

This English translation is provided for information purposes only. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

August 24, 2023

## Midterm Financial Report for the Fiscal Year Ending December 31, 2023 (January 1, 2023 – June 30, 2023)

### Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange  
Securities code: 8985  
URL: <https://www.jhrth.co.jp/en/>  
Representative: Kaname Masuda, Executive Director

Asset Management Company: Japan Hotel REIT Advisors Co., Ltd.  
Representative: Hisashi Furukawa, President & CEO  
Contact: Makoto Hanamura  
Director of the Board, Head of Finance and Planning Division  
Phone: +81-3-6422-0530

Scheduled date to file midterm Securities Report: September 22, 2023

Scheduled date to file midterm Securities Report: Yes

Schedule for presentation of midterm financial results: Yes (Institutional investors and analysts only)

(Amounts are rounded down to the nearest millions of yen)

### 1. Status summary of operation and assets for the midterm of the fiscal year ending December 31, 2023 (January 1, 2023 – June 30, 2023)

#### (1) Operating results

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

	Operating revenue		Operating income		Ordinary income		Net income (loss)	
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%
Midterm period ended								
June 30, 2023	11,288	107.8	5,759	–	4,897	–	4,896	–
June 30, 2022	5,431	18.3	323	–	(470)	–	(471)	–
Fiscal year ended								
December 31, 2022	14,912	9.4	4,296	45.2	2,672	105.9	2,671	106.0

	Net income for the current midterm period per unit
Midterm period ended	JPY
June 30, 2023	1,096
June 30, 2022	(105)
Fiscal year ended	
December 31, 2022	598

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

#### (2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
Midterm period ended	JPY1M	JPY1M	%	JPY
June 30, 2023	396,271	224,748	56.7	50,312
June 30, 2022	391,483	219,914	56.2	49,230
Fiscal year ended				
December 31, 2022	396,799	223,574	56.3	50,050

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

### (3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of year
Midterm period ended	JPY1M	JPY1M	JPY1M	JPY1M
June 30, 2023	9,248	(13,009)	(3,044)	22,708
June 30, 2022	1,208	(3,304)	(1,633)	26,267
Fiscal year ended				
December 31, 2022	5,331	(3,640)	(2,172)	29,515

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

(Percentages show changes from the previous year)

	Operating revenue		Operating income		Ordinary income		Net income		Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%	JPY	JPY
Full year	24,928	67.2	13,288	209.3	11,417	327.2	11,416	327.3	2,652	—

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2023 (full year): ¥2,555 (Calculated based on the estimate of the period-average number of investment units of 4,467,006).

(Note) The source of the dividend payment is planned to be the total net income plus the reversed amount for temporary difference adjustment (¥431 million).

### \* Other

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

(a) Changes in accounting policies due to revisions to accounting standards and other regulations: No change

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

(c) Changes in accounting estimates: No change

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

(2) Total number of investment units issued and outstanding

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

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

As of June 30, 2023	4,467,006 units	As of June 30, 2022	4,467,006 units	As of December 31, 2022	4,467,006 units
---------------------	-----------------	---------------------	-----------------	-------------------------	-----------------

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

As of June 30, 2023	0 unit	As of June 30, 2022	0 unit	As of December 31, 2022	0 unit
---------------------	--------	---------------------	--------	-------------------------	--------

(Note) For the number of investment units serving as the basis of computation for calculating net income per unit, please refer to "Notes on per unit information" on page 34.

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

### \* Special items

Forward-looking statements presented in this financial report including operating forecasts are based on information currently available to us and on certain assumptions we deem reasonable. As such, actual operating and other results may differ materially from these forecasts due to various factors. Furthermore, we do not intend to guarantee any dividend amount by this forecast. For the assumptions of the operating forecast and notes for the use of the operating forecast, please refer to "1.

Operating results; (1) Operating results; (B) Outlook for the second half of the fiscal year" on page 6 and "Assumptions of the operating forecast for the full fiscal year ending December 2023 (24th period)" on page 11.

○ Table of Contents

1. Operating results .....	4
(1) Operating results .....	4
2. Semi-annual financial statements .....	19
(1) Semi-annual balance sheets .....	19
(2) Semi-annual statements of income .....	21
(3) Semi-annual statements of changes in net assets.....	22
(4) Semi-annual statements of cash flows.....	24
(5) Notes on going concern assumption.....	25
(6) Notes on matters concerning significant accounting policies .....	25
(7) Notes to semi-annual financial statements .....	27
(8) Changes in the total number of investment units issued and outstanding.....	35
3. Reference information.....	36
(1) Information on values of assets under management, etc. ....	36
(2) Status of capital expenditures .....	48

# 1. Operating results

## (1) Operating results

### (A) Overview of the midterm period under review

#### (a) Brief history and principal activities

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

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

JHR, the former Nippon Hotel Fund Investment Corporation, merged with Japan Hotel and Resort, Inc. with an effective date of April 1, 2012 (hereinafter referred to as the “Merger”) and changed its name to Japan Hotel REIT Investment Corporation. Since the Merger through the end of the midterm period under review (6 months period from January 1, 2023, to June 30, 2023), JHR has carried out nine public offerings for capital increase and continuously acquired “highly competitive hotels” in mainly “strategic investment areas” where domestic and inbound leisure demand can be expected over the medium to long term.

By implementing the growth strategy above, JHR has expanded its asset size while improving the quality of its portfolio through new property acquisitions of 28 properties amounting to ¥285,610 million (acquisition price basis) in total in a little over ten years since the Merger through the end of the midterm period under review. As a result, JHR had a portfolio of 43 properties with a combined acquisition price of ¥373,992 million, and the total number of investment units issued and outstanding stood at 4,467,006 units at the end of the midterm period under review.

#### (b) Investment performance for the midterm period under review

During the midterm period under review (six months from January 1, 2023 to June 30, 2023), the Japanese economy continued to recover as the impact of the COVID-19 infection gradually eased. The domestic accommodation and tourism market has continued to see a significant recovery trend due to the continued implementation of the national travel subsidy program, which began in October 2022, the substantial easing in restrictions for foreign visitors to Japan (hereinafter referred to as “inbound visitors”), as well as the elimination of border measures in April 2023. In addition, behavioral restrictions are more relaxed since Japan reclassified COVID-19's category to Class 5 infectious disease in May 2023, and domestic leisure demand has partly recovered beyond the pre-pandemic level.

Of the total number of overnight guests at domestic accommodation facilities, the total number of Japanese overnight guests in the first half of 2023 returned to the same level as in 2019, minus 0.7 % compared to the same period in 2019. The total number of foreign guests recovered to minus 19.4% compared to the same period in 2019. As a result, the preliminary estimate of the total number of overnight guests in the first half of 2023 was 272 million (plus 45.3% compared to the same period last year and minus 4.5% compared to the same period in 2019).

In addition, the estimated number of inbound visitors in the first half of 2023 was 10.71 million (plus 2,010.2% compared to the same period last year and minus 35.6% decrease compared to the same period in 2019), indicating that the recovery from the COVID-19 pandemic is gaining momentum.

Under this recovery trend, JHR acquired UAN Kanazawa in January 2023 and Sotetsu Fresa Inn Shimbashi-Karasumoriguchi in March 2023 with cash on hand as the first property acquisition since the COVID-19 pandemic. Both hotels have a rent structure in which stability is ensured by fixed rents, and an upside can be expected by variable rents linked to room sales. We believe that acquiring highly competitive hotels in a market where future demand for accommodation is expected to grow will enhance the quality of JHR's portfolio.

As for internal growth, JHR continued to communicate closely with the lessees and operators that operated each of the hotels and worked to secure hotel revenues by reducing operating costs while promoting revenue enhancement measures in preparation for a full-fledged recovery period in the hotel market. In particular, Hotel Management Japan Co., Ltd. (hereinafter referred to as “HMJ”), which is a group company of the Asset Management Company, and its subsidiaries (hereinafter collectively referred to as the “HMJ Group”) made progress as planned in the cost reduction measures that have been implemented since the beginning of the COVID-19 pandemic, despite the impact of higher utilities and other costs. In addition, the HMJ Group aggressively promoted measures to improve profitability by quick response to anticipated recovery in demand for accommodation and improved sales through revenue management with an emphasis on ADR (Note 1).

To deal with the impact of COVID-19, the lease contracts with The 14 HMJ Hotels (Note 2) were changed to full-variable rent from February 2020 until the end of 2022, but from January 2023, the rent structures were returned to a combination of fixed and variable rent, as before the COVID-19 pandemic.

In addition, in April 2023, dormy inn Kumamoto changed its rent structure due to the expiration of the lease contract. The hotel changed from a fixed rent contract to a fixed one with the same amount and a variable rent linked to GOP (Note 3). With this change, the hotel has introduced a rent structure that allows JHR to enjoy an upside as the hotel market recovers. As for strategic CAPEX (Capital expenditure), guest room renovation at Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay and Oriental Hotel Okinawa Resort & Spa, and other measures are scheduled to be implemented in the current fiscal period. During the current mid-term period, renovation of guest rooms on two floors of Oriental Hotel Tokyo Bay was completed.

Under these circumstances, during the midterm period under review, RevPAR (Note 4) of the 25 Hotels with Variable Rent (Note 2), which are owned by JHR, increased by 108.3% year-on-year (y-o-y), and GOP increased by 348.8% y-o-y to ¥8,164 million due to improved profitability from a recovery in the accommodation and tourism market, as well as successful cost management measures at the hotels.

For further details of sales, GOP (gross operating profit) and other management indicators for the 25 Hotels with Variable Rent, etc., please refer to “<Reference Information 2> Hotel operation indexes, sales and GOP (gross operating profit)” on page 18.

(Note 1) ADR refers to the average guest room unit sales price (average Daily Rate), calculated by dividing the total accommodation sector sales (service charge included) for a given period by the total number of guest rooms sold for the same period. The same shall apply hereinafter.

(Note 2) The 25 Hotels with Variable Rent, etc., refers to the 25 hotels, consisting of The 16 HMJ Hotels below, plus The Accor Group Hotels and The Ishin Group Hotels. The same shall apply hereinafter.

The Five HMJ Hotels refer to the following five hotels JHR leases to HMJ.

Kobe Meriken Park Oriental Hotel  
Oriental Hotel Tokyo Bay  
Namba Oriental Hotel  
Hotel Nikko Alivila  
Oriental Hotel Hiroshima

The 14 HMJ Hotels refer to The Five HMJ Hotels plus the following nine hotels which JHR leases to subsidiaries of HMJ.

Oriental Hotel Okinawa Resort & Spa  
Sheraton Grand Hiroshima Hotel (main facility of ACTIVE-INTER CITY HIROSHIMA)  
Oriental Hotel Fukuoka Hakata Station  
Holiday Inn Osaka Namba  
Hilton Tokyo Narita Airport  
International Garden Hotel Narita  
Hotel Nikko Nara  
Hotel Oriental Express Osaka Shinsaibashi  
Hilton Tokyo Odaiba

The 16 HMJ Hotels refer to 16 hotels, including The 14 HMJ hotels and the following two hotels.

Hotel Oriental Express Fukuoka Tenjin  
Oriental Hotel Universal City

The Accor Group Hotels refer to the following five hotels: ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka.

The Ishin Group Hotels refer to the following four hotels. the b suidobashi, the b ikebukuro, the b hachioji, and the b hakata.

(Note 3) GOP stands for Gross Operating Profit, which is the amount remaining after deducting expenses related to hotel operations, such as labor costs and general administrative costs from hotel sales. The same shall apply hereafter.

(Note 4) RevPAR represents Revenue Per Available Room, calculated by dividing total room revenue for a certain period (including service charges) by the total number of rooms available for sale during the period. The same shall apply hereinafter.

#### (c) Funding status

In the mid-term period under review, JHR borrowed ¥800 million to partially fund the acquisition of new properties in January 2023. Then, JHR repaid ¥800 million of the existing loans before the maturity date using cash on hand to maintain the ratio of interest-bearing debt to total assets (Note).

JHR also borrowed a total of ¥25,983 million to refinance existing loans that became due in January, March and June. Of

these, some borrowings were refinanced with long-term loans with 3 to 5-year borrowing periods.

In addition, JHR further strengthened its lender formation with the invitation of new lenders such as Kansai Mirai Bank, Limited and THE HOKURIKU BANK, LTD. in January and The Tokyo Star Bank, Limited in March.

Consequently, as of the end of the midterm period under review, the balance of interest-bearing debt totaled ¥164,231 million, including short-term loans payable of ¥35,070 million, the current portion of long-term loans payable of ¥19,681 million, long-term loans payable of ¥72,580 million, and investment corporation bonds of ¥36,900 million, and the ratio of interest-bearing debt to total assets (Note) at the end of the midterm period under review stood at 41.4%. The ratio of fixed-rate debt to total interest-bearing debt at the end of the midterm period under review was 74.0%.

(Note)  $\frac{\text{The ratio of interest-bearing debt to total assets} = \text{Balance of interest-bearing debt at the end of the midterm period under review}}{\div \text{Total assets}} \times 100$

As of the end of the midterm period under review, JHR's issuer ratings were as follows. The rating and rating outlook were changed from Negative to Stable by Japan Credit Rating Agency, Ltd. (JCR) in March 2023 and by Rating and Investment Information, Inc. (R&I) in April 2023, respectively.

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

(d) Financial results

As a result of the abovementioned asset management, operating revenue, operating income, and ordinary income were ¥11,288 million, ¥5,759 million, and ¥4,897 million, respectively, for the mid-term period under review (six months period from January 1, 2023, to June 30, 2023). Net income for the mid-term period under review was ¥4,896 million. Variable rent received from hotels under variable rent contract and recognized as operating revenue include the amount of ¥2,018 million received from the hotels leased to the HMJ Group. However, this amount is calculated based on the AGOP (Note) of The 16 HMJ Hotels for the mid-term period under review. The variable rent to be ultimately received from The 16 HMJ Hotels will be determined by the full-year AGOP (12 months period) of each hotel of The 16 HMJ Hotels.

JHR settles accounts on an annual basis and investment corporations do not have a system for interim dividends under the Investment Trusts Act. Accordingly, no distribution of earnings can be made in the midterm period under review. Distribution of earnings will be made based on the earnings for the full year (12 months period from January 1, 2023, to December 31, 2023). With regard to such distribution of earnings, earnings exceeding 90% of JHR's distributable profit as defined by Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957; as amended; hereinafter called "the Act on Special Measures Concerning Taxation") will be distributed.

(Note) AGOP (Adjusted GOP) is the amount remaining after deducting certain payments of fees, etc., from GOP.

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

(a) Investment policies and issues to be addressed

The Japanese economy is expected to recover further in the future, mainly due to the progress made in easing behavioral restrictions. The impact of trends in the financial and foreign exchange markets due to global monetary tightening, etc. and inflation due to heightened geopolitical risks, etc., will continue to require close monitoring. On the other hand, JHR believes that the impact of the COVID-19 pandemic on the hotel market has been limited and that the market will move from a recovery to a growth phase in the second half of the year.

With regard to domestic leisure demand, after the COVID-19 pandemic, the value of domestic travel has been reevaluated and there has been a shift from overseas travel to domestic travel. JHR believes that demand for domestic travel will remain strong in the future.

With regard to demand related to inbound tourism, JHR believes that further recovery in the number of inbound visitors to Japan can be expected as a result of the lifting of Japan's entry restrictions in April 2023, followed by China's relaxation of restrictions on group travel to Japan in August 2023.

JHR will strive to capture the demand and implement a variety of measures with lessees and operators, such as management of operating costs by reviewing operations of each hotel, maintaining and securing necessary employment, handling cash management, and implementing sales measures in response to new demand. In particular, the hotels with variable rent, etc. JHR will endeavor to maximize the GOP of each hotel and thus maximize the rent JHR can receive as a result. Specifically, with the HMJ Group, a strategic partner of JHR, in addition to maintaining accomplished consistent cost reduction,

proactively promoting measures to create and capture demand, such as creating attractive products that make the hotel itself a tourism destination and increasing brand awareness. We are conducting initiatives from both sides to enhance profitability.

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

Under the recognition of such circumstances, JHR, together with the Asset Management Company, will continue to implement a differentiation strategy that leverages the experience it has accumulated as a J-REIT specializing in hotels and will manage its properties according to the following policy.

#### Internal growth

JHR will work to secure "stability" mainly with fixed rent contracts while at the same time aiming for "upside potential" through the implementation of active asset management strategies that proactively pursue greater profitability and asset value in properties by way of a variety of measures such as adopting brands that match the characteristics of the hotels and coordination with the HMJ Group.

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

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

#### i) Properties under variable rent contracts

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

On the other hand, JHR will continue to work closely with the lessees and operators of respective hotels to implement various measures aiming for recovery and improvement of hotel revenues through cost management and streamlining of operations. Such measures include creation of attractive products that fully utilize the characteristics of the properties it owns, providing added value, implementation of effective marketing measures, and expansion of sales channels to capture future domestic and overseas demand.

Moreover, JHR will strive to recover and improve hotel earnings by implementing strategic capital expenditure (CAPEX) as necessary through accurately grasping the conditions in the domestic accommodation and tourism market and changing customers' needs. As mentioned above, JHR plans to continue the renovation of guest rooms, etc., scheduled for 2023 during the second half of the fiscal period.

#### ii) Properties under fixed rent contracts

JHR will monitor the operating conditions of these hotels appropriately, pay careful attention to each lessee's ability to bear the cost of rent and negotiate with hotels whose performance has recovered and rent-bearing capacity has increased. Through the negotiation, JHR aims to increase revenues by reflecting an increase of profit at such hotels through rent increases, introduction of revenue sharing structure, etc. In addition, JHR will continuously execute investments to maintain and renew facilities and equipment to ensure each hotel becomes prominent in the market and to maintain and enhance asset value.

### External growth

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

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

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

In the hotel investment market, there are signs that domestic investors including J-REITs, in addition to foreign investors, are actively considering hotel investments and trading may become more active against the backdrop of expectations for growth from the market recovery and the easing of financial institutions' lending attitude toward hotels, etc. Going forward, while closely monitoring market trends from many angles, JHR will flexibly respond to changes in the earnings structures of hotels and the investment environment by leveraging the strengths and advantages it has cultivated as a J-REIT specializing in hotel investment and aim to expand asset size that accompanies improvement of the portfolio quality through acquiring highly competitive properties while utilizing the operation platform of HMJ as necessary.

### Finance strategy

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

Specifically, with the hotel market on the road to recovery, JHR aims to lengthen the term of loans while maintaining good relationships with each lender and paying attention to borrowing costs when refinancing existing loans. In addition, JHR will strengthen its financial base by inviting new lenders and controlling capital expenditures appropriately. It aims to conduct financial operations by keeping the ratio of interest-bearing debt to total assets at no larger than 50% as in the past but maintains roughly the current level for the time being. In addition, when seeking new borrowing for property acquisitions, JHR will work to disperse the maturity dates of its debt as well as further reinforce its composition of lenders and further diversify funding methods, such as issuance of investment corporation bonds (including green bonds), while considering the balance with the funding costs.

### Policy on handling of negative goodwill

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

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

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



### Initiatives for sustainability

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

In order to put such ideas into practice, JHR, along with the Asset Management Company, has established a “Sustainability Policy” as guidance to ESG initiatives. We have promoted efforts to reduce environmental impact on properties in our portfolio based on this policy and received the Building-Housing Energy-efficiency Labeling System (BELS) evaluation for Hotel Nikko Alivila and Mercure Okinawa Naha in February 2018 as the first such cases for hotel properties owned by a J-REIT (Note 1). In September 2018, JHR became the first J-REIT specializing in hotels recognized by GRESB (Note 2) for its environmental awareness and sustainability initiatives and acquired “Green Star” in the GRESB Real Estate Assessment. Moreover, for the third consecutive year, JHR was selected as a Sector Leader of the Asian Hotel Sector in the GRESB Real Estate Assessment conducted in 2022. In April 2020, Hilton Tokyo Odaiba acquired CASBEE (Comprehensive Assessment System for Built Environment Efficiency) Certification for Buildings, the first such recognition for an existing hotel property. In May 2021, Oriental Hotel Fukuoka Hakata Station also acquired CASBEE Certification for Buildings, following Hilton Tokyo Odaiba. In addition, in December 2021, JHR defined its materiality (key issues) in terms of ESG from the dual standpoints of stakeholder expectations and impact on its business. Also, the Asset Management Company expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB) and joined the TCFD Consortium, an organization made up of Japanese companies that support the recommendations. In August 2022, JHR disclosed its efforts to address the four disclosure themes recommended by the TCFD, including the financial impact of climate change scenario analysis. JHR is also progressively clarifying its numerical targets by establishing and disclosing a CO<sub>2</sub> reduction target by 2050 in February 2023. Going forward, JHR, together with the Asset Management Company, will continue to actively promote enhancement of its initiatives and disclosure on a variety of sustainability issues.

Furthermore, JHR issued green bonds in July 2019 to allocate funds mainly to refinancing loans procured for funding investment capital and construction costs, etc., for equipment that contributes to the environment, including reduction of CO<sub>2</sub> and water consumption in the renovation work at Oriental Hotel Fukuoka Hakata Station. It was the first case of a J-REIT specializing in hotels issuing green bonds. Of the funds procured from the green bonds, the remaining funds, excluding the repayment of such loans, were allocated to construction costs for reduction of CO<sub>2</sub>, etc., at four hotels, including Hilton Nagoya as funds for renovation work at the hotels. As a result, the funds procured from the green bonds have been fully appropriated for eligible projects and there is no unappropriated balance.

In addition, as an effort under the spread of infection by COVID-19, JHR worked to provide a total of nine hotels it owns as facilities to accommodate patients with mild or no symptoms who do not require hospital treatment among the patients infected with COVID-19 from 2020 until May 2023. All hotels owned by JHR have resumed normal operations since July 2023.

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

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

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

### (b) Significant subsequent events

Not applicable.

(c) Operating forecast

(1) Operating result for the midterm of the fiscal year ending December 2023 (24th period))

Actual result of JHR for the midterm of the fiscal year ending December 31, 2023 (24th period) and the differences with the previous forecast (Note 1) are as follows. In the midterm of the fiscal year ending December 31, 2023 (24th period), JHR's operating revenue increased by ¥1,660 million and net income increased by ¥1,635 million compared to the previous forecast, mainly due to an increase in variable rents resulting from a recovery in hotel performance.

Midterm of the fiscal year ending December 31, 2023 (24th period)	Actual Results	Previous forecast (Note 1)	Difference	Percent change
Operating revenue	¥11,288 million	¥9,627 million	¥1,660 million	17.3%
Operating income	¥5,759 million	¥4,178 million	¥1,581 million	37.8%
Ordinary income	¥4,897 million	¥3,262 million	¥1,634 million	50.1%
Net income	¥4,896 million	¥3,261 million	¥1,635 million	50.1%

(2) Operating forecast for the full fiscal year ending December 2023 (24th period)

JHR estimates its operating forecast and forecast of dividends for the full year of the fiscal year ending December 2023 (24th period) as follows. Given the continuous hotel performance recovery expected for the second half of the year, JHR estimates its operating revenues for the full year ending December 31, 2023 (24th period) are expected to increase by ¥3,091 million from the previous forecast, mainly due to an increase in variable rents. In addition, JHR estimates an increase of ¥369 million in operating expenses due to a review of various expenses related to properties and operating expenses, etc., and a decrease of ¥60 million in non-operating expenses with a decrease in financing costs, etc. As a result, net income is expected to increase by ¥2,787 million from the previous forecast.

For the assumptions of these forecasts, please refer to “Assumptions of the operating forecast for the full fiscal year ending December 2023 (24th period)” on page 11.

Full year of the fiscal year ending December 2023 (24th period)	Current forecast	Previous forecast (Note 1)	Difference	Percent change
Operating revenue	¥24,928 million	¥21,837 million	¥3,091 million	14.2%
Operating income	¥13,288 million	¥10,566 million	¥2,721 million	25.8%
Ordinary income	¥11,417 million	¥8,629 million	¥2,787 million	32.3%
Net income	¥11,416 million	¥8,628 million	¥2,787 million	32.3%
Dividend per unit	¥2,652	¥2,005	¥647	32.3%
Dividend per unit resulting from excess of earnings	—	—	—	—

(Note 1) The figures were announced in the “Financial Report for the Fiscal Year Ended December 31, 2022,” dated February 22, 2023. The same shall apply hereinafter.

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

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

Item	Assumptions																																																																
Calculation Period	<ul style="list-style-type: none"> <li>Full fiscal year ending December 2023 (24th Period): January 1, 2023, through December 31, 2023 (365 days)</li> </ul>																																																																
Assets under Management	<ul style="list-style-type: none"> <li>The 43 properties owned by JHR as of today are assumed.</li> <li>It is assumed that there will be no change (acquisition of new property or disposition of the existing properties, etc.) in assets under management through the end of the fiscal year ending December 2023 (24th period). However, changes in assets under management may take place.</li> </ul>																																																																
Operating Revenue	<ul style="list-style-type: none"> <li>Operating revenue is calculated based on the conditions of the effective lease contracts, etc., considering the competitiveness of hotels, market environment, and other factors (including the current operating status of each hotel and the prospect of recovery from the COVID-19 pandemic). If there are lease contracts with facilities other than hotels, such as commercial facilities and offices, operating revenue calculated based on the said lease contracts is included. In particular, we expect each hotel to recover further from the COVID-19 pandemic in the future while taking into account the current operating conditions. However, there is no guarantee that recovery will be as expected due to the future situation of COVID-19 and other circumstances, and the actual operating conditions of each hotel may differ significantly from the forecasted conditions.</li> <li>Rents, etc., of the main hotels are calculated as follows:               <ol style="list-style-type: none"> <li>The 16 HMJ Hotels The rent of The 16 HMJ Hotels consists of fixed rent and variable rent, and the variable rent is calculated by the following formula. Variable rent = [Hotel AGOP (*1) - Base amount] × Variable rent ratio (%) However, if the AGOP is less than the base amount, the variable rent is 0 yen.</li> </ol> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Fixed rent</th> <th>Variable rent</th> <th>Total rent</th> </tr> </thead> <tbody> <tr> <td>The 5 HMJ Hotels</td> <td>3,221</td> <td>2,127</td> <td>5,348</td> </tr> <tr> <td>Oriental Hotel Universal City</td> <td>316</td> <td>986</td> <td>1,303</td> </tr> <tr> <td>Oriental Hotel Okinawa Resort &amp; Spa</td> <td>550</td> <td>224</td> <td>774</td> </tr> <tr> <td>Sheraton Grand Hiroshima Hotel (*2)</td> <td>348</td> <td>315</td> <td>663</td> </tr> <tr> <td>Oriental Hotel Fukuoka Hakata Station</td> <td>425</td> <td>958</td> <td>1,383</td> </tr> <tr> <td>Holiday Inn Osaka Namba</td> <td>576</td> <td>279</td> <td>855</td> </tr> <tr> <td>Hotel Oriental Express Fukuoka Tenjin</td> <td>135</td> <td>271</td> <td>406</td> </tr> <tr> <td>Hilton Tokyo Narita Airport</td> <td>444</td> <td>45</td> <td>489</td> </tr> <tr> <td>International Garden Hotel Narita</td> <td>336</td> <td>156</td> <td>492</td> </tr> <tr> <td>Hotel Nikko Nara</td> <td>420</td> <td>55</td> <td>475</td> </tr> <tr> <td>Hotel Oriental Express Osaka Shinsaibashi</td> <td>110</td> <td>59</td> <td>169</td> </tr> <tr> <td>Hilton Tokyo Odaiba</td> <td>1,600</td> <td>561</td> <td>2,161</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">8,482</td> <td style="text-align: center;">6,041</td> <td style="text-align: center;">14,523</td> </tr> </tbody> </table> </li> </ul> <p>(*1) AGOP (adjusted GOP) is calculated by subtracting certain fees and other items from GOP. GOP (gross operating profit) is the remainder after expenses incurred in hotel operation, such as personnel costs and general and administrative expenses, etc., are deducted from total sales. The same shall apply hereinafter.</p> <p>(*2) Stating the rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA. Fixed rent and variable rent for office and commercial tenants of ACTIVE-INTER CITY HIROSHIMA are as follows.</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Fixed rent</th> <th>Variable rent</th> <th>Total rent</th> </tr> </thead> <tbody> <tr> <td>Full year</td> <td>484</td> <td>10</td> <td>495</td> </tr> </tbody> </table>		Fixed rent	Variable rent	Total rent	The 5 HMJ Hotels	3,221	2,127	5,348	Oriental Hotel Universal City	316	986	1,303	Oriental Hotel Okinawa Resort & Spa	550	224	774	Sheraton Grand Hiroshima Hotel (*2)	348	315	663	Oriental Hotel Fukuoka Hakata Station	425	958	1,383	Holiday Inn Osaka Namba	576	279	855	Hotel Oriental Express Fukuoka Tenjin	135	271	406	Hilton Tokyo Narita Airport	444	45	489	International Garden Hotel Narita	336	156	492	Hotel Nikko Nara	420	55	475	Hotel Oriental Express Osaka Shinsaibashi	110	59	169	Hilton Tokyo Odaiba	1,600	561	2,161	Total	8,482	6,041	14,523		Fixed rent	Variable rent	Total rent	Full year	484	10	495
	Fixed rent	Variable rent	Total rent																																																														
The 5 HMJ Hotels	3,221	2,127	5,348																																																														
Oriental Hotel Universal City	316	986	1,303																																																														
Oriental Hotel Okinawa Resort & Spa	550	224	774																																																														
Sheraton Grand Hiroshima Hotel (*2)	348	315	663																																																														
Oriental Hotel Fukuoka Hakata Station	425	958	1,383																																																														
Holiday Inn Osaka Namba	576	279	855																																																														
Hotel Oriental Express Fukuoka Tenjin	135	271	406																																																														
Hilton Tokyo Narita Airport	444	45	489																																																														
International Garden Hotel Narita	336	156	492																																																														
Hotel Nikko Nara	420	55	475																																																														
Hotel Oriental Express Osaka Shinsaibashi	110	59	169																																																														
Hilton Tokyo Odaiba	1,600	561	2,161																																																														
Total	8,482	6,041	14,523																																																														
	Fixed rent	Variable rent	Total rent																																																														
Full year	484	10	495																																																														

Item	Assumptions																																								
	(2) Income from management contracts (*3) and variable rent from other hotels with variable rent, etc.																																								
	(Unit: millions of yen)																																								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: center;">Full year</th> </tr> </thead> <tbody> <tr> <td>ibis Styles Kyoto Station (*3)</td> <td style="text-align: right;">261</td> </tr> <tr> <td>ibis Styles Sapporo (*3)</td> <td style="text-align: right;">387</td> </tr> <tr> <td>Mercure Sapporo (*3)</td> <td style="text-align: right;">459</td> </tr> <tr> <td>Mercure Okinawa Naha (*3)</td> <td style="text-align: right;">202</td> </tr> <tr> <td>Mercure Yokosuka</td> <td style="text-align: right;">200</td> </tr> <tr> <td>the b suidobashi</td> <td style="text-align: right;">63</td> </tr> <tr> <td>the b ikebukuro</td> <td style="text-align: right;">168</td> </tr> <tr> <td>the b hachioji</td> <td style="text-align: right;">90</td> </tr> <tr> <td>the b hakata</td> <td style="text-align: right;">118</td> </tr> <tr> <td>dormy inn Kumamoto</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Comfort Hotel Tokyo Higashi Nihombashi</td> <td style="text-align: right;">181</td> </tr> <tr> <td>Smile Hotel Nihombashi Mitsukoshimae</td> <td style="text-align: right;">4</td> </tr> <tr> <td>Chisun Hotel Kamata</td> <td style="text-align: right;">94</td> </tr> <tr> <td>Chisun Inn Kamata</td> <td style="text-align: right;">59</td> </tr> <tr> <td>Hilton Tokyo Bay</td> <td style="text-align: center;">Undisclosed (*4)</td> </tr> <tr> <td>Hilton Nagoya</td> <td style="text-align: center;">Undisclosed (*4)</td> </tr> <tr> <td>UAN kanazawa</td> <td style="text-align: right;">19</td> </tr> <tr> <td>Sotetsu Fresa Inn Shimbashi-Karasumoriguchi</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="text-align: center;"><b>Total</b></td> <td style="text-align: right;"><b>3,056</b></td> </tr> </tbody> </table>		Full year	ibis Styles Kyoto Station (*3)	261	ibis Styles Sapporo (*3)	387	Mercure Sapporo (*3)	459	Mercure Okinawa Naha (*3)	202	Mercure Yokosuka	200	the b suidobashi	63	the b ikebukuro	168	the b hachioji	90	the b hakata	118	dormy inn Kumamoto	—	Comfort Hotel Tokyo Higashi Nihombashi	181	Smile Hotel Nihombashi Mitsukoshimae	4	Chisun Hotel Kamata	94	Chisun Inn Kamata	59	Hilton Tokyo Bay	Undisclosed (*4)	Hilton Nagoya	Undisclosed (*4)	UAN kanazawa	19	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	0	<b>Total</b>	<b>3,056</b>
	Full year																																								
ibis Styles Kyoto Station (*3)	261																																								
ibis Styles Sapporo (*3)	387																																								
Mercure Sapporo (*3)	459																																								
Mercure Okinawa Naha (*3)	202																																								
Mercure Yokosuka	200																																								
the b suidobashi	63																																								
the b ikebukuro	168																																								
the b hachioji	90																																								
the b hakata	118																																								
dormy inn Kumamoto	—																																								
Comfort Hotel Tokyo Higashi Nihombashi	181																																								
Smile Hotel Nihombashi Mitsukoshimae	4																																								
Chisun Hotel Kamata	94																																								
Chisun Inn Kamata	59																																								
Hilton Tokyo Bay	Undisclosed (*4)																																								
Hilton Nagoya	Undisclosed (*4)																																								
UAN kanazawa	19																																								
Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	0																																								
<b>Total</b>	<b>3,056</b>																																								
	(*3) Management contract structure is introduced. The management contract structure involves entrusting the management of owned hotel properties to the management company and incorporating the business results into JHR as real estate operating revenue. Each hotel's GOP amount is recognized as management contract revenue and operating revenue.																																								
	(*4) Undisclosed since tenants that concluded lease contracts did not agree to disclose rent revenue, etc.																																								
	<ul style="list-style-type: none"> <li>• The following is the breakdown of variable rent and income from management contracts</li> </ul>																																								
	(Unit: millions of yen)																																								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: center;">Full year</th> </tr> </thead> <tbody> <tr> <td>The 16 HMJ Hotels</td> <td style="text-align: right;">6,041</td> </tr> <tr> <td>Other hotels with variable rent, etc.</td> <td style="text-align: right;">3,056</td> </tr> <tr> <td>Office and commercial tenants (*6)</td> <td style="text-align: right;">10</td> </tr> <tr> <td style="text-align: center;"><b>Total</b></td> <td style="text-align: right;"><b>9,108</b></td> </tr> </tbody> </table>		Full year	The 16 HMJ Hotels	6,041	Other hotels with variable rent, etc.	3,056	Office and commercial tenants (*6)	10	<b>Total</b>	<b>9,108</b>																														
	Full year																																								
The 16 HMJ Hotels	6,041																																								
Other hotels with variable rent, etc.	3,056																																								
Office and commercial tenants (*6)	10																																								
<b>Total</b>	<b>9,108</b>																																								
	(*5) Variable rent for office and commercial tenants of ACTIVE-INTER CITY HIROSHIMA is shown.																																								
	(*6) For details of variable rent, please refer to page 46, "3. Reference Information; (1) Information on values of assets under management, etc. B. Assets under management; (C) Other major assets under management; (iii) Overview of the hotel business; a. Rent structures of hotels with variable rent, management contract or revenue sharing."																																								

Item	Assumptions																
Operating Expenses	<ul style="list-style-type: none"> <li>With respect to real estate operating costs, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation.</li> <li>It is assumed that ¥1,976 million will be recognized as expenses for fixed asset taxes, city planning taxes, etc. In general, fixed asset taxes and city planning taxes for the year of acquisition on acquired assets are settled with the previous owner on a pro-rata basis over a period of time, and the amount equivalent to such settlement is included in the acquisition cost. Therefore, the fixed asset taxes, city planning tax, etc., of UAN kanazawa and Sotetsu Fresa Inn Shimbashi-Karasumoriguchi acquired in the fiscal period under review (fiscal year ending December 2023 (24th period)) are not posted as expenses for the relevant calculation period.</li> <li>Capital expenditure is assumed to be ¥4,848 million (¥2,868 million for capital expenditure I, ¥807 million for capital expenditure II and ¥1,172 million for capital expenditure III) for the fiscal year ending December 2023 (24th period). (* ) JHR classifies capital expenditures into the following three categories. (I) Capital investment related to the renewal of equipment and facilities of buildings which is required to maintain proper values of properties, (II) capital investment for fixtures, furniture, and equipment that are not directly related to the building structure or facilities but necessary for operating hotels, and (III) strategic capital investment such as renovating guest rooms, etc. for improving the competitiveness of the hotels.</li> <li>Depreciation is calculated using the straight-line method including the planned capital expenditures above and is assumed to be ¥4,986 million.</li> <li>Repair expenses for buildings are recognized as expenses in the assumed amount necessary for each operating period. Please note that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as; (1) Emergency repair expenses may be necessary due to damage to buildings from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required regularly.</li> </ul>																
Non-operating Expenses	<ul style="list-style-type: none"> <li>¥1,876 million is expected as non-operating expenses for borrowing-related costs and other expenses. Borrowing-related costs include interest expense, amortization for financing fees, and arrangement fee.</li> </ul>																
Interest-bearing Debt	<ul style="list-style-type: none"> <li>The balance of interest-bearing debt (sum of loans and investment corporation bonds) as of June 30, 2023, is ¥164,231 million, assuming that there will be no change in the balance of interest-bearing liabilities until the end of the fiscal year ending December 31, 2023 (24th period). There are ¥23,762 million of debt that will mature during the 2nd half of the fiscal year ending December 2023 (24th Period); all of these debts are assumed to be refinanced.</li> </ul>																
Dividend per Unit	<ul style="list-style-type: none"> <li>Dividend per unit for the fiscal year ending December 2023 (24th period) is calculated based on the following assumptions.</li> </ul> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Net income</td> <td style="text-align: right;">¥11,416 million</td> </tr> <tr> <td style="padding-left: 20px;">Reversal of reserve for temporary difference adjustment (negative goodwill)</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">50-year amortization amount of negative goodwill (*1)</td> <td style="text-align: right;">¥262 million</td> </tr> <tr> <td style="padding-left: 40px;">Loss on retirement of noncurrent assets (*2)</td> <td style="text-align: right;">¥112 million</td> </tr> <tr> <td style="padding-left: 40px;">Amortization of trademark rights (*3)</td> <td style="text-align: right;">¥56 million</td> </tr> <tr> <td style="border-top: 1px solid black; padding-left: 20px;">Distributable amount</td> <td style="border-top: 1px solid black; text-align: right;">¥11,847 million</td> </tr> <tr> <td style="padding-left: 20px;">Total number of investment units issued</td> <td style="text-align: right;">4,467,006 units</td> </tr> <tr> <td style="border-top: 1px solid black; padding-left: 20px;">Dividend per unit</td> <td style="border-top: 1px solid black; text-align: right;">¥2,652</td> </tr> </table> <ul style="list-style-type: none"> <li>(*1) ¥262 million (hereinafter called “50-year amortization amount of negative goodwill”) is scheduled to be paid out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount, for every fiscal year.</li> <li>(*2) The amount recognized as a loss on retirement of noncurrent assets will be appropriated by the reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on the dividend per unit.</li> <li>(*3) The trademark rights are amortized over ten years using the straight-line method. The amortization amount to be recorded this current fiscal year will have no impact on the dividend per unit due to the appropriation of the reserve for temporary difference adjustment (negative goodwill).</li> <li>Dividend per unit may fluctuate due to various causes, such as fluctuation of rent revenue resulting from the transfer of assets under management, change of tenants, etc. at hotels, change in the business environment of hotel business for hotel tenants, etc., unexpected repairs, and an actual number of new investment units issued, etc.</li> <li>The remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 2023 (24th period) is expected to be ¥9,169 million.</li> </ul>	Net income	¥11,416 million	Reversal of reserve for temporary difference adjustment (negative goodwill)		50-year amortization amount of negative goodwill (*1)	¥262 million	Loss on retirement of noncurrent assets (*2)	¥112 million	Amortization of trademark rights (*3)	¥56 million	Distributable amount	¥11,847 million	Total number of investment units issued	4,467,006 units	Dividend per unit	¥2,652
Net income	¥11,416 million																
Reversal of reserve for temporary difference adjustment (negative goodwill)																	
50-year amortization amount of negative goodwill (*1)	¥262 million																
Loss on retirement of noncurrent assets (*2)	¥112 million																
Amortization of trademark rights (*3)	¥56 million																
Distributable amount	¥11,847 million																
Total number of investment units issued	4,467,006 units																
Dividend per unit	¥2,652																

Item	Assumptions
Dividend per Unit Resulting from Excess of Earnings	<ul style="list-style-type: none"> <li>• It is assumed that the excess of earnings (dividend per unit resulting from an excess of earnings) will not be distributed.</li> </ul>
Others	<ul style="list-style-type: none"> <li>• It is assumed that there will be no amendments to laws and regulations, the tax system, accounting standards, listing rules, or the regulations of The Investment Trusts Association, Japan, etc., that will affect the above forecast figures.</li> <li>• It is assumed that unexpected major incidents will not occur in the general economy, real estate market, hotel business environment, etc.</li> <li>• The numerical values are rounded down to the nearest millions of yen in the assumptions above.</li> </ul>

<Reference Information 1>

Highlight of operating forecast and dividend estimate

- (1) Comparison of operational forest and estimated dividend for the full fiscal year ending December 31, 2023 (24th period) (current forecast) with the previous forecast and main reasons for the difference

(Unit : JPY million)

	FY12/2023 (24th Period)	FY12/2023 (24th Period)	Comparison with Previous Forecast		Factors Causing Variance
	Previous forecast (A)	Current forecast (B)	(B)-(A)	% of increase/ decrease	
<b>Properties</b>					
<b>No. of Properties</b>	42	43	1	—	
<b>Acquisition Price</b>	365,592	373,992	8,400	2.3%	
<b>Profit &amp; Loss</b>					
<b>Operating Revenue</b>	21,837	24,928	3,091	14.2%	
<b>Real Estate Operating Revenue</b>	21,837	24,928	3,091	14.2%	
<b>Fixed Rent</b>	14,327	14,547	220	1.5%	Properties acquired in 2023 (*2) +204 Other +15
<i>Composition</i>	<b>65.6%</b>	<b>58.4%</b>			
<b>Other Income</b>	1,005	1,272	266	26.6%	Utilities income (*3) +267
<i>Composition</i>	<b>4.6%</b>	<b>5.1%</b>			
<b>Variable Rent</b>	6,504	9,108	2,604	40.0%	The 16 HMJ Hotels +2,128 The Accor Group Hotels +122 The Ishin Group Hotels +120 Properties acquired in 2023 +4 Other +228
<i>Composition</i>	<b>29.8%</b>	<b>36.5%</b>			
<b>NOI (*1)</b>	17,656	20,479	2,823	16.0%	
<i>NOI Yield (*1)</i>	4.8%	5.5%			
<b>NOI after Depreciation (*1)</b>	12,624	15,379	2,754	21.8%	
<i>NOI Yield after Depreciation (*1)</i>	3.5%	4.1%			
<b>Operating Income</b>	10,566	13,288	2,721	25.8%	
<b>Ordinary Income</b>	8,629	11,417	2,787	32.3%	
<b>Net Income</b>	8,628	11,416	2,787	32.3%	
<b>Dividends</b>					
<b>Use of Negative Goodwill</b>	330	431	100	30.5%	Reversal of reserve for temporary difference adjustments Previous forecast: 262 for 50-year amortization, 11 for loss on retirement of non-current assets, and 56 for amortization of trademark rights Current forecast: 262 for 50-year amortization, 112 for loss on retirement of non-current assets, 56 for amortization of trademark rights
<b>Total Dividends</b>	8,956	11,846	2,890	32.3%	
<b>No. of Units Issued (Unit)</b>	4,467,006	4,467,006	—	—	
<b>Dividend per Unit (JPY)</b>	2,005	2,652	647	32.3%	

- (\*1) Each figure is calculated using the following formulas. The same shall apply hereinafter.

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

NOI yield = NOI ÷ acquisition price

NOI after depreciation = Real estate operating revenue – Real estate operating costs

NOI yield after depreciation = NOI after depreciation ÷ acquisition price

- (\*2) Properties acquired in 2023 refer to UAN kanazawa and Sotetsu Fresa Inn Shimbashi-Karasumoriguchi, which JHR acquired on January 31, 2023 and March 24, 2023, respectively. The same shall apply hereinafter.
- (\*3) Utilities expenses are incurred as utilities income and expenses. Utilities expenses increased by ¥258 million from the previous forecast, and the net effect on net income is an increase of ¥9 million from the previous forecast.

- (2) Comparison of operating forecast and dividend estimate by current forecast with the result of the full fiscal year ended December 31, 2022 (23rd period) and main reasons for the difference

(Unit : JPY million)

	FY12/2022 (23rd Period)	FY12/2023 (24th Period)	Comparison with the Previous Period		Factors Causing Variance	
	Actual results (A)	Current forecast (B)	(B)-(A)	% of increase/ decrease		
<b>Properties</b>						
<b>No. of Properties</b>	41	43	2	—		
<b>Acquisition Price</b>	363,542	373,992	10,450	2.9%		
<b>Profit &amp; Loss</b>	<b>Operating Revenue</b>	14,912	24,928	10,015	67.2%	
	<b>Real Estate Operating Revenue</b>	14,912	24,928	10,015	67.2%	
	<b>Fixed Rent</b>	6,279	14,547	8,268	131.7%	The 16 HMJ Hotels +8,030 Asset acquired in 2023 (*2) +304 Other (66)
	<i>Composition</i>	<b>42.1%</b>	<b>58.4%</b>			
	<b>Other Income</b>	986	1,272	285	28.9%	Utilities income (*) +303
	<i>Composition</i>	<b>6.6%</b>	<b>5.1%</b>			
	<b>Variable Rent</b>	7,646	9,108	1,462	19.1%	The 16 HMJ Hotels (78) The Accor Group Hotels +987 The Ishin Group Hotels +93 Asset acquired in 2023 +19 Other +440
	<i>Composition</i>	<b>51.3%</b>	<b>36.5%</b>			
	<b>NOI</b>	10,963	20,479	9,516	86.8%	
	<i>NOI Yield</i>	3.0%	5.5%			
	<b>NOI after Depreciation</b>	6,116	15,379	9,263	151.5%	
	<i>NOI Yield after Depreciation</i>	1.7%	4.1%			
<b>Operating Income</b>	4,296	13,288	8,991	209.3%		
<b>Ordinary Income</b>	2,672	11,417	8,744	327.2%		
<b>Net Income</b>	2,671	11,416	8,744	327.3%		
<b>Dividends</b>	<b>Use of Negative Goodwill</b>	376	431	54	14.5%	Reversal of reserve for temporary difference adjustments
	<b>Total Dividends</b>	3,046	11,846	8,800	288.9%	2022: 262 for 50-year amortization, 57 for loss on retirement of non-current assets, and 56 for amortization of trademark rights
	<b>No. of Units Issued (Unit)</b>	4,467,006	4,467,006	—	—	2023: 262 for 50-year amortization, 112 for loss on retirement of non-current assets, 56 for amortization of trademark rights
	<b>Dividend per Unit (JPY)</b>	682	2,652	1,970	288.9%	

- (\*) Utilities expenses are incurred as both utilities income and utilities expenses. Utilities expenses increased by ¥339 million from the previous period, and the net effect on net income is a decrease of ¥35 million from the previous period.



<Reference Information 2>

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

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

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

<1> The 16 HMJ Hotels

		Fiscal year ended December 2022		Fiscal year ending December 2023			
		Result	Comparison with 2019	Previous Forecast	Current Forecast (Result for the first half of the year)	Comparison with Previous Forecast	Comparison with 2019
Occupancy rate	First half of the year	54.6%	(31.3pt)	74.9%	76.0%	1.1pt	(10.0pt)
	Second half of the year	73.4%	(15.0pt)	82.3%	82.8%	0.5pt	(5.6pt)
	Full year	64.1%	(23.0pt)	78.6%	79.4%	0.8pt	(7.7pt)
ADR	First half of the year	12,292	(28.1%)	18,100	18,753	3.6%	9.8%
	Second half of the year	17,192	(9.6%)	20,907	21,293	1.8%	12.0%
	Full year	15,121	(16.3%)	19,581	20,088	2.6%	11.2%
RevPAR	First half of the year	6,716	(54.2%)	13,554	14,243	5.1%	(2.9%)
	Second half of the year	12,625	(24.9%)	17,211	17,635	2.5%	4.9%
	Full year	9,694	(38.5%)	15,397	15,953	3.6%	1.3%
Sales (JPY1M)	First half of the year	12,720	(49.8%)	21,959	23,122	5.3%	(8.8%)
	Second half of the year	22,031	(22.9%)	27,458	27,740	1.0%	(3.0%)
	Full year	34,752	(35.6%)	49,417	50,862	2.9%	(5.7%)
GOP (JPY1M)	First half of the year	1,536	(80.5%)	5,600	7,166	28.0%	(9.0%)
	Second half of the year	6,222	(41.4%)	8,772	9,614	9.6%	(9.4%)
	Full year	7,757	(58.0%)	14,372	16,780	16.7%	(9.2%)

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

(Note 2) RevPAR: This represents revenue per available room, calculated by dividing total room revenue for a certain period (including service charges) by the total number of rooms available for sale during the period. The same shall apply hereinafter.

<2> The 25 Hotels with Variable Rent, etc.

		Fiscal year ended December 2022		Fiscal year ending December 2023			
		Result	Comparison with 2019	Previous Forecast	Current Forecast (Result for the first half of the year)	Comparison with Previous Forecast	Comparison with 2019
Occupancy rate	First half of the year	55.8%	(29.6pt)	75.4%	76.0%	0.6pt	(9.4pt)
	Second half of the year	74.2%	(13.1pt)	82.9%	82.9%	0.0pt	(4.4pt)
	Full year	65.1%	(21.3pt)	79.1%	79.5%	0.3pt	(6.9pt)
ADR	First half of the year	10,872	(30.1%)	15,941	16,618	4.2%	6.8%
	Second half of the year	15,018	(12.1%)	18,337	18,771	2.4%	9.9%
	Full year	13,255	(18.8%)	17,206	17,750	3.2%	8.7%
RevPAR	First half of the year	6,063	(54.4%)	12,014	12,628	5.1%	(5.0%)
	Second half of the year	11,140	(25.3%)	15,196	15,563	2.4%	4.3%
	Full year	8,623	(38.9%)	13,618	14,107	3.6%	(0.0%)
Sales (JPY1M)	First half of the year	14,364	(50.6%)	24,859	26,221	5.5%	(9.8%)
	Second half of the year	24,735	(23.6%)	31,063	31,424	1.2%	(3.0%)
	Full year	39,100	(36.4%)	55,923	57,645	3.1%	(6.2%)
GOP (JPY1M)	First half of the year	1,819	(80.8%)	6,407	8,164	27.4%	(13.7%)
	Second half of the year	7,055	(42.3%)	9,983	10,896	9.2%	(10.9%)
	Full year	8,874	(59.1%)	16,390	19,060	16.3%	(12.2%)

2. Semi-annual financial statements

(1) Semi-annual balance sheets

(thousands of yen)

	As of December 31, 2022	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	21,142,716	13,274,927
Cash and deposits in trust	8,372,349	9,433,903
Operating accounts receivable	4,442,532	2,498,016
Prepaid expenses	484,478	489,195
Income taxes receivable	41	—
Other	111,037	108,980
<b>Total current assets</b>	<b>34,553,157</b>	<b>25,805,022</b>
Noncurrent assets		
Property and equipment, at cost		
Machinery and equipment	804,339	822,393
Accumulated depreciation	(373,775)	(412,012)
Machinery and equipment, net	430,563	410,380
Tools, furniture and fixtures	5,911,833	5,972,851
Accumulated depreciation	(3,835,395)	(4,164,968)
Tools, furniture and fixtures, net	2,076,438	1,807,882
Construction in progress	1,155	5,605
Buildings in trust	*1 140,026,191	*1 142,612,372
Accumulated depreciation	(31,713,554)	(33,575,172)
Buildings in trust, net	108,312,636	109,037,200
Structures in trust	2,963,947	2,983,433
Accumulated depreciation	(659,914)	(696,555)
Structures in trust, net	2,304,033	2,286,877
Machinery and equipment in trust	693,008	731,072
Accumulated depreciation	(228,779)	(245,940)
Machinery and equipment in trust, net	464,228	485,132
Tools, furniture and fixtures in trust	129,718	129,718
Accumulated depreciation	(111,540)	(112,300)
Tools, furniture and fixtures in trust, net	18,178	17,418
Land in trust	212,263,515	220,946,111
Construction in progress in trust	118,127	376,924
<b>Net property and equipment</b>	<b>325,988,877</b>	<b>335,373,533</b>
Intangible assets		
Software	257,298	214,699
Trademark right	411,320	383,275
Leasehold rights in trust	27,324,752	27,324,752
Fixed-term leasehold rights in trust	4,495,583	4,427,981
Other	5,240	4,900
<b>Total intangible assets</b>	<b>32,494,195</b>	<b>32,355,609</b>
Investments and other assets		
Security deposits	12,520	12,520
Leasehold and security deposits in trust	139,668	139,668
Long-term prepaid expenses	1,958,131	1,933,898
Derivative assets	1,195,251	231,422
Reserve for repairs and maintenance	327,173	306,303
<b>Total investments and other assets</b>	<b>3,632,745</b>	<b>2,623,812</b>
<b>Total noncurrent assets</b>	<b>362,115,817</b>	<b>370,352,955</b>
Deferred assets		
Investment unit issuance costs	4,165	2,380
Investment corporation bond issuance costs	126,802	111,457
<b>Total deferred assets</b>	<b>130,967</b>	<b>113,837</b>
<b>Total assets</b>	<b>396,799,942</b>	<b>396,271,815</b>

(thousands of yen)

	As of December 31, 2022	As of June 30, 2023
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	1,943,815	312,458
Short-term loans payable	35,113,000	35,070,000
Current portion of long-term loans payable	15,432,000	19,681,000
Accrued expenses	570,397	573,305
Income taxes payable	1,210	605
Consumption taxes payable	398,802	376,758
Advances received	664,196	719,117
Dividends payable	6,473	4,328
Deposits received	2,592	4,023
Derivative liabilities	11,079	11,932
Other	21,994	59,085
Total current liabilities	54,165,561	56,812,614
Long-term liabilities		
Investment corporation bonds	36,900,000	36,900,000
Long-term loans payable	76,786,000	72,580,000
Tenant leasehold and security deposits	1,040,520	1,040,520
Tenant leasehold and security deposits in trust	3,619,666	3,761,741
Derivative liabilities	—	16,642
Deferred tax liabilities	375,207	72,805
Asset retirement obligations	338,413	339,232
Total long-term liabilities	119,059,807	114,710,942
Total liabilities	173,225,369	171,523,557
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	187,194,209	187,194,209
Surplus		
Capital surplus	21,746,398	21,746,398
Voluntary reserve		
Reserve for temporary difference adjustment	*2 9,976,515	*2 9,600,013
Reserve for tax purpose reduction entry	1,174,860	1,174,860
Total voluntary reserve	11,151,375	10,774,874
Unappropriated retained earnings (undisposed loss)	2,672,927	4,899,686
Total surplus	35,570,702	37,420,959
Total unitholders' equity	222,764,911	224,615,169
Valuation and translation adjustments		
Deferred gains (losses) on hedges	809,661	133,089
Total valuation and translation adjustments	809,661	133,089
Total net assets	*3 223,574,572	*3 224,748,258
Total liabilities and net assets	396,799,942	396,271,815

## (2) Semi-annual statements of income

(thousands of yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
<b>Operating revenue</b>		
Real estate operating revenue	*1 5,002,976	*1 10,744,215
Other real estate operating revenue	*1 428,405	*1 544,157
Total operating revenue	5,431,381	11,288,372
<b>Operating Expenses</b>		
Real estate operating costs	*1 4,230,740	*1 4,548,722
Asset management fee	706,221	815,364
Asset custody and administrative service fee	59,484	58,162
Directors' compensation	8,700	8,700
Other operating expenses	102,414	97,495
Total operating expenses	5,107,561	5,528,444
Operating income	323,820	5,759,928
<b>Non-operating income</b>		
Interest income	130	140
Gain on forfeiture of unclaimed dividends	3,460	3,813
Gain on insurance claims	36	—
Gain on derivative instruments	8,393	1,690
Other	541	—
Total non-operating income	12,561	5,644
<b>Non-operating Expenses</b>		
Interest expense	426,174	425,566
Interest expense on investment corporation bonds	151,169	140,421
Borrowing costs	205,229	275,366
Amortization of investment corporation bond issuance costs	15,874	15,344
Amortization of investment unit issuance costs	1,785	1,785
Net derivative financial instruments loss	—	4,040
Other	6,983	5,744
Total non-operating expenses	807,216	868,269
Ordinary income (loss)	(470,834)	4,897,303
<b>Extraordinary income</b>		
Subsidy income	—	6,570
Total extraordinary income	—	6,570
<b>Extraordinary loss</b>		
Loss on tax purpose reduction entry of non-current assets	—	*2 6,512
Total extraordinary loss	—	6,512
Net income (loss) before income taxes	(470,834)	4,897,360
Income taxes – current	605	605
Total income taxes	605	605
Net income (loss)	(471,439)	4,896,755
Retained earnings brought forward	1,171	2,930
Unappropriated retained earnings (undisposed loss)	(470,268)	4,899,686

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

For the six months ended June 30, 2022

(thousands of yen)

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

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

For the six months ended June 30, 2023

(thousands of yen)

	Unitholders' equity								
	Unitholders' capital	Surplus						Total surplus	Total unitholders' equity
		Capital surplus	Voluntary reserve			Unappropriated retained earnings (undisposed loss)			
Reserve for temporary difference adjustment	Reserve for tax purpose reduction entry		Total voluntary reserve						
Balance, January 1, 2023	187,194,209	21,746,398	9,976,515	1,174,860	11,151,375	2,672,927	35,570,702	222,764,911	
Changes of items during the period									
Reversal of reserve for temporary difference adjustment			(376,501)		(376,501)	376,501	—	—	
Dividends paid						(3,046,498)	(3,046,498)	(3,046,498)	
Net income (loss)						4,896,755	4,896,755	4,896,755	
Net changes of items other than unitholders' equity									
Total changes of items during the period	—	—	(376,501)	—	(376,501)	2,226,758	1,850,257	1,850,257	
Balance, June 30, 2023	187,194,209 <sup>*1</sup>	21,746,398	9,600,013	1,174,860	10,774,874	4,899,686	37,420,959	224,615,169	

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2023	809,661	809,661	223,574,572
Changes of items during the period			
Reversal of reserve for temporary difference adjustment			—
Dividends paid			(3,046,498)
Net income (loss)			4,896,755
Net changes of items other than unitholders' equity	(676,571)	(676,571)	(676,571)
Total changes of items during the period	(676,571)	(676,571)	1,173,685
Balance, June 30, 2023	133,089	133,089	224,748,258

## (4) Semi-annual statements of cash flows

(thousands of yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	(470,834)	4,897,360
Depreciation and amortization	2,312,304	2,440,571
Loss on retirement of noncurrent assets	432	17,221
Loss (profit) on derivative instruments	(8,393)	2,350
Subsidy income	—	(6,570)
Loss on tax purpose reduction entry of non-current assets	—	6,512
Amortization of investment corporation bond issuance costs	15,874	15,344
Amortization of investment unit issuance expenses	1,785	1,785
Interest income	(130)	(140)
Interest expense	577,344	565,988
(Increase) decrease in operating accounts receivable	(190,985)	1,944,516
(Increase) decrease in prepaid expenses	42,392	(4,716)
(Increase) decrease in long-term prepaid expenses	120,631	24,233
Increase (decrease) in operating accounts payable	(166,091)	(164,539)
Increase (decrease) in accrued expenses	(22,711)	5,989
Increase (decrease) in consumption taxes payable	(115,081)	(22,043)
Increase (decrease) in advances received	(303,687)	54,920
Increase (decrease) in deposits received	(1,573)	1,431
Other	(1,238)	37,995
Subtotal	1,790,036	9,818,211
Interest received	130	140
Interest paid	(580,412)	(569,069)
Income taxes - refunded (paid)	(1,169)	(1,168)
Net cash provided by (used in) operating activities	1,208,584	9,248,114
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(394,726)	(397,764)
Purchase of property and equipment in trust	(1,363,339)	(12,703,570)
Purchase of intangible assets	(43,613)	(36,517)
Payments of reserve for repairs and maintenance	(20,312)	(20,312)
Proceeds from tenant leasehold and security deposits in trust	38,789	197,152
Reimbursements of tenant leasehold and security deposits in trust	(21,129)	(55,077)
Subsidies received	—	6,570
Payments into deposit with withdrawal restrictions	(1,500,000)	—
Net cash provided by (used in) investing activities	(3,304,332)	(13,009,520)
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans payable	15,234,000	15,568,000
Repayments of short-term loans payable	(6,800,000)	(15,611,000)
Proceeds from long-term loans payable	—	11,215,000
Repayment of long-term loans payable	(8,434,000)	(11,172,000)
Dividends paid	(1,633,932)	(3,044,829)
Net cash provided by (used in) financing activities	(1,633,932)	(3,044,829)
Net increase (decrease) in cash and cash equivalents	(3,729,680)	(6,806,235)
Cash and cash equivalents at beginning of year	29,996,835	29,515,066
Cash and cash equivalents at end of period	*1 26,267,155	*1 22,708,830



(5) Notes on going concern assumption

Not applicable.

(6) Notes on matters concerning significant accounting policies

<p>1. Method of depreciation and amortization of noncurrent assets</p>	<p>(1) Property and equipment (including trust accounts) Property and equipment are amortized using the straight-line method. The useful lives of major property and equipment components are as follows:</p> <table border="0"><tr><td>Machinery and equipment</td><td>2 to 17 years</td></tr><tr><td>Tools, furniture and fixtures</td><td>2 to 26 years</td></tr><tr><td>Buildings in trust</td><td>2 to 64 years</td></tr><tr><td>Structures in trust</td><td>2 to 64 years</td></tr><tr><td>Machinery and equipment in trust</td><td>3 to 32 years</td></tr><tr><td>Tools, furniture and fixtures in trust</td><td>2 to 27 years</td></tr></table> <p>(2) Intangible assets Intangible assets are amortized using the straight-line method. The amortization period of major intangible assets is as follows.</p> <table border="0"><tr><td>Software (for internal use)</td><td>5 years as internally usable years</td></tr><tr><td>Trademark right</td><td>10 years</td></tr></table> <p>Fixed-term leasehold rights in trust are amortized using the straight-line method based on the remaining period (41 years) of the contract.</p> <p>(3) Long-term prepaid expenses Long-term prepaid expenses are amortized using the straight-line method.</p>	Machinery and equipment	2 to 17 years	Tools, furniture and fixtures	2 to 26 years	Buildings in trust	2 to 64 years	Structures in trust	2 to 64 years	Machinery and equipment in trust	3 to 32 years	Tools, furniture and fixtures in trust	2 to 27 years	Software (for internal use)	5 years as internally usable years	Trademark right	10 years
Machinery and equipment	2 to 17 years																
Tools, furniture and fixtures	2 to 26 years																
Buildings in trust	2 to 64 years																
Structures in trust	2 to 64 years																
Machinery and equipment in trust	3 to 32 years																
Tools, furniture and fixtures in trust	2 to 27 years																
Software (for internal use)	5 years as internally usable years																
Trademark right	10 years																
<p>2. Accounting for deferred assets</p>	<p>(1) Investment unit issuance costs Investment unit issuance costs are amortized using the straight-line method over three years.</p> <p>(2) Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized using the interest method over the respective term of the bond.</p>																
<p>3. Accounting for recognition of revenues and expenses</p>	<p>(1) Revenue recognition The details of main performance obligations concerning revenue generated from contracts concluded with JHR's customers and the ordinary time to fulfill such performance obligations (ordinary time to recognize revenue) are as follows.</p> <p>(a) Sale of real estate properties For the proceeds from the sale of real estate properties, JHR recognizes revenue when the purchaser who is a customer, obtains control of the relevant real estate properties, etc., as a result of the seller fulfilling its delivery obligations stipulated in the transaction agreement of the real estate, properties, etc.</p> <p>The amount obtained by deducting "Cost of sale of properties," which is the book value of real estate, etc. sold, and "Other selling expenses," which are the various expenses directly required in the sale, from "Proceeds from sale of properties," which are the sales proceeds of real estate, etc., is indicated as "Gain on sales of real estate properties" or "Loss on sales of real estate properties" in the statements of income. There is no gain or loss on sales of real estate properties in the previous and current midterm periods under review.</p> <p>(b) Utilities income For utilities income, JHR recognizes revenue in accordance with the supply of electricity, water, etc., to the lessee who is a customer based on the lease agreement of real estate, etc., and agreements incidental to it.</p> <p>(2) Treatment of property taxes and other taxes For taxes imposed on properties, etc. under management such as property taxes, city planning taxes, and depreciable asset taxes, the imposed amounts are allocated to the midterm period and expensed as "Real estate operating costs."</p> <p>Cash paid for property taxes and city planning taxes, etc., to the transferor of real estate properties, etc., at acquisition is not recorded as "Real estate operating costs" but capitalized as part of the acquisition cost of the relevant property.</p> <p>The amount of such taxes capitalized in the acquisition cost of real properties, etc., was none for the previous midterm period and ¥26,204 thousand for the current midterm period under review.</p>																

<p>4. Method of hedge accounting</p>	<p>(1) Method of hedge accounting  Deferred hedge accounting is applied  (a) Hedging instruments and hedged items  Hedging instruments  Interest rate swaps  Hedged items  Interest rates on loans payable  (b) Hedging policy  JHR enters into certain derivative transactions in accordance with its financial policy in order to manage risks, which is provided in the Articles of Incorporation.  (2) Method for assessing hedge effectiveness  JHR evaluates hedge effectiveness by comparing the cumulative changes in cash flow of hedging instruments and the hedged items and assessing the ratio between the changes.</p>
<p>5. Scope of funds (cash and cash equivalents) in the semi-annual statements of cash flows</p>	<p>Cash and cash equivalents in the semi-annual statements of cash flows consist of cash on hand, cash in trust accounts, bank deposit and trust deposit, which can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased, which can easily be converted to cash and subject to minimal risk of change in value.</p>
<p>6. Other significant matters serving as the basis for preparing semi-annual financial statements</p>	<p>Accounting treatment of beneficial interests in trust with real estate, etc., as their assets  For trust beneficial interests in real estate, etc., under management, all assets and liabilities held in trust accounts as well as all income generated and expenses incurred from assets in trust are presented in the accompanying semi-annual balance sheet and income statement accounts accordingly.  The following material items of the trust accounts recorded in the relevant accounts are presented separately on the semi-annual balance sheets.  (a) Cash and deposits in trust  (b) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust  (c) Leasehold rights in trust; Fixed-term leasehold rights in trust; Leasehold and security deposits in trust  (d) Tenant leasehold and security deposits in trust</p>

(7) Notes to semi-annual financial statements

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

[Notes to semi-annual balance sheets]

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

(thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Buildings in trust	24,921	16,463

- \*2. Matters concerning provision and reversal of reserve for temporary difference adjustment

As of December 31, 2022

(thousands of yen)

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

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

As of June 30, 2023

(thousands of yen)

	Amount of initial accrual	Balance at beginning of period	Amount of provision during period	Amount of reversal during period	Balance at end of period	Grounds for provision and reversal
Dividend reserve (Note)	13,127,153	9,976,515	—	376,501	9,600,013	Allocation for dividend

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

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

	As of December 31, 2022	As of June 30, 2023
	¥50,000 thousand	¥50,000 thousand

[Notes to semi-annual statements of income]

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

(thousands of yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
<b>A. Real estate operating revenue</b>		
Real estate operating revenue		
Fixed rent	3,139,560	7,250,068
Variable rent	1,858,186	3,008,922
Income from management contracts	5,228	485,224
Total	5,002,976	10,744,215
Other real estate operating revenue		
Parking lots	63,765	61,615
Other incidental revenue	36,127	36,565
Utilities	269,035	386,351
Other	59,476	59,625
Total	428,405	544,157
Total real estate operating revenue	5,431,381	11,288,372
<b>B. Real estate operating costs</b>		
Real estate operating costs		
Land lease and other rent expenses	422,755	422,758
Property taxes	957,825	980,780
Outsourcing expenses (Note)	187,885	203,873
Nonlife insurance	33,861	37,031
Depreciation and amortization	2,312,304	2,440,571
Loss on retirement of noncurrent assets	432	17,221
Repairs	6,709	7,413
Utilities	283,244	410,751
Trust fees	18,591	20,443
Other	7,131	7,877
Total real estate operating costs	4,230,740	4,548,722
C. Net real estate operating income (A-B)	1,200,640	6,739,649

(Note) Outsourcing expenses include management contract fees of ¥ 29,655 thousand for the six months ended June 30, 2022, and ¥39,112 thousand for the six months ended June 30, 2023.

\*2 Loss on tax purpose reduction entry of non-current assets represents the amount directly deducted from the acquisition cost upon receipt of subsidies, and the breakdown is as follows.

(thousands of yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Buildings in Trust	-	6,512

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

\*1 Total number of investment units authorized, issued and outstanding

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Total number of investment units authorized	20,000,000 units	20,000,000 units
Total number of investment units issued and outstanding	4,467,006 units	4,467,006 units

[Notes to semi-annual statements of cash flows]

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

(thousands of yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Cash and deposits	21,040,304	13,274,927
Cash and deposits in trust	7,026,851	9,433,903
Deposit with withdrawal restrictions	(1,800,000)	-
Cash and cash equivalents	26,267,155	22,708,830

[Notes on lease transactions]

Operating leases (as lessor)

Minimum rental revenue under non-cancellable operating leases

(thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Due within one year	1,152,214	1,501,972
Due after one year	4,054,288	4,392,403
Total	5,206,502	5,894,375

[Notes on financial instruments]

Matters concerning fair value, etc., of financial instruments.

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

As of December 31, 2022

(thousands of yen)

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

As of June 30, 2023

(thousands of yen)

	Carrying amount	Fair value	Difference
(1) Current portion of long-term loans payable	19,681,000	19,681,000	—
(2) Investment corporation bonds	36,900,000	34,098,420	(2,801,580)
(3) Long-term loans payable	72,580,000	72,580,000	—
Total liabilities	129,161,000	126,359,420	(2,801,580)
(4) Derivative transactions (*)	202,847	202,847	—

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

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

(1) Current portion of long-term loans payable; (3) Long-term loans payable

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

(2) Investment corporation bonds

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

(4) Derivative transactions

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

[Notes on derivative transactions]

1. Derivative transactions to which hedge accounting is not applied

For derivative transactions in which hedge accounting is not applied, the contract amounts or the principal amounts equivalent to the principal provided in the contracts. etc, as of the interim and year-end account closing dates were as follows:

As of December 31, 2022

(thousands of yen)

Classification	Type, etc., of derivative transaction	Contract amount, etc.		Fair value	Method to measure the fair value
			Of which, due after one year		
Transactions other than market transactions	Interest rate swaps (fixed rate payment, floating rate receipt)	3,494,000	1,750,000	(696)	The fair value is measured at the quoted price, etc., obtained from the counterparty financial institutions.

As of June 30, 2023

(thousands of yen)

Classification	Type, etc. of derivative transaction	Contract amount, etc.		Fair value	Method to measure the fair value
			Of which, due after one year		
Transactions other than market transactions	Interest rate swaps (fixed rate payment, floating rate receipt)	3,494,000	—	(3,047)	The fair value is measured at the quoted price, etc., obtained from the counterparty financial institutions.

2. Derivative transactions to which hedge accounting is applied

For derivative transactions in which hedge accounting is not applied, the contract amounts or the principal amounts equivalent to the principal provided in the contracts. etc, as of the interim and year-end account closing dates were as follows:

As of December 31, 2022

(thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Deferral method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	78,460,000	70,600,000	1,184,868	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

As of June 30, 2023

(thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Deferral method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	74,372,000	61,050,000	205,894	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

[Notes on asset retirement obligations]

Asset retirement obligations recognized on the balance sheet

1. Outline of the subject asset retirement obligations

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

2. Calculation method of the subject asset retirement obligations

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

3. Increase and decrease of the subject asset retirement obligations

(thousands of yen)

	For the year ended December 31, 2022	For the six months ended June 30, 2023
Balance at beginning of period	336,783	338,413
Adjustment due to passage of time	1,630	818
Balance at end of period	338,413	339,232

[Notes on rental properties, etc.]

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

(thousands of yen)

Use		For the year ended December 31, 2022	For the six months ended June 30, 2023
Hotel	Carrying amount		
	Balance at beginning of period	358,819,865	358,478,812
	Net increase (decrease) during period	(341,052)	9,243,050
	Balance at end of period	358,478,812	367,721,863
	Fair value at end of period	483,110,000	495,280,000

(Note 1) The decrease during the year ended December 31, 2022 was principally due to depreciation. Increase during the six months ended June 30, 2023 principally due to acquisition of UAN kanazawa (¥2,082 million) and Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (¥8,487 million).

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

[Notes on revenue recognition]

For the six months ended June 30, 2022

Breakdown of information on revenue generated from contracts with customers

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

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

For the six months ended June 30, 2023

Breakdown of information on revenue generated from contracts with customers

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

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



[Notes on segment and related information]

1. Segment information

The segment information has been omitted because JHR has no segments other than the investment and management of hotel real estate.

2. Related information

For the six months ended June 30, 2022

(1) Information about products and services

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

(2) Information about geographical areas

(i) Operating revenue

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

(ii) Property and equipment, at cost

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

(3) Information about major customers

(thousands of yen)

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

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

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

For the six months ended June 30, 2023

(1) Information about products and services

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

(2) Information about geographical areas

(i) Operating revenue

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

(ii) Property and equipment, at cost

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

(3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd. (Note)	6,427,981	Investment and management of hotel real estate

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

[Notes on per unit information]

Net assets per unit is as follows:

	As of December 31, 2022	As of June 30, 2023
Net assets per unit	¥50,050	¥50,312

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

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Net income (loss) per unit	(¥105)	¥1,096
[Basis of computation]		
Net income (loss) for midterm (JPY 1,000)	(471,439)	4,896,755
Amount not attributable to common unitholders (JPY 1,000)	-	-
Net income (loss) for midterm attributable to common investment units (JPY 1,000)	(471,439)	4,896,755
Average number of investment units during period (units)	4,467,006	4,467,006

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

Net income (loss) per unit for midterm after the adjustment of potentially dilutive units is not presented since there are no potentially dilutive units.

[Notes on significant subsequent events]

Not applicable.

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

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

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

(Note 1) New investment units were issued through public offering with an issue price per unit of ¥76,342 (issue value of ¥73,927) in order to procure funds for the acquisition of new properties, etc.

(Note 2) New investment units were issued through third-party allotment with an issue value per unit of ¥73,927 in order to procure part of the funds for the acquisition of new properties.

(Note 3) New investment units were issued through third-party allotment with an issue value per unit of ¥64,400 in order to procure part of the funds for capital expenditures.

### 3. Reference information

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

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

##### A. Investment status

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

Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2022		As of June 30, 2023		
				Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	
Real estate in trust	Limited-service hotel	Osaka	Holiday Inn Osaka Namba	26,646	6.7	26,601	6.7	
			Namba Oriental Hotel	14,250	3.6	14,201	3.6	
			Hotel Oriental Express Osaka Shinsaibashi	2,781	0.7	2,775	0.7	
		Tokyo	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	—	—	8,480	2.1	
			the b ikebukuro	6,548	1.7	6,561	1.7	
			CANDEO HOTELS Ueno Koen	6,535	1.6	6,516	1.6	
			Comfort Hotel Tokyo Higashi Nihombashi	3,422	0.9	3,407	0.9	
			the b hachioji	2,685	0.7	2,671	0.7	
			Smile Hotel Nihombashi Mitsukoshimae	2,025	0.5	2,015	0.5	
			R&B Hotel Ueno-hirokoji	1,780	0.4	1,805	0.5	
			Chisun Hotel Kamata	1,442	0.4	1,450	0.4	
			the b suidobashi	1,155	0.3	1,144	0.3	
			dormy inn EXPRESS Asakusa (Note 4)	922	0.2	919	0.2	
		Chisun Inn Kamata	773	0.2	773	0.2		
		Hokkaido	ibis Styles Sapporo	6,366	1.6	6,331	1.6	
			Mercure Sapporo	5,614	1.4	5,593	1.4	
		Fukuoka	Hotel Oriental Express Fukuoka Tenjin	5,728	1.4	5,704	1.4	
			the b hakata	2,330	0.6	2,321	0.6	
			Washington Hotel Plaza Hakata, Nakasu	2,062	0.5	2,076	0.5	
			Toyoko Inn Hakata-guchi Ekimae	1,364	0.3	1,355	0.3	
	Kyoto	ibis Styles Kyoto Station	6,580	1.7	6,569	1.7		
	Okinawa	Mercure Okinawa Naha	2,745	0.7	2,723	0.7		
	Kumamoto	dormy inn Kumamoto	2,186	0.6	2,159	0.5		
	Ishikawa	UAN kanazawa	—	—	2,066	0.5		
	Nara	Washington Hotel Plaza Nara	1,703	0.4	1,733	0.4		
	Subtotal				107,654	27.1	117,959	29.8
	Full-service hotel	Tokyo	Hilton Tokyo Odaiba	63,160	15.9	63,044	15.9	
			Oriental Hotel Tokyo Bay	16,724	4.2	16,637	4.2	
		Chiba	Hilton Tokyo Narita Airport	13,038	3.3	12,962	3.3	
			International Garden Hotel Narita	8,983	2.3	8,943	2.3	
			Hotel Francs	3,142	0.8	3,143	0.8	
		Hiroshima	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 5)	17,016	4.3	16,927	4.3	
			Oriental Hotel Hiroshima	4,032	1.0	4,008	1.0	
Aichi		Hilton Nagoya	15,560	3.9	15,492	3.9		
Nara		Hotel Nikko Nara	10,047	2.5	10,021	2.5		
Hyogo		Kobe Meriken Park Oriental Hotel	9,260	2.3	9,174	2.3		
Fukuoka		Oriental Hotel Fukuoka Hakata Station	8,720	2.2	8,552	2.2		
Kanagawa		Mercure Yokosuka	1,608	0.4	1,595	0.4		
Subtotal				171,296	43.2	170,504	43.0	
Resort hotel	Okinawa	Hotel Nikko Alivila	17,451	4.4	17,502	4.4		
		Oriental Hotel Okinawa Resort & Spa	15,408	3.9	15,303	3.9		
		The Beach Tower Okinawa	6,418	1.6	6,368	1.6		
	Chiba	Hilton Tokyo Bay	26,097	6.6	26,085	6.6		
	Osaka	Oriental Hotel Universal City	7,302	1.8	7,248	1.8		
	Kanagawa	Hakone Setsugetsuka	3,552	0.9	3,553	0.9		
Subtotal				76,231	19.2	76,061	19.2	
Real estate in trust – Total				355,182	89.5	364,525	92.0	
Deposits and other assets (Note 6)				41,617	10.5	31,746	8.0	
Total assets				396,799	100.0	396,271	100.0	

	Amount (JPY1M)	Ratio to total assets (%)	Amount (JPY1M)	Ratio to total assets (%)
Total liabilities	173,225	43.7	171,523	43.3
Total net assets	223,574	56.3	224,748	56.7

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

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

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

(Note 4) dormy inn global cabin Asakusa changed its name to dormy inn EXPRESS Asakusa as of April 1, 2023. The same shall apply hereinafter.

(Note 5) ACTIVE-INTER CITY HIROSHIMA is classified in accordance with the business category of Sheraton Grand Hiroshima Hotel, its main facility.

(Note 6) Includes machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust, and intangible assets (excluding leasehold rights in trust and fixed-term land lease right in trust).

B. Assets under management

(A) Major issues of investment securities

Not applicable.

(B) Real estate properties under management

Not applicable.

(C) Other major assets under management

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

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

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

Property No.	Name	Grade (Note 1)	Acquisition price (JPY1M) (Note 2)	Carrying amount at end of period (JPY1M) (Note 3)	Appraisal value at end of period (JPY1M) (Note 4)	Appraisal agency (Note 5)	Investment ratio (Acquisition price) (%) (Note 6)	Collateral (Note 7)
1	Kobe Meriken Park Oriental Hotel	Upper-middle	10,900	9,366	14,100	N	2.9	Unsecured
2	Oriental Hotel Tokyo Bay	Mid-price	19,900	17,054	31,700	N	5.3	Unsecured
3	Namba Oriental Hotel	Mid-price	15,000	14,261	31,000	N	4.0	Unsecured
4	Hotel Nikko Alivila	Luxury	18,900	17,711	28,100	N	5.1	Unsecured
5	Oriental Hotel Hiroshima	Upper-middle	4,100	4,058	4,150	N	1.1	Unsecured
8	The Beach Tower Okinawa	Mid-price	7,610	6,371	9,960	N	2.0	Unsecured
9	Hakone Setsugetsuka	Mid-price	4,070	3,560	5,260	N	1.1	Unsecured
10	dormy inn Kumamoto	Mid-price	2,334	2,159	3,230	N	0.6	Unsecured
12	the b suidobashi	Mid-price	1,120	1,153	2,270	N	0.3	Unsecured
13	dormy inn EXPRESS Asakusa	Economy	999	919	1,290	J	0.3	Unsecured
14	Washington Hotel Plaza Hakata, Nakasu	Mid-price	2,130	2,076	4,510	N	0.6	Unsecured
15	Washington Hotel Plaza Nara	Mid-price	2,050	1,733	2,430	N	0.5	Unsecured
16	R&B Hotel Ueno-hirokoji	Economy	1,720	1,805	1,800	J	0.5	Unsecured
18	Comfort Hotel Tokyo Higashi Nihombashi	Economy	3,746	3,407	5,360	J	1.0	Unsecured
22	Smile Hotel Nihombashi Mitsukoshimae	Economy	2,108	2,015	2,940	J	0.6	Unsecured
24	Toyoko Inn Hakata-guchi Ekimae	Economy	1,652	1,355	2,730	T	0.4	Unsecured
25	Chisun Hotel Kamata	Economy	1,512	1,458	2,080	T	0.4	Unsecured
26	Chisun Inn Kamata	Economy	823	778	1,390	T	0.2	Unsecured
29	Oriental Hotel Universal City	Mid-price	6,753	7,599	17,800	R	1.8	Unsecured
31	Hilton Tokyo Bay	Luxury	26,050	26,093	39,900	D	7.0	Unsecured
32	ibis Styles Kyoto Station	Mid-price	6,600	6,581	9,990	D	1.8	Unsecured
33	ibis Styles Sapporo	Mid-price	6,797	6,375	11,100	N	1.8	Unsecured
34	Mercure Sapporo	Mid-price	6,000	5,653	10,500	N	1.6	Unsecured
35	Mercure Okinawa Naha	Mid-price	3,000	2,781	6,940	N	0.8	Unsecured
37	the b ikebukuro	Mid-price	6,520	6,574	7,200	N	1.7	Unsecured
39	the b hachioji	Mid-price	2,610	2,684	2,570	N	0.7	Unsecured
40	the b hakata	Mid-price	2,300	2,333	4,320	N	0.6	Unsecured
41	Hotel Francs	Mid-price	3,105	3,143	4,100	D	0.8	Unsecured
42	Mercure Yokosuka	Mid-price	1,650	1,613	3,240	D	0.4	Unsecured
43	Oriental Hotel Okinawa Resort & Spa	Upper-middle	14,950	15,611	18,100	N	4.0	Unsecured
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Luxury	17,320	17,086	20,700	D	4.6	Unsecured
45	CANDEO HOTELS Ueno Koen	Mid-price	6,705	6,529	7,460	D	1.8	Unsecured
46	Oriental Hotel Fukuoka Hakata Station	Upper-middle	7,197	8,685	15,000	D	1.9	Unsecured
47	Holiday Inn Osaka Namba	Mid-price	27,000	26,626	26,600	N	7.2	Unsecured
48	Hotel Oriental Express Fukuoka Tenjin	Mid-price	5,248	5,783	6,520	D	1.4	Unsecured
49	Hilton Nagoya	Luxury	15,250	15,492	14,900	D	4.1	Unsecured
50	Hilton Tokyo Narita Airport	Upper-middle	13,175	13,158	12,300	N	3.5	Unsecured
51	International Garden Hotel Narita	Mid-price	9,125	9,000	9,110	N	2.4	Unsecured

Property No.	Name	Grade (Note 1)	Acquisition price (JPY1M) (Note 2)	Carrying amount at end of period (JPY1M) (Note 3)	Appraisal value at end of period (JPY1M) (Note 4)	Appraisal agency (Note 5)	Investment ratio (Acquisition price) (%) (Note 6)	Collateral (Note 7)
52	Hotel Nikko Nara	Upper-middle	10,373	10,100	9,500	D	2.8	Unsecured
53	Hotel Oriental Express Osaka Shinsaibashi	Mid-price	2,738	2,796	2,890	D	0.7	Unsecured
54	Hilton Tokyo Odaiba	Upper-middle	62,400	63,232	68,000	N	16.7	Unsecured
55	UAN kanazawa	Upper-middle	2,050	2,072	2,140	N	0.5	Unsecured
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Mid-price	8,400	8,480	10,100	D	2.2	Unsecured
	Total		373,992	367,338	495,280		100.0	

- (Note 1) JHR categorizes hotels into the four grade classes of “Luxury,” “Upper-middle,” “Mid-price” and “Economy” mainly from the perspective of average daily rate, etc.
- (Note 2) “Acquisition price” is the acquisition price stated on the purchase and sale agreement for beneficial interest in trust, etc. (consumption tax, local consumption tax and the acquisition expense such as broker’s fee are not included). The acceptance prices are indicated for the properties that have been accepted through the Merger.
- (Note 3) “Carrying amount at end of period” is the book value at the end of the midterm period under review, and includes not only the amounts for real estate in trust, but also for machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust and intangible assets.
- (Note 4) “Appraisal value at end of period” is the appraisal value at the end of the midterm period under review as the date of appraisal, in accordance with the asset valuation methods and standards provided in JHR’s Articles of Incorporation and the regulations set forth by The Investment Trusts Association, Japan.
- (Note 5) Under “Appraisal agency,” the letters indicate the appraisers for the properties as follows:  
N: Nihon Fudosan Kenkyusho (Japan Real Estate Institute)  
J: JLL Morii Valuation & Advisory K.K.  
T: The Tanizawa Sōgō Appraisal Co., L  
R: Rich Appraisal Institute Co., Ltd.  
D: DAIWA REAL ESTATE APPRAISAL CO., LTD.
- (Note 6) “Investment ratio” is the ratio of acquisition price of the respective asset held at the end of the midterm period under review to the total amount of acquisition price of all assets held at the end of the midterm period under review, rounded off to one decimal place.
- (Note 7) “Collateral” is whether or not a pledge has been established for the beneficial interest in trust.
- (Note 8) The omitted property numbers are the property numbers of assets that have been transferred.

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

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

	End of 19th period December 2018	End of 20th period December 2019	End of 21st period December 2020	End of 22nd period December 2021	End of 23rd period December 2022	End of midterm period of 24th period June 2023
Total number of tenants (Note 1)	126	125	121	116	110	115
Total leasable area (Note 2)	678,714.48 sqm	746,329.68 sqm	741,083.02 sqm	733,995.61 sqm	733,995.61 sqm	742,108.29 sqm
Total leased area (Note 3)	677,863.00 sqm	745,227.67 sqm	740,146.96 sqm	732,764.69 sqm	732,251.49 sqm	740,443.58 sqm
Occupancy rate (Note 4)	99.9%	99.9%	99.9%	99.8%	99.8%	99.8%

- (Note 1) Total number of tenants indicates the total number of tenants based on the lease contracts for respective real estate in trust (excluding tenants of parking lots, etc.) as of the end of each fiscal period or midterm period. However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amounts of rents, etc. from end tenants as is in principle, the total number of end tenants (excluding tenants of parking lots, etc.) is indicated.
- (Note 2) In principle, total leasable area represents leasable area of the building, which does not include leasable area of land (including parking lots on ground), based on a lease contract or plan for each real estate in trust. For properties in which the leased area is not described in the lease contract, leasable area represents the area described in the registration of the building. Furthermore, when the leasable area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578 square meters per one tsubo). The same shall apply hereinafter.
- (Note 3) In principle, total leased area represents the leased area described in the lease contract of the building. For properties in which the leased area is not described in the lease contract, leased area shows the area described in the registration of the building. Furthermore, when the leased area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578 square meters per one tsubo). However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amounts of rents, etc. from end tenants as is in principle, the total area for which lease contracts have been concluded with end tenants and which are actually leased is indicated. The same shall apply hereinafter.
- (Note 4) Occupancy rate indicates the percentage of leased area of leasable area of respective real estate properties in trust as of the end of each fiscal period or midterm period. The same shall apply hereinafter.

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

There is no major real estate of which total annual rent accounts for 10% or more of the total annual rent of the entire portfolio.

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

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

Property No.	Name	Rent type (Note 1)	Real estate operating revenue (JPY 1,000)	NOI (Note 2) (JPY 1,000)	NOI after depreciation (Note 3) (JPY 1,000)
1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	243,656	119,807	(16,392)
2	Oriental Hotel Tokyo Bay	Variable/Fixed	725,292	665,085	504,710
3	Namba Oriental Hotel	Variable/Fixed	584,084	529,313	471,725
4	Hotel Nikko Alivila	Variable/Fixed	345,074	271,315	128,718
5	Oriental Hotel Hiroshima	Variable/Fixed	288,142	265,848	223,266
8	The Beach Tower Okinawa	Fixed	255,504	233,863	177,167
9	Hakone Setsugetsuka	Fixed	147,469	134,895	87,488
10	dormy inn Kumamoto	Variable/Fixed (Note 4)	97,230	86,089	58,697
12	the b suidobashi	Variable/Fixed	41,102	35,781	21,759
13	dormy inn EXPRESS Asakusa	Fixed	32,537	28,017	21,736
14	Washington Hotel Plaza Hakata, Nakasu (Note 5)	Fixed	120,000	112,000	99,000
15	Washington Hotel Plaza Nara (Note 5)	Fixed	75,000	66,000	47,000
16	R&B Hotel Ueno-hirokoji	Fixed	48,645	41,183	32,365
18	Comfort Hotel Tokyo Higashi Nihombashi	Variable/Fixed (Note 6)	317,449	301,961	283,335
22	Smile Hotel Nihombashi Mitsukoshimae	Variable/Fixed (Note 6)	71,753	63,346	52,989
24	Toyoko Inn Hakata-guchi Ekimae	Fixed	70,519	63,496	54,417
25	Chisun Hotel Kamata	Variable	56,582	49,045	32,614
26	Chisun Inn Kamata	Variable	33,123	28,963	22,707
29	Oriental Hotel Universal City	Variable/Fixed	649,753	620,059	470,842
31	Hilton Tokyo Bay	Variable/Fixed (Note 6)	990,117	848,090	748,107
32	ibis Styles Kyoto Station	Management contract	142,929	122,883	105,939
33	ibis Styles Sapporo	Management contract	175,479	121,645	80,420
34	Mercure Sapporo	Management contract	229,027	128,236	83,598
35	Mercure Okinawa Naha	Management contract	79,186	53,634	16,810
37	the b ikebukuro	Variable/Fixed	160,141	146,787	133,617
39	the b hachioji	Variable/Fixed	79,456	67,344	48,373
40	the b hakata	Variable/Fixed	92,865	86,336	75,468
41	Hotel Francs	Fixed	150,000	119,700	94,933
42	Mercure Yokosuka	Variable	149,507	90,369	72,188
43	Oriental Hotel Okinawa Resort & Spa	Variable/Fixed	274,999	232,707	48,534
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed	756,094	490,946	375,171
45	CANDEO HOTELS Ueno Koehn	Fixed	174,985	161,775	140,973
46	Oriental Hotel Fukuoka Hakata Station	Variable/Fixed	647,109	523,822	328,097
47	Holiday Inn Osaka Namba	Variable/Fixed	310,052	284,865	224,897
48	Hotel Oriental Express Fukuoka Tenjin	Variable/Fixed	266,332	216,065	165,895
49	Hilton Nagoya	Variable	595,124	249,275	155,971
50	Hilton Tokyo Narita Airport	Variable/Fixed	227,760	187,606	81,331
51	International Garden Hotel Narita	Variable/Fixed	239,973	218,237	135,687
52	Hotel Nikko Nara	Variable/Fixed	219,926	195,827	120,750
53	Hotel Oriental Express Osaka Shinsaibashi (Note 7)	Variable/Fixed	80,198	73,059	64,791
54	Hilton Tokyo Odaiba	Variable/Fixed	898,045	728,056	574,163
55	UAN kanazawa	Variable/Fixed (Note 6)	51,483	50,224	40,099
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (Note 8)	Variable/Fixed (Note 6)	77,625	67,176	59,814
	Total		11,272,007	9,181,896	6,751,328

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

(Note 2)  $NOI = \text{Real estate operating revenue} - \text{Real estate operating costs} + \text{Depreciation} + \text{Loss on retirement of noncurrent assets} + \text{Asset retirement obligations expenses}$

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

(Note 4) Rent type was fixed rent only until March 31, 2023.

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

(Note 6) Comfort Hotel Tokyo Higashi Nihombashi, Smile Hotel Nihombashi Mitsukoshimae, Hilton Tokyo Bay, UAN kanazawa and Sotetsu Fresa Inn Shimbashi-Karasumoriguchi have rent structures with fixed rents and partial revenue sharing,

(Note 7) UAN kanazawa was acquired on January 31, 2023.

(Note 8) Sotetsu Fresa Inn Shimbashi-Karasumoriguchi was acquired on March 24, 2023.

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

e. Summary of analyses, etc. of earthquake risk

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

Property No.	Name	Probable Maximum Loss (PML) ratio by earthquake risk analyses (%) (Note 1)	Existence of earthquake insurance	Provider of PML value (Note 2)
1	Kobe Meriken Park Oriental Hotel	11.6	None	P
2	Oriental Hotel Tokyo Bay	14.2	None	P
3	Namba Oriental Hotel	13.4	None	P
4	Hotel Nikko Alivila	7.3	None	P
5	Oriental Hotel Hiroshima	10.7	None	O
8	The Beach Tower Okinawa	2.7	None	S
9	Hakone Setsugetsuka	14.4	None	P
10	dormy inn Kumamoto	5.6	None	S
12	the b suidobashi	5.4	None	S
13	dormy inn EXPRESS Asakusa	4.9	None	S
14	Washington Hotel Plaza Hakata, Nakasu	8.2	None	P
15	Washington Hotel Plaza Nara	13.7	None	P
16	R&B Hotel Ueno-hirokoji	3.6	None	S
18	Comfort Hotel Tokyo Higashi Nihombashi	6.7	None	S
22	Smile Hotel Nihombashi Mitsukoshimae	7.5	None	S
24	Toyoko Inn Hakata-guchi Ekimae	Total: 3.8	None	S
25	Chisun Hotel Kamata	9.0	None	S
26	Chisun Inn Kamata	4.2	None	S
29	Oriental Hotel Universal City	8.7	None	P
31	Hilton Tokyo Bay	3.2	None	T
32	ibis Styles Kyoto Station	10.5	None	T
33	ibis Styles Sapporo	1.0	None	T
34	Mercure Sapporo	1.0	None	T
35	Mercure Okinawa Naha	0.5	None	T
37	the b ikebukuro	5.3	None	T
39	the b hachioji	4.9	None	T
40	the b hakata	3.3	None	T
41	Hotel Francs	2.5	None	T
42	Mercure Yokosuka	7.1	None	T
43	Oriental Hotel Okinawa Resort & Spa	0.7	None	T
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	2.0	None	T
45	CANDEO HOTELS Ueno Koen	3.1	None	T
46	Oriental Hotel Fukuoka Hakata Station	2.4	None	T
47	Holiday Inn Osaka Namba	6.5	None	T
48	Hotel Oriental Express Fukuoka Tenjin	3.3	None	T
49	Hilton Nagoya	1.7	None	T
50	Hilton Tokyo Narita Airport	2.4	None	T
51	International Garden Hotel Narita	5.2	None	T
52	Hotel Nikko Nara	7.5	None	T
53	Hotel Oriental Express Osaka Shinsaibashi	7.3	None	S
54	Hilton Tokyo Odaiba	4.3	None	T
55	UAN kanazawa	10.0	None	T
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	7.0	None	S



- (Note 1) PML (Probable Maximum Loss) represent damage caused by major earthquake that may occur once every 475 years (estimated probability of such earthquake to occur during the 50 years is 10%) during expected holding period (50 years = useful life of ordinary buildings.) PML is anticipated percentage of recovery cost against the building replacement cost. JHR will evaluate possibility to acquire earthquake insurance for the property if the PML of the particular property exceed 15%. As of the end of the midterm fiscal period under review, there is no property with plan to be insured by earthquake insurance.
- (Note 2) Under "Provider of PML value" the letters indicate the provider as follows.  
T: Tokio Marine dR Co., Ltd.  
P: Deloitte Tohmatsu Property Risk Solution Co., Ltd.  
O: OBAYASHI CORPORATIO  
S: SOMPO Risk Management, Inc.
- (Note 3) The property numbers of assets sold are intentionally omitted.

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

The following table shows income and expenditures for individual investment real estate properties (trust) for the current midterm period until June 30, 2023. Figures are rounded down to the nearest thousands of yen in principle, but are otherwise noted if circumstances do not allow for the figures to be stated in units of thousands of yen.

Property No.	-	1	2	3	4	5
Property name	Portfolio total (Note 1)	Kobe Meriken Park Oriental Hotel	Oriental Hotel Tokyo Bay	Namba Oriental Hotel	Hotel Nikko Alivila	Oriental Hotel Hiroshima
Number of operating days	-	181	181	181	181	181
(A) Real estate operating revenue subtotal	11,272,007	243,656	725,292	584,084	345,074	288,142
Fixed rent	7,250,068	299,950	379,300	421,950	402,049	107,251
Variable rent	3,494,146	(57,263)	345,992	162,134	(56,975)	180,890
Other revenue	527,792	969	-	-	-	-
(B) Real estate operating costs subtotal	4,520,678	260,048	220,581	112,358	216,356	64,875
Land lease and other rent expenses	422,758	96,351	-	-	42,074	-
Property taxes	980,780	24,013	56,932	52,682	27,709	20,478
Outsourcing expenses	203,873	480	480	480	960	480
Nonlife insurance	37,031	2,187	2,218	884	1,646	678
Depreciation and amortization	2,412,527	135,730	160,366	57,587	129,795	42,388
Loss on retirement of noncurrent assets	17,221	468	8	-	12,800	193
Other costs	446,484	816	576	724	1,369	656
(C) Net real estate operating income = (A) - (B)	6,751,328	(16,392)	504,710	471,725	128,718	223,266
(Reference) Occupancy rate	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	115	1	1	1	1	1

Property No.	8	9	10	12	13	14
Property name	The Beach Tower Okinawa	Hakone Setsugetsuka	dormy inn Kumamoto	the b suidobashi	dormy inn EXPRESS Asakusa	Washington Hotel Plaza Hakata, Nakasu (Note 2)
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	255,504	147,469	97,230	41,102	32,537	120,000
Fixed rent	255,504	147,169	97,230	15,000	31,697	120,000
Variable rent	-	-	-	26,102	-	-
Other revenue	-	300	-	-	840	0
(B) Real estate operating costs subtotal	78,336	59,981	38,532	19,342	10,801	20,000
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	20,117	11,683	10,271	4,104	3,159	6,000
Outsourcing expenses	-	-	-	600	600	0
Nonlife insurance	1,004	485	346	128	80	0
Depreciation and amortization	56,696	47,407	27,391	14,022	6,281	12,000
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	519	405	522	487	680	0
(C) Net real estate operating income = (A) - (B)	177,167	87,488	58,697	21,759	21,736	99,000
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	1	1	1	1	1

Property No.	15	16	18	22	24	25
Property name	Washington Hotel Plaza Nara (Note 2)	R&B Hotel Ueno-hirokoji	Comfort Hotel Tokyo Higashi Nihombashi	Smile Hotel Nihombashi Mitsukoshimae	Toyoko Inn Hakata-guchi Ekimae	Chisun Hotel Kamata
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	75,000	48,645	317,449	71,753	70,519	56,582
Fixed rent	73,000	48,252	130,160	67,200	70,519	-
Variable rent	-	-	181,685	4,553	-	56,512
Other revenue	1,000	393	5,602	-	-	70
(B) Real estate operating costs subtotal	27,000	16,280	34,113	18,764	16,102	23,967
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	5,000	6,404	13,891	6,876	5,777	5,999
Outsourcing expenses	1,000	420	807	600	540	600
Nonlife insurance	0	117	267	132	186	154
Depreciation and amortization	18,000	8,817	18,625	10,357	9,079	16,430
Loss on retirement of noncurrent assets	0	-	-	-	-	-
Other costs	0	520	521	798	518	783
(C) Net real estate operating income = (A) - (B)	47,000	32,365	283,335	52,989	54,417	32,614
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	2	1	2	1	1	1

Property No.	26	29	31	32	33	34
Property name	Chisun Inn Kamata	Oriental Hotel Universal City	Hilton Tokyo Bay	ibis Styles Kyoto Station (Note 1)	ibis Styles Sapporo (Note 1)	Mercure Sapporo (Note 1)
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	33,123	649,753	990,117	142,929	175,479	229,027
Fixed rent	-	158,333	Undisclosed (Note 3)	21,167	12,846	27,954
Variable rent	33,123	475,057	Undisclosed (Note 3)	119,768	136,094	150,198
Other revenue	-	16,363	Undisclosed (Note 3)	1,993	26,537	50,874
(B) Real estate operating costs subtotal	10,416	178,911	242,009	36,989	95,058	145,429
Land lease and other rent expenses	-	-	61,860	-	-	-
Property taxes	2,462	25,405	70,536	11,428	18,891	25,311
Outsourcing expenses	540	2,404	6,221	6,362	8,500	25,930
Nonlife insurance	63	1,211	2,330	235	618	687
Depreciation and amortization	6,256	149,217	99,983	16,943	41,224	44,638
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	1,094	672	1,077	2,020	25,823	48,861
(C) Net real estate operating income = (A) - (B)	22,707	470,842	748,107	105,939	80,420	83,598
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	99.4%	99.1%
(Reference) Number of tenants	1	1	1	2	5	10

Property No.	35	37	39	40	41	42
Property name	Mercure Okinawa Naha (Note 1)	the b ikebukuro	the b hachioji	the b hakata	Hotel Francs	Mercure Yokosuka
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	79,186	160,141	79,456	92,865	150,000	149,507
Fixed rent	-	70,270	29,546	33,261	150,000	-
Variable rent	79,162	89,270	47,509	59,604	-	121,129
Other revenue	23	600	2,400	-	-	28,377
(B) Real estate operating costs subtotal	62,376	26,524	31,083	17,397	55,066	77,318
Land lease and other rent expenses	169	-	-	-	-	-
Property taxes	11,722	11,700	10,603	5,244	28,410	16,458
Outsourcing expenses	12,301	600	600	600	900	10,610
Nonlife insurance	534	296	352	196	736	1,040
Depreciation and amortization	36,824	13,169	18,970	10,868	24,766	18,181
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	824	757	556	488	252	31,028
(C) Net real estate operating income = (A) - (B)	16,810	133,617	48,373	75,468	94,933	72,188
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	3	10	2	1	1

Property No.	43	44	45	46	47	48
Property name	Oriental Hotel Okinawa Resort & Spa	ACTIVE-INTER CITY HIROSHIMA	CANDEO HOTELS Ueno Koen	Oriental Hotel Fukuoka Hakata Station	Holiday Inn Osaka Namba	Hotel Oriental Express Fukuoka Tenjin
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	274,999	756,094	174,985	647,109	310,052	266,332
Fixed rent	274,999	420,807	Undisclosed (Note 3)	212,499	288,000	100,013
Variable rent	-	172,459	-	434,609	21,886	135,038
Other revenue	-	162,828	Undisclosed (Note 3)	-	165	31,280
(B) Real estate operating costs subtotal	226,465	380,923	34,012	319,012	85,154	100,437
Land lease and other rent expenses	-	-	-	111,103	-	-
Property taxes	38,943	62,236	11,635	9,436	23,299	16,969
Outsourcing expenses	1,200	51,325	600	1,500	780	5,886
Nonlife insurance	1,719	2,450	340	824	686	321
Depreciation and amortization	181,214	115,775	20,802	194,905	59,968	50,170
Loss on retirement of noncurrent assets	2,959	-	-	-	-	-
Other costs	430	149,135	633	1,242	420	27,089
(C) Net real estate operating income = (A) - (B)	48,534	375,171	140,973	328,097	224,897	165,895
(Reference) Occupancy rate	100.0%	97.8%	100.0%	100.0%	100.0%	90.9%
(Reference) Number of tenants	1	37	1	1	1	3

Property No.	49	50	51	52	53	54
Property name	Hilton Nagoya	Hilton Tokyo Narita Airport	International Garden Hotel Narita	Hotel Nikko Nara	Hotel Oriental Express Osaka Shinsaibashi	Hilton Tokyo Odaiba
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	595,124	227,760	239,973	219,926	80,198	898,045
Fixed rent	Undisclosed (Note 3)	222,000	168,000	210,000	55,200	799,800
Variable rent	Undisclosed (Note 3)	5,760	71,973	9,926	24,998	98,245
Other revenue	Undisclosed (Note 3)	-	-	-	-	-
(B) Real estate operating costs subtotal	439,153	146,429	104,285	99,175	15,407	323,881
Land lease and other rent expenses	111,200	-	-	-	-	-
Property taxes	50,321	36,171	19,136	20,142	5,709	166,529
Outsourcing expenses	49,140	1,260	1,140	1,200	1,080	60
Nonlife insurance	3,029	2,245	987	2,020	99	2,741
Depreciation and amortization	93,304	106,275	82,549	75,076	8,268	153,893
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	132,156	477	472	736	250	657
(C) Net real estate operating income = (A) - (B)	155,971	81,331	135,687	120,750	64,791	574,163
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	4	1	1	1	1	1

Property No.	55	56
Property Name	UAN kanazawa (Note 4)	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (Note 5)
Number of operating days	151	99
(A) Real estate investment revenue subtotal	51,483	77,625
Fixed rent	45,290	69,712
Variable rent	6,193	127
Other revenue	-	7,785
(B) Real estate operating costs subtotal	11,384	17,810
Land lease and other rent expenses	-	-
Property taxes	-	-
Outsourcing expenses	654	2,945
Nonlife insurance	121	147
Depreciation and amortization	10,125	7,361
Loss on retirement of noncurrent assets	-	-
Other costs	484	7,355
(C) Net real estate operating income = (A) - (B)	40,099	59,814
(Reference) Occupancy rate	100.0%	100.0%
(Reference) Number of tenants	1	4

(Note 1) Variable rent includes income from management contracts. For details of the management contract, please refer to “(iii). Overview of the hotel business; a. Rent structures of hotels with variable rent, management contract or revenue sharing” on page 46.

(Note 2) Figures are rounded down to the nearest millions of yen because the lessee’s consent to disclose rent in units of thousands of yen has not been obtained.

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

(Note 4) UAN kanazawa was acquired on January 31, 2023.

(Note 5) Sotetsu Fresa Inn Shimbashi-Karasumoriguchi was acquired on March 24, 2023.

(Note 6) The property numbers of assets sold before the end of the previous fiscal year are intentionally omitted.

## (iii) Overview of the hotel business

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

	Property No.	Name	Rent type	Method of calculating variable rent and income from management contracts
The 16 HMJ Hotels	1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	(Total AGOP of The Five HMJ Hotels (Note 1) – base amount (¥4,120 million/year (Note 2)) x 85.0%
	2	Oriental Hotel Tokyo Bay		
	3	Namba Oriental Hotel		
	4	Hotel Nikko Alivila		
	5	Oriental Hotel Hiroshima		
	29	Oriental Hotel Universal City	Variable/Fixed	(AGOP – base amount (¥370 million/year)) x 95.0%
	43	Oriental Hotel Okinawa Resort & Spa	Variable/Fixed	(AGOP – base amount (¥655 million/year)) x 95.0%
	44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed (Note 3)	(AGOP – base amount (¥360 million/year)) x 90.0%
	46	Oriental Hotel Fukuoka Hakata Station	Variable/Fixed	(AGOP – base amount (¥442 million/year)) x 98.0%
	47	Holiday Inn Osaka Namba	Variable/Fixed	(AGOP – base amount (¥580 million/year)) x 97.0%
	48	Hotel Oriental Express Fukuoka Tenjin	Variable/Fixed	(AGOP – base amount (¥165 million/year)) x 97.0%
	50	Hilton Tokyo Narita Airport	Variable/Fixed	(AGOP – base amount (¥450 million/year)) x 93.0%
	51	International Garden Hotel Narita	Variable/Fixed	(AGOP – base amount (¥360 million/year)) x 98.0%
	52	Hotel Nikko Nara	Variable/Fixed	(AGOP – base amount (¥440 million/year)) x 95.0%
	53	Hotel Oriental Express Osaka Shinsaibashi	Variable/Fixed	(AGOP – base amount (¥128 million/year)) x 91.0%
54	Hilton Tokyo Odaiba	Variable/Fixed	(AGOP – base amount (¥1,660 million/year)) x 98.0%	
The Accor Group Hotels	32	ibis Styles Kyoto Station	Management contract (Note 4)	GOP equivalent
	33	ibis Styles Sapporo		
	34	Mercure Sapporo		
	35	Mercure Okinawa Naha		
42	Mercure Yokosuka	Variable	Amount that is a certain percentage of sales exceeding the threshold (Note 5)	
The Ishin Group Hotels	12	the b suidobashi	Variable/Fixed	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	37	the b ikebukuro		
	39	the b hachioji		
	40	the b hakata		
Other hotels with variable rent or revenue sharing	10	domny inn Kumamoto	Variable/Fixed (Note 6)	(AGOP – base amount (¥400 million/year)) x 40.0%
	18	Comfort Hotel Tokyo Higashi Nihombashi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	22	Smile Hotel Nihombashi Mitsukoshimae	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	25	Chisun Hotel Kamata	Variable	Amount that is the monthly GOP multiplied by 86.0% (¥0 if the amount is below ¥0)
	26	Chisun Inn Kamata	Variable	Amount that is the monthly GOP multiplied by 86.0% (¥0 if the amount is below ¥0)
	31	Hilton Tokyo Bay	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	49	Hilton Nagoya	Variable	Variable rents linked to hotel sales, etc. (Note 5)
	55	UAN kanazawa	Fixed + Revenue sharing	(Room sales - base amount (¥270 million/year)) x 30.0%
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)	

(Note 1) AGOP (adjusted GOP) is calculated by subtracting certain fees and other items from GOP. The same shall apply hereinafter.

(Note 2) For the purpose of payments of variable rent from each hotel, etc. JHR has set individual GOP base amount for each hotel. The breakdown of the AGOP base amount of The Five HMJ Hotels (¥4,120 million/year) is as follows.

Kobe Meriken Park Oriental Hotel ¥690 million, Oriental Hotel Tokyo Bay ¥1,060 million, Namba Oriental Hotel ¥890 million, Hotel Nikko Alivila ¥1,250 million, and Oriental Hotel Hiroshima ¥230 million.

(Note 3) The indicated figures are for Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA.

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

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

(Note 6) The rent type was fixed rent until March 31, 2023.

b. Major indicators of the hotel business

The following tables indicate the figures related to the hotel business of The 16 HMJ Hotels for the operating period from January 1, 2023, through June 30, 2023, based on the data provided by the hotel lessees. While these indicators of the hotels are among the indicators that show the operating status of the rooms departments, please note that they do not necessarily represent the operating revenue and the ability to bear rent, etc., of the respective hotels, as the room rates and profit margins, etc. of the respective rooms available for sale are not uniform, among other reasons. As such, the indicators are no more than the reference figures.

	Kobe Meriken Park Oriental Hotel		Oriental Hotel Tokyo Bay		Namba Oriental Hotel		Hotel Nikko Alivila		Oriental Hotel Hiroshima		The Five HMJ Hotels Total/Average	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	68.3%	—	82.1%	—	86.8%	—	68.3%	—	92.3%	—	78.3%	—
ADR (Note 1)	21,441	—	23,894	—	19,741	—	26,492	—	9,927	—	21,147	—
RevPAR (Note 2)	14,640	—	19,615	—	17,134	—	18,083	—	9,162	—	16,568	—
Total sales	2,094	100.0	2,795	100.0	1,069	100.0	2,167	100.0	587	100.0	8,712	100.0
Rooms department	856	40.9	1,814	64.9	800	74.8	1,299	60.0	376	64.1	5,146	59.1
Food & beverage department	1,117	53.4	840	30.0	35	3.3	704	32.5	25	4.2	2,721	31.2
Tenant department	35	1.7	92	3.3	216	20.2	1	0.1	—	—	343	3.9
Other departments (Note 3)	86	4.1	50	1.8	18	1.7	162	7.5	186	31.7	502	5.8
GOP	278	13.3	937	33.5	636	59.5	564	26.0	328	55.8	2,742	31.5

	Oriental Hotel Universal City		Oriental Hotel Okinawa Resort & Spa		Sheraton Grand Hiroshima Hotel (Note 4)		Oriental Hotel Fukuoka Hakata Station		Holiday Inn Osaka Namba		Hotel Oriental Express Fukuoka Tenjin	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	83.5%	—	62.2%	—	78.5%	—	82.6%	—	65.4%	—	82.9%	—
ADR (Note 1)	24,527	—	20,458	—	24,898	—	19,869	—	15,932	—	10,281	—
RevPAR (Note 2)	20,483	—	12,724	—	19,536	—	16,402	—	10,425	—	8,526	—
Total sales	1,423	100.0	1,390	100.0	1,615	100.0	1,338	100.0	613	100.0	417	100.0
Rooms department	1,223	86.0	831	59.8	842	52.1	656	49.0	592	96.6	406	97.4
Food & beverage department	196	13.8	400	28.8	735	45.5	535	40.0	—	—	6	1.4
Tenant department	—	—	26	1.9	—	—	118	8.8	12	1.9	—	—
Other departments (Note 3)	3	0.2	132	9.5	38	2.4	29	2.2	9	1.4	5	1.2
GOP	685	48.2	227	16.3	431	26.7	664	49.7	340	55.4	222	53.2

	Hilton Tokyo Narita Airport		International Garden Hotel Narita		Hotel Nikko Nara		Hotel Oriental Express Osaka Shinsaibashi		Hilton Tokyo Odaiba		The 16 HMJ Hotels Total/Average (Note 5)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	73.2%	—	77.1%	—	70.9%	—	84.4%	—	74.6%	—	76.0%	—
ADR (Note 1)	12,484	—	8,751	—	14,146	—	9,874	—	30,505	—	18,753	—
RevPAR (Note 2)	9,133	—	6,743	—	10,030	—	8,335	—	22,765	—	14,243	—
Total sales	1,295	100.0	714	100.0	1,152	100.0	188	100.0	4,266	100.0	23,122	100.0
Rooms department	906	69.9	565	79.2	599	52.0	187	99.7	1,867	43.8	13,821	59.8
Food & beverage department	347	26.8	143	20.0	545	47.3	—	—	2,271	53.2	7,898	34.2
Tenant department	13	1.0	2	0.3	2	0.2	—	—	37	0.9	553	2.4
Other departments (Note 3)	29	2.3	4	0.6	6	0.6	0	0.3	91	2.1	850	3.7
GOP	281	21.7	253	35.5	246	21.3	91	48.8	983	23.0	7,166	31.0

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

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

(Note 2) RevPAR: Represents revenue per available room, which is calculated by dividing total room revenue for a certain period (including service charges) by the total number of rooms available for sale during the period. The same shall apply hereinafter.

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

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

(Note 5) For Total/Average of The 16 HMJ Hotels, figures are calculated by JHR as references since no figures have been provided by the hotel lessees.

(Note 6) The occupancy rate is rounded off to one decimal place, while ADR and RevPAR are rounded off to the nearest whole number. Sales and GOP are rounded off to the nearest millions of yen. For the ratio to total sales, the ratio of sales in each department to total sales is rounded off to one decimal place.

## (2) Status of capital expenditures

### a. Planned capital expenditures (Note)

The following table shows major estimated capital expenditure items for renovation work during the fiscal year planned as of the end of the midterm period under review. Total capital expenditures for the second half of the year are planned to be ¥3,970 million. Together with the capital expenditures in the first half of the year, total capital expenditures for the full year are planned to be ¥4,848 million.

Name of property, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (JPY1M)	
			Total amount	Total amount paid
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of restaurant	From September 2023 to December 2023	110	—
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of guest rooms (12F-13F)	From May 2023 to August 2023	203	—
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of prefabricated bath units in guest rooms	From May 2023 to August 2023	55	—
Oriental Hotel Tokyo Bay (Urayasu-shi, Chiba)	Tenant compartment construction	From July 2023 to November 2023	50	—
Oriental Hotel Tokyo Bay (Urayasu-shi, Chiba)	Renovation of restaurant	From October 2023 to October 2023	63	—
Oriental Hotel Tokyo Bay (Urayasu-shi, Chiba)	Renovation of guest rooms (11F-12F)	From May 2023 to July 2023	300	255
Oriental Hotel Universal City (Osaka-shi, Osaka)	Renewal of disaster prevention board	From June 2023 to December 2023	90	—
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of air- conditioning facilities in guest rooms	From August 2023 to November 2023	79	—
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Painting of exterior walls	From September 2023 to December 2023	60	—
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renewal of air-conditioning facilities in guest rooms	From October 2023 to December 2023	88	—
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renovation of guest rooms	From September 2023 to December 2023	465	—
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renewal of piping	From September 2023 to December 2023	60	—
Hilton Tokyo Narita Airport (Narita-shi, Chiba)	Renewal of telephone switchboard	From June 2023 to September 2023	60	—
Hilton Tokyo Odaiba (Minato-ku, Tokyo)	Repair of transformer substation	From November 2023 to November 2023	120	—
Total			1,803	255

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

### b. Capital expenditures during the period (Note)

Major construction work conducted by JHR during the midterm period under review that represents capital expenditures is as below. Capital expenditures for the midterm period under review totaled ¥878 million, and repair expenses that were accounted for as expenses for the midterm period under review totaled ¥7 million. In aggregate, ¥ 885 million of construction work was carried out.

Name of property, etc. (Location)	Purpose	Period	Construction costs (JPY1M)
Hotel Nikko Alivila (Nakagami, Okinawa)	Renewal of elevators	From November 2022 to March 2023	149
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of elevators	From January 2023 to February 2023	73
Total			222

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