to maintain competitiveness and asset value

Maintain and improve rent-paying capacity of tenants, etc.

### Pursue Upside

Management contract structure

Variable rent structure

Revenue sharing structure

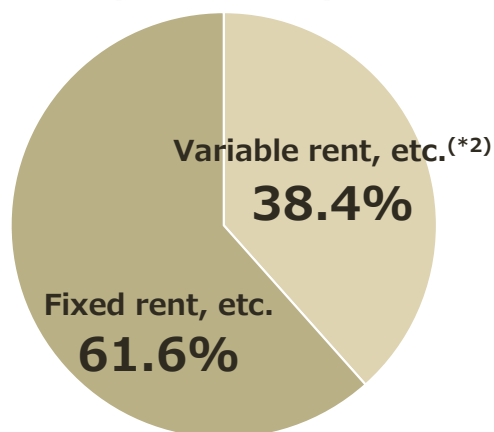
#### Active Asset Management Strategies

- ◆ Change in rent structures and rebranding
- ◆ Strategic capital expenditures, etc.

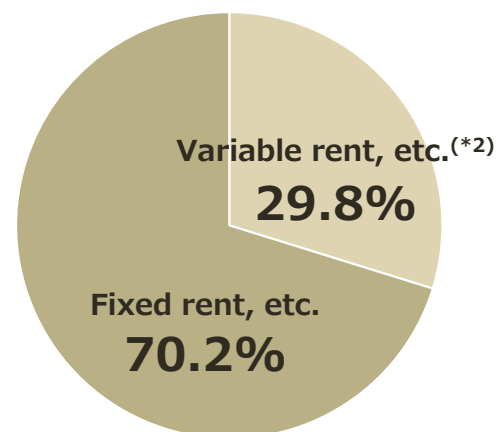
Increase in rental income, etc. through improvement in hotels' performance

### Proportion of Rental Income

2019 Results  
(annualized)

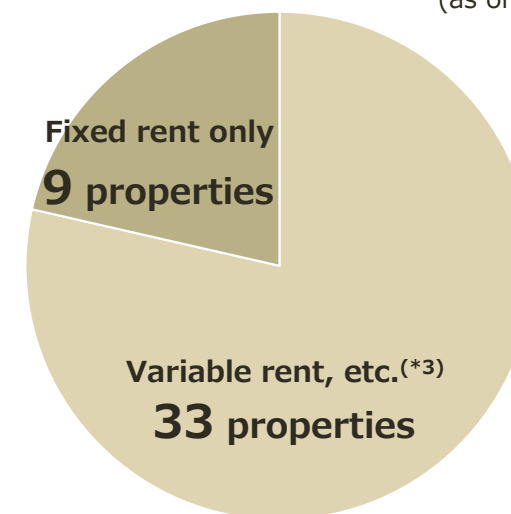


2023 Forecast<sup>(\*1)</sup>



### Proportion of Rent Structures<sup>(\*4)</sup>

(as of February 22, 2023)



(\*1) Based on the forecast announced in the financial report dated February 22, 2023.

(\*2) Variable rent, Rent from revenue sharing and Income from management contracts.

(\*3) Fixed rent + variable rent structure, Fixed rent + revenue sharing structure, Variable rent structure and management contract structure.

(\*4) Dormy Inn Kumamoto is classified based on a lease contract that will be renewed on April 1, 2023.

# 3. External Growth Strategy

## Recognition of External Environment

### Trend of the Hotel Investment Market

- Although COVID-19 has not been converged yet, a remarkable recovery in domestic demand has been seen due to support by eased restrictions on activities and New Go To Travel Campaign. The inbound tourism is also on recovering trend with the significant easing of immigration restrictions. The revenue of hotels are expected to improve continuously under these circumstances.
- As for the hotel transaction market, investors mainly, foreign funds, etc., are actively considering hotel investment with expectations of a hotel market recovery and an easing attitude to provide finance for hotel asset by financial institutions. Such conditions may lead to a gradual increase in hotel transactions.
- For medium to long term, there is possibility that hotel investment market to be revitalized again due to an expected full-fledged recovery and further growth of inbound demand in addition to solid domestic demand. For acquisition of hotels, it is important to differentiate each hotel since the competitiveness of hotels is becoming more evident in accordance with the hotel specifications, locations, and the abilities of hotel operators.

## Basic Policies

- Acquire highly competitive hotel real estate, etc. in areas that have potential to attract "demand by both domestic and inbound leisure customers" in the medium to long-term
- Improve profitability, stability, and quality of the overall portfolio



## Key Measures

- Emphasize the superiority of buildings and facilities (infrastructure), operations (services), and locations of hotel real estate, etc.
  - The prime investment targets are "full-service hotels" and "resort hotels" that have high barriers to entry due to operation and management know-how, capital outlay and locations
  - In the case of "limited-service hotels," the creditworthiness of the hotel lessee, the age of the building, location, guest room composition and profitability are important
  - For limited-service hotels specialized in selling single rooms, consider acquisition individually, and take the hotel specifications and the possibility of achieving the upside into account
  - Especially, proactively review the purchase of hotels that have potential for internal growth by implementing active asset management strategy or hotels that synergy effect are expected with the existing properties
- Strategic investment areas
  - Hokkaido area, Tokyo and bay area<sup>(\*1)</sup>, Osaka/Kyoto area<sup>(\*2)</sup>, Fukuoka area, and Okinawa area
- Investigation and planning of the internal growth strategy upon property acquisition
  - Investigate the appropriate rent level and rent structure upon renewal, etc., cost reduction possibilities, and possibilities to improve buildings and facilities
  - Particularly, if the hotel pays variable rent, etc., promote internal growth through collaboration with lessees and/or operators
- Use HMJ's efficient hotel operation platform and know-hows to improve operation, etc. to respond to new investment opportunities which never seen before (such as sales of hotels with intention to off-balance asset or sales without operators, etc.), because these were caused by the impact of COVID-19

(\*1) Bay Area includes the coastal area of Tokyo Bay in Kanagawa and Chiba prefectures. The same shall apply hereinafter.

(\*2) Osaka/Kyoto Area refers to Osaka and Kyoto prefectures. The same shall apply hereinafter.

# 4. Internal Growth Strategy

## Recognition of External Environment

### Hotel Market Environment

- The domestic leisure demand is recovering significantly, and the New Go To Travel Campaign promotes the current growth further. The hotel performance is expected to grow continuously with a full-fledged recovery of the inbound tourism in addition to solid domestic travel demand.
- Although there are supply-demand imbalances in some regions depending on the market due to the continued supply of new hotels against the backdrop of robust hotel demand during the pre-pandemic period, we believe there are no changes to the medium to long term trend of expansion in the tourism market accompanying economic growth, etc. in the Asia region in the post-COVID-19 society.
- While the market is entering a full-fledged recovery phase, upward pressure on costs and expenses has been occurred. It is important to increase unit prices by appropriately passing on higher costs and providing added value.

## Basic Policies

- Pursue both stability and upside potential by steadily implementing active asset management strategies



## Key Measures

- Planning and execution of the active asset management in order to realize pursuit in upside revenue
  - Make strategic CAPEX which will improve profitability and strengthen competitiveness mainly at hotels with high growth potential
  - Raise rent and change to rent structures that can achieve upside revenue
  - Reduction of management contract fee of properties under management contract
  - Increase hotel revenue through collaboration with high-quality operators
  - Attract inbound demand through rebranding to international brands
  - Make proactive proposals to build effective hotel operating structures which aim to maximize GOP, from the perspective of both hotel sales and expenses
  - Stimulate and capture domestic demand by creating products utilizing the characteristics of each hotel in line with the current market environment
- Planning and execution of strategic CAPEX which secure steady revenue, and monitoring of lessees
  - Analyze the creditworthiness of hotel lessees, understand income and expenditures of hotels, closely observe and improve rent-paying capacity
  - Maintain and improve rent-paying capacity of tenants, etc. through capital expenditures, which lead to maintain and improve competitiveness and asset value

# 5. Financial Strategy

## Recognition of External Environment

### Trend of Financing Environment and Interest Rates

- Compared to 2021, the number and total amount of public offerings by J-REIT decreased in 2022. As for the TSE REIT Index, although there were certain push-backs due to buying on dips when the NAV multiple was below 1x, it weakened and fell 8.3% due to monetary tightening associated with inflation in foreign countries and Russian invasion of Ukraine, etc.
- As the economic impact of COVID-19 has been reduced and hotel performance continues its trend to recover, financial institutions have taken a more positive stance.
- Although both short-term and long-term interest rates remain at low levels due to the monetary easing policy, certain caution is required for changes in long-term interest rates due to policy changes by the Bank of Japan and overseas factors.

## Basic Policies

- Ensure healthy and stable finance
- Strengthen lender formation and relationships with financial institutions
- Diversify financing methods



## Key Measures

- Maintain good relationship with financial institutions
- Strengthen lender formation by inviting new banks, etc.
- Maintain LTV level at a maximum of 50% (total asset base) for the time being
- Extend borrowing periods and optimize funding costs to improve financial stability
- Diversify financing methods such as public offerings and issuance of investment corporation bonds



# 6. Benefits Program for Unitholders

JHR implemented benefits program for unitholders to obtain a better understanding on hotels under management, improve their satisfaction and expand the investor base

◆ **Eligible recipients of complimentary coupons**

Complimentary coupons will be sent to those who hold ten or more JHR units at the end of June every year (end of the midterm settlement)

<FY2022>

Eligible unitholders: 12,286

Valid period: One year between January 1, 2023 to December 31, 2023

◆ **Details of the benefits program**

Five complimentary coupons for accommodations and five complimentary coupons for restaurants<sup>(\*)</sup>

10% discount from the best rate for accommodation by each hotel and 10% discount for restaurants

(\*) Complimentary coupons for restaurants are only available at selected hotels.

## Hotels that offer the Benefits Program (21 Hotels)

### The 16 HMJ Hotels



Kobe Meriken Park Oriental Hotel



Oriental Hotel Tokyo Bay



Namba Oriental Hotel



Oriental Hotel Hiroshima



Hotel Nikko Alivila



Oriental Hotel Okinawa Resort & Spa



ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)



Oriental Hotel Fukuoka Hakata Station



Holiday Inn Osaka Namba



Hilton Tokyo Narita Airport



International Garden Hotel Narita



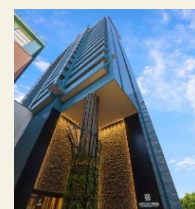
Hotel Nikko Nara



Hilton Tokyo Odaiba



Hotel Oriental Express Osaka Shinsaibashi



Oriental Hotel Universal City

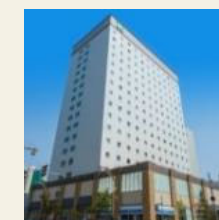


Hotel Oriental Express Fukuoka Tenjin

### The Accor Group Hotels



Mercure Sapporo



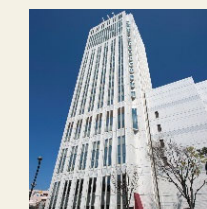
ibis Styles Sapporo



Mercure Okinawa Naha



ibis Styles Kyoto Station



Mercure Yokosuka

**Appendix 2**  
**Information of Properties**

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# 1. Portfolio

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

## Portfolio Summary

(as of February 22, 2023)

### Total Assets

**JPY365.5**Bn

### No. of Hotels

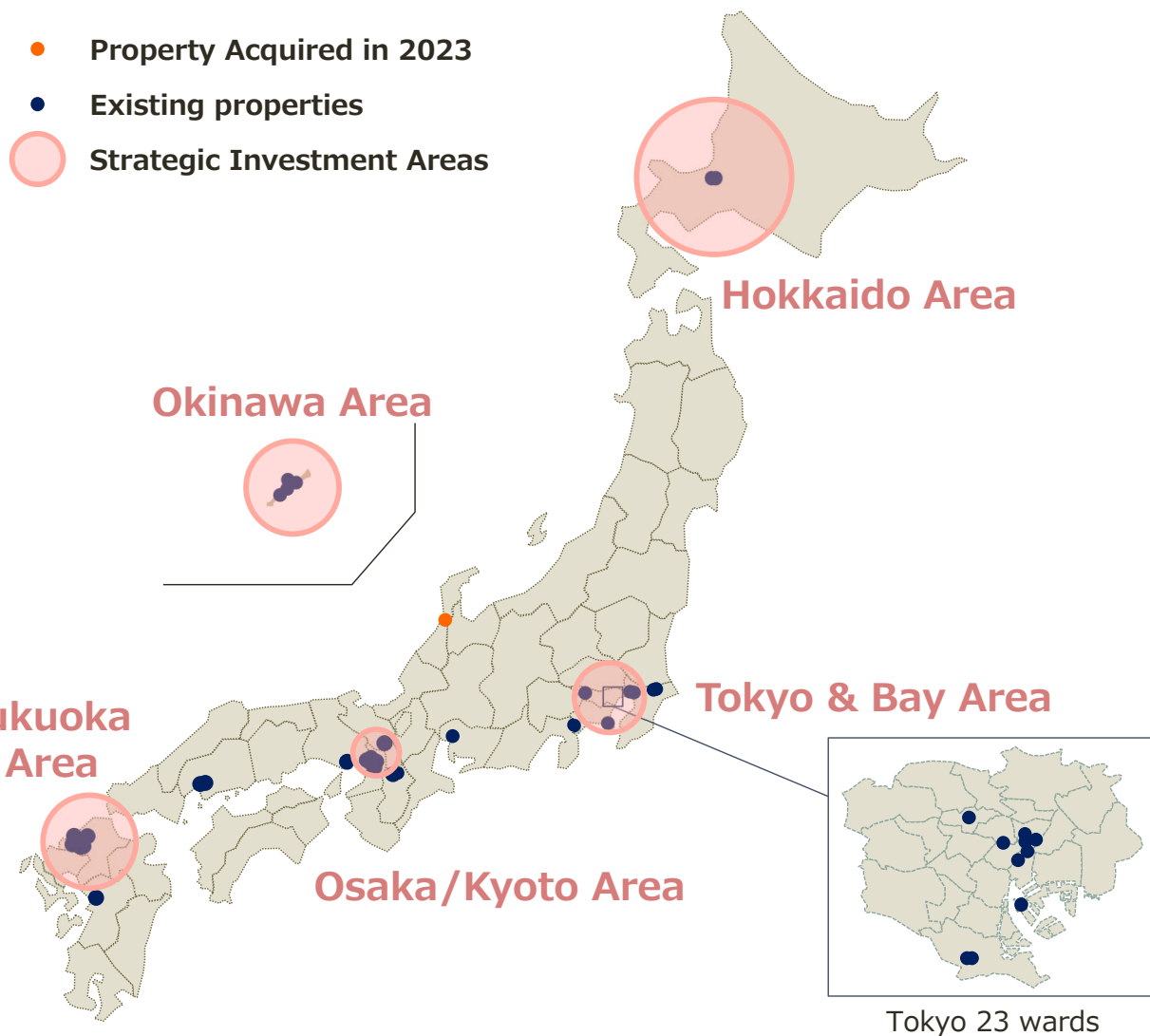
**42** Hotels

(**32** in Strategic Investment Areas)

### No. of Guest Rooms

**11,326** Rooms

## Strategic Investment Areas and Locations of Properties

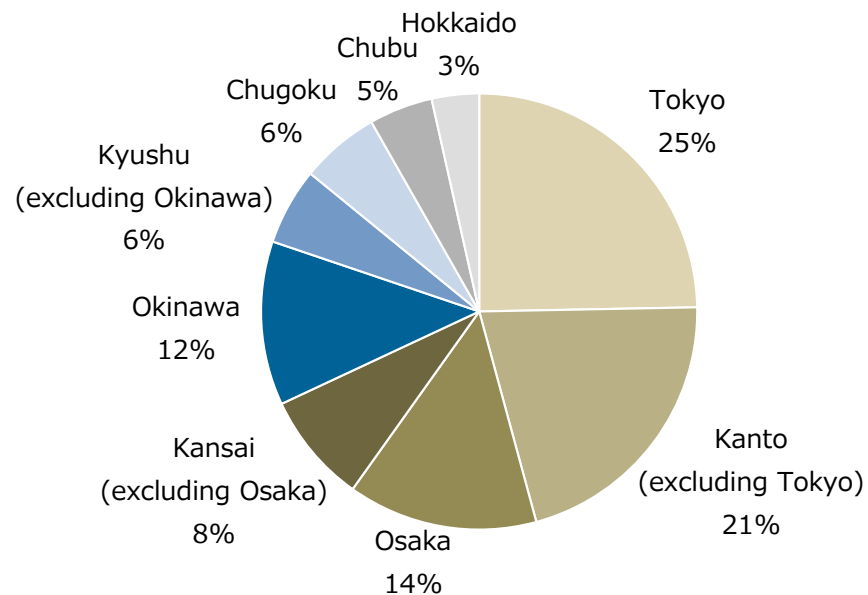


## 2. Portfolio Diversification

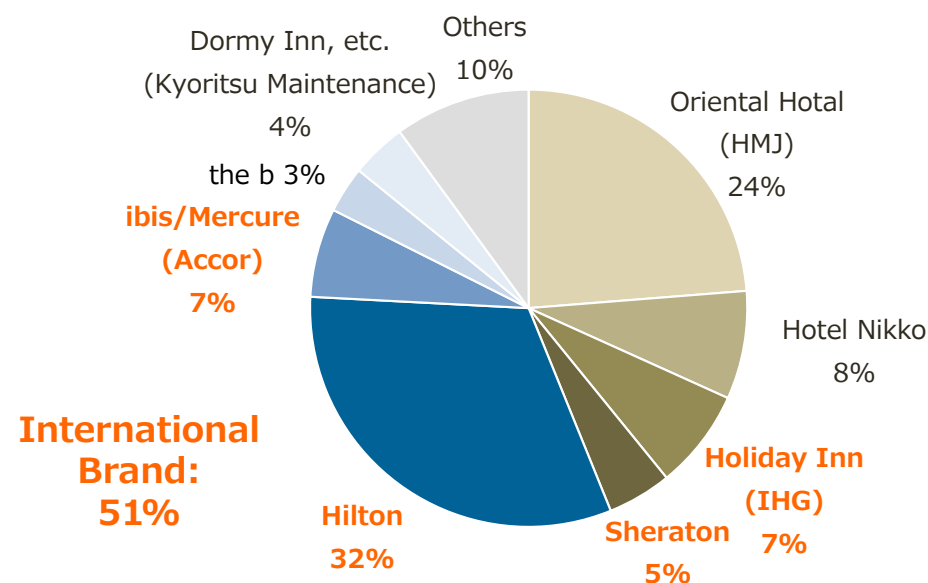
- ◆ Widely diversified and high-quality portfolio
- ◆ Appeal to inbound visitors by international brands

(as of February 22, 2023)

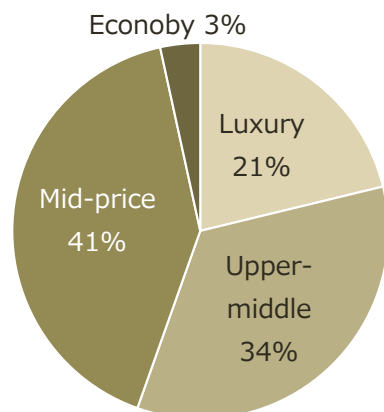
**By Area**



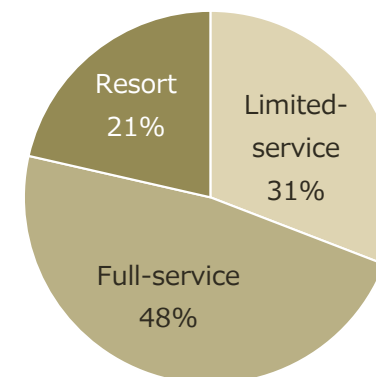
**By Hotel Brand**



**By Hotel Grade**



**By Hotel Type**

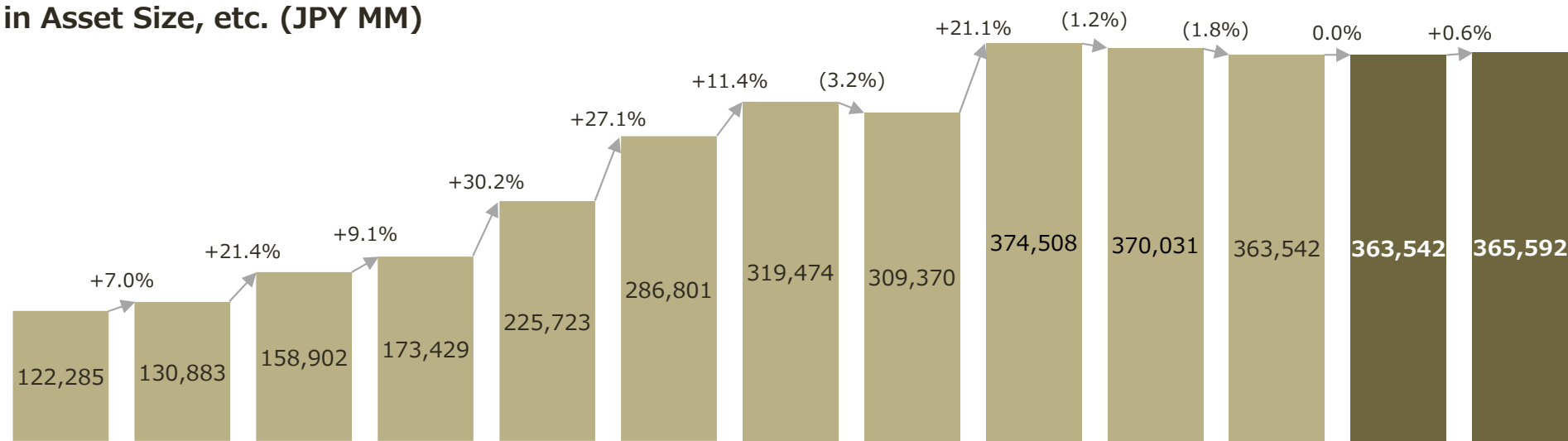


(\*) Calculated based on acquisition price.

### 3. Trend of Asset Size

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

#### Growth in Asset Size, etc. (JPY MM)



	April 2012 (merger)	FY12/2012 (13th Period)	FY12/2013 (14th Period)	FY12/2014 (15th Period)	FY12/2015 (16th Period)	FY12/2016 (17th Period)	FY12/2017 (18th Period)	FY12/2018 (19th Period)	FY12/2019 (20th Period)	FY12/2020 (21st Period)	FY12/2021 (22nd Period)	FY12/2022 (23rd Period)	as of February 22, 2023
<b>No. of Properties</b>	28	28	28	30	36	41	44	41	43	42	41	41	42
<b>No. of Acquisition</b>	–	2	2	3	9	5	3	–	2	–	(*)2 –	–	1
<b>Acquisition Price</b>	–	JPY10.8Bn	JPY32.6Bn	JPY15.7Bn	JPY57.0Bn	JPY61.0Bn	JPY32.6Bn	–	JPY65.1Bn	–	JPY0.8Bn	–	JPY2.0Bn
<b>No. of Dispositions</b>	–	2	2	1	3	–	–	3	–	1	1	–	–
<b>Sale Price</b>	–	JPY0.8Bn	JPY2.6Bn	JPY0.7Bn	JPY4.8Bn	–	–	JPY12.1Bn	–	JPY8.0Bn	JPY11.3Bn	–	–
<b>Unrealized Gains(*)1</b>	–	JPY2.2Bn	JPY9.8Bn	JPY34.8Bn	JPY78.7Bn	JPY113.8Bn	JPY122.1Bn	JPY130.7Bn	JPY151.5Bn	JPY126.5Bn	JPY127.1Bn	JPY125.0Bn	JPY125.1Bn

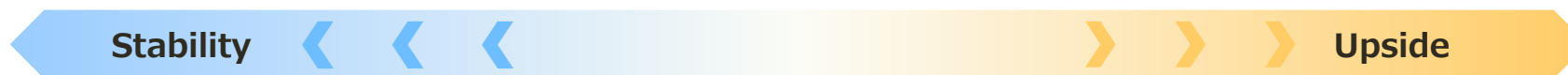
(\*)1 Unrealized gains are calculated by subtracting book value from appraisal value.

(\*)2 JHR acquired land that is part of the Oriental Hotel Universal City site for JPY754MM on July 30, 2021.

(\*)3 Calculated by adding the unrealized gains of UAN kanazawa, acquired in January 2023, to the unrealized gains as of the end of December 2022. As for UAN kanazawa, the unrealized gain is obtained by deducting the acquisition price from the appraisal value at the time of acquisition.

Aim for Successive Growth

# 4. Rent Structures



(FY12/2023 forecast)

Rent Structure <sup>(*1)</sup>		Fixed rent	Fixed rent + Revenue sharing	Fixed rent + Variable rent	Variable rent	Management contract	Total
Type of Contract		Lease contract	Lease contract	Lease contract	Lease contract	Management contract	
Type of Rent	Fixed	○	○	○	-	-	-
	Variable	-	A certain percentage of sales exceeding the threshold	A certain percentage of hotel GOP	A certain percentage of hotel revenue or hotel GOP	Hotel GOP	-
<b>Real Estate Operating Revenue<sup>(*2)</sup>(%)</b> (forecast for FY12/2022)		JPY2,151MM (9.9%)	JPY2,550MM (11.7%)	JPY14,154MM (64.9%)	JPY1,429MM (6.6%)	JPY1,517MM (7.0%)	JPY21,803MM (100.0%)
<b>(breakdown)</b>	<b>Fixed Rent, etc.<sup>(*3)</sup> (%)</b>	JPY2,151MM (9.9%)	JPY2,485MM (11.4%)	JPY9,912MM (45.5%)	JPY496MM (2.3%)	JPY252MM (1.2%)	JPY15,298MM (70.2%)
	<b>Variable Rent (%)</b>	-	JPY65MM (0.3%)	JPY4,242MM (19.5%)	JPY933MM (4.3%)	JPY1,264MM (5.8%)	JPY6,504MM (29.8%)
<b>Involvement in Hotel Operation</b>		Low	Low	High	High	High	-
<b>CAPEX Paid by JHR<sup>(*4)</sup></b>		1) Renewal of building and facilities	1) Renewal of building and facilities <3) Strategic investment>	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	-
<b>No. of Properties</b>		9	4	21	4	4	42
<b>Acquisition Price (%)</b>		JPY30,041MM (8.2%)	JPY33,954MM (9.3%)	JPY259,964MM (71.1%)	JPY19,235MM (5.3%)	JPY22,397MM (6.1%)	JPY365,592MM (100.0%)
<b>Hotels</b>		The Beach Tower Okinawa Hotel Francs CANDEO HOTELS UENO-KOEN and other hotels	Hilton Tokyo Bay Smile Hotel Nihombashi Mitsukoshimae Comfort Hotel Tokyo Higashi Nihombashi UAN kanazawa	The 14 HMJ Hotels The Two HMJ Rebranded Hotels The Ishin Group Hotels Dormy Inn Kumamoto <sup>(*5)</sup>	Hilton Nagoya Mercure Yokosuka Chisun Hotel Kamata Chisun Inn Kamata	ibis Styles Kyoto Station ibis Styles Sapporo Mercure Sapporo Mercure Okinawa Naha	-

(\*1) Rent structure is categorized according to the rent contract for hotels of each asset owned by JHR.

(\*2) Based on the revenue forecast for FY12/2023, which was announced on February 22, 2023. Revenue arise from trademark rights are excluded.

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

(\*4) CAPEX is categorized based on an outline and detail is individually stipulated in the lease contract of each hotel.

(\*5) Classified based on a lease contract that will be renewed on April 1, 2023.

# 5. Property List (1/2)

(as of February 22, 2023)

No.	Property Name	Hotel Type (*1)	Grade (*2)	No. of Guest Rooms	Location	Age (*3)	Acquisition Price (JPY MM) (*4)	Book Value (JPY MM) (*5)	Appraisal Value				Investment Ratio (*6)	Revenue from Real Estate Operation (JPY1,000) (*7)	NOI (JPY1,000) (*7)	P/L from Real Estate Operation (JPY1,000) (*7)	NOI Yield (estimate) (*8)
									23rd Period (as of June 30, 2022)		23rd Period (as of December 31, 2022)						
									Appraisal Value (JPY MM)	CAP Rate	Appraisal Value (JPY MM)	CAP Rate					
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	323	Hyogo	27.6	10,900	9,484	14,000	4.8%	14,100	4.8%	3.0%	429,003	181,829	(113,706)	1.7%
2	Oriental Hotel tokyo bay	Full-service	Mid-price	511	Chiba	27.8	19,900	16,889	32,100	4.4%	31,700	4.4%	5.4%	833,097	714,862	383,268	3.6%
3	Namba Oriental Hotel	Limited-service	Mid-price	258	Osaka	27.0	15,000	14,317	31,200	4.1%	31,000	4.1%	4.1%	460,814	354,246	218,611	2.4%
4	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Hiroshima	29.5	4,100	4,095	4,200	4.9%	4,150	4.9%	1.1%	618,521	574,851	490,327	14.0%
5	Hotel Nikko Alivila	Resort	Luxury	397	Okinawa	28.9	18,900	17,665	28,900	4.8%	28,100	4.8%	5.2%	814,249	666,558	400,870	3.5%
6	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	18.9	7,610	6,420	9,960	4.4%	9,960	4.4%	2.1%	511,035	468,035	354,276	6.2%
7	Hakone Setsugetsuka	Resort	Mid-price	158	Kanagawa	16.4	4,070	3,558	5,260	4.9%	5,260	4.9%	1.1%	294,944	269,104	171,890	6.6%
8	Dormy Inn Kumamoto	Limited-service	Mid-price	291	Kumamoto	15.1	2,334	2,186	2,930	5.6%	2,930	5.6%	0.6%	194,460	172,498	119,580	7.4%
9	the b suidobashi	Limited-service	Mid-price	99	Tokyo	36.5	1,120	1,167	2,270	4.1%	2,270	4.1%	0.3%	30,000	17,900	(11,322)	1.6%
10	dormy inn·global cabin Asakusa	Limited-service	Economy	75	Tokyo	25.9	999	922	1,300	4.0%	1,300	4.0%	0.3%	65,075	55,801	42,394	5.6%
11	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Fukuoka	28.0	2,130	2,062	4,510	4.4%	4,520	4.4%	0.6%	240,000	225,000	199,000	10.6%
12	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Nara	23.0	2,050	1,703	2,430	5.0%	2,430	5.0%	0.6%	150,000	133,000	97,000	6.5%
13	R&B Hotel Ueno-hirokoji	Limited-service	Economy	187	Tokyo	20.9	1,720	1,780	1,850	4.1%	1,800	4.1%	0.5%	97,300	82,701	65,848	4.8%
14	Comfort Hotel Tokyo Higashi Nihombashi	Limited-service	Economy	259	Tokyo	15.1	3,746	3,423	5,370	4.4%	5,370	4.4%	1.0%	271,527	241,391	204,067	6.4%
15	Smile Hotel Nihombashi Mitsukoshimae	Limited-service	Economy	164	Tokyo	25.9	2,108	2,025	2,940	4.1%	2,940	4.1%	0.6%	134,400	118,053	97,832	5.6%
16	Toyoko Inn Hakata-guchi Ekimae	Limited-service	Economy	257	Fukuoka	21.5	1,652	1,364	2,760	4.5%	2,760	4.5%	0.5%	141,039	127,317	109,114	7.7%
17	Oriental Hotel Universal City	Resort	Mid-price	330	Osaka	21.7	6,753	7,732	17,700	4.8%	17,800	4.8%	1.8%	627,498	569,689	252,276	8.4%
18	Chisun Inn Kamata	Limited-service	Economy	70	Tokyo	19.8	823	779	1,370	4.6%	1,380	4.6%	0.2%	18,327	11,172	(1,197)	1.4%
19	Chisun Hotel Kamata	Limited-service	Economy	105	Tokyo	31.1	1,512	1,452	2,020	4.8%	2,050	4.8%	0.4%	26,161	11,747	(20,707)	0.8%
20	Hilton Tokyo Bay	Resort	Luxury	828	Chiba	34.7	26,050	26,106	40,400	4.3%	40,500	4.3%	7.1%	1,980,234	1,697,831	1,506,961	6.5%
21	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kyoto	13.9	6,600	6,594	9,990	4.3%	9,990	4.3%	1.8%	71,413	41,219	6,199	0.6%
22	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	12.6	6,797	6,414	11,100	4.7%	11,100	4.7%	1.9%	214,126	114,721	33,382	1.7%
23	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	13.9	6,000	5,679	10,500	4.7%	10,500	4.7%	1.6%	269,073	102,917	12,776	1.7%
24	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	13.6	3,000	2,807	6,940	4.7%	6,940	4.7%	0.8%	50,072	8,122	(65,378)	0.3%

# 5. Property List (2/2)

(as of February 22, 2023)

No.	Property Name	Hotel Type (*1)	Grade (*2)	No. of Guest Rooms	Location	Age (*3)	Acquisition Price (JPY MM) (*4)	Book Value (JPY MM) (*5)	Appraisal Value				Investment Ratio (*6)	Revenue from Real Estate Operation (JPY1,000) (*7)	NOI (JPY1,000) (*7)	P/L from Real Estate Operation (JPY1,000) (*7)	NOI Yield (estimate) (*8)
									23rd Period (as of June 30, 2022)		23rd Period (as of December 31, 2022)						
									Appraisal Value (JPY MM)	CAP Rate	Appraisal Value (JPY MM)	CAP Rate					
25	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	40.7	6,520	6,570	7,160	4.2%	7,180	4.2%	1.8%	478,240	448,826	422,727	6.9%
26	the b hachioji	Limited-service	Mid-price	196	Tokyo	36.6	2,610	2,701	2,560	5.1%	2,570	5.1%	0.7%	91,151	66,358	30,243	2.5%
27	the b hakata	Limited-service	Mid-price	175	Fukuoka	25.4	2,300	2,343	4,320	4.3%	4,320	4.3%	0.6%	66,522	53,566	31,468	2.3%
28	Hotel Francs	Full-service	Mid-price	222	Chiba	31.5	3,105	3,142	4,040	4.7%	4,100	4.7%	0.8%	300,000	237,496	190,018	7.6%
29	Mercure Yokosuka	Full-service	Mid-price	160	Kanagawa	29.3	1,650	1,629	3,360	4.6%	3,240	4.6%	0.5%	231,678	119,833	82,150	7.3%
30	Oriental Hotel Okinawa Resort & Spa	Resort	Upper-middle	361	Okinawa	18.0	14,950	15,756	17,800	4.9%	17,900	4.9%	4.1%	199,587	116,666	(216,280)	0.8%
31	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Full-service	Luxury	238	Hiroshima	12.5	17,320	17,190	20,700	4.6%	20,700	4.6%	4.7%	1,127,826	667,870	443,648	3.9%
32	CANDEO HOTELS UENO-KOEN	Limited-service	Mid-price	268	Tokyo	13.2	6,705	6,548	7,440	4.0%	7,460	4.0%	1.8%	349,971	324,257	283,716	4.8%
33	Oriental Hotel Fukuoka Hakata Station	Full-service	Upper-middle	221	Fukuoka	37.6	7,197	8,879	15,200	4.6%	15,000	4.6%	2.0%	612,861	366,013	(20,010)	5.1%
34	Holiday Inn Osaka Namba	Limited-service	Mid-price	314	Osaka	14.5	27,000	26,672	26,500	4.3%	26,600	4.3%	7.4%	213,149	164,068	44,463	0.6%
35	Hotel Oriental Express Fukuoka Tenjin	Limited-service	Mid-price	263	Fukuoka	23.8	5,248	5,828	6,620	4.7%	6,520	4.7%	1.4%	286,257	190,023	93,192	3.6%
36	Hilton Nagoya	Full-service	Luxury	460	Aichi	34.0	15,250	15,560	14,800	4.2%	14,900	4.2%	4.2%	1,037,215	389,134	208,057	2.6%
37	Hilton Tokyo Narita Airport	Full-service	Upper-middle	548	Chiba	29.6	13,175	13,247	13,500	4.6%	12,300	4.6%	3.6%	228,202	147,855	(59,155)	1.1%
38	International Garden Hotel Narita	Full-service	Mid-price	463	Chiba	26.7	9,125	9,050	9,520	4.8%	9,080	4.8%	2.5%	212,497	168,854	8,015	1.9%
39	Hotel Nikko Nara	Full-service	Upper-middle	330	Nara	25.0	10,373	10,135	9,870	4.8%	9,500	4.8%	2.8%	178,567	130,291	(18,044)	1.3%
40	Hotel Oriental Express Osaka Shinsaibashi	Limited-service	Mid-price	124	Osaka	5.1	2,738	2,804	2,890	4.7%	2,890	4.7%	0.7%	-	(14,078)	(30,138)	(0.5%)
41	Hilton Tokyo Odaiba	Full-service	Upper-middle	453	Tokyo	27.1	62,400	63,369	67,800	3.7%	68,000	3.7%	17.1%	722,054	391,085	89,886	0.6%
42	UAN kanazawa (*9)	Limited-service	Upper-middle	47	Ishikawa	5.4	2,050	-	-	-	-	-	0.6%	-	-	-	-
<b>Total or Average</b>		-	-	<b>11,326</b>	-	<b>24.6</b>	<b>365,592</b>	<b>358,067</b>	<b>486,080</b>	-	<b>483,110</b>	-	<b>100.0%</b>	<b>14,879,363</b>	<b>10,929,748</b>	<b>6,138,573</b>	<b>3.0%</b>

(\*1) Under the category of Hotel Type, "Full-service" is full-service hotel, "Resort" is resort hotel, and "Limited-service" is limited-service hotel.

(\*2) Mainly based on ADR, etc., JHR has classified the hotels into four categories as "luxury," "upper-middle," "mid-price," and "economy."

(\*3) The age of each property as of February 22, 2023. Average age: Weighted average calculated as follows. The sum of (acquisition price of each property x property age)/total acquisition price.

(\*4) The acquisition price in the Purchase & Sale Agreement for the Beneficial Interest in Trust or real estate is indicated. (Consumption tax, amount equivalent to consumption tax, brokerage fee, and other purchase-related costs are excluded.)

(\*5) Book value as of the end of December 2022.

(\*6) The "Investment Ratio" column shows the ratio of the acquisition price of each property to the total acquisition price of properties held as of February 22, 2023, rounded to one decimal place.

(\*7) Actual for 12 months from January to December 2022. Since the lessees did not agree to disclose numbers in units of JPY1,000 for No. 11 and 12, amounts are rounded down to the nearest JPY million.

(\*8) NOI yield for the portfolio is calculated as follows: Total NOI for FY12/2022 (actual) (10,963,357 thousand yen)/total acquisition price of properties held as of the end of FY12/2022.

(\*9) Since the property was acquired on January 31, 2023, the book value, appraisal value, and revenue from real estate operation, NOI, P/L from real estate operation, and NOI yield are not stated and are not included in the total or average figures.



# 6. Summary of Lease Contracts (1/3)

(as of February 22, 2023)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/ Hotel Consulting and Management Company	Lease/ MC Term	Expiration Date of Contract	Contractual Rent (*2)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2023 to 2024)			
										Timing	Condition	2023	2024		
1	Kobe Meriken Park Oriental Hotel	Fixed- lease	Fixed + Variable	Hotel Management Japan Co., Ltd.		15	Dec. 2034	[2022] Hotel AGOP x 86% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-		
2	Oriental Hotel tokyo bay							[2022] Hotel AGOP x 79% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid							
3	Namba Oriental Hotel							[2022] Hotel AGOP x 91% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid							
4	Oriental Hotel Hiroshima							[2022] Hotel AGOP x 89% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid							
5	Hotel Nikko Alivila							Okura Nikko Hotel Management Co., Ltd.						[2022] Hotel AGOP x 74% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid	
6	The Beach Tower Okinawa	Fixed- lease	Fixed	Kyoritsu Maintenance Co., Ltd.		20	Jun. 2026	JPY42MM/month	The same rent will be applied until expiration of the contract.	-	-	-	-		
7	Hakone Setsugetsuka	Fixed- lease	Fixed					20	Oct. 2026	JPY24MM/month	The same rent will be applied until expiration of the contract.	-	-	-	-
8	Dormy Inn Kumamoto	Fixed- lease	Fixed + Variable					3	Mar. 2026	JPY16MM/month + when Hotel GOP exceeds JPY400MM, the excess x 40% is paid	Rent can be modified through mutual agreement every three years.	Apr. 2020	Same (Introduced variable rent)	Renewed (Mar.)	-
9	dormy inn-global cabin Asakusa	Lease	Fixed					3	Mar. 2023	JPY5MM/month	Rent can be modified through mutual agreement every three years.	Apr. 2020	Same	To be expired (Mar.)	-
10	Hakata Nakasu Washington Hotel Plaza	Lease	Fixed					3	Mar. 2024	JPY20MM/month	Rent can be modified through mutual agreement.	Apr. 2021	Same	-	To be expired (Mar.)
11	Nara Washington Hotel Plaza	Lease	Fixed	Washington Hotel K.K.		3	Mar. 2023	JPY11MM/month	Rent can be modified through mutual agreement.	Mar. 2020	Same	To be expired (Mar.)	-		
12	R&B Hotel Ueno-hirokoji	Lease	Fixed					20	Apr. 2025	JPY8MM/month	Rent can be modified through mutual agreement.	Apr. 2011	Increased (+3.0%)	-	-
13	Comfort Hotel Tokyo Higashi Nihombashi	Fixed- lease	Fixed + Revenue sharing					Greens Co., Ltd.	20	Jan. 2028	JPY21MM/month + Revenue sharing	Rent can be modified through mutual agreement every five years.	Apr. 2018	Same (Introduced revenue sharing)	-
14	Smile Hotel Nihombashi Mitsukoshimae	Lease	Fixed + Revenue sharing	THE KAMOGAWA GRAND HOTEL, LTD.	3	Mar. 2023	JPY11MM/month + Revenue sharing	Rent can be modified through mutual agreement.	Mar. 2020	Same	To be expired (Mar.)	-			
15	Toyoko Inn Hakata-guchi Ekimae	Lease	Fixed	Toyoko Inn Co., Ltd.	30	Sep. 2031	JPY11MM/month	No rule has been stipulated.	Oct. 2007	Increased (+9.4%)	-	-			
16	Oriental Hotel Universal City	Fixed- lease	Fixed + Variable	K.K. Osaka Sakurajima Operations	10.5	Dec. 2031	JPY350MM/year + when Hotel AGOP exceeds JPY370MM, the excess x 95% is paid (Fixed rent payments from June 2021 to June 2022 are waived. The starting date for calculation of variable rent is January 1, 2022.)	In principle, the same rent will be applied until expiration of the contract.	Jul. 2021	Change in lessee and Modified Structure	-	-			

## 6. Summary of Lease Contracts (2/3)

(as of February 22, 2023)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/ Hotel Consulting and Management Company	Lease/ MC Term	Expiration Date of Contract	Contractual Rent (*2)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2023 to 2024)		
										Timing	Condition	2023	2024	
17	Chisun Inn Kamata	Fixed-lease	Variable	Solare Hotels & Resorts Co., Ltd.	SHR Hotels, Co., Ltd.	7	Dec. 2026	Hotel GOP x 86% (If the amount is below JPY0, it will be JPY0)	-	Jan. 2020	Same	-	-	
18	Chisun Hotel Kamata	Fixed-lease	Variable			5	Dec. 2025	Hotel GOP x 86% (If the amount is below JPY0, it will be JPY0)	-	Jan. 2021	Change in lessee and Modified Structure	-	-	
19	Hilton Tokyo Bay	Fixed-lease	Fixed + Revenue sharing	THE DAI-ICHI BUILDING CO., LTD.	Hilton International Company	6	Dec. 2028	JPY163MM/month + Revenue sharing	Rent can be modified through mutual agreement.	Jan. 2019	Renewed (Increased)	-	-	
20	ibis Styles Kyoto Station	-	Management contract	-	AAPC Japan K.K.	12	Dec. 2024	Amount equivalent to hotel GOP	-	-	-	-	To be expired (Dec.)	
21	ibis Styles Sapporo	-	Management contract			10	Dec. 2024	Amount equivalent to hotel GOP	-	-	-	-	-	To be expired (Dec.)
22	Mercure Sapporo	-	Management contract			15	Sep. 2029	Amount equivalent to hotel GOP	-	-	-	-	-	-
23	Mercure Okinawa Naha	-	Management contract			10	Apr. 2024	Amount equivalent to hotel GOP	-	-	-	-	-	To be expired (Apr.)
24	Mercure Yokosuka	Fixed-lease	Variable	AAPC Japan K.K.		5	Aug. 2024	Linked to hotel GOP	The same rent will be applied until expiration of the contract.	Aug. 2019	Renewed (Increased)	-	To be expired (Aug.)	
25	the b ikebukuro	Fixed-lease	Fixed + Variable	Ishin Ikebukuro Operations K.K.		9.5	Jul. 2024	[2021]JPY38MM/year + Linked to hotel AGOP [2022]JPY80MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	To be expired (Jul.)	
26	the b hachioji	Fixed-lease	Fixed + Variable	Ishin Hachioji Operations, Y.K.		9.5	Jul. 2024	[2021]JPY21MM/year + Linked to hotel AGOP [2022]JPY45MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	To be expired (Jul.)	
27	the b hakata	Fixed-lease	Fixed + Variable	Ishin Hakata Operations K.K.		9.5	Jul. 2024	[2021]JPY28MM/year + Linked to hotel AGOP [2022]JPY59MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	To be expired (Jul.)	
28	the b suidobashi	Fixed-lease	Fixed + Variable	Ishin Suidobashi Operations K.K.		5	Dec. 2026	[2021]JPY13MM/year + Linked to hotel AGOP [2022]JPY30MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	-	
29	Hotel Francs	Fixed-lease	Fixed	K.K. BP		19	Oct. 2024	JPY25MM/month	The same rent will be applied until expiration of the contract.	-	-	-	To be expired (Oct.)	
30	Oriental Hotel Okinawa Resort & Spa	Fixed-lease	Fixed + Variable	Lagoon resort Nago Co., Ltd.		10	Dec. 2030	[2022]Hotel AGOP x 89% (If the amount is below JPY0, it will be JPY0) [2023]JPY550MM/year + when Hotel AGOP exceeds JPY655MM, the excess x 95% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-	
31	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Fixed-lease	Fixed + Variable	K.K. A.I.C Hiroshima Management	Luxury Hotels International of Hong Kong Limited	11	Dec. 2026	[2022]Hotel AGOP x 93% (If the amount is below JPY0, it will be JPY0) [2023]JPY348MM/year + when Hotel AGOP exceeds JPY360MM, the excess x 90% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-	
32	CANDEO HOTELS UENO-KOEN	Fixed-lease	Fixed	Candeo Hospitality Management, Inc.		20	Feb. 2030	Nondisclosure <sup>(**3)</sup>	Rent can be modified through mutual agreement every three years.	Jul. 2016	Nondisclosure <sup>(**3)</sup>	-	-	
33	Oriental Hotel Fukuoka Hakata Station	Fixed-lease	Fixed + Variable	Hotel Centraza Co., Ltd.		15	Dec. 2034	[2022]Hotel AGOP x 97% (If the amount is below JPY0, it will be JPY0) [2023]JPY425MM/year + when Hotel AGOP exceeds JPY442MM, the excess x 98% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-	

## 6. Summary of Lease Contracts (3/3)

(as of February 22, 2023)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/ Hotel Consulting and Management Company	Lease/ MC Term	Expiration Date of Contract	Contractual Rent (*2)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2023 to 2024)	
										Timing	Condition	2023	2024
34	Holiday Inn Osaka Namba	Fixed-lease	Fixed + Variable	OW Hotel Operations KK		15	Oct. 2031	[2022]Hotel AGOP x 98% (If the amount is below JPY0, it will be JPY0) [2023]JPY576MM/year + when Hotel AGOP exceeds JPY580MM, the excess x 97% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
35	Hotel Oriental Express Fukuoka Tenjin	Fixed-lease	Fixed + Variable	K.K Fukuoka Tenjin Operations		10.5	Dec. 2031	JPY150MM/year + when Hotel AGOP exceeds JPY165MM, the excess x 97% is paid (Fixed rent payments from June 2021 to June 2022 is waived. The starting date for calculation of variable rent is January 1, 2022.)	In principle, the same rent will be applied until expiration of the contract.	Jun. 2021	Change in lessee and Modified Structure	-	-
36	Hilton Nagoya	Lease	Variable	Nagoya Hilton Co., Ltd.	Hilton International Company	41	Dec. 2029	Nondisclosure <sup>(*3)</sup>	Rent can be modified through mutual agreement.	-	-	-	-
37	Hilton Tokyo Narita Airport	Fixed-lease	Fixed + Variable	KK NaritaKosuge Operations		20	Jun. 2037	[2022]Hotel AGOP x 95% (If the amount is below JPY0, it will be JPY0) [2023]JPY444MM/year + when Hotel AGOP exceeds JPY450MM, the excess x 93% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
38	International Garden Hotel Narita	Fixed-lease	Fixed + Variable	KK NaritaYoshikura Operations		10	Jun. 2027	[2022]Hotel AGOP x 95% (If the amount is below JPY0, it will be JPY0) [2023]JPY336MM/year + when Hotel AGOP exceeds JPY360MM, the excess x 98% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
39	Hotel Nikko Nara	Fixed-lease	Fixed + Variable	Hotel Management Co., Ltd.	Okura Nikko Hotel Management Co., Ltd.	10	Dec. 2030	[2022]Hotel AGOP x 95% (If the amount is below JPY0, it will be JPY0) [2023]JPY420MM/year + when Hotel AGOP exceeds JPY440MM, the excess x 95% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
40	Hotel Oriental Express Osaka Shinsaibashi	Fixed-lease	Fixed + Variable	K.K. HOTEL ORIENTAL EXPRESS		10	Mar. 2028	[2022]Hotel AGOP x 87% (If the amount is below JPY0, it will be JPY0) [2023]JPY110.4MM/year + when Hotel AGOP exceeds JPY128MM, the excess x 91% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
41	Hilton Tokyo Odaiba	Fixed-lease	Fixed + Variable	Tokyo Humania Enterprise Inc.		11	Dec. 2029	[2022]Hotel AGOP x 97% (If the amount is below JPY0, it will be JPY0) [2023]JPY1,600MM/year + when Hotel AGOP exceeds JPY1,660MM, the excess x 98% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
42	UAN kanazawa	Fixed-lease	Fixed + Revenue sharing	Solare Hotels and Resorts Co., Ltd.	SHR Hotels Co., Ltd.	25	Oct. 2042	JPY9MM/month + when annual room revenue exceeds JPY270MM, the excess x 30% is paid	In principle, the same rent will be applied until expiration of the contract.	-	-	-	-

(\*1) Rent structure is as follows:

Fixed: Fixed rent

Variable: Variable rent

Management contract: Management contract

Fixed + Variable: Property paying both fixed and variable rent

Fixed + Revenue sharing: When the sales of the hotel exceed pre-determined amount, additional rent is paid

(\*2) Amount including car park and CAM without tax.

(\*3) The detailed content of the contract is not disclosed as consent on disclosure has not been obtained from the lessee.

# 7. Portfolio Map

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

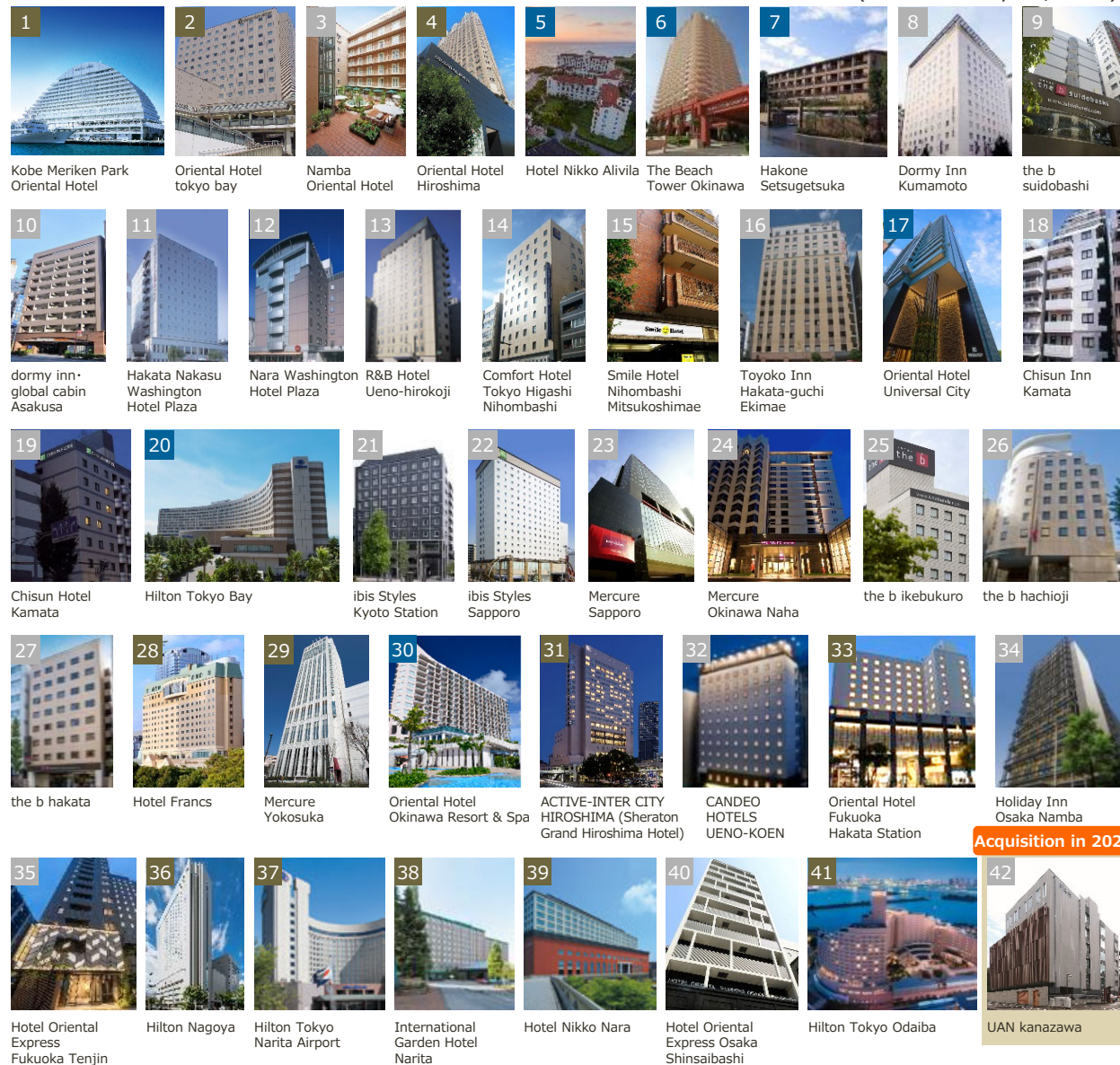
**Total Assets**  
**JPY365.5Bn**

**No. of Hotels**  
**42 Hotels**

**No. of Guest Rooms**  
**11,326 Rooms**



(as of February 22, 2023)



Acquisition in 2023

# 8. Balance Sheet

(Unit: JPY MM)

	FY12/2021 End of Fiscal Year December 31, 2021	FY12/2022 End of Fiscal Year December 31, 2022	Variance		FY12/2021 End of Fiscal Year December 31, 2021	FY12/2022 End of Fiscal Year December 31, 2022	Variance
(as of)				(as of)			
<b>ASSETS</b>				<b>LIABILITIES</b>			
<b>Current Assets</b>	<b>32,640</b>	<b>34,553</b>	<b>1,912</b>	<b>Current Liabilities</b>	<b>41,265</b>	<b>54,165</b>	<b>12,900</b>
Cash and Deposits <sup>(*1)</sup>	30,296	29,515	(781)	Operating Accounts Payable	1,426	1,943	516
Operating Accounts Receivables	1,750	4,442	2,692	Short-term Loans	24,002	35,113	11,111
Others	593	595	1	Current Portion of Investment Corporation Bond	6,000	–	(6,000)
<b>Noncurrent Assets</b>	<b>361,531</b>	<b>362,115</b>	<b>584</b>	Current Portion of Long-term Loans Payable	8,434	15,432	6,998
Net Property and Equipment	326,143	325,988	(154)	Accounts Payable	712	970	258
Buildings in Trust <sup>(*2)</sup>	111,807	111,217	(589)	Advances Received	658	664	5
Land in Trust	212,263	212,263	–	Others	31	42	10
Others <sup>(*3)</sup>	2,073	2,508	434	<b>Long-term Liabilities</b>	<b>131,516</b>	<b>119,059</b>	<b>(12,456)</b>
Intangible Assets	32,704	32,494	(210)	Investment Corporation Bonds	34,100	36,900	2,800
Other Assets	2,683	3,632	949	Long-term Loans Payable	92,218	76,786	(15,432)
Leasehold and Security Deposits	152	152	–	Tenant Leasehold and Security Deposits	4,654	4,660	5
Others	2,531	3,480	949	Derivative Liabilities	202	–	(202)
<b>Deferred Assets</b>	<b>151</b>	<b>130</b>	<b>(20)</b>	Others	340	713	373
				<b>TOTAL LIABILITIES</b>	<b>172,781</b>	<b>173,225</b>	<b>443</b>
				<b>NET ASSETS</b>			
				Unitholders' Capital	187,194	187,194	–
				Capital Surplus	21,746	21,746	–
				Reserve for Temporary Difference Adjustment	10,311	9,976	(335)
				Reserve for Special Advanced Depreciation	1,174	1,174	–
				Unappropriated Retained Earnings	1,300	2,672	1,372
				Others	(185)	809	995
				<b>TOTAL NET ASSETS</b>	<b>221,542</b>	<b>223,574</b>	<b>2,032</b>
<b>TOTAL ASSETS</b>	<b>394,323</b>	<b>396,799</b>	<b>2,476</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>394,323</b>	<b>396,799</b>	<b>2,476</b>

(\*1) Cash and deposits in trust is included.

(\*2) The sum of buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, and construction in progress in trust.

(\*3) The sum of machinery and equipment, tools, furniture and fixtures, and construction in progress.

## **Appendix 3**

# **Investors Composition and Investment Unit Price**

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# 1. Major Unitholders and Classifications of Unitholders

## Top 10 Major Unitholders

As of the end of June 2022

Rank	Name	No. of Units	% <sup>(*)</sup>
1	The Master Trust Bank of Japan, Ltd. (Trust)	757,896	16.96
2	Custody Bank of Japan, Ltd. (Trust)	664,123	14.86
3	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	217,540	4.86
4	SDSS K INVESTCO LIMITED	117,567	2.63
5	BNYM AS AGT/CLTS 10 PERCENT	80,713	1.80
6	STATE STREET BANK CLIENT - TREATY 505234	70,215	1.57
7	STATE STREET BANK AND TRUST COMPANY 505103	68,416	1.53
8	GOLDMAN SACHS INTERNATIONAL	64,230	1.43
9	SSBTC CLIENT OMNIBUS ACCOUNT	62,291	1.39
10	JP MORGAN CHASE BANK 385781	58,895	1.31
<b>Total</b>		<b>2,161,886</b>	<b>48.39</b>

As of the end of December 2022

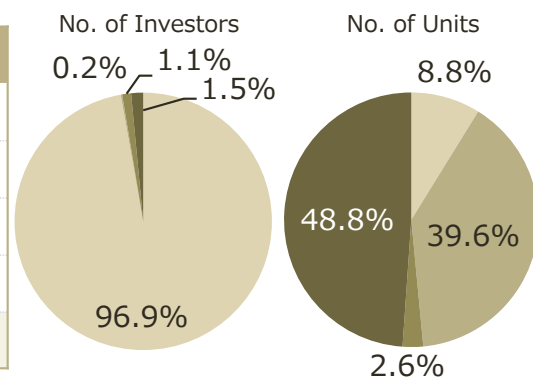
Rank	Name	No. of Units	% <sup>(*)</sup>
1	The Master Trust Bank of Japan, Ltd. (Trust)	815,025	18.24
2	Custody Bank of Japan, Ltd. (Trust)	731,291	16.37
3	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	232,834	5.21
4	THE CHASE MANHATTAN BANK, N.A. LONDON SPECIAL ACCOUNT NO.1	107,498	2.40
5	JPMorgan Securities Japan Co., Ltd.	80,460	1.80
6	BNYM AS AGT/CLTS 10 PERCENT	75,875	1.69
7	State Street Bank and Trust Company 505223	73,811	1.65
8	STATE STREET BANK CLIENT - TREATY 505234	73,503	1.64
9	STATE STREET BANK AND TRUST COMPANY 505103	68,691	1.53
10	SSBTC CLIENT OMNIBUS ACCOUNT	68,599	1.53
<b>Total</b>		<b>2,327,587</b>	<b>52.10</b>

(\*) Ownership ratio shows the total units held by each investor to the total units issued by JHR as of the end of June 2022 and the end of December 2022, respectively (rounded down to two decimal places).

## Classifications of Unitholders

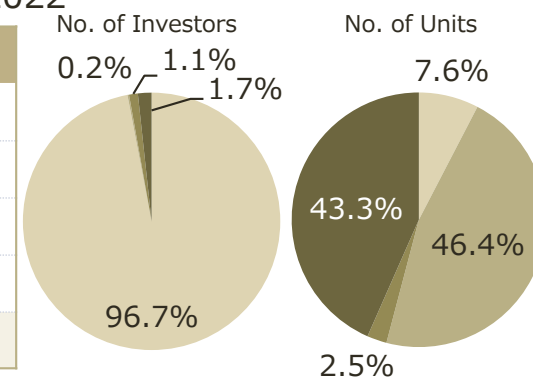
As of the end of June 2022

Owners	No. of Investors	No. of Units
Individuals & Others	30,013	397,277
Financial Institutions (Incl. Securities Firms)	72	1,772,086
Other Domestic Firms	367	116,608
Foreign Firms & Individuals	491	2,181,035
<b>Total</b>	<b>30,943</b>	<b>4,467,006</b>



As of the end of December 2022

Owners	No. of Investors	No. of Units
Individuals & Others	26,688	341,673
Financial Institutions (Incl. Securities Firms)	77	2,074,883
Other Domestic Firms	323	112,158
Foreign Firms & Individuals	485	1,938,292
<b>Total</b>	<b>27,573</b>	<b>4,467,006</b>



(\*) Percentage of investors is percentage of investors in each segment to the total number of investors in JHR, and percentage of investment units is percentage of investment units owned by each segment to the total investment units issued as of respective date (both rounded down to one decimal place).

# 2. Changes in Investment Unit Price and Market Capitalization

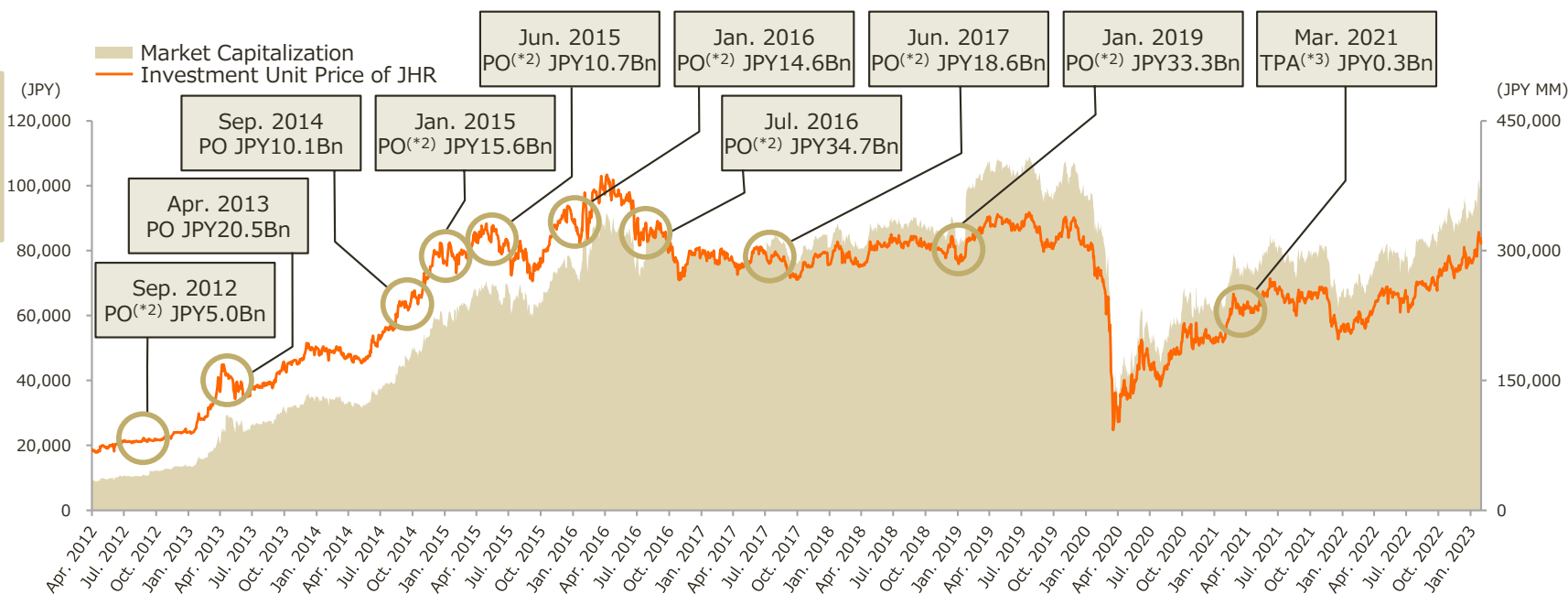
## Changes in the investment unit price and market capitalization (Based on the closing price)

**Price of the investment unit:**  
**JPY82,200**  
**Total market capitalization:**  
**JPY367.1Bn**  
 (based on the closing price of January 31, 2023)

(\*1) Price of the real estate investment securities may fall depending on the fluctuations of price of the real estate under management or profitability, etc., and investors may suffer losses. Investors may also suffer losses through the bankruptcy or deteriorated financial condition of the issuer.

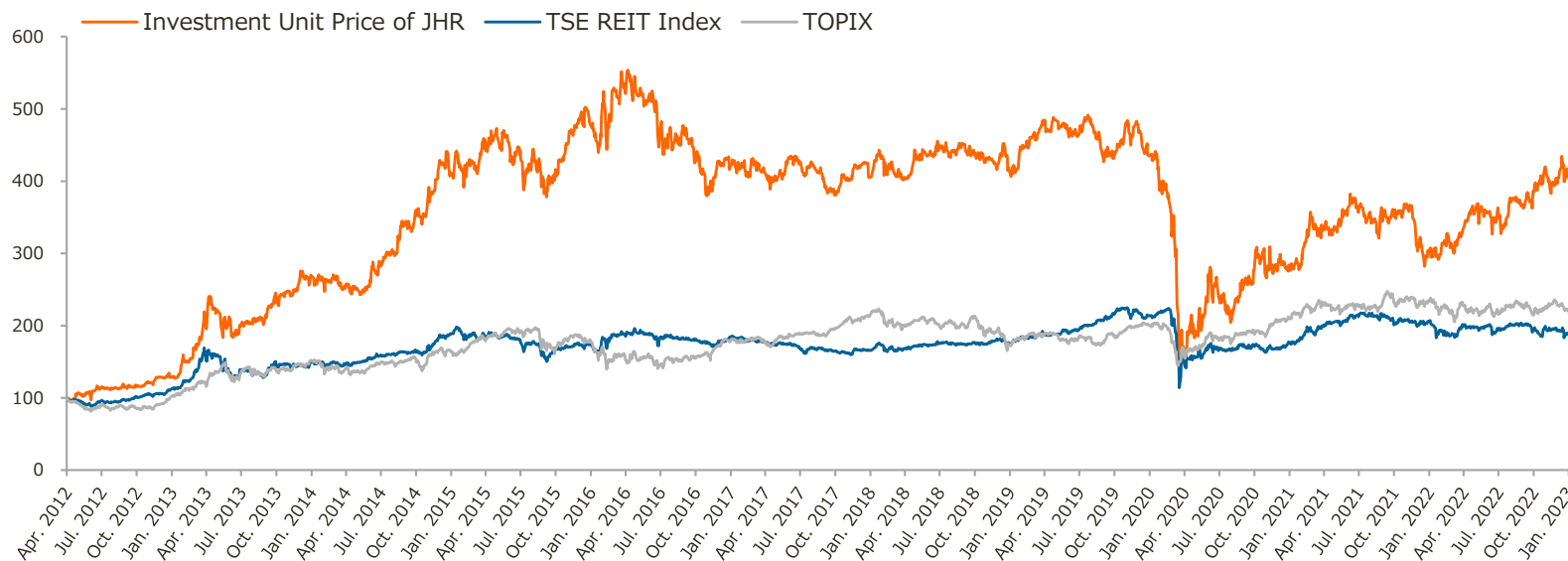
(\*2) Including OA

(\*3) Indicate the third-party allotment conducted March 2021, with sponsor group as allottee.



## Comparison with REIT Index and TOPIX of Tokyo Stock Exchange (TSE)

(\*1) 100 is the closing price of JHR unit, REIT index and TOPIX at TSE dated April 2, 2012. REIT Index of TSE is an index of a weighted average of the market capitalization of all REITs listed on TSE.





## **Appendix 4**

# **Summary of the Asset Management Company**

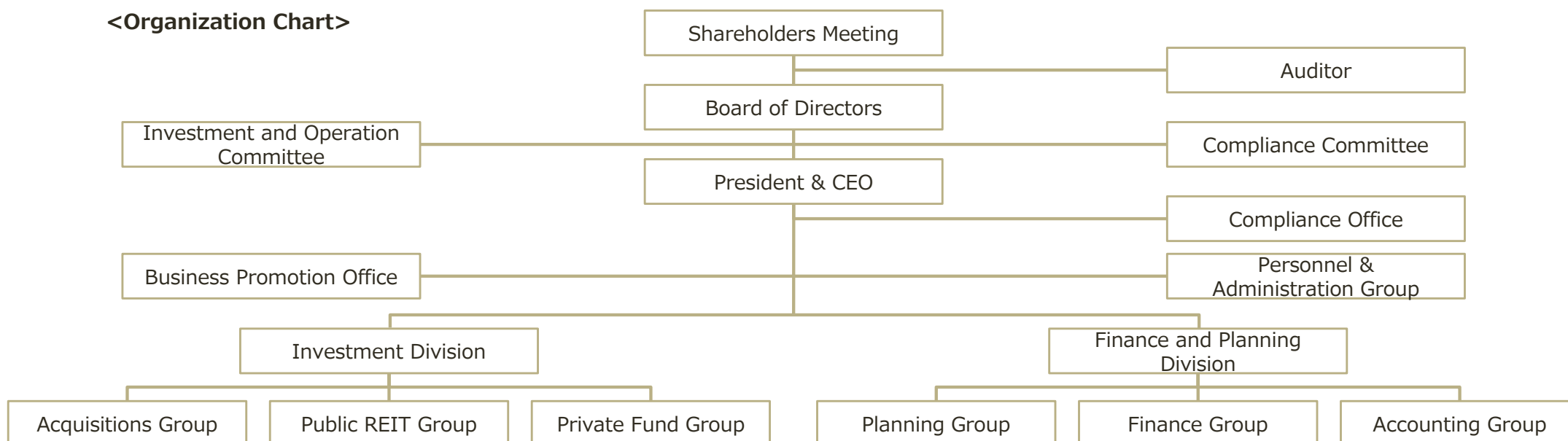
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# 1. Summary of the Asset Management Company

(as of December 31, 2022)

Company Name	Japan Hotel REIT Advisors Co., Ltd.
Location	Ebisu Neonato 4F, 4-1-18 Ebisu, Shibuya-ku, Tokyo 150-0013
Establishment	August 10, 2004
Capital	JPY300MM
Shareholders	SCJ One (S) Pte. Ltd., Kyoritsu Maintenance Co., Ltd., ORIX Corporation
Representative Director	Hisashi Furukawa
Registration and Licenses	Building Lots and Buildings Transaction Business Operator, Governor of Tokyo (4) No. 83613 Discretionary Transaction Agent by Minister of Land, Infrastructure, Transport and Tourism No. 38 Financial Instruments Business Operator, Director-General of Kanto Local Finance Bureau No. 334 Member of The Investment Trusts Association, Japan Member of The Japan Investment Advisers Association

## <Organization Chart>



### Mission Statement

#### Connecting hotels, people, and the future

We explore the possibility of hotels.

We create new value and lead hotels to a bright future.

We will be the pivot to connect people with various perspectives and a pioneer for the future of hotel industry.

We connect hotels, people, and a bright future.

#### Ideas behind the new mission statement

- Through offering opportunities to invest in hotels, we will deliver attractiveness of hotels to many people.
- Utilizing our unique asset management know-how and skills, we will create new value and contribute to the development of the hotel industry.
- We will enhance sustainability of hotels and contribute to realizing a society that is friendly to people, local community and environment.
- We will earn trust of a wide range of various stakeholders involved in the hotel and become the pivot to bring the stakeholders into harmony.
- We will challenge the status quo, consider all the possibilities for a better solution and become a bridge to the bright future for the hotels and people.

### Code of Conduct

We define "Challenge" and "Teamwork" as the code of conduct for a team member at JHRA.

In achieving our mission, "connect hotels, people and future," it is essential to pursue all possibilities and continue exploring to create added value.

We will always pursue possibilities through "challenge" by each department and each employee and continue to create added value through cooperation and collaboration based on "teamwork."

#### Challenge

- Be a self-starter, take initiative and demonstrate drive
- Set high goal and strive to achieve goals
- Respect creativity and innovation
- Promote challenge, free from fear of failure



#### Teamwork

- Respect teamwork and collaborate with team-mates
- Respect others. Respect values and opinions of others
- Promote "sharing" (idea, knowledge, information, goal, achievement, joy of achievement, lesson, etc.)
- Make effort for open, frank and sincere communication

### Advanced Expertise

- ◆ Ability to propose transaction scheme, execute transaction, and plan and execute unprecedented measures of asset management based on in-depth understanding of hotel operation and track record of such asset management.
- ◆ Extensive experience of renovation and rebranding through collaboration with many hotel lessees and hotel operators.
- ◆ Strong and long-term relationships with a large number of hotel lessees and hotel operators.
- ◆ High analytical skills and accurate judgement capacity based on rich information and data obtained through a broad network and high credibility.

### Ensured Independence

- ◆ There is no seconded employee from sponsor in JHRA.
- ◆ JHRA's Board of Directors consists of part-time directors from our main sponsor, SC CAPITAL PARTNERS group, same number of full-time directors who are not related to the sponsor, and one part-time auditor who is not related to the sponsor.
- ◆ We established a more rigorous decision-making process for transactions with sponsor-related parties. In principle, JHRA undergoes deliberations and resolutions by the Investment and Operation Committee, the Compliance Committee which includes an outside specialist who is authorized to dismiss proposals, and the Board of Directors Meeting of JHRA. In addition, in cases where JHR conducts transactions with sponsor-related parties, such transactions shall be conducted upon the approval and resolution by the Board of Directors Meeting at JHR. The officers of JHR are all third parties and unrelated to the sponsor-related parties.
- ◆ Since our main sponsor, SC CAPITAL PARTNERS group is also an independent asset management company, it fully understands and respects importance of JHRA's independency. JHRA conducts asset management business based upon its own judgement.

This material is prepared and provided solely for the purpose of providing information and not to offer, solicit, or do business, etc. with specific products including purchase of investment units, investment unit subscription rights, or investment corporation bonds of Japan Hotel REIT Investment Corporation ("JHR") or any other particular products. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

This material is neither a disclosure document nor an investment report required under or prepared pursuant to the Financial Instruments and Exchange Act, Act on Investment Trusts and Investment Corporations and related government ordinances, Cabinet Office regulations, listing rules by Tokyo Stock Exchange, Regulations of The Investment Trusts Association, Japan, or other related rules and regulations.

This material contains forward-looking statements about financial conditions, operational results, and businesses of JHR, as well as plans and intentions of JHR and its asset management company, Japan Hotel REIT Advisors Co., Ltd ("JHRA"). Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or performance of JHR to materially differ from those expressed or implied forecasts. Those forecasts are made based on JHR's present and future business strategies and assumptions relating to the political and economic circumstances surrounding JHR in the future.

Every effort has been made to ensure the accuracy of the information contained in this material. However, there can be no assurance that the information is accurate, complete, appropriate or fair. The information may be revised or retracted without prior notice.

Regarding the offering and trading of investment units, investment unit subscription rights or investment corporation bonds, financial institutions may charge you pre-determined handling fees and other charges aside from the price of the investment units, investment unit subscription rights or investment corporation bonds. Since neither JHR nor JHRA handles the offering and trading of investment units, investment unit subscription rights or investment corporation bonds, please ask financial institutions for the amount, upper limit, and calculation methods of such fees and other charges.

JHR mainly invests in real estate-related assets, primarily hotels which are subject to change in values. Therefore, unitholders, holders of investment unit subscription rights and investment corporation bonds may suffer losses due to economic conditions of the real estate market or securities market, economic situations including interest rate environment, the nature of investment units, investment unit subscription rights, and investment corporation bonds, dependency on mechanisms and related persons of investment corporations, changes in legal systems related to real estate (include tax regulations, building regulations and others), damage caused to the real estate-related assets by natural disasters, fluctuation in prices or profitability of the real estate-related assets, nature of the trust beneficiary rights under management, delisting of the investment units, or worsening financial position or insolvency of JHR. For details, please refer to the Articles of Incorporation, Securities Registration Statement, Annual Securities Report and Extraordinary Report, etc. of JHR.

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Japan Hotel REIT Advisors Co., Ltd.  
Financial Instruments Trading Company  
Director-General of Kanto Local Finance Bureau No. 334  
Member of The Investment Trust Association, Japan  
Member of The Japan Investment Advisers Association

