



Japan Hotel REIT Investment Corporation (TSE: 8985)

# Midterm Financial Results

FY12/2023 (24th Period)

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

August 24, 2023

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## **I . Midterm Settlement of Accounts**

# 1. Midterm Settlement of Accounts

## 1. Summary of Full-Year Forecast for FY12/2023

- Initial forecast was revised upward due to increased variable rents following the hotel market recovery
- The dividend is expected to be more than 30% higher than the initial forecast and over the 70% level in 2019, prior to the COVID-19 pandemic



(Unit: JPY MM)

	FY12/2023 (Revised Forecast)	vs FY2022	vs Initial Forecast <sup>(*)1</sup>	vs FY2019
<b>Operating Revenue</b>	24,928	+67.2%	+14.2%	(11.8%)
<b>Real Estate Operating Revenue</b>	24,928	+67.2%	+14.2%	(11.8%)
Fixed Rent, etc.	15,819	+117.7%	+3.2%	(7.5%)
Variable Rent	9,108	+19.1%	+40.0%	(18.5%)
<b>Net Income</b>	11,416	+327.3%	+32.3%	(25.3%)
<b>Dividend per Unit (JPY)</b>	<b>2,652</b>	+288.9%	+32.3%	(28.1%)

(\*)1 Comparison with the full-year forecast for FY12/2023 announced on February 22, 2023.

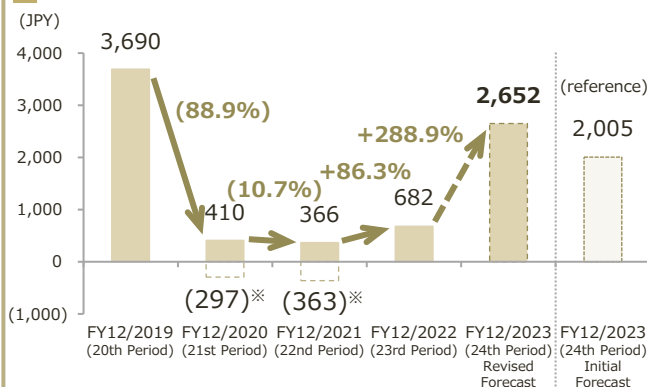
## 3. Acquisition of Properties

- JHR made its first property acquisition since the COVID-19 pandemic during the first half of 2023. Using cash on hand, two hotels were acquired in January and March
- Both of these properties have rent structures that offer stability with fixed rents while providing an upside potential through variable rents linked to sales

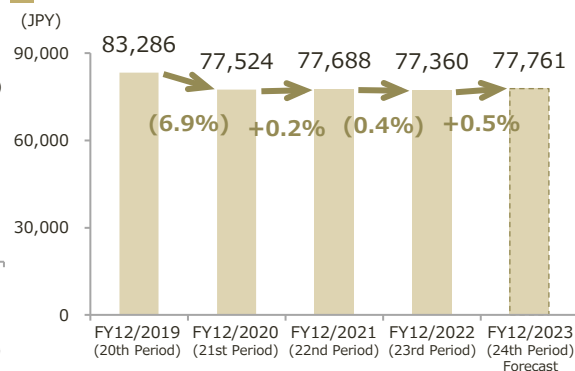
Property Name	UAN kanazawa	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi
Exterior Appearance		
Acquisition Price	JPY2,050MM	JPY8,400MM
Appraisal Value (as of the end of June 2023)	JPY2,140MM	JPY10,100MM
NOI Yield (Annualized yield based on forecast for full year 2023)	5.6%	3.7%

## 2. Changes in DPU and NAV

### Changes in DPU (Result/Forecast)



### Changes in NAV<sup>(\*)3</sup> per Unit



※ Rough estimate in case gain on sale was excluded<sup>(\*)2</sup>

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

(\*)3 NAV per unit is rounded down to the nearest unit.

## 4. Financial Soundness

### ► Conservative Financial Management

- All matured loans were refinanced in the first half of 2023. Moreover, some loans were refinanced with long-term (3 to 5 years) loans
- Both JCR and R&I upgraded JHR's outlook of rating from negative to stable

(as of the end of June 2023)

LTV (total asset base)	<b>41.4%</b>
Costs for Interest-bearing Debt	<b>1.0%</b>
Average Life of Debt	<b>2.5 year</b>
Refinance	First Half (result)
	Second Half (plan)
	JPY <b>25.9</b> Bn
	JPY <b>23.7</b> Bn

### Credit Rating

Japan Credit Rating Agency, Ltd. (JCR)

**A+** (stable)

Rating and Investment Information, Inc. (R&I)

**A** (stable)

**II. Operating Forecast for Full Fiscal Year and  
Summary of Midterm Settlement of Accounts**

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# 1. Operating Forecast for Full FY12/2023 (Previous Year's Results vs Revised Forecast)

		FY12/2022 (23rd Period)				FY12/2023 (24th Period)				[Reference] FY12/2019 (20th Period)			
		Result (A)		Revised Forecast (B)		Difference from FY2022 Result		Result (C)		Difference from FY2019 Result			
						(B)-(A)	%			(B)-(C)	%		
		(Unit: JPY MM)											
Proper ties	No. of Properties	41		43		2	-	43		-	-		
	Acquisition Price	363,542		373,992		10,450	2.9%	374,508		(516)	(0.1%)		
Profit and Loss	Operating Revenue	14,912		24,928		10,015	67.2%	28,278		(3,349)	(11.8%)		
	Real Estate Operating Revenue	14,912		24,928		10,015	67.2%	28,278		(3,349)	(11.8%)		
	Fixed Rent	<b>42.1%</b>	6,279	<b>58.4%</b>	14,547	8,268	131.7%	<b>56.3%</b>	15,931	(1,383)	(8.7%)		
	Other Income	<b>6.6%</b>	986	<b>5.1%</b>	1,272	285	28.9%	<b>4.1%</b>	1,170	101	8.7%		
	Variable Rent	<b>51.3%</b>	7,646	<b>36.5%</b>	9,108	1,462	19.1%	<b>39.5%</b>	11,176	(2,067)	(18.5%)		
	NOI <sup>(*2)</sup>	10,963		20,479		9,516	86.8%	24,087		(3,607)	(15.0%)		
	NOI Yield	3.0%		5.5%		2.5pt		6.4%		(1.0pt)			
	Depreciation	4,787		4,986		198		4,557		428			
	Asset Retirement Obligations Expenses	1		1		0		2		(0)			
	Loss on Retirement of Noncurrent Assets	57		112		54		246		(134)			
	NOI after Depreciation <sup>(*2)</sup>	6,116		15,379		9,263	151.5%	19,281		(3,901)	(20.2%)		
	NOI Yield after Depreciation	1.7%		4.1%		2.4pt		5.1%		(1.0pt)			
	Other Operating Expenses	1,819		2,091		271		2,132		(41)			
	Operating Income	4,296		13,288		8,991	209.3%	17,148		(3,860)	(22.5%)		
Ordinary Income	2,672		11,417		8,744	327.2%	15,291		(3,873)	(25.3%)			
Others	1		1		(0)		1		(0)				
Net Income	2,671		11,416		8,744	327.3%	15,290		(3,873)	(25.3%)			
Dividend	Use of Negative Goodwill	376		431		54	14.5%	1,176		(745)	(63.4%)		
	Total Dividends	3,046		11,846		8,800	288.9%	16,466		(4,619)	(28.1%)		
	Number of Units Issued (Unit)	4,467,006		4,467,006		-	-	4,462,347		4,659	0.1%		
	Dividend per Unit (JPY)	682		2,652		1,970	288.9%	3,690		(1,038)	(28.1%)		

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

### Fixed Rent

- The 16 HMJ Hotels<sup>(\*3)</sup> +JPY8,030MM
  - Other existing hotels/tenants (JPY66MM)
  - 2 properties acquired in 2023<sup>(\*4)</sup> +JPY304MM
- (Total) +JPY8,268MM**

### Variable Rent

- The 16 HMJ Hotels (JPY78MM)
  - The Accor Group Hotels<sup>(\*3)</sup> +JPY987MM
  - The Ishin Group Hotels<sup>(\*3)</sup> +JPY93MM
  - Other existing hotels/tenants +JPY440MM
  - 2 properties acquired in 2023 +JPY19MM
- (Total) +JPY1,462MM**

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

	Fixed Rent	Variable Rent	Total
The 16 HMJ Hotels <sup>(*5)</sup>	+8,030	(78)	+7,952
The Accor Group Hotels	-	+987	+987
The Ishin Group Hotels	-	+93	+93
<b>Total</b>	<b>+8,030</b>	<b>+1,001</b>	<b>+9,032</b>

- (\*1) For details, please refer to the Midterm Financial Report for FY12/2023 (hereinafter called "Midterm Financial Report FY2023"), dated August 24, 2023.
- (\*2) Each is calculated using the following formula: NOI (Net Operating Income) = Real estate operating revenue - Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses. NOI after depreciation = Real estate operating revenue - Real estate operating costs
- (\*3) Please refer to (Note 2) on page 9 for information of The 16 HMJ Hotels, The Accor Group Hotels and The Ishin Group Hotels. The same shall apply hereinafter.
- (\*4) The impact in amounts by the acquisition of UAN Kanazawa on January 31, 2023 and Sotetsu Fresa Inn Shimbashi-Karasumoriguchi on March 24, 2023. The same shall apply hereinafter.
- (\*5) In the lease contracts with The HMJ Group, rent structures were changed to the full-variable rent structure from February 2020 to December 2022 due to the COVID-19 pandemic. However, from January 2023, the rent structures were changed to the fixed rent with variable rent structures as stipulated in the contracts before pandemic. Please refer to (Note 2) on page 9 for the definition of The HMJ Group.

## 2. Operating Forecast for Full FY12/2023 (Initial Forecast vs Revised Forecast)

		FY12/2023 (24th Period)		Variance with Initial Forecast	
		Initial Forecast <sup>(*)</sup> (A)	Revised Forecast (B)	(B)-(A)	%
		(Unit: JPY MM)			
Properties	No. of Properties	42	43	1	-
	Acquisition Price	365,592	373,992	8,400	2.3%
Profit and Loss	Operating Revenue	21,837	24,928	3,091	14.2%
	Real Estate Operating Revenue	21,837	24,928	3,091	14.2%
	Fixed Rent	65.6% 14,327	58.4% 14,547	220	1.5%
	Other Income	4.6% 1,005	5.1% 1,272	266	26.6%
	Variable Rent	29.8% 6,504	36.5% 9,108	2,604	40.0%
	NOI <sup>(**)</sup>	17,656	20,479	2,823	16.0%
	NOI Yield	4.8%	5.5%	0.6pt	
	Depreciation	5,018	4,986	(31)	
	Asset Retirement Obligations Expenses	1	1	-	
	Loss on Retirement of Noncurrent Assets	11	112	100	
	NOI after Depreciation <sup>(**)</sup>	12,624	15,379	2,754	21.8%
	NOI Yield after Depreciation	3.5%	4.1%	0.7pt	
	Other Operating Expenses	2,058	2,091	33	
	Operating Income	10,566	13,288	2,721	25.8%
Ordinary Income	8,629	11,417	2,787	32.3%	
Others	1	1	(0)		
Net Income	8,628	11,416	2,787	32.3%	
Dividend	Use of Negative Goodwill	330	431	100	30.5%
	Total Dividends	8,956	11,846	2,890	32.3%
	Number of Units Issued (Unit)	4,467,006	4,467,006	-	-
	Dividend per Unit (JPY)	2,005	2,652	647	32.3%

### Main Factors of Difference from the Initial Forecast

#### Fixed Rent

- Other existing hotels/tenants +JPY15MM
  - 2 properties acquired in 2023 +JPY204MM
- (Total) +JPY220MM**

#### Variable Rent

- The 16 HMJ Hotels +JPY2,128MM
  - The Accor Group Hotels +JPY122MM
  - The Ishin Group Hotels +JPY120MM
  - Other existing hotels/tenants +JPY228MM
  - 2 properties acquired in 2023 +JPY4MM
- (Total) +JPY2,604MM**

#### ※ Difference in total rents by each hotel group vs initial forecast (JPY MM)

	Fixed Rent	Variable Rent	Total
The 16 HMJ Hotels	-	+2,128	+2,128
The Accor Group Hotels	-	+122	+122
The Ishin Group Hotels	-	+120	+120
<b>Total</b>	<b>-</b>	<b>+2,371</b>	<b>+2,731</b>

(\*1) For details of the initial forecast, please refer to "Notice Concerning Operating Forecast and Forecast of Dividend for FY12/2023 (24th Period)" dated February 22, 2023.

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

# 3. Midterm Results for FY12/2023

		FY12/2022 (23rd Period)				FY12/2023 (24th Period)				[Reference]	
		Midterm Result (A)		Midterm Result (B)		Difference from FY2022 Result		FY12/2019 (20th Period)		Difference from FY2019 Result	
						(B)-(A)	%	Midterm Result (C)	(B)-(C)	%	
		(Unit: JPY MM)									
Proper ties	No. of Properties	41		43		2		43		-	
	Acquisition Price	363,542		373,992		10,450		374,508		2.9%	
Profit and Loss	Operating Revenue	5,431		11,288		5,856		12,719		107.8%	
	Real Estate Operating Revenue	5,431		11,288		5,856		12,719		107.8%	
	Fixed Rent	57.8%	3,139	64.2%	7,250	4,110	130.9%	59.3%	7,537	(287)	(3.8%)
	Other Income	7.9%	428	4.8%	544	115	27.0%	4.5%	576	(32)	(5.6%)
	Variable Rent	34.3%	1,863	31.0%	3,494	1,630	87.5%	36.2%	4,606	(1,111)	(24.1%)
	NOI <sup>(*2)</sup>	3,514		9,198		5,684		10,679		161.7%	
	Depreciation	2,312		2,440		128		2,165		275	
	Asset Retirement Obligations Expenses	0		0		0		1		(0)	
	Loss on Retirement of Noncurrent Assets	0		17		16		218		(201)	
	NOI after Depreciation <sup>(*2)</sup>	1,200		6,739		5,539		8,294		461.3%	
	Other Operating Expenses	876		979		102		1,001		(21)	
	Operating Income	323		5,759		5,436		7,293		-	
	Non-operating Income	12		5		(6)		9		(4)	
Non-operating Expenses	807		868		61		948		(80)		
Ordinary Income	(470)		4,897		5,368		6,354		-		
Net Income	(471)		4,896		5,368		6,353		-		

Main Factors of Difference from the Previous Year's Results	
<b>Fixed Rent</b>	
• The 16 HMJ Hotels	+JPY4,015MM
• Other existing hotels/tenants	(JPY19MM)
• 2 properties acquired in 2023	JPY115MM
	<b>(Total) +JPY4,110MM</b>
<b>Variable Rent</b>	
• The 16 HMJ Hotels	+JPY634MM
• The Accor Group Hotels	+JPY534MM
• The Ishin Group Hotels	+JPY59MM
• Other existing hotels/tenants	+JPY395MM
• 2 properties acquired in 2023	+JPY6MM
	<b>(Total) +JPY1,630MM</b>

(\*1) For details, please refer to Midterm Financial Report FY2023.  
(\*2) Each is calculated using the following formula: NOI (Net Operating Income) = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses.  
NOI after depreciation = Real estate operating revenue – Real estate operating costs



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

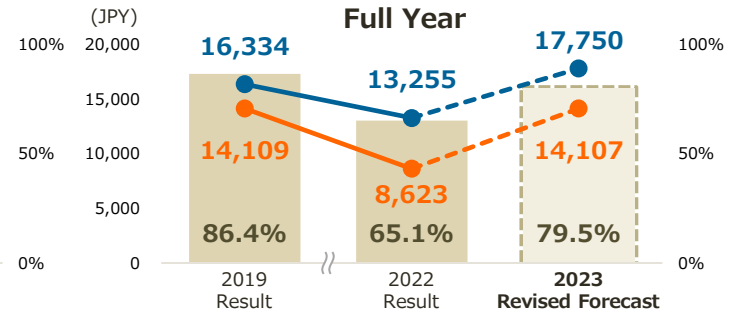
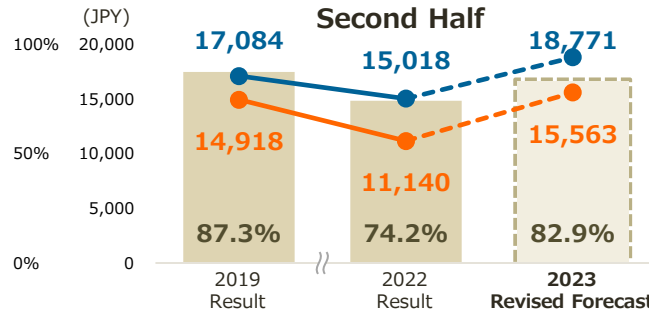
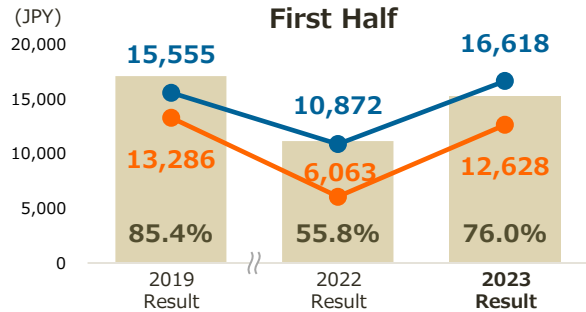
# 1. Performance of The 25 Hotels with Variable Rent, etc. (1)

◆ Expect ADR-driven RevPAR recovery through ADR-focused sales strategy and revenue management

## Performance and Forecast of Major Indicators (Rooms Department)<sup>(\*1)</sup>

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

### Total of The 25 Hotels with Variable Rent, etc.<sup>(\*2)</sup>

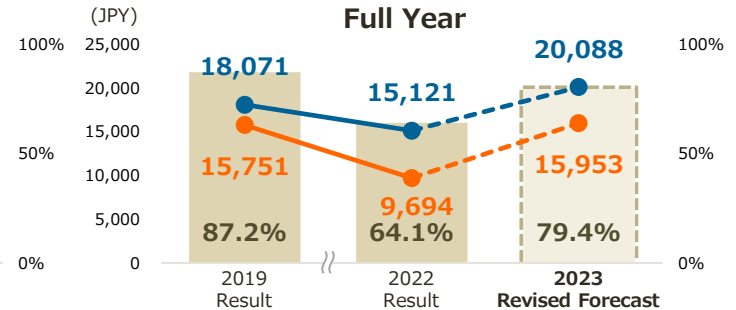
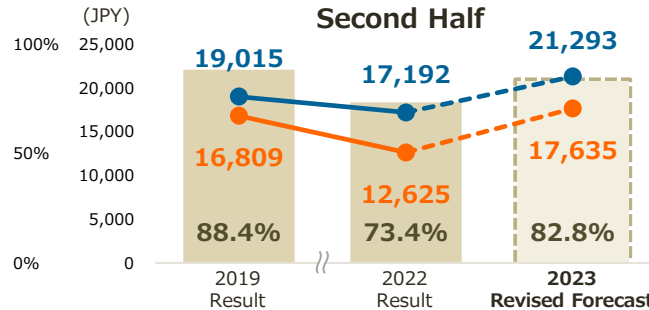
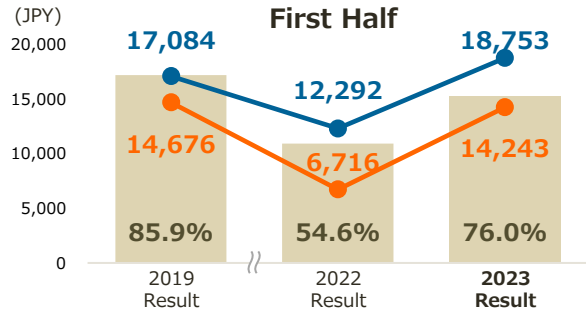


vs 2019	Occupancy	ADR	RevPAR
	(34.7%)	(30.1%)	(54.4%)
	(11.0%)	+6.8%	(5.0%)

vs 2019	Occupancy	ADR	RevPAR
	(15.0%)	(12.1%)	(25.3%)
	(5.0%)	+9.9%	+4.3%

vs 2019	Occupancy	ADR	RevPAR
	(24.7%)	(18.8%)	(38.9%)
	(8.0%)	+8.7%	(0.0%)

### The 16 HMJ Hotels



vs 2019	Occupancy	ADR	RevPAR
	(36.4%)	(28.1%)	(54.2%)
	(11.6%)	+9.8%	(2.9%)

vs 2019	Occupancy	ADR	RevPAR
	(16.9%)	(9.6%)	(24.9%)
	(6.3%)	+12.0%	+4.9%

vs 2019	Occupancy	ADR	RevPAR
	(26.4%)	(16.3%)	(38.5%)
	(8.9%)	+11.2%	+1.3%

(\*1) The "Revised Forecast for FY2023" refers to "Operating forecast for the full FY12/2023 (24th Period)" stated in the Midterm Financial Report for FY2023. For details of "Results for FY2023 (first half)" and "Revised Forecast for FY2023," please refer to the Midterm Financial Report for FY2023. The same shall apply to page 9 to 11.

(\*2) The 25 Hotels with Variable Rent, etc. are the following hotels: 5 hotels of Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima ("The Five HMJ Hotels") which is leased by Hotel Management Japan Co., Ltd. ("HMJ"), plus 11 hotels of 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, Hotel Oriental Express Fukuoka Tenjin and Oriental Hotel Universal City which are leased by group company of HMJ (Together with HMJ), "The HMJ Group") (Together with The Five HMJ Hotels, "The 16 HMJ Hotels"), plus 4 hotels of the b ikebukuro, the b hachioji, the b hakata, and the b sudobashi ("The Ishin Group Hotels") and 5 hotels of ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka ("The Accor Group Hotels"). The same shall apply hereinafter.

# 1. Performance of The 25 Hotels with Variable Rent, etc. (2)

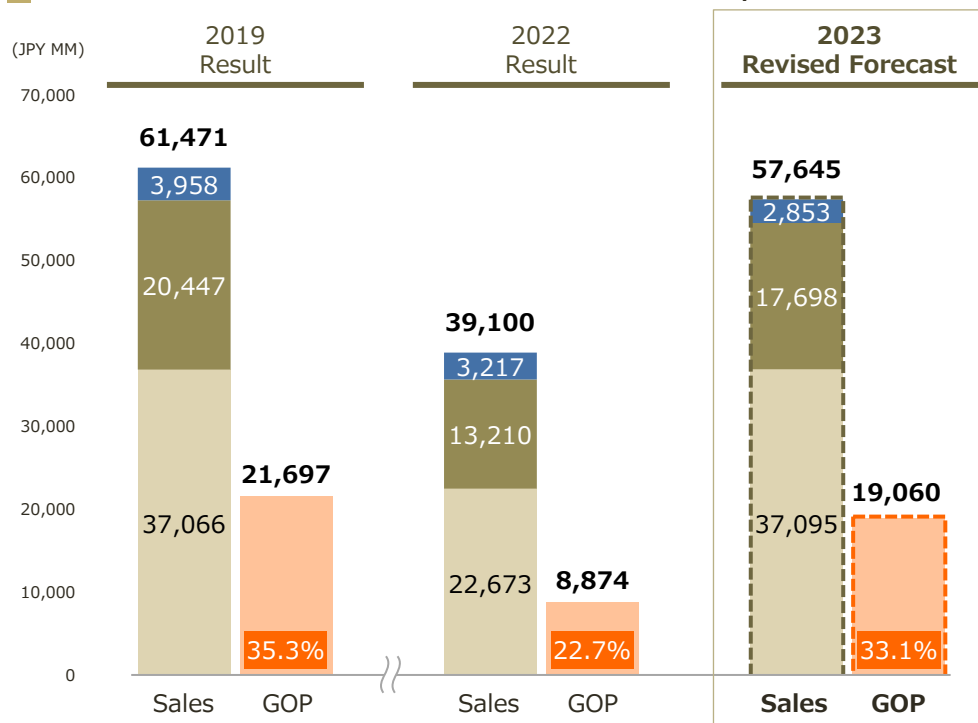
◆ Expect GOP improvement through sales increase and cost management

## Sales/Performance and Forecast of GOP

■ Rooms Dept. ■ Food & Beverage Dept. ■ Others ■ GOP

\* Figures in   indicate GOP ratio (vs sales)

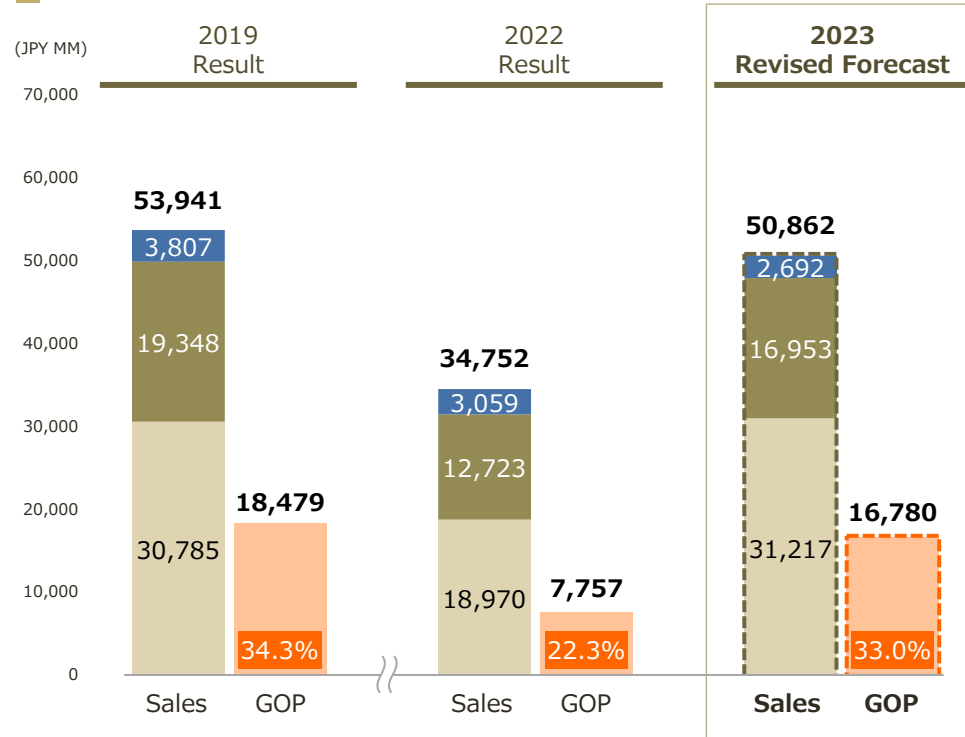
### Total of The 25 Hotels with Variable Rent, etc.



#### <Ratio of Increase/Decrease vs 2019>

	2022 Result	2023 Revised Forecast
<b>Total Sales</b>	<b>(36.4%)</b>	<b>(6.2%)</b>
Rooms Dept.	(38.8%)	+0.1%
Food & Beverage Dept.	(35.4%)	(13.4%)
Others	(18.7%)	(27.9%)
<b>GOP</b>	<b>(59.1%)</b>	<b>(12.2%)</b>

### The 16 HMJ Hotels



#### <Ratio of Increase/Decrease vs 2019>

	2022 Result	2023 Revised Forecast
<b>Total Sales</b>	<b>(35.6%)</b>	<b>(5.7%)</b>
Rooms Dept.	(38.4%)	+1.4%
Food & Beverage Dept.	(34.2%)	(12.4%)
Others	(19.6%)	(29.3%)
<b>GOP</b>	<b>(58.0%)</b>	<b>(9.2%)</b>

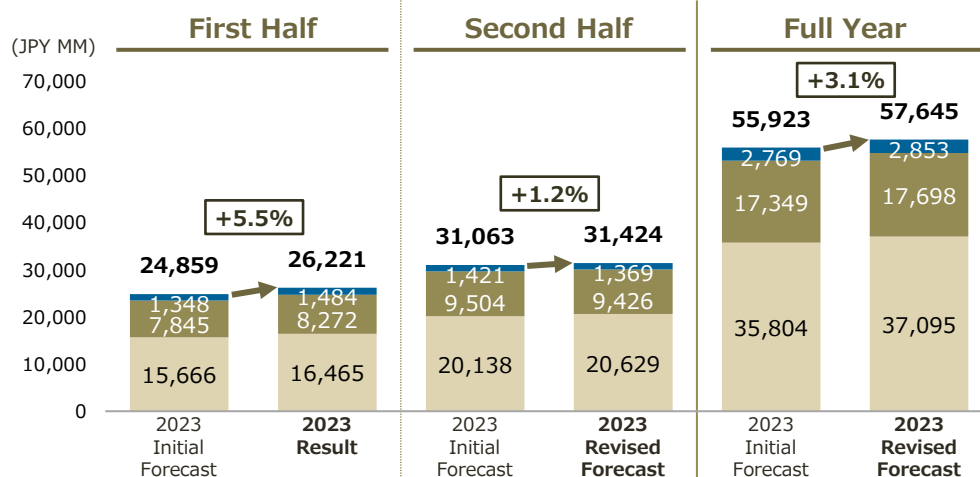
# 2. Revised Forecast vs Initial Forecast for FY2023

◆ Expect Sales and GOP to exceed initial forecast and GOP ratio's significant improvement

## Sales(\*)

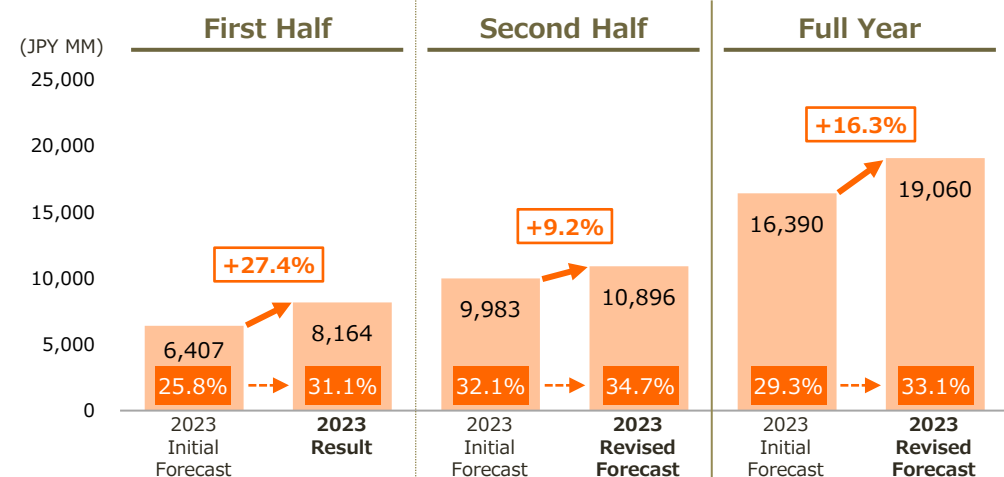
■ Rooms Dept. ■ Food & Beverage Dept. ■ Others

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

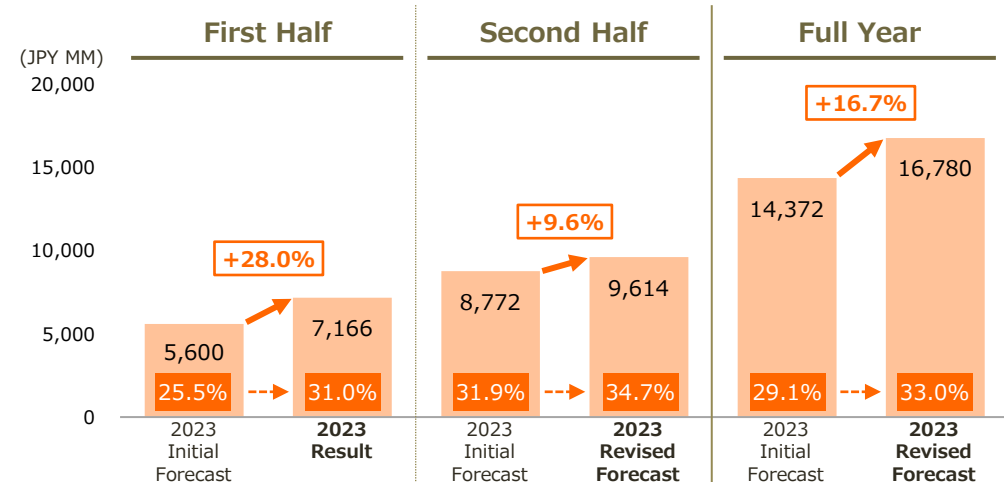
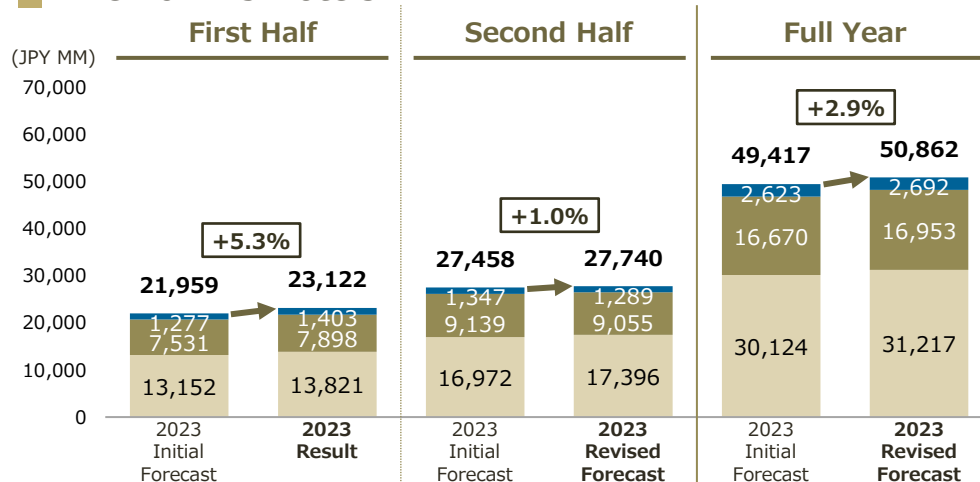


## GOP(\*)

\* Figures in orange indicate GOP ratio (vs sales)



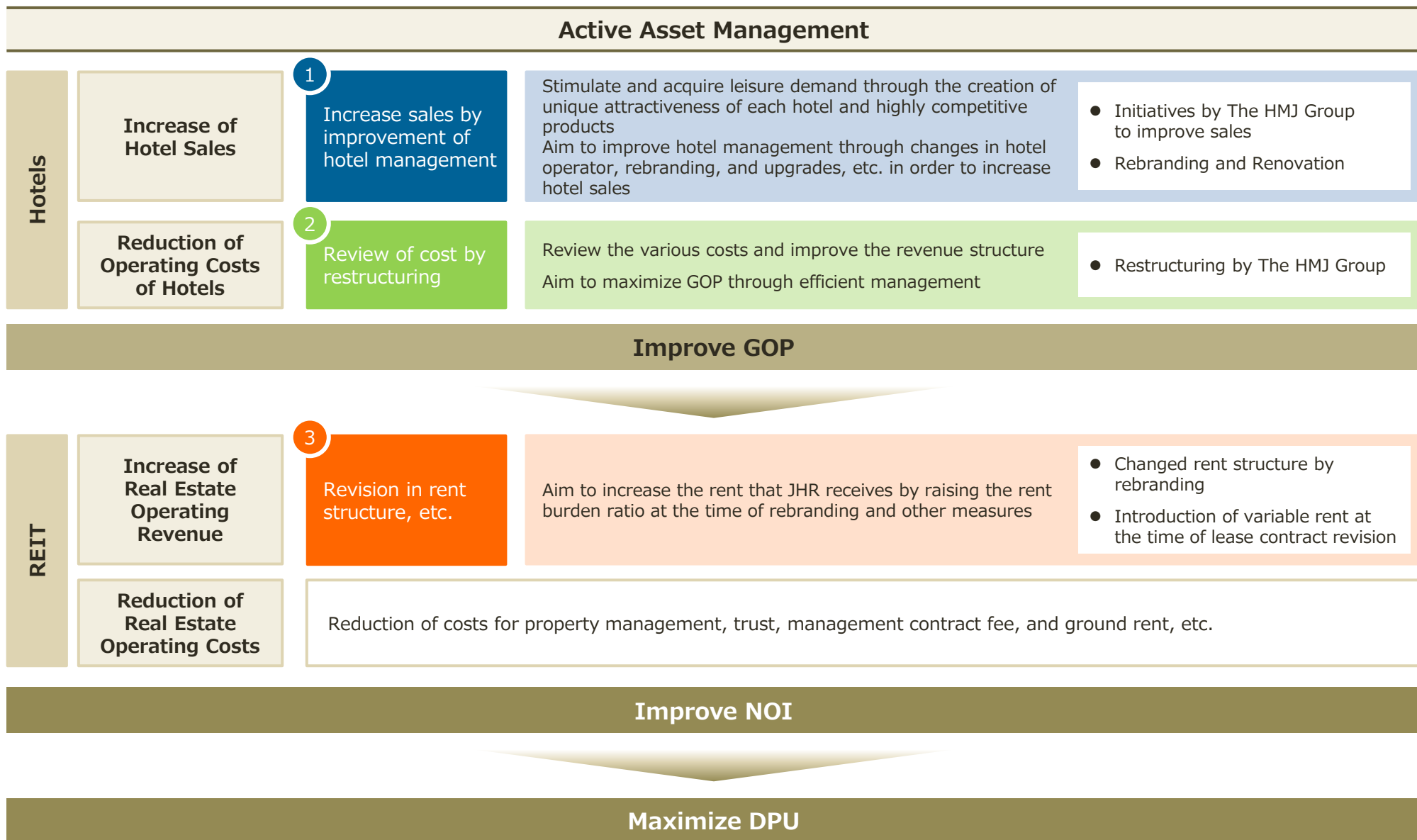
### The 16 HMJ Hotels



(\*) For details of the "Initial Forecast for FY2023", please refer to "Notice Concerning Operating Forecast and Forecast of Dividend for FY12/2023 (24th Period)" dated February 22, 2023.

# 3. Internal Growth by Active Asset Management

◆ Realize upside potential through Active Asset Management





# 4. Active Asset Management through Collaboration with HMJ

- ◆ JHR is among the first hotel investors to implement restructuring plans centered on cost reductions at The HMJ Group, a strategic operator
- ◆ Pursuing strategic initiatives aimed at significant growth during the market recovery period to maximize JHR's portfolio advantages (high-priced, full-service, resort features)

	Restructuring	Rebranding/Renovation	Improvement of Sales
2020	<ul style="list-style-type: none"> <li>Agreed in August 2020 to execute restructuring plans in line with a change in the lease contract with The HMJ Group</li> <li>Achieved cost reduction plans by the end of 2022</li> </ul>	<ul style="list-style-type: none"> <li>3 hotels described below were rebranded to The HMJ Group</li> <li>Aim to improve the rent burden ratio through the revision of the rent structure, and improve ADR through revenue management, renovation, etc.</li> <li>Aggressively implement CAPEX within depreciation cost</li> </ul>	<ul style="list-style-type: none"> <li>Began initiatives to recover and improve sales earlier than its competitors, with The HMJ Group's financial position improved through restructuring</li> </ul>
2021	<p><b>Cost Reduction Initiatives</b></p> <p><b>Personnel costs</b></p> <ul style="list-style-type: none"> <li>Streamlining, cutback and closure of unprofitable divisions(s)</li> <li>Streamlining through integration of back offices and common operations</li> <li>Introduction of Smart Check-in system</li> <li>Promotion of operational efficiency by increasing the number of multitasking employees</li> <li>Staff reductions through the above measures and further promotion of operational streamlining</li> </ul> <p><b>Outsourcing costs</b></p> <ul style="list-style-type: none"> <li>Review of specifications of outsourced operation, the unification of standards, etc.</li> <li>Insourcing of operations outsourced</li> </ul>	<p><b>Major Rebranding/Renovation (2021–2022)</b></p> <p><b>Rebranding</b>  <b>Hotel Oriental Express Fukuoka Tenjin</b>                      former HOTEL ASCENT FUKUOKA/Jun. 2021                      • Realized growth of ADR through upgrade of hotel grade from economy to mid-price</p> <p><b>Rebranding</b>  <b>Oriental Hotel Universal City</b>                      former Hotel Keihan Universal City/Dec. 2021                      • Completed the rebranding and the renovations of the entire building, including 330 guest rooms and establishment of new premium twin rooms</p> <p><b>Rebranding</b>  <b>Oriental Hotel Okinawa Resort &amp; Spa</b>                      former Okinawa Marriott Resort &amp; Spa/Oct. 2021                      • In addition to rebranding, renovations of hotel lobby, swimming pool and guest rooms on two club floors were completed</p> <p><b>Renovation</b>  <b>Kobe Meriken Park Oriental Hotel</b>                      • Upgrade of some existing rooms to executive rooms and the opening of a new Executive Lounge                      • Renovations of executive rooms</p>	<p><b>Sales Improvement Plans in Progress</b></p> <p><b>1 Create attractive products through utilizing the hotel's character and superiority</b></p> <ul style="list-style-type: none"> <li>Experience-oriented programs to encourage guest to explore various attractions in hotel facilities and surrounding areas</li> <li>"Regional Co-creation Program" through alliance with local communities and enterprises</li> </ul> <p><b>2 Strengthen Hotel Superiority through Active Asset Management</b></p> <ul style="list-style-type: none"> <li>Project to make hotel breakfast more attractive</li> <li>Establishment of amenity base</li> <li>A wider suite of welcome services</li> </ul>
2022	<p><b>Achieve the planned cost reductions and remain focused on cost control</b></p>		<p><b>3 Sales &amp; promotion strategy focused on increasing unit price</b></p> <ul style="list-style-type: none"> <li>Multi-directional sales within Japan and locations where guests depart</li> <li>Strengthening of approaches to high-unit price markets and promoting the further development of the market</li> </ul>
2023	<p>From 2023, the lease contracts with The HMJ Group will readopt the original rent structure.</p>	<p>Aggressively promote strategic CAPEX investments from 2023</p> <ul style="list-style-type: none"> <li><b>Kobe Meriken Park Oriental Hotel</b> (guest rooms/restaurant)</li> <li><b>Oriental Hotel Tokyo Bay</b> (guest rooms/restaurant)</li> <li><b>Oriental Hotel Okinawa Resort &amp; Spa</b> (guest rooms)</li> </ul>	

# 5. Rebranding and Renovation

◆ Achieved ADR well above 2019 levels through hotel rebranding and renovations

	Rebranded Hotels				Renovated Hotel			
Name	Hotel Oriental Express Fukuoka Tenjin (former HOTEL ASCENT FUKUOKA)		Oriental Hotel Universal City (former Hotel Keihan Universal City)		Oriental Hotel Okinawa Resort & Spa (former Okinawa Marriott Resort & Spa)		Kobe Meriken Park Oriental Hotel	
Exterior Appearance								
Opening Date after Rebranding	June 2021		July 2021		October 2021		-	
Major Changes/Upgrades	<ul style="list-style-type: none"> <li>Upgraded of hotel grade from economy to mid-price</li> <li>Changed the lessee to The HMJ Group and changed the rent structure from "fixed rent" to "fixed rent + variable rent"</li> </ul>		<ul style="list-style-type: none"> <li>Changed the lessee to The HMJ Group and changed the rent structure from "fixed rent + revenue sharing" to "fixed rent + variable rent"</li> </ul>		<ul style="list-style-type: none"> <li>With the expiration of the franchise agreement<sup>(*1)</sup> with the Marriott Group, the hotel was rebranded as "Oriental Hotel" under The HMJ Group</li> </ul>		<ul style="list-style-type: none"> <li>Built a new executive lounge and upgraded some existing guest rooms to executive rooms</li> </ul>	
Scope of Renovations	<ul style="list-style-type: none"> <li>The entire hotel building (Completed in June 2021)</li> </ul>		<ul style="list-style-type: none"> <li>The entire hotel building (Completed in July 2022)</li> </ul>		<ul style="list-style-type: none"> <li>Hotel lobby, swimming pool (Completed in March 2022)</li> <li>Club lounge and two floors of guest rooms (Completed in December 2022)</li> </ul>		<ul style="list-style-type: none"> <li>Newly established an executive lounge (Completed in July 2021)</li> <li>Renovation of executive rooms (Completed in July 2022)</li> </ul>	
	(Lobby)	(Guest room)	(Hotel entrance)	(Lobby)	(Swimming pool)	(Club lounge)	(Before renovation)	(After renovation)
ADR Actual (vs. 2019)	Jan. - Jul. 2019 JPY <b>7,160</b>	Jan. - Jul. 2023 JPY <b>10,447</b> (+45.9%)	Jan. - Jul. 2019 JPY <b>17,807</b>	Jan. - Jul. 2023 JPY <b>25,112</b> (+41.0%)	Jan. - Jul. 2019 JPY <b>20,327</b>	Jan. - Jul. 2023 JPY <b>24,152</b> (+18.8%)	Jan. - Jul. 2019 JPY <b>32,415</b> <sup>(*2)</sup>	Jan. - Jul. 2023 JPY <b>47,097</b> <sup>(*2)</sup> (+45.3%)

(\*1) The franchise agreement with the Marriott Group is an agreement between the hotel operator and Global Hospitality Licensing S.a r.l., the franchisor of the international brand "Marriott."

(\*2) ADR results of Kobe Meriken Park Oriental Hotel are as follows (1) for January to July 2019: ADR of 29 rooms, which were upgraded to executive rooms, (2) for January to July 2023: 33 rooms include additional 4 rooms which were converted from bride and groom waiting rooms to executive rooms.

# 6. Renovation Plans

◆ Implement renovations sequentially to increase sales of guest rooms and restaurants through strategic CAPEX(\*)

## Guest Room Renovation

**Oriental Hotel Tokyo Bay**  
(2023-2025)

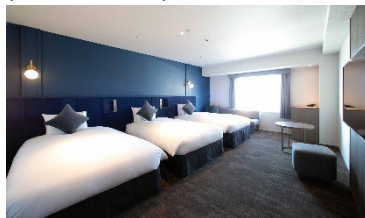
- Separate toilet, wash basin and bath tub in prefabricated bathroom combination to improve merchantability

※ Example of Renovation  
(Oriental Deluxe)

(Before renovation)



(After renovation)

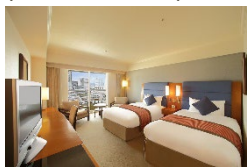


**Kobe Meriken Park Oriental Hotel**  
(2023-2026)

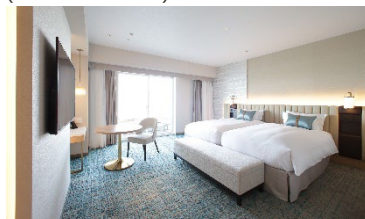
- Establish guest rooms with lounge access along with the renovation

※ Example of Renovation  
(Twin room)

(Before renovation)



(After renovation)



**Oriental Hotel Okinawa Resort & Spa**  
(2023-2024)

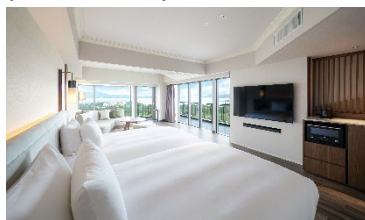
- After rebranding, implement renovation of all unrenovated guest rooms sequentially

※ Example of Renovation  
(Corner guest room)

(Before renovation)



(After renovation)

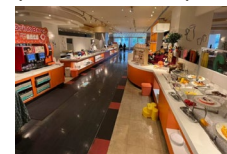


## Restaurant Renovation

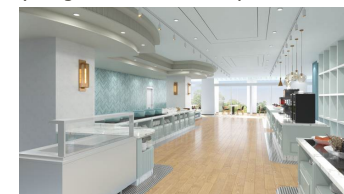
**Oriental Hotel Tokyo Bay**  
(Oct. 2023)

- Renovate Grand Cinq, the hotel's main restaurant, to create a higher-grade feeling and improve work efficiency

(Before renovation)



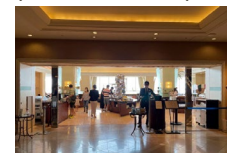
(Image after renovation)



**Kobe Meriken Park Oriental Hotel**  
(Sep.-Dec. 2023)

- Enhances the restaurant's appeal with the layout that takes advantage of its unique location surrounded by the sea and arranging a live feeling

(Before renovation)



(Image after renovation)



### ■ Measures with intangible services

- Enhance dining quality and entertainment by strengthening the lineup of the signature menus, which are cooked and served in front of the guests



Roast beef carved in front of the guests



Dressing freshly boiled pasta with Parmigiano cheese

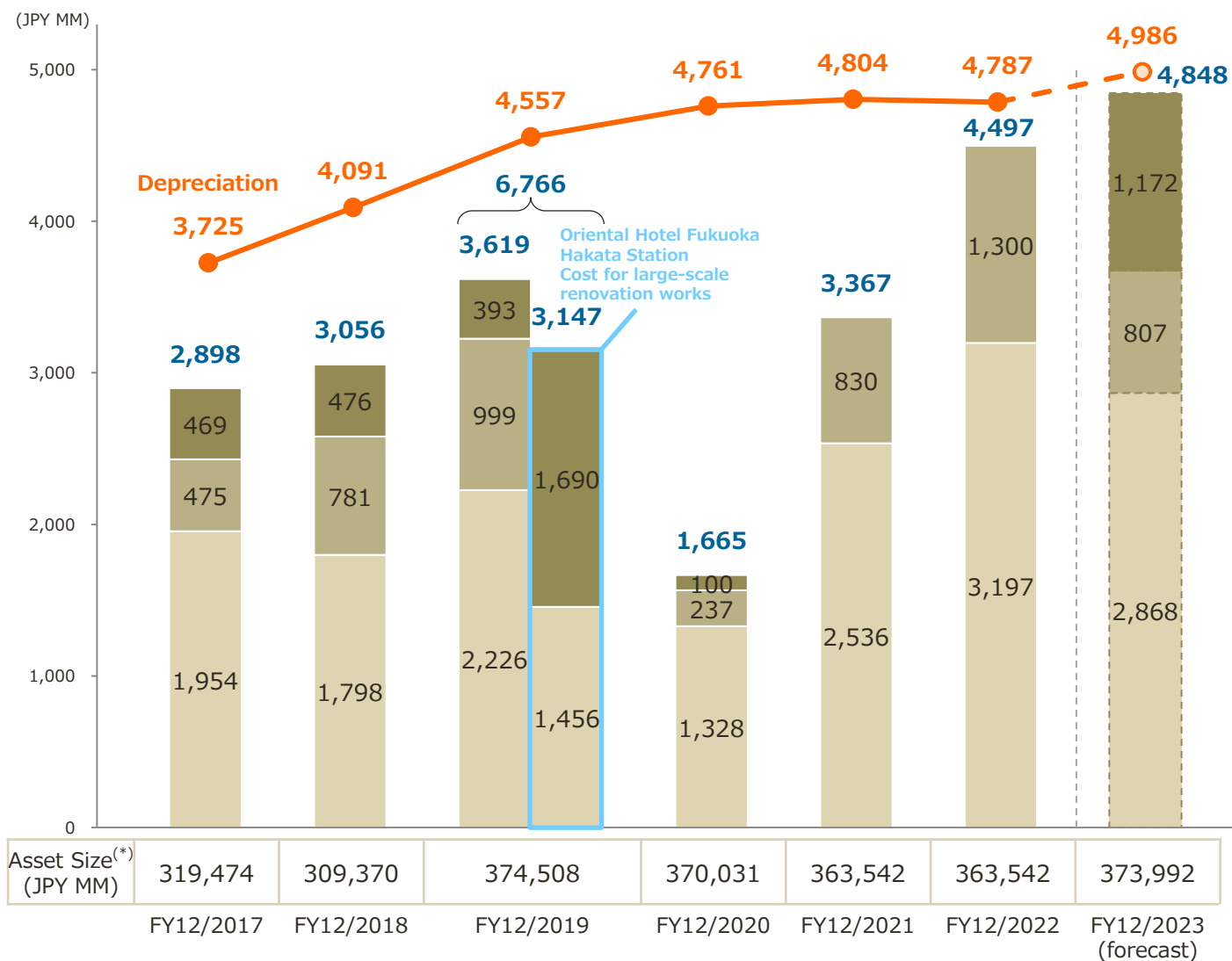


Fluffy Mont Blanc chestnut freshly prepared and served in front of the guests

(\*) The renovation plan for 2024 and beyond has not been institutionally determined by JHR and is subject to change in the future.

# 7. Capital Expenditure (CAPEX) and Depreciation

◆ Appropriate CAPEX within depreciation



➤ CAPEX III to be implemented in FY12/2023

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

※ The Definition of CAPEX

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

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



# 8. Acquisition of Property in 2023

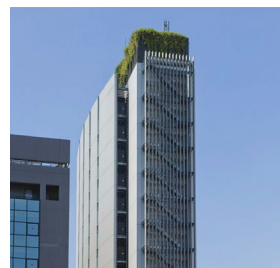
- ◆ JHR made its first property acquisition since the COVID-19 pandemic using cash on hand
- ◆ Stability is secured by fixed rent. Pursue upside potential through variable rents linked to sales

## UAN kanazawa



- Excellent location with easy access to many tourist attractions such as Kenrokuen Garden and 21st Century Museum of Contemporary Art, Kanazawa
- All rooms are double or twin with an average room size of more than 30 square meters, which is particularly suitable for capturing the leisure demand of inbound visitors
- The hotel's rent structure can secure stability by fixed rent and can expect upside through variable rent linked to its sales of accommodation

## Sotetsu Fresa Inn Shimbashi-Karasumoriguchi



- Located in the center of Tokyo, with excellent transportation accessibility. The property belongs to a market expected to grow further with the redevelopment of the surrounding area
- Mainly single/double rooms suitable for business and leisure demand in line with the characteristics of the Shimbashi area
- The hotel's rent structure can secure stability by fixed rent and can expect upside through variable rent linked to its sales of accommodation

Acquisition Date	January 31, 2023
Acquisition Price	JPY2,050MM
Appraisal Value	JPY2,140MM
Hotel Type	Limited-service
Grade	Upper-middle
Location	Kanazawa city, Ishikawa
Acreage of Land	729.91 sqm
Total Floor Area Space	2,606.85 sqm
Structure and Stories	S with flat roof, 6 stories above ground
Completion	September 2017
No. of Guest Rooms	47
Rent Structure	Fixed rent + Revenue sharing
Hotel Lessee	Solare Hotels and Resorts Co., Ltd.

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

Rent	Fixed Rent	JPY108MM
	Variable Rent <sup>(*2)</sup>	JPY19MM
NOI		JPY115MM
NOI Yield		5.6%
NOI Yield after Depreciation		4.6%

- (\*1) Annualized figures for the property in the revenue forecast for FY12/2023.  
 (\*2) In case room sales exceeds base amount (JPY270MM), the amount arrived by multiplying 30% to the exceeded amount.

Acquisition Date	March 24, 2023
Acquisition Price	JPY8,400MM
Appraisal Value	JPY10,100MM
Hotel Type	Limited-service
Grade	Mid-price
Location	Minatoku-ku, Tokyo
Acreage of Land <sup>(*3)</sup>	759.01 sqm
Total Floor Area Space	5,476.39 sqm
Structure and Stories	S/SRC with flat roof, 16 floors above ground and 1 basement floor
Completion	March 2008
No. of Guest Rooms	220
Rent Structure	Fixed rent + Revenue sharing
Hotel Lessee	Sotetsu Hotel Development Co., Ltd.

### 2023 Forecast (annualized)<sup>(\*4)</sup>

Rent	Fixed Rent <sup>(*5)</sup>	JPY277MM
	Variable Rent <sup>(*6)</sup>	JPY69MM
NOI		JPY309MM
NOI Yield		3.7%
NOI Yield after Depreciation		3.4%

- (\*3) Comprised of owned land and land leased for use. The total area of JHR's owned land and land leased for use is shown.  
 (\*4) Annualized figures related to the property in revenue forecast for FY12/2023.  
 (\*5) Includes non-hotel tenant rents and excludes other income (utilities income, etc.).  
 (\*6) In addition to the fixed rent, revenue sharing will be charged if certain conditions are met.



# 9. ESG Initiatives

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

## Timeline of Achievements

<b>2017</b>	➤ Establishment of Sustainability Policy	
<b>2018</b>	<ul style="list-style-type: none"> <li>➤ Two properties—Hotel Nikko Alivila and Mercure Okinawa Naha—acquired BELS<sup>(*1)</sup> certification</li> <li>➤ Received an "A" rating indicating excellent environmentally friendly management, in the SMBC Environmental Assessment Loan<sup>(*2)</sup></li> </ul>	<p>Hotel Nikko Alivila</p> <p>Mercure Okinawa Naha</p>
<b>2019</b>	➤ Issued Hotel Green Bonds (nickname) and used the procured funds to carry out construction works to save energy	<p>Oriental Hotel Fukuoka Hakata Station</p> <p>Okinawa Marriott Resort &amp; Spa</p>
<b>2020</b>	➤ Hilton Tokyo Odaiba acquired a CASBEE <sup>(*3)</sup> "B+ (good)" building certification	<p>Hilton Tokyo Odaiba</p>
<b>2021</b>	<ul style="list-style-type: none"> <li>➤ Oriental Hotel Fukuoka Hakata Station acquired CASBEE "B+ (good)" building certification</li> <li>➤ Identified JHR's seven materialities related to ESG (key issues)</li> <li>➤ JHRA expressed its support for the TCFD<sup>(*4)</sup> recommendations</li> </ul>	<p>Oriental Hotel Fukuoka Hakata Station</p>
<b>2022</b>	➤ Released Initiatives for Four Disclosure themes recommended by TCFD	
<b>2023</b>	➤ Established GHG reduction targets	

## GRESB Real Estate Assessment<sup>(\*5)</sup>

Acquired "Green Star" for five consecutive years from 2018

- In 2022, JHR was selected for "Sector Leader" in Asian hotel sector for three consecutive years
- Acquired "4-star" in GRESB Rating



## Establishment of GHG Reduction Targets

**30%** reduction of GHG emissions per floor area (GHG emissions intensity)<sup>(\*6)</sup> by 2050 (compared to FY2017<sup>(\*7)</sup>)

**ESG Disclosure Information on JHR Website**

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

※ ESG report was published at the end of March 2023



(\*1) BELS (Building-Housing Energy-efficiency Labeling System) is a display system of energy conservation performance of a building set by Ministry of Land, Infrastructure, Transport and Tourism.  
 (\*2) "SMBC Environmental Assessment Loan" is a loan in which of companies SMBC sets the conditions based on assessment of the status of environmental considerations based on environmental assessment standards developed independently by SMBC and the Japan Research Institute, Limited.  
 (\*3) CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a method for evaluating and rating the environmental performance of buildings. It is a system that comprehensively evaluates the quality of a building, including environmental considerations such as energy conservation, use of materials and equipment with low environmental impact, as well as indoor comfort and landscaping.  
 (\*4) TCFD is an abbreviation for Task Force on Climate-related Financial Disclosures.  
 (\*5) The GRESB is an annual benchmarking program to evaluate ESG considerations of property companies and real estate funds. The GRESB Real Estate Assessment is distinguished by its comprehensive evaluation of initiatives for sustainability of property companies, REITs and real estate funds, not of individual properties. GRESB rating is a relative evaluation based on comprehensive scores and the highest ranks is "5-star."  
 (\*6) Properties owned by JHR are managed by hotel lessees, etc. GHG emissions of JHR fall under Scope 3, Category 13, Leased Assets (Downstream).  
 (\*7) The GHG emissions (GHG emissions intensity) for FY2017 (Baseline fiscal year, April 2017–March 2018) is 0.135 (t-CO<sub>2</sub>/m<sup>2</sup>).

## **IV. Financial Conditions**

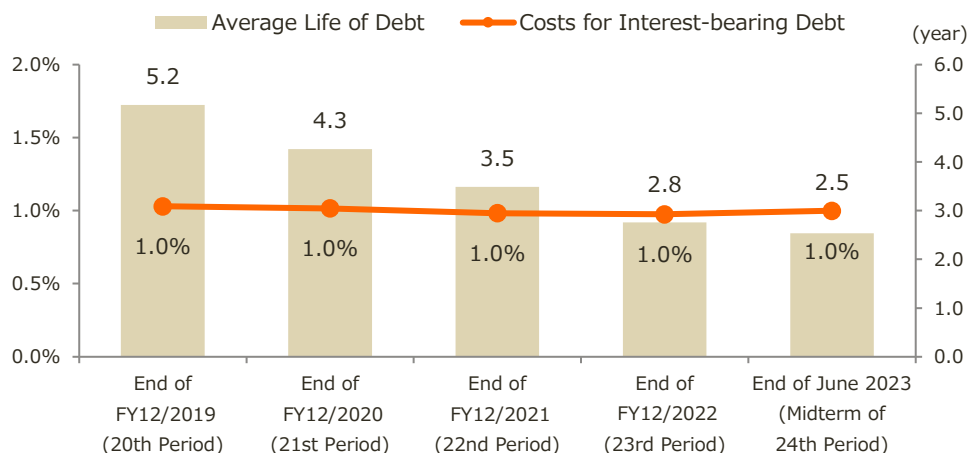
# 1. Financial Conditions (1)

## Main Financial Indicators

(as of the end of June 2023)

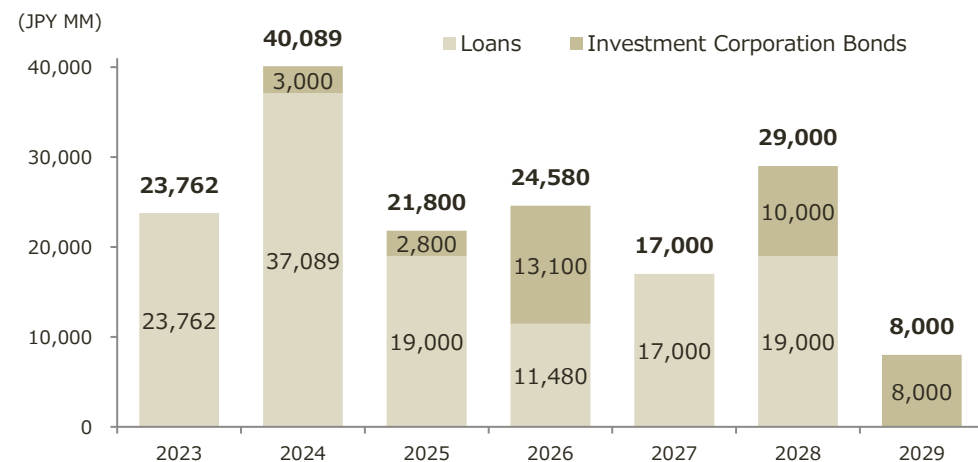
LTV (total asset base)	41.4%
Cost for interest-bearing debt <sup>(*1)</sup>	1.0%
Average life of interest-bearing debt <sup>(*2)</sup>	2.5 years
Free cash <sup>(*3)</sup>	JPY11.8Bn
Unrealized gain <sup>(*4)</sup>	JPY127.9Bn

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



## Repayment Schedule of Interest-bearing Debt

(as of the end of June 2023)



## Refinancing Result and Schedule in 2023

Repayment Date	Balance
Full Year (plan)	JPY49,745MM
First Half <sup>(*5)</sup> (result)	JPY25,983MM
Second Half (plan)	JPY23,762MM

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

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

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

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

(\*5) In addition, loans in amount of JPY800 million were prepaid on January 31, 2023.

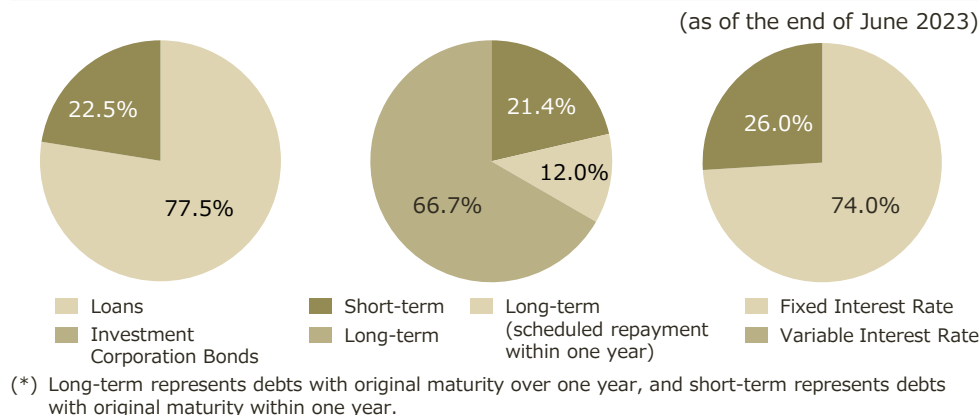
# 1. Financial Conditions (2)

## Lender List for Interest-bearing Debt

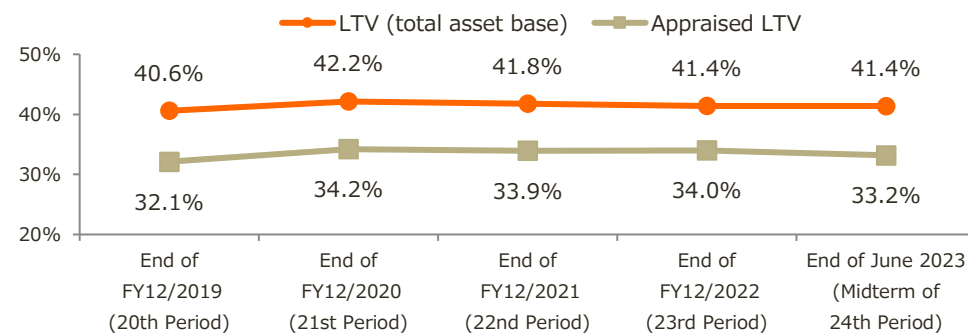
(Unit: JPY MM)

Lenders/Bond Name	Balance (as of the end of December 2022)		Balance (as of the end of June 2023)		Variance
	Balance	%	Balance	%	
Sumitomo Mitsui Banking Corporation	33,238	20.2%	32,805	20.0%	(433)
Mizuho Bank, Ltd.	19,818	12.1%	19,658	12.0%	(160)
SBI Shinsei Bank, Ltd.	18,558	11.3%	18,558	11.3%	-
Sumitomo Mitsui Trust Bank, Limited	14,143	8.6%	14,029	8.5%	(114)
Resona Bank, Limited	9,982	6.1%	9,965	6.1%	(17)
Development Bank of Japan Inc.	6,034	3.7%	5,985	3.6%	(49)
Fukuoka Bank, Ltd.	4,636	2.8%	4,636	2.8%	-
The Nomura Trust and Banking Co., Ltd.	4,548	2.8%	4,160	2.5%	(388)
Aozora Bank, Ltd.	3,352	2.0%	3,352	2.0%	-
The Chiba Bank, Ltd.	2,732	1.7%	2,732	1.7%	-
MUFG Bank, Ltd.	2,700	1.6%	2,700	1.6%	-
The Nishi-Nippon City Bank, Ltd.	2,684	1.6%	2,500	1.5%	(184)
Hiroshima Bank, Ltd.	1,854	1.1%	1,854	1.1%	-
The Minato Bank, Ltd.	1,000	0.6%	1,026	0.6%	26
The Tokyo Star Bank, Limited	-	-	1,000	0.6%	1,000
Sompo Japan Insurance Inc.	1,464	0.9%	1,000	0.6%	(464)
The Shizuoka Bank, Ltd.	588	0.4%	571	0.3%	(17)
Kansai Mirai Bank, Limited	-	-	500	0.3%	500
The Hokuriku Bank, Ltd.	-	-	300	0.2%	300
<b>Total of Bank Loans</b>	<b>127,331</b>	<b>77.5%</b>	<b>127,331</b>	<b>77.5%</b>	<b>-</b>
<b>Investment Corporation Bonds (for institutional investors)</b>					
6th Investment Corporation Bonds without Collateral	3,000	1.8%	3,000	1.8%	-
8th Investment Corporation Bonds without Collateral	1,100	0.7%	1,100	0.7%	-
9th Investment Corporation Bonds without Collateral	1,000	0.6%	1,000	0.6%	-
12th Investment Corporation Bonds without Collateral	2,000	1.2%	2,000	1.2%	-
13th Investment Corporation Bonds without Collateral	2,800	1.7%	2,800	1.7%	-
<b>Total of Investment Corporation Bonds (for institutional investors)</b>	<b>9,900</b>	<b>6.0%</b>	<b>9,900</b>	<b>6.0%</b>	<b>-</b>
<b>Investment Corporation Bonds (for individual investors)</b>					
7th Investment Corporation Bonds without Collateral	9,000	5.5%	9,000	5.5%	-
10th Investment Corporation Bonds without Collateral	10,000	6.1%	10,000	6.1%	-
11th Investment Corporation Bonds without Collateral	8,000	4.9%	8,000	4.9%	-
<b>Total of Investment Corporation Bonds (for individual investors)</b>	<b>27,000</b>	<b>16.4%</b>	<b>27,000</b>	<b>16.4%</b>	<b>-</b>
<b>Total of Investment Corporation Bonds</b>	<b>36,900</b>	<b>22.5%</b>	<b>36,900</b>	<b>22.5%</b>	<b>-</b>
<b>Total of Interest-bearing Debt</b>	<b>164,231</b>	<b>100.0%</b>	<b>164,231</b>	<b>100.0%</b>	<b>-</b>

## Breakdown of Interest-bearing Debt



## Changes in LTV

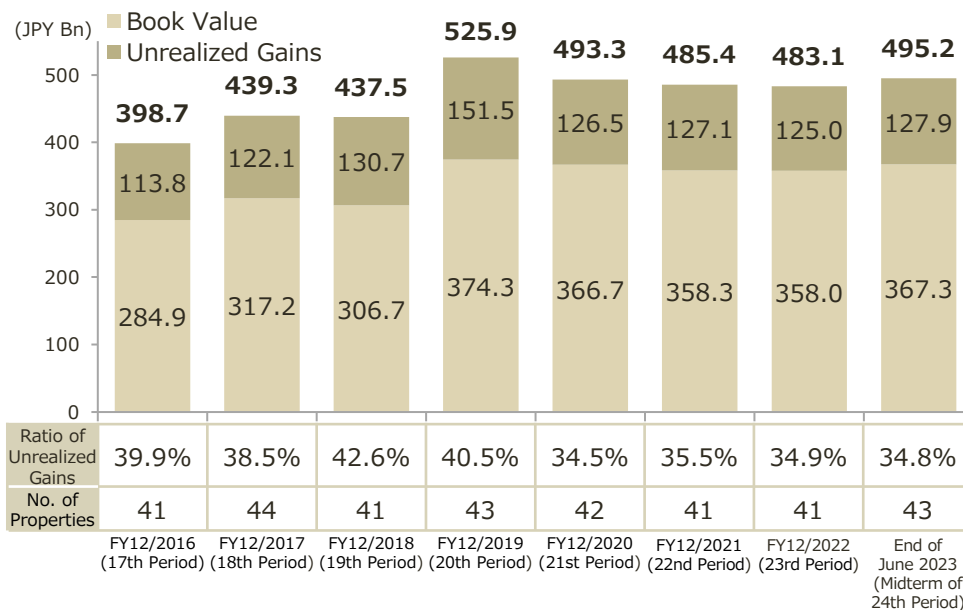


## Status of Credit Rating

Japan Credit Rating Agency, Ltd. (JCR)	<b>A+</b>	<b>(negative → stable)</b> * Changed on March 14, 2023
Rating and Investment Information, Inc. (R&I)	<b>A</b>	<b>(negative → stable)</b> * Changed on April 11, 2023

# 1. Financial Conditions (3)

## Changes in Appraisal Value (Unrealized Gains)



## Changes in Appraisal Value

	No. of Property (*2)	Acquisition Price (JPY MM)	Appraisal <sup>(*1)</sup>					
			Appraisal Value (JPY MM)	Variance of Appraisal Value	CAP Rate (*3)	Variance of Cap Rate (*3)	Net Cash Flow (JPY MM)	Variance of Net Cash Flow (*3)
End of June 2023	41	363,542	483,040	(0.0%)	4.5%	(0.0pt)	21,861	(0.2%)
End of December 2022	41	363,542	483,110	(0.5%)	4.5%	(0.0pt)	21,897	(1.2%)
End of December 2021	41	363,542	485,480	+0.4%	4.6%	(0.0pt)	22,158	+0.0%
End of December 2020	41	362,465	483,430	(4.6%)	4.6%	+0.0pt	22,151	(2.3%)
End of December 2019	41	362,465	506,760	-	4.5%	-	22,682	-

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

(\*2) These figures are for 41 properties, excluding UAN kanazawa and Sotetsu Fresa Inn Shimbashi-Karsumoriguchi, from the 43 properties owned by JHR as of June 30, 2023.

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

## Negative Goodwill

### <Policy for Use of Negative Goodwill>

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

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

### <Amount planned to be used in FY12/2023>

50-year amortization amount on negative goodwill	: JPY262MM
Cope with loss on retirement of noncurrent assets	: JPY112MM
Amortization of trademark rights	: JPY56MM
<b>Total amount</b>	<b>: JPY431MM</b>

<b>Estimated Balance of Negative Goodwill after the end of December 2023<sup>(*4)</sup></b>	<b>JPY9,169MM</b>
---	-------------------

(\*4) The amount after deducting the amount appropriated to dividend payment for FY12/2023 from the balance at the end of the period.

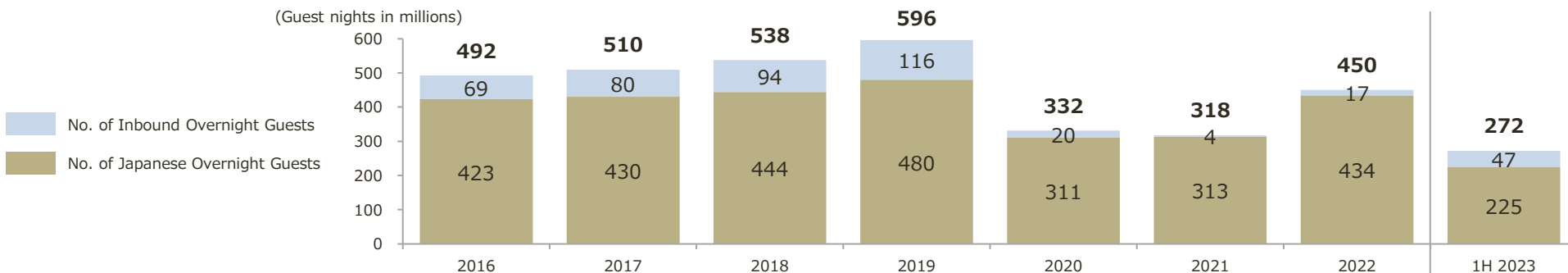


## **V . Market Environment**

# 1. Status of Domestic Accommodation Demand

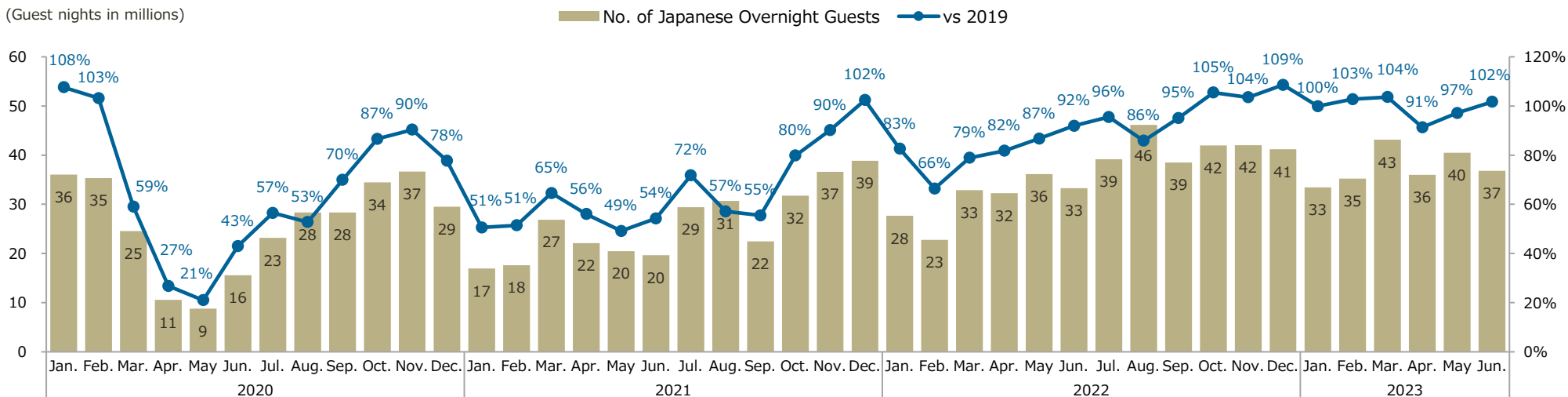
◆ Domestic accommodation demand remains at roughly the same level as in 2019 from October 2022 onwards

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



* Ratio of Japanese overnight guests	2016	2017	2018	2019	2020	2021	2022	1H 2023
	85.9%	84.4%	82.5%	80.6%	93.9%	98.6%	96.3%	82.7%

## Trend of Number of Japanese Overnight Guests in Domestic Accommodation Facilities (by month)



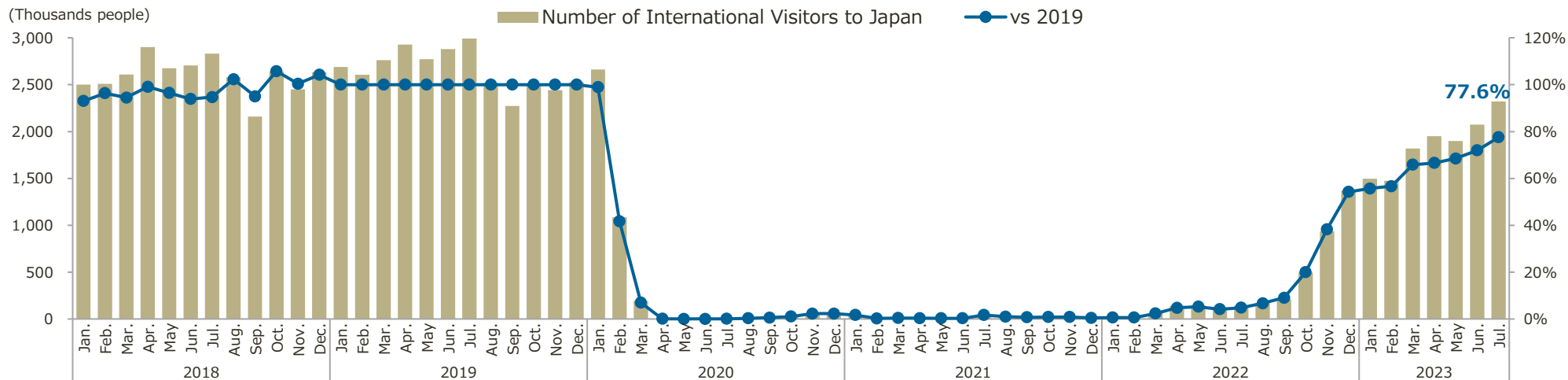
Source: Statistics of Overnight Travel by Japan Tourism Agency

(\*) Rounded off to the nearest millions of overnight guests. Numbers for January to May 2023 are second preliminary figure, numbers for June 2023 are first preliminary figure.

# 2. Status of Inbound Visitors

- ◆ The number of Inbound visitors has increased since entry restrictions were significantly eased in October 2022
- ◆ In July 2023, the total number of inbound visitors recovered to 77.6% compared to the same month in 2019. Expect further recovery with the easing of travel restrictions in China

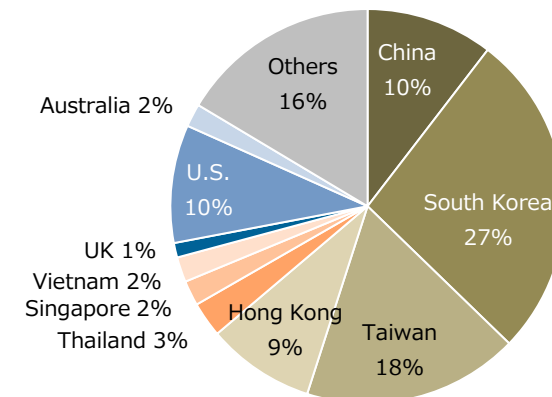
### Changes in Number of Inbound Visitors



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

	2018		2019		2022		Jan.-Jul. 2023	
	(Number)	(Composition)	(Number)	(Composition)	(Number)	(Composition)	(Number)	(Composition)
China	8,380	27%	9,594	30%	189	5%	908	7%
South Korea	7,539	24%	5,585	18%	1,013	26%	3,755	29%
Taiwan	4,757	15%	4,891	15%	331	9%	2,193	17%
Hong Kong	2,208	7%	2,291	7%	269	7%	1,126	9%
Thailand	1,132	4%	1,319	4%	198	5%	547	4%
Singapore	437	1%	492	2%	132	3%	278	2%
Vietnam	389	1%	495	2%	284	7%	346	3%
UK	334	1%	424	1%	57	2%	177	1%
U.S.	1,526	5%	1,724	5%	324	8%	1,171	9%
Australia	552	2%	622	2%	89	2%	310	2%
Others	3,937	13%	4,445	14%	946	25%	2,221	17%
<b>Total</b>	<b>31,192</b>	<b>100%</b>	<b>31,882</b>	<b>100%</b>	<b>3,832</b>	<b>100%</b>	<b>13,033</b>	<b>100%</b>

### Composition of Inbound Visitors after Removal of Entry Restrictions from May to July 2023



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

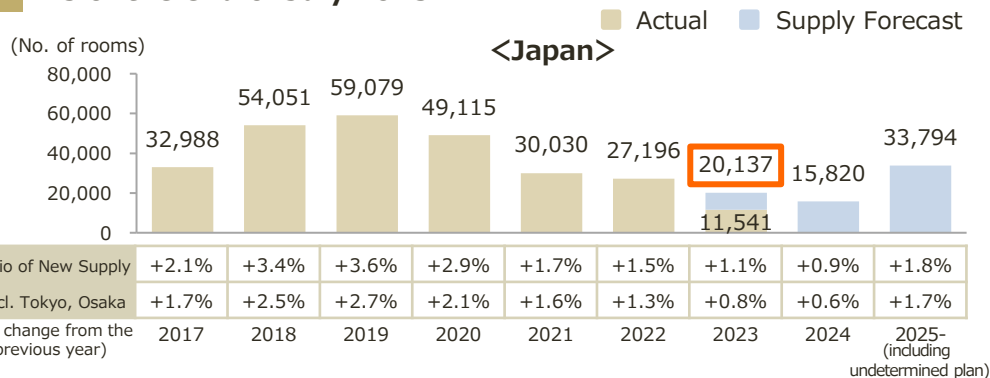
(\*) Rounded off to the nearest thousands of people. The figures for 2018, 2019 and 2022 are final, those for January to May 2023 are provisional, and those for June and July 2023 are estimates.

# 3. Status of New Supply of Hotels

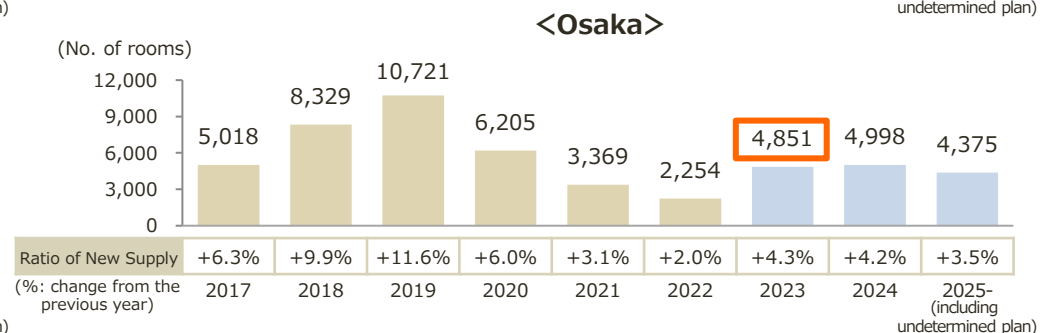
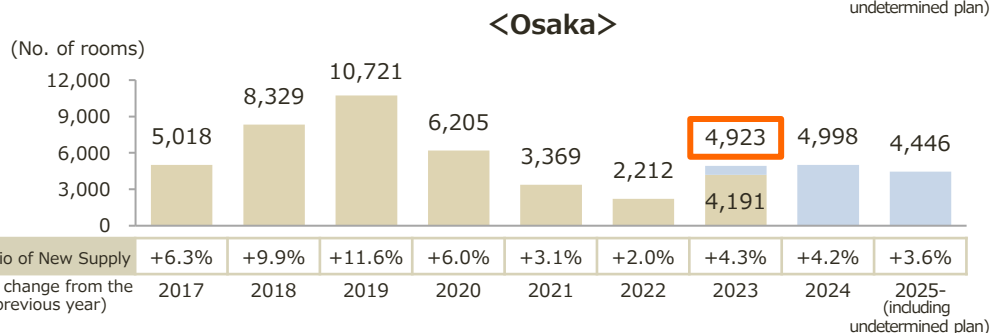
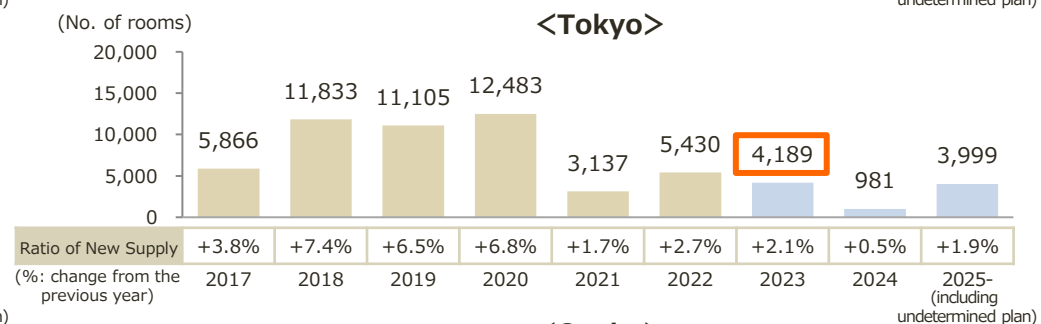
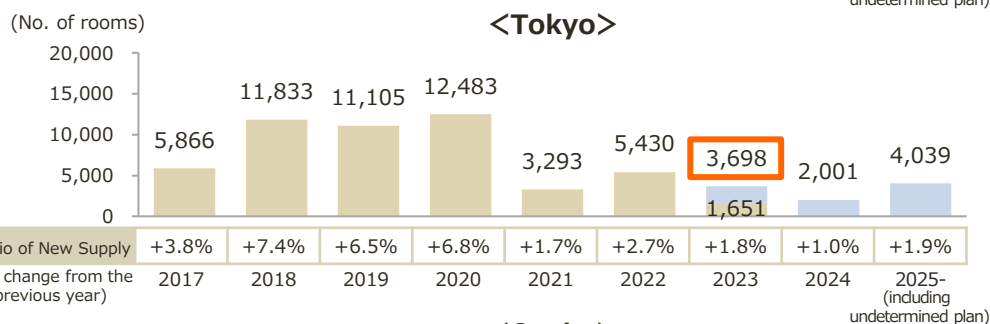
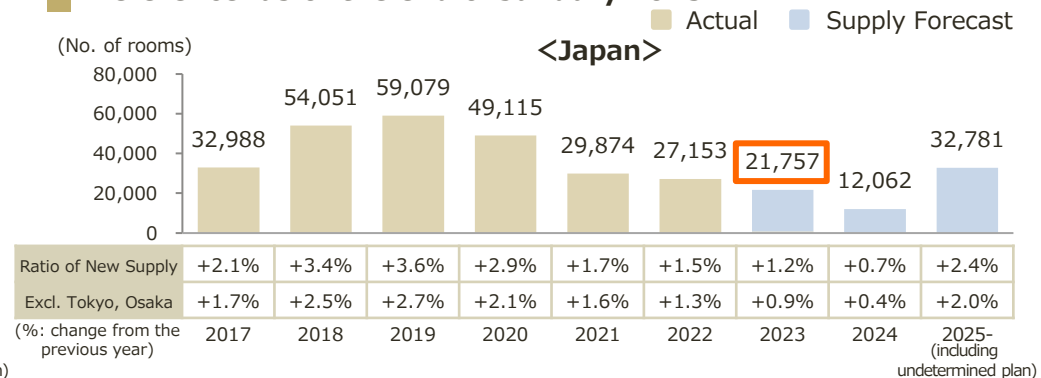
◆ New supply for 2023 is reduced around 1,500 rooms in comparison to the estimate made 6 months ago

## Supply of Rooms in Hotels/Ryokans in Japan

### As of the end of July 2023



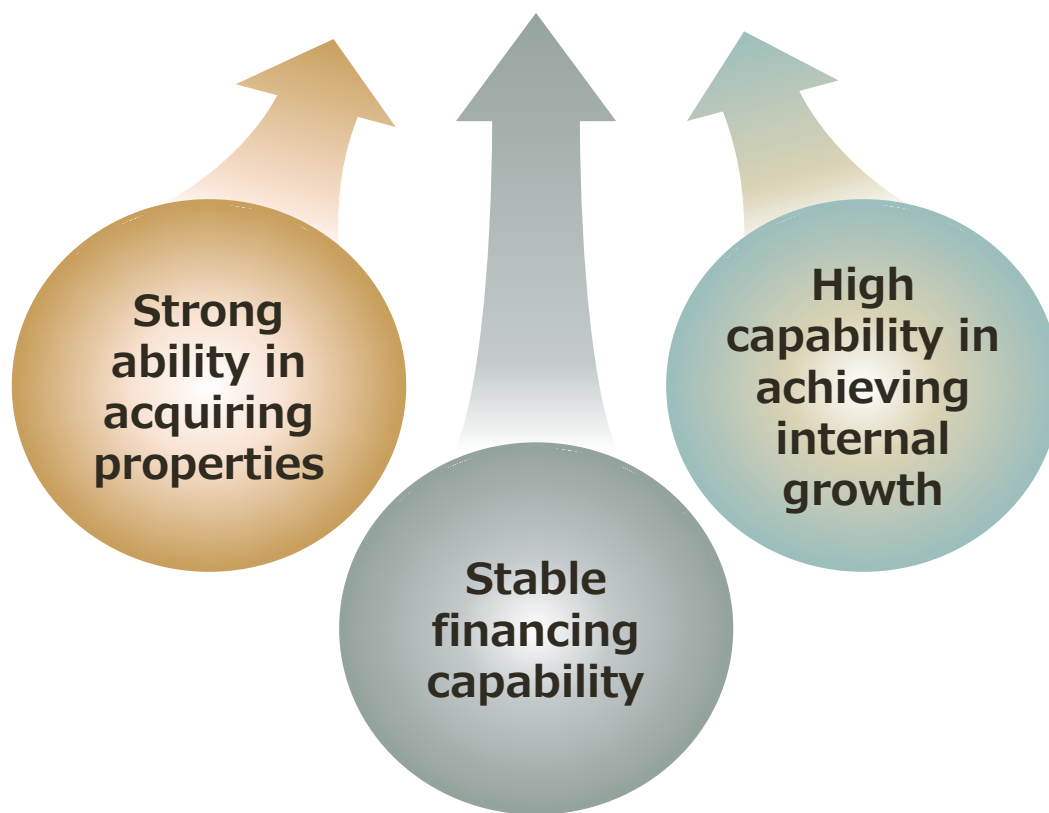
### Reference: as of the end of January 2023(\*2)



Source: Estimated by the Asset Management Company using data from "Public Health Administration Report" by Ministry of Health, Labour and Welfare (MHLW), a weekly hotel & restaurant magazine (HOTERES), and Nikkei Telecom.  
 (\*1) Ratio of new supply is the ratio of new rooms to be supplied in a year to the stock of rooms (Hotels/Ryokans) at the beginning of the year. With regard to the above data, please note that in case the number of rooms are stated as "to be determined" by hotels, the asset management company has used 180, the average number of new supply of hotel rooms, for calculation.  
 (\*2) Based on data available as of the end of January 2023.

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

## Aim to increase dividend for mid to long term



### Strong ability in acquiring properties

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

### High capability in achieving internal growth

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

### Stable financing capability

- Secure sound and stable finance
- Diversify financing methods



## 2. Simultaneous Pursuit of Stability and Upside Potential

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

### Ensure Stable Revenue

**Fixed rent structure**

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

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

### Pursue Upside

Management contract structure

Variable rent structure

Revenue sharing structure

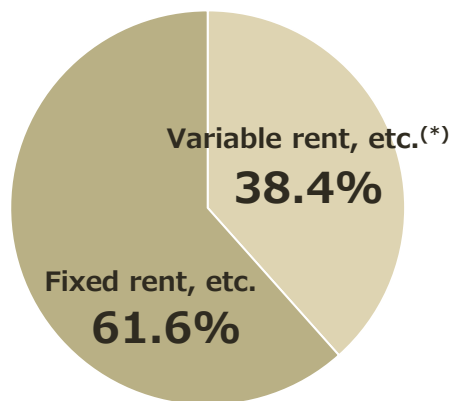
#### Active Asset Management Strategies

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

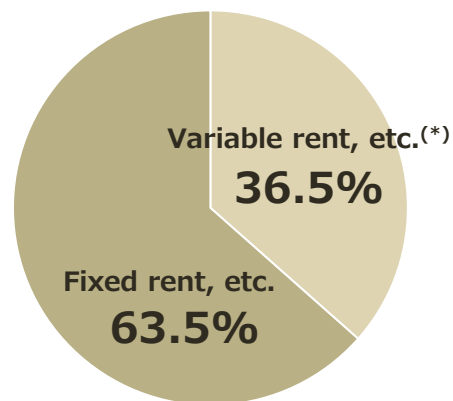
Increase in rental income, etc. through improvement in hotels' performance

### Proportion of Rental Income

2019 Results  
(annualized)



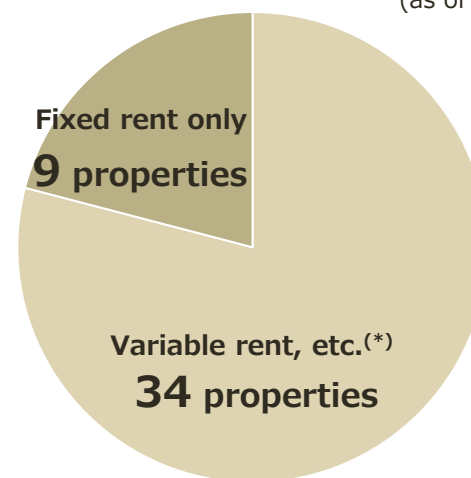
2023  
Revised Forecast



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

### Proportion of Rent Structures

(as of June 30, 2023)



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

# 3. External Growth Strategy

## Recognition of External Environment

### Trend of the Hotel Investment Market

- Domestic and inbound leisure demand is on the recovery trend since Japan reclassified COVID-19's category to Class 5 in May 2023 and entry restrictions for inbound visitors were significantly mitigated. Some areas and hotels are showing recovery beyond the pre-pandemic level. Further improvement in hotel revenues is expected with increased visitors from China.
- As for the hotel transaction market, not only foreign funds, etc., but domestic investors, including J-REITs, started to consider hotel investment more actively with expectations for the hotel market's recovery and growth potential, as well as an easing attitude to finance for hotel assets by financial institutions. Given these conditions, hotel transactions may become more active.
- For acquisition of hotels, it is important to differentiate each hotel since the competitiveness of hotels is becoming more evident in accordance with the hotel specifications, locations, and the abilities of hotel operators.

## Basic Policies

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



## Key Measures

- Emphasize the superiority of buildings and facilities (infrastructure), operations (services), locations of hotel real estate, etc.
  - The prime investment targets are "full-service hotels" and "resort hotels" that have high barriers to entry due to operation and management know-how, capital outlay and locations
  - For "limited-service hotels," the creditworthiness of the hotel lessee, the age of the building, location, guest room composition and profitability are important
  - For limited-service hotels that specialize in selling single rooms, we will consider acquiring them individually, taking into account the specifications and upside potential of the hotel
  - In particular, we will actively consider purchasing hotels that can be expected to grow internally through an aggressive asset management strategy and hotels that can be expected to generate synergies with existing properties
- Strategic investment areas
  - Hokkaido area, Tokyo and bay area<sup>(\*1)</sup>, Osaka/Kyoto area<sup>(\*2)</sup>, Fukuoka area, and Okinawa area
- Investigate and plan the internal growth strategy in property acquisition
  - At the time of contract renewal, etc., investigate appropriate rent levels and structures as well as the potential for cost savings and building and facility improvement
  - Promote internal growth by collaborating with lessees and operators, especially when the hotel has variable rent structure, etc.
- Respond to various investment opportunities by utilizing HMJ's efficient hotel operation platform, know-how for operational improvement, etc.

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

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

# 4. Internal Growth Strategy

## Recognition of External Environment

### Hotel Market Environment

- With the further easing of behavioral restrictions, domestic leisure demand remains strong even after the termination of the national travel subsidy program, and the pace of inbound recovery is gaining momentum. We believe the hotel market will further accelerate toward a full-fledged recovery.
- Although there are supply-demand imbalances depending on markets due to the continued supply of new hotels against the backdrop of robust hotel demand during the pre-pandemic period, we believe there are no changes to the medium to long-term trend of expansion in the tourism market accompanying economic growth in the Asia region in the post-COVID-19 society.
- While the market is entering a full-fledged recovery phase, upward pressure on costs and expenses has occurred. We believe it is key to increase unit prices by appropriately passing on higher costs, conducting renovation, providing added value, implementing appropriate marketing strategies, etc.

## Basic Policies

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



## Key Measures

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

## Recognition of External Environment

### Trend of Financing Environment and Interest Rates

- J-REIT public offerings in the first half of 2023 were slightly lower than in the same period of the previous year in number and total amount. The TSE REIT Index remained at a lower level in the first 3 months of 2023 due to wariness over rising interest rates, but it turned upward from April onward on the expectation that the new Bank of Japan governor will maintain the previous monetary policy for the time being. As a result, the index has largely recovered to the level at the end of 2022.
- As the economic impact of COVID-19 on the economy has become limited and the recovery trend in hotel performance is remarkable, financial institutions are taking a more positive stance.
- Although both short-term and long-term interest rates remain at low due to the monetary easing policy, certain caution remains required for changes in long-term interest rates due to policy changes by the Bank of Japan and overseas factors.

## Basic Policies

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



## Key Measures

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

# 6. Benefits Program for Unitholders

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

## ◆ Eligible recipients of complimentary coupons

Complimentary coupons will be sent to those who hold ten or more JHR units at the end of June every year (end of the midterm settlement)  
<FY2023>

Eligible unitholders: 10,879

Valid period: One year between January 1, 2024 to December 31, 2024

## ◆ Details of the benefits program

Five complimentary coupons for accommodations and five complimentary coupons for restaurants(\*)  
10% discount from the best rate for accommodation by each hotel and 10% discount for restaurants

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

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

#### The 16 HMJ Hotels



Kobe Meriken Park Oriental Hotel



Oriental Hotel Tokyo Bay



Namba Oriental Hotel



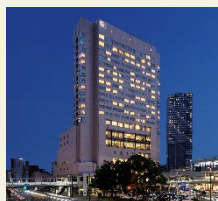
Hotel Nikko Alivila



Oriental Hotel Hiroshima



Oriental Hotel Okinawa Resort & Spa



ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)



Oriental Hotel Fukuoka Hakata Station



Holiday Inn Osaka Namba



Hilton Tokyo Narita Airport



International Garden Hotel Narita



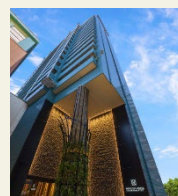
Hotel Nikko Nara



Hotel Oriental Express Osaka Shinsaibashi



Hilton Tokyo Odaiba



Oriental Hotel Universal City



Hotel Oriental Express Fukuoka Tenjin

#### The Accor Group Hotels



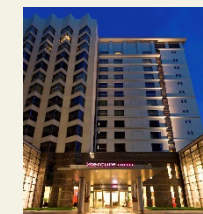
ibis Styles Kyoto Station



ibis Styles Sapporo



Mercure Sapporo



Mercure Okinawa Naha



Mercure Yokosuka

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



# 1. Portfolio

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

## Portfolio Summary

(as of the end of June 2023)

### Total Assets

JPY**373.9**Bn

### No. of Hotels

**43** Hotels

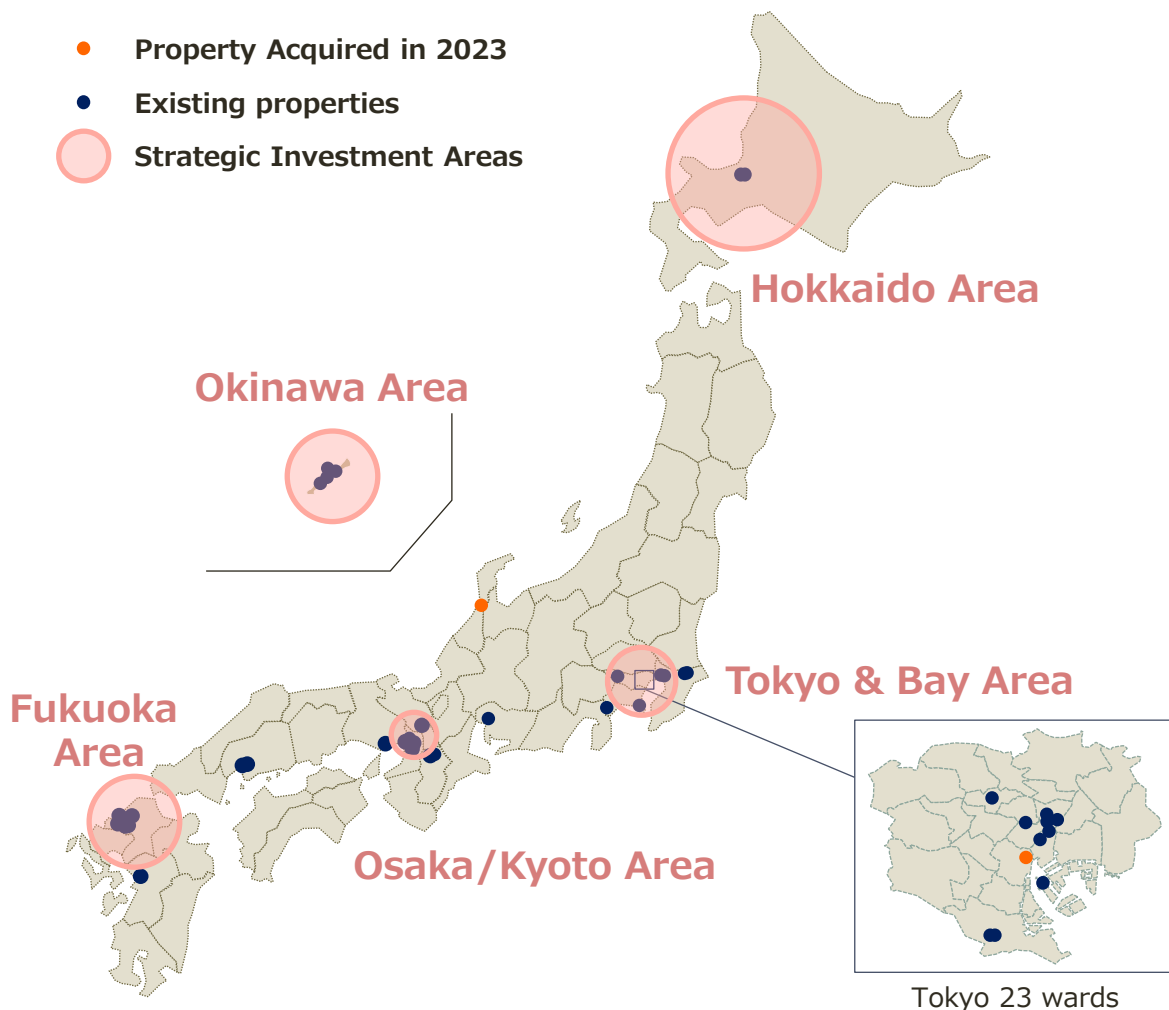
(**33** in Strategic Investment Areas)

### No. of Guest Rooms

**11,546** Rooms

## Strategic Investment Areas and Locations of Properties

- Property Acquired in 2023
- Existing properties
- Strategic Investment Areas

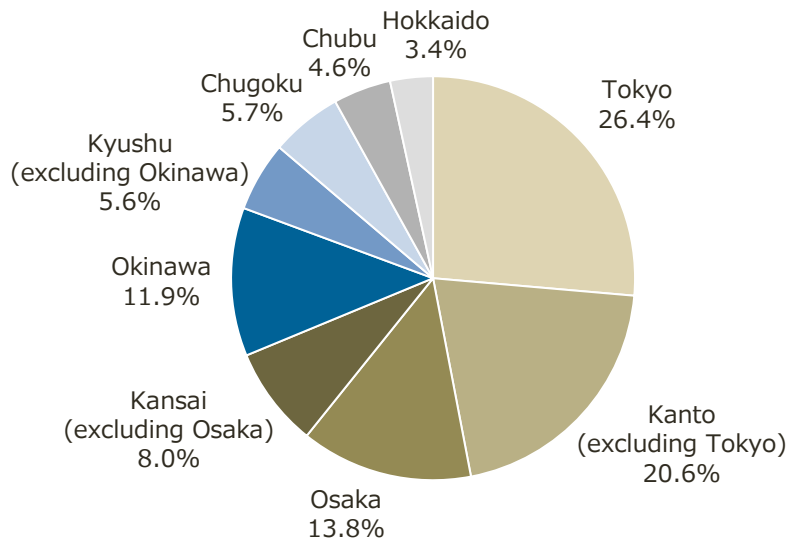


# 2. Portfolio Diversification

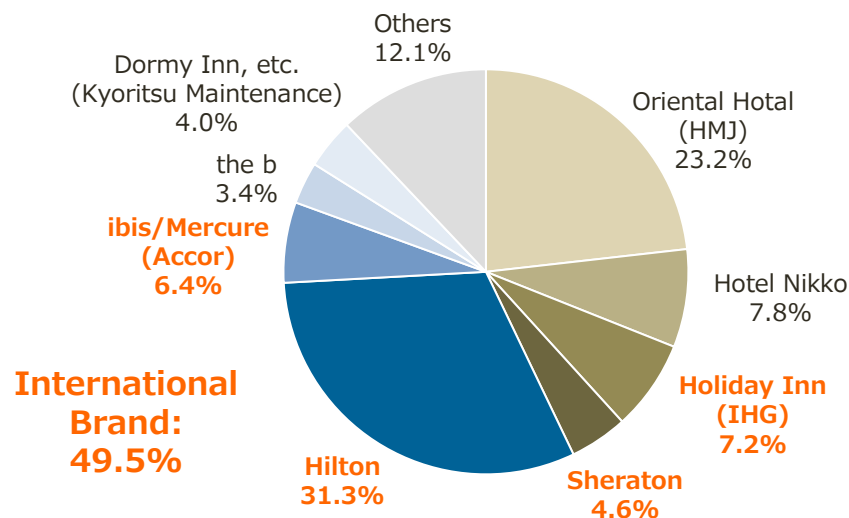
- ◆ Widely diversified and high-quality portfolio
- ◆ Appeal to inbound visitors by international brands

(as of the end of June 2023)

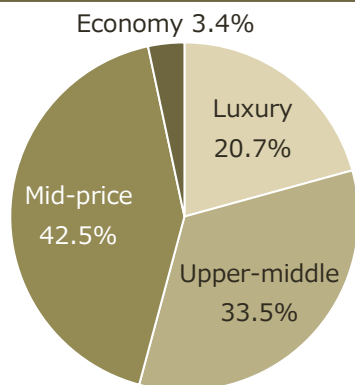
### By Area



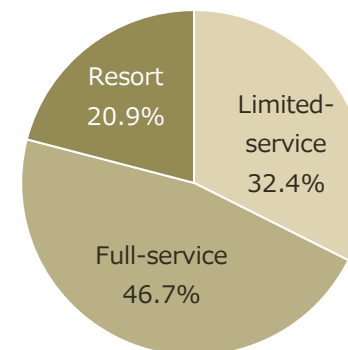
### By Hotel Brand



### By Hotel Grade



### By Hotel Type

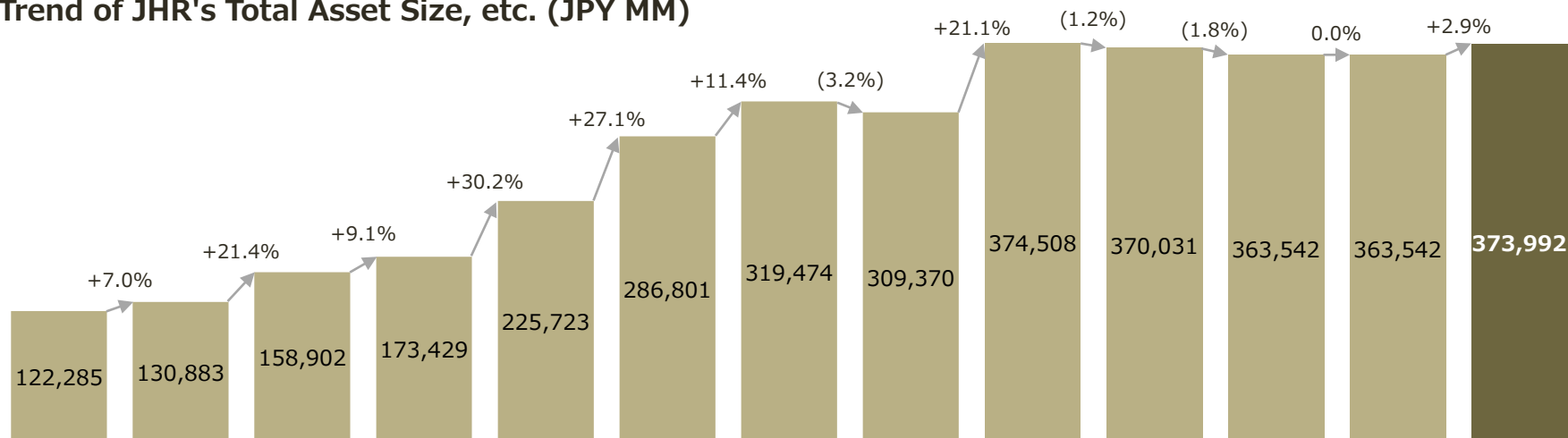


(\*) Calculated based on acquisition price. Percentages are rounded off to the nearest whole number.

# 3. Trend of Asset Size

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

**Trend of JHR's Total Asset Size, etc. (JPY MM)**



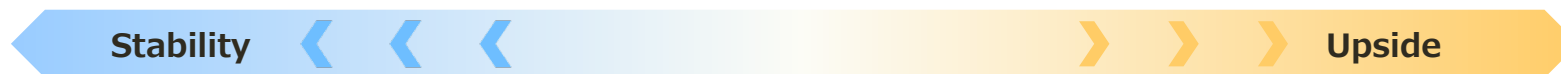
	April 2012 (merger)	FY12/2012 (13th Period)	FY12/2013 (14th Period)	FY12/2014 (15th Period)	FY12/2015 (16th Period)	FY12/2016 (17th Period)	FY12/2017 (18th Period)	FY12/2018 (19th Period)	FY12/2019 (20th Period)	FY12/2020 (21st Period)	FY12/2021 (22nd Period)	FY12/2022 (23rd Period)	End of June 2023 (Midterm of 24th Period)
<b>No. of Properties</b>	28	28	28	30	36	41	44	41	43	42	41	41	43
<b>No. of Acquisition</b>	-	2	2	3	9	5	3	-	2	-	(*)2	-	2
<b>Acquisition Price</b>	-	JPY10.8Bn	JPY32.6Bn	JPY15.7Bn	JPY57.0Bn	JPY61.0Bn	JPY32.6Bn	-	JPY65.1Bn	-	(*)2	JPY0.7Bn	JPY10.4Bn
<b>No. of Dispositions</b>	-	2	2	1	3	-	-	3	-	1	1	-	-
<b>Sale Price</b>	-	JPY0.8Bn	JPY2.6Bn	JPY0.7Bn	JPY4.8Bn	-	-	JPY12.1Bn	-	JPY8.0Bn	JPY11.3Bn	-	-
<b>Unrealized Gains<sup>(*)1</sup></b>	-	JPY2.2Bn	JPY9.8Bn	JPY34.8Bn	JPY78.7Bn	JPY113.8Bn	JPY122.1Bn	JPY130.7Bn	JPY151.5Bn	JPY126.5Bn	JPY127.1Bn	JPY125.0Bn	JPY127.9Bn

Aim for Successive Growth

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

(\*2) JHR acquired land that is part of the Oriental Hotel Universal City site for JPY753MM on July 30, 2021.

# 4. Rent Structures



(FY12/2023 forecast)

Rent Structure <sup>(*1)</sup>		Fixed rent	Fixed rent + Revenue sharing	Fixed rent + Variable rent	Variable rent	Management contract	Total
Type of Contract		Lease contract	Lease contract	Lease contract	Lease contract	Management contract	
Type	Fixed	○	○	○	-	-	-
	Variable	-	A certain percentage of sales exceeding the threshold	A certain percentage of hotel GOP	A certain percentage of hotel revenue or hotel GOP	Hotel GOP	-
Real Estate Operating Revenue <sup>(*2)</sup> (%)		JPY2,150MM (8.6%)	JPY2,932MM (11.8%)	JPY16,486MM (66.2%)	JPY1,715MM (6.9%)	JPY1,609MM (6.5%)	JPY24,895MM (100.0%)
(breakdown)	Fixed Rent, etc. <sup>(*3)</sup> (%)	JPY2,150MM (8.6%)	JPY2,726MM (11.0%)	JPY9,993MM (40.1%)	JPY616MM (2.5%)	JPY298MM (1.2%)	JPY15,786MM (63.4%)
	Variable Rent (%)	-	JPY205MM (0.8%)	JPY6,493MM (26.1%)	JPY1,099MM (4.4%)	JPY1,310MM (5.3%)	JPY9,108MM (36.6%)
Involvement in Hotel Operation		Low	Low	High	High	High	-
CAPEX Borne by JHR <sup>(*4)</sup>		1) Renewal of building and facilities	1) Renewal of building and facilities <3) Strategic investment>	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	-
No. of Properties		9	5	21	4	4	43
Acquisition Price (%)		JPY30,041MM (8.0%)	JPY42,354MM (11.3%)	JPY259,964MM (69.5%)	JPY19,235MM (5.1%)	JPY22,397MM (6.0%)	JPY373,992MM (100.0%)
Hotels		The Beach Tower Okinawa Hotel Francs CANDEO HOTELS Ueno Koen and other hotels	Hilton Tokyo Bay Smile Hotel Nihombashi Mitsukoshimae Comfort Hotel Tokyo Higashi Nihombashi UAN kanazawa Sotetsu Fresia Inn Shimbashi-Karasumoriguchi	The 16 HMJ Hotels The Ishin Group Hotels dormy inn Kumamoto	Hilton Nagoya Mercure Yokosuka Chisun Hotel Kamata Chisun Inn Kamata	ibis Styles Kyoto Station ibis Styles Sapporo Mercure Sapporo Mercure Okinawa Naha	-

(\*1) Rent structures were classified based on lease contract of hotels owned by JHR as of June 30, 2023.

(\*2) Based on the revenue forecast for FY12/2023, which was announced on August 24, 2023. Revenue from trademark rights is excluded.

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

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

# 5. Property List (1/2)

(as of the end of June 2023)

No.	Property Name	Hotel Type (*1)	Grade (*2)	No. of Guest Rooms	Location	Age (*3)	Acquisition Price (JPY MM) (*4)	Book Value (JPY MM) (*5)	Appraisal Value				Investment Ratio (*6)	Revenue from Real Estate Operation (JPY1,000) (*7)	NOI (JPY1,000) (*7)	P/L from Real Estate Operation (JPY1,000) (*7)	NOI Yield (estimate) (*8)
									23rd Period (as of December 31, 2022)		24th Period (as of June 30, 2023)						
									Appraisal Value (JPY MM)	CAP Rate	Appraisal Value (JPY MM)	CAP Rate					
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	323	Hyogo	28.0	10,900	9,366	14,100	4.8%	14,100	4.8%	2.9%	243,656	119,807	(16,392)	5.2%
2	Oriental Hotel Tokyo Bay	Full-service	Mid-price	511	Chiba	28.2	19,900	17,054	31,700	4.4%	31,700	4.4%	5.3%	725,292	665,085	504,710	7.4%
3	Namba Oriental Hotel	Limited-service	Mid-price	258	Osaka	27.3	15,000	14,261	31,000	4.1%	31,000	4.1%	4.0%	584,084	529,313	471,725	7.3%
4	Hotel Nikko Alivila	Resort	Luxury	397	Okinawa	29.2	18,900	17,711	28,100	4.8%	28,100	4.8%	5.1%	345,074	271,315	128,718	6.6%
5	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Hiroshima	29.8	4,100	4,058	4,150	4.9%	4,150	4.9%	1.1%	288,142	265,848	223,266	6.9%
6	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	19.3	7,610	6,371	9,960	4.4%	9,960	4.4%	2.0%	255,504	233,863	177,167	6.1%
7	Hakone Setsugetsuka	Resort	Mid-price	158	Kanagawa	16.7	4,070	3,560	5,260	4.9%	5,260	4.9%	1.1%	147,469	134,895	87,488	6.6%
8	dormy inn Kumamoto	Limited-service	Mid-price	291	Kumamoto	15.4	2,334	2,159	2,930	5.6%	3,230	5.6%	0.6%	97,230	86,089	58,697	7.4%
9	the b suidobashi	Limited-service	Mid-price	99	Tokyo	36.8	1,120	1,153	2,270	4.1%	2,270	4.1%	0.3%	41,102	35,781	21,759	7.4%
10	dormy inn EXPRESS Asakusa (*9)	Limited-service	Economy	75	Tokyo	26.3	999	919	1,300	4.0%	1,290	4.0%	0.3%	32,537	28,017	21,736	5.6%
11	Washington Hotel Plaza Hakata, Nakasu	Limited-service	Mid-price	247	Fukuoka	28.3	2,130	2,076	4,520	4.4%	4,510	4.4%	0.6%	120,000	112,000	99,000	10.5%
12	Washington Hotel Plaza Nara	Limited-service	Mid-price	204	Nara	23.3	2,050	1,733	2,430	5.0%	2,430	5.0%	0.5%	75,000	66,000	47,000	6.5%
13	R&B Hotel Ueno-hirokoji	Limited-service	Economy	187	Tokyo	21.2	1,720	1,805	1,800	4.1%	1,800	4.1%	0.5%	48,645	41,183	32,365	4.8%
14	Comfort Hotel Tokyo Higashi Nihombashi	Limited-service	Economy	259	Tokyo	15.4	3,746	3,407	5,370	4.4%	5,360	4.4%	1.0%	317,449	301,961	283,335	11.3%
15	Smile Hotel Nihombashi Mitsukoshimae	Limited-service	Economy	164	Tokyo	26.3	2,108	2,015	2,940	4.1%	2,940	4.1%	0.6%	71,753	63,346	52,989	5.8%
16	Toyoko Inn Hakata-guchi Ekimae	Limited-service	Economy	257	Fukuoka	21.8	1,652	1,355	2,760	4.5%	2,730	4.5%	0.4%	70,519	63,496	54,417	7.7%
17	Chisun Hotel Kamata	Limited-service	Economy	105	Tokyo	31.4	1,512	1,458	2,050	4.8%	2,080	4.7%	0.4%	56,582	49,045	32,614	5.2%
18	Chisun Inn Kamata	Limited-service	Economy	70	Tokyo	20.2	823	778	1,380	4.6%	1,390	4.5%	0.2%	33,123	28,963	22,707	6.2%
19	Oriental Hotel Universal City	Resort	Mid-price	330	Osaka	22.0	6,753	7,599	17,800	4.8%	17,800	4.8%	1.8%	649,753	620,059	470,842	19.0%
20	Hilton Tokyo Bay	Resort	Luxury	828	Chiba	35.0	26,050	26,093	40,500	4.3%	39,900	4.3%	7.0%	990,117	848,090	748,107	6.5%
21	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kyoto	14.2	6,600	6,581	9,990	4.3%	9,990	4.3%	1.8%	142,929	122,883	105,939	4.0%
22	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	12.9	6,797	6,375	11,100	4.7%	11,100	4.7%	1.8%	175,479	121,645	80,420	5.2%
23	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	14.2	6,000	5,653	10,500	4.7%	10,500	4.7%	1.6%	229,027	128,236	83,598	6.3%
24	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	13.9	3,000	2,781	6,940	4.7%	6,940	4.7%	0.8%	79,186	53,634	16,810	4.9%

# 5. Property List (2/2)

(as of the end of June 2023)

No.	Property Name	Hotel Type (*1)	Grade (*2)	No. of Guest Rooms	Location	Age (*3)	Acquisition Price (JPY MM) (*4)	Book Value (JPY MM) (*5)	Appraisal Value				Investment Ratio (*6)	Revenue from Real Estate Operation (JPY1,000) (*7)	NOI (JPY1,000) (*7)	P/L from Real Estate Operation (JPY1,000) (*7)	NOI Yield (estimate) (*8)
									23rd Period (as of December 31, 2022)		24th Period (as of June 30, 2023)						
									Appraisal Value (JPY MM)	CAP Rate	Appraisal Value (JPY MM)	CAP Rate					
25	the b Ikebukuro	Limited-service	Mid-price	175	Tokyo	41.0	6,520	6,574	7,180	4.2%	7,200	4.2%	1.7%	160,141	146,787	133,617	4.2%
26	the b Hachioji	Limited-service	Mid-price	196	Tokyo	36.9	2,610	2,684	2,570	5.1%	2,570	5.1%	0.7%	79,456	67,344	48,373	5.0%
27	the b Hakata	Limited-service	Mid-price	175	Fukuoka	25.8	2,300	2,333	4,320	4.3%	4,320	4.3%	0.6%	92,865	86,336	75,468	7.5%
28	Hotel Francs	Full-service	Mid-price	222	Chiba	31.9	3,105	3,143	4,100	4.7%	4,100	4.7%	0.8%	150,000	119,700	94,933	7.7%
29	Mercure Yokosuka	Full-service	Mid-price	160	Kanagawa	29.7	1,650	1,613	3,240	4.6%	3,240	4.6%	0.4%	149,507	90,369	72,188	8.4%
30	Oriental Hotel Okinawa Resort & Spa	Resort	Upper-middle	361	Okinawa	18.4	14,950	15,611	17,900	4.9%	18,100	4.9%	4.0%	274,999	232,707	48,534	4.6%
31	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Full-service	Luxury	238	Hiroshima	12.8	17,320	17,086	20,700	4.6%	20,700	4.6%	4.6%	756,094	490,946	375,171	5.4%
32	CANDEO HOTELS Ueno Koen	Limited-service	Mid-price	268	Tokyo	13.5	6,705	6,529	7,460	4.0%	7,460	4.0%	1.8%	174,985	161,775	140,973	4.8%
33	Oriental Hotel Fukuoka Hakata Station	Full-service	Upper-middle	221	Fukuoka	38.0	7,197	8,685	15,000	4.6%	15,000	4.6%	1.9%	647,109	523,822	328,097	15.8%
34	Holiday Inn Osaka Namba	Limited-service	Mid-price	314	Osaka	14.9	27,000	26,626	26,600	4.3%	26,600	4.3%	7.2%	310,052	284,865	224,897	3.0%
35	Hotel Oriental Express Fukuoka Tenjin	Limited-service	Mid-price	263	Fukuoka	24.2	5,248	5,783	6,520	4.7%	6,520	4.7%	1.4%	266,332	216,065	165,895	8.1%
36	Hilton Nagoya	Full-service	Luxury	460	Aichi	34.3	15,250	15,492	14,900	4.2%	14,900	4.2%	4.1%	595,124	249,275	155,971	3.5%
37	Hilton Tokyo Narita Airport	Full-service	Upper-middle	548	Chiba	29.9	13,175	13,158	12,300	4.6%	12,300	4.6%	3.5%	227,760	187,606	81,331	3.1%
38	International Garden Hotel Narita	Full-service	Mid-price	463	Chiba	27.1	9,125	9,000	9,080	4.8%	9,110	4.8%	2.4%	239,973	218,237	135,687	4.9%
39	Hotel Nikko Nara	Full-service	Upper-middle	330	Nara	25.3	10,373	10,100	9,500	4.8%	9,500	4.8%	2.8%	219,926	195,827	120,750	4.1%
40	Hotel Oriental Express Osaka Shinsaibashi	Limited-service	Mid-price	124	Osaka	5.4	2,738	2,796	2,890	4.7%	2,890	4.7%	0.7%	80,198	73,059	64,791	5.7%
41	Hilton Tokyo Odaiba	Full-service	Upper-middle	453	Tokyo	27.5	62,400	63,232	68,000	3.7%	68,000	3.7%	16.7%	898,045	728,056	574,163	2.9%
42	UAN kanazawa (*10)	Limited-service	Upper-middle	47	Ishikawa	5.8	2,050	2,072	-	-	2,140	4.6%	0.5%	51,483	50,224	40,099	5.6%
43	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (*10)	Limited-service	Mid-price	220	Tokyo	15.3	8,400	8,480	-	-	10,100	3.9%	2.2%	77,625	67,176	59,814	3.7%
<b>Total or Average</b>		-	-	<b>11,546</b>	-	<b>24.7</b>	<b>373,992</b>	<b>367,338</b>	<b>483,110</b>	-	<b>495,280</b>	-	<b>100.0%</b>	<b>11,272,007</b>	<b>9,181,896</b>	<b>6,751,328</b>	<b>5.5%</b>

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

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

(\*3) The age of each property as of June 30, 2023. Average age: Weighted average calculated as follows. The sum of (acquisition price of each property x property age)/total acquisition price.

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

(\*5) Book value as of the end of June 2023.

(\*6) The ratio of the acquisition price of each property to the total acquisition price of properties held as of June 30, 2023, rounded to one decimal place.

(\*7) Actual for 6 months from January to June 2023. Since the lessees did not agree to disclose numbers in units of JPY1,000 for No. 11 and 12, amounts are rounded down to the nearest JPY million.

(\*8) NOI yield (estimate) is calculated based on NOI (estimate) for full year FY12/2023. NOI yield (estimate) for No. 42 and 43 are calculated by annualized NOI (estimate) for FY12/2023 of each property. NOI yield (estimate) of portfolio is calculated as follows: Total NOI (estimate) for FY12/2023 / total acquisition price of properties held as of the end of June 2023.

(\*9) The name has changed from dormy inn·global cabin Asakusa on April 1, 2023.

(\*10) Since these properties were acquired in FY2023, the appraisal values at the end of FY2022 are omitted in the table and excluded from the total figures.



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

(as of the end of June 2023)

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

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

(as of the end of June 2023)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/Hotel Consulting and Management Company	Lease/MC Term	Expiration Date of Contract	Contractual Rent (*2)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2023 to 2024)	
										Timing	Condition	2023	2024
19	Hilton Tokyo Bay	Fixed-lease	Fixed + Revenue sharing	THE DAI-ICHI BUILDING CO., LTD.	Hilton International Company	6	Dec. 2028	JPY163MM/month + Revenue sharing	Rent can be modified through mutual agreement.	Jan. 2019	Renewed (Increased)	-	-
20	ibis Styles Kyoto Station	-	Management contract	-	AAPC Japan K.K.	12	Dec. 2024	Amount equivalent to hotel GOP	-	-	-	-	To be expired (Dec.)
21	ibis Styles Sapporo	-	Management contract			10	Dec. 2024	Amount equivalent to hotel GOP	-	-	-	-	To be expired (Dec.)
22	Mercure Sapporo	-	Management contract			15	Sep. 2029	Amount equivalent to hotel GOP	-	-	-	-	-
23	Mercure Okinawa Naha	-	Management contract			10	Apr. 2024	Amount equivalent to hotel GOP	-	-	-	-	To be expired (Apr.)
24	Mercure Yokosuka	Fixed-lease	Variable	AAPC Japan K.K.		5	Aug. 2024	Linked to hotel GOP	The same rent will be applied until expiration of the contract.	Aug. 2019	Renewed (Increased)	-	To be expired (Aug.)
25	the b ikebukuro	Fixed-lease	Fixed + Variable	Ishin Ikebukuro Operations K.K.		9.5	Jul. 2024	JPY80MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	To be expired (Jul.)
26	the b hachioji	Fixed-lease	Fixed + Variable	Ishin Hachioji Operations, Y.K.		9.5	Jul. 2024	JPY45MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	To be expired (Jul.)
27	the b hakata	Fixed-lease	Fixed + Variable	Ishin Hakata Operations K.K.		9.5	Jul. 2024	JPY59MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	To be expired (Jul.)
28	the b suidobashi	Fixed-lease	Fixed + Variable	Ishin Suidobashi Operations K.K.		7	Dec. 2026	JPY30MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	-
29	Hotel Francs	Fixed-lease	Fixed	K.K. BP		19	Oct. 2024	JPY25MM/month	The same rent will be applied until expiration of the contract.	-	-	-	To be expired (Oct.)
30	Oriental Hotel Okinawa Resort & Spa	Fixed-lease	Fixed + Variable	Lagoon resort Nago Co., Ltd.		10	Dec. 2030	JPY550MM/year + when Hotel AGOP exceeds JPY655MM, the excess x 95% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
31	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Fixed-lease	Fixed + Variable	K.K. A.I.C Hiroshima Management	Luxury Hotels International of Hong Kong Limited	11	Dec. 2026	JPY348MM/year + when Hotel AGOP exceeds JPY360MM, the excess x 90% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
32	CANDEO HOTELS Ueno Koen	Fixed-lease	Fixed	Candeo Hospitality Management, Inc.		20	Feb. 2030	Nondisclosure <sup>(*)3</sup>	Rent can be modified through mutual agreement every three years.	Jul. 2016	Nondisclosure <sup>(*)3</sup>	-	-
33	Oriental Hotel Fukuoka Hakata Station	Fixed-lease	Fixed + Variable	Hotel Centraza Co., Ltd.		15	Dec. 2034	JPY425MM/year + when Hotel AGOP exceeds JPY442MM, the excess x 98% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
34	Holiday Inn Osaka Namba	Fixed-lease	Fixed + Variable	OW Hotel Operations KK		15	Oct. 2031	JPY576MM/year + when Hotel AGOP exceeds JPY580MM, the excess x 97% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
35	Hotel Oriental Express Fukuoka Tenjin	Fixed-lease	Fixed + Variable	K.K Fukuoka Tenjin Operations		10.5	Dec. 2031	JPY150MM/year + when Hotel AGOP exceeds JPY165MM, the excess x 97% is paid	In principle, the same rent will be applied until expiration of the contract.	Jun. 2021	Change in lessee and Modified Structure	-	-

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

(as of the end of June 2023)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/Hotel Consulting and Management Company	Lease/MC Term	Expiration Date of Contract	Contractual Rent (*2)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2023 to 2024)	
										Timing	Condition	2023	2024
36	Hilton Nagoya	Lease	Variable	Nagoya Hilton Co., Ltd.	Hilton International Company	41	Dec. 2029	Nondisclosure <sup>(*3)</sup>	Rent can be modified through mutual agreement.	-	-	-	-
37	Hilton Tokyo Narita Airport	Fixed-lease	Fixed + Variable	KK NaritaKosuge Operations		20	Jun. 2037	JPY444MM/year + when Hotel AGOP exceeds JPY450MM, the excess x 93% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
38	International Garden Hotel Narita	Fixed-lease	Fixed + Variable	KK NaritaYoshikura Operations		10	Jun. 2027	JPY336MM/year + when Hotel AGOP exceeds JPY360MM, the excess x 98% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
39	Hotel Nikko Nara	Fixed-lease	Fixed + Variable	Hotel Management Co., Ltd.	Okura Nikko Hotel Management Co., Ltd.	10	Dec. 2030	JPY420MM/year + when Hotel AGOP exceeds JPY440MM, the excess x 95% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
40	Hotel Oriental Express Osaka Shinsaibashi	Fixed-lease	Fixed + Variable	K.K. HOTEL ORIENTAL EXPRESS		10	Mar. 2028	JPY110.4MM/year + when Hotel AGOP exceeds JPY128MM, the excess x 91% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
41	Hilton Tokyo Odaiba	Fixed-lease	Fixed + Variable	Tokyo Humania Enterprise Inc.		11	Dec. 2029	JPY1,600MM/year + when Hotel AGOP exceeds JPY1,660MM, the excess x 98% is paid	In principle, the same rent will be applied until expiration of the contract.	Jan. 2023	Modified Structure	-	-
42	UAN kanazawa	Fixed-lease	Fixed + Revenue sharing	Solare Hotels and Resorts Co., Ltd.	SHR Hotels Co., Ltd.	25	Oct. 2042	JPY9MM/month + when annual room sales exceeds JPY270MM, the excess x 30% is paid	In principle, the same rent will be applied until expiration of the contract.	-	-	-	-
43	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Fixed-lease	Fixed + Revenue sharing	Sotetsu Hotel Development Co., Ltd.	Sotetsu Hotel Management CO., LTD.	3	Mar. 2026	JPY17MM/month + Revenue sharing	The same rent will be applied until expiration of the contract.	-	-	-	-

(\*1) Rent structure is as follows:

Fixed: Fixed rent

Variable: Variable rent

Management contract: Management contract

Fixed + Variable: Property paying both fixed and variable rent

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

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

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

(\*4) The name has changed from dormy inn-global cabin Asakusa on April 1, 2023.

# 7. Portfolio Map

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

## Total Assets

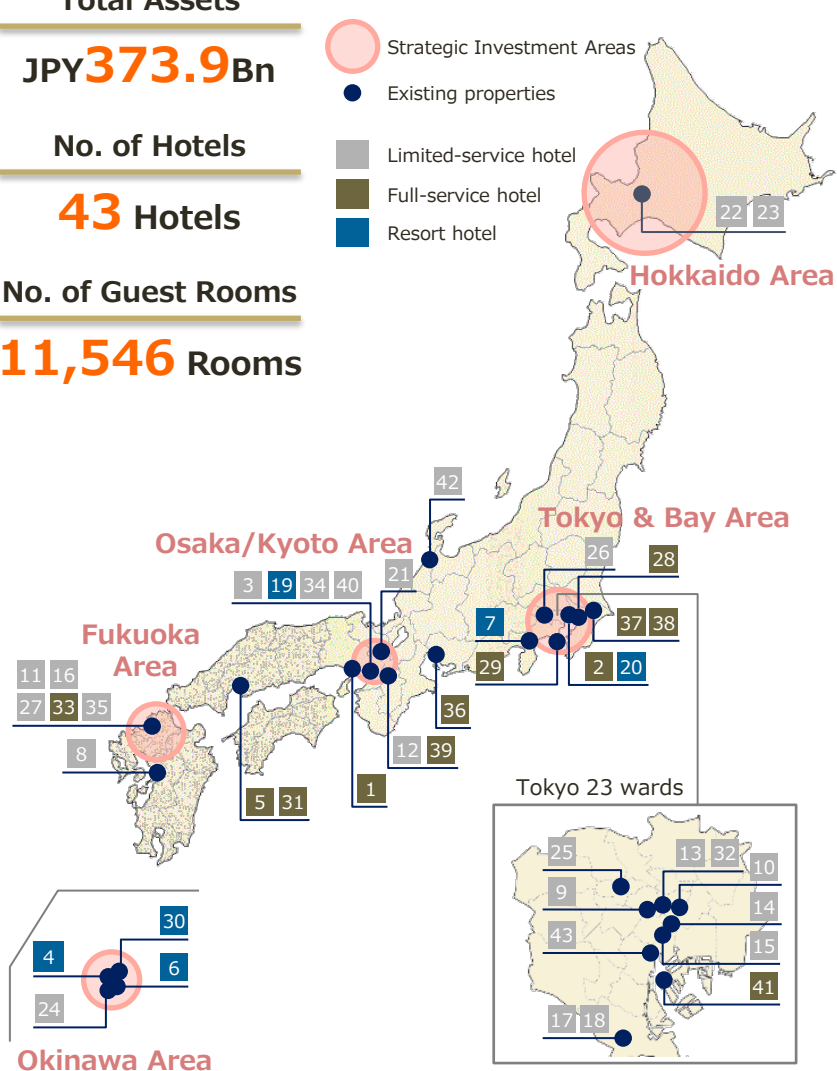
JPY**373.9**Bn

## No. of Hotels

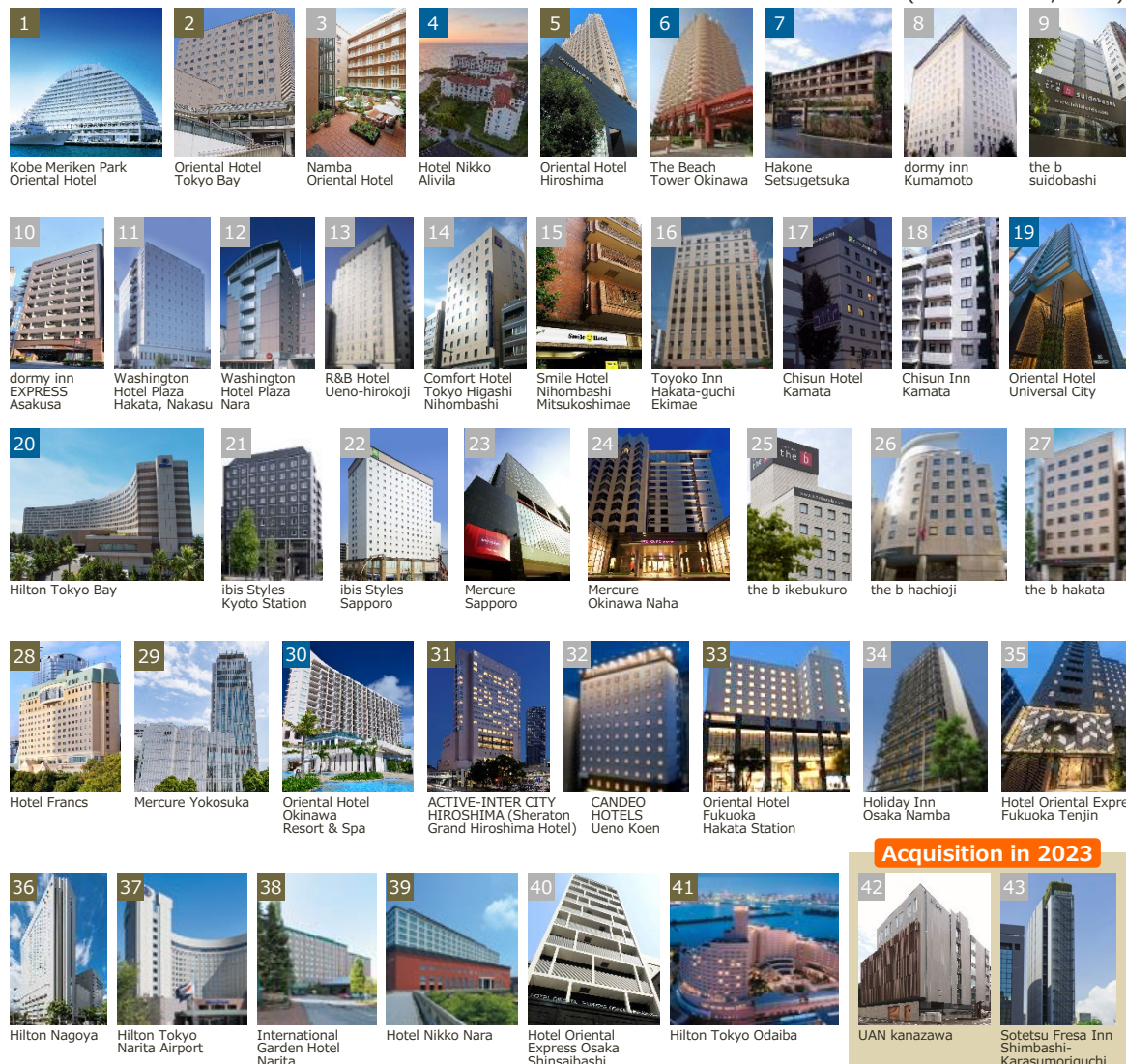
**43** Hotels

## No. of Guest Rooms

**11,546** Rooms



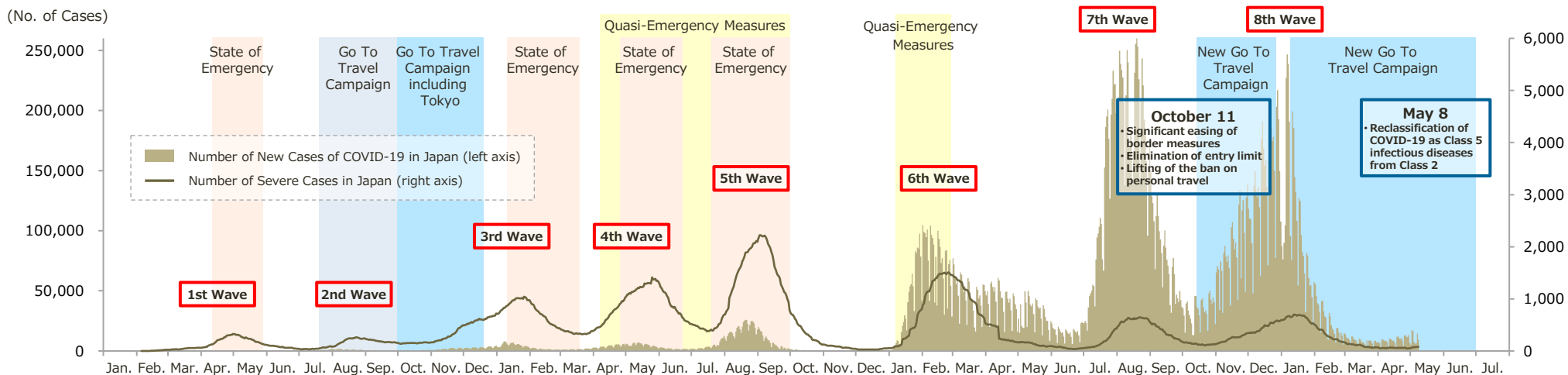
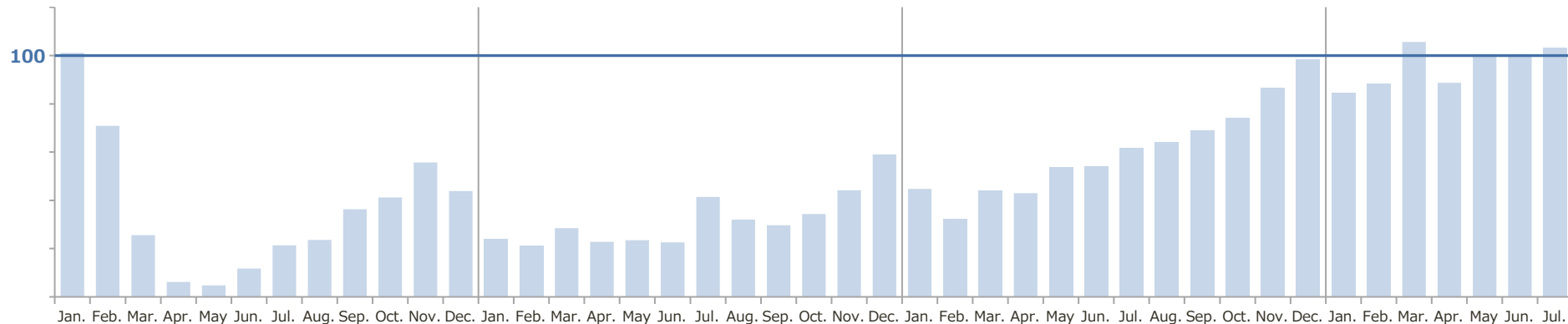
(as of June 30, 2023)



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

Trend of RevPAR Index<sup>(\*1)</sup> of The 25 Hotels with Variable Rent, etc. in Comparison with 2019/Number of New Cases of Infection by COVID-19 in Japan<sup>(\*2)</sup>

2020		2021		2022		2023 <sup>(*3)</sup>	
Full Year: 34.7		Full Year: 32.3		Full Year: 61.1		Full Year: 100.0	
First Half: 33.5	Second Half: 35.8	First Half: 23.8	Second Half: 39.6	First Half: 45.6	Second Half: 74.7	First Half: 95.0	Second Half: 104.3



Source: Ministry of Health, Labour and Welfare

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

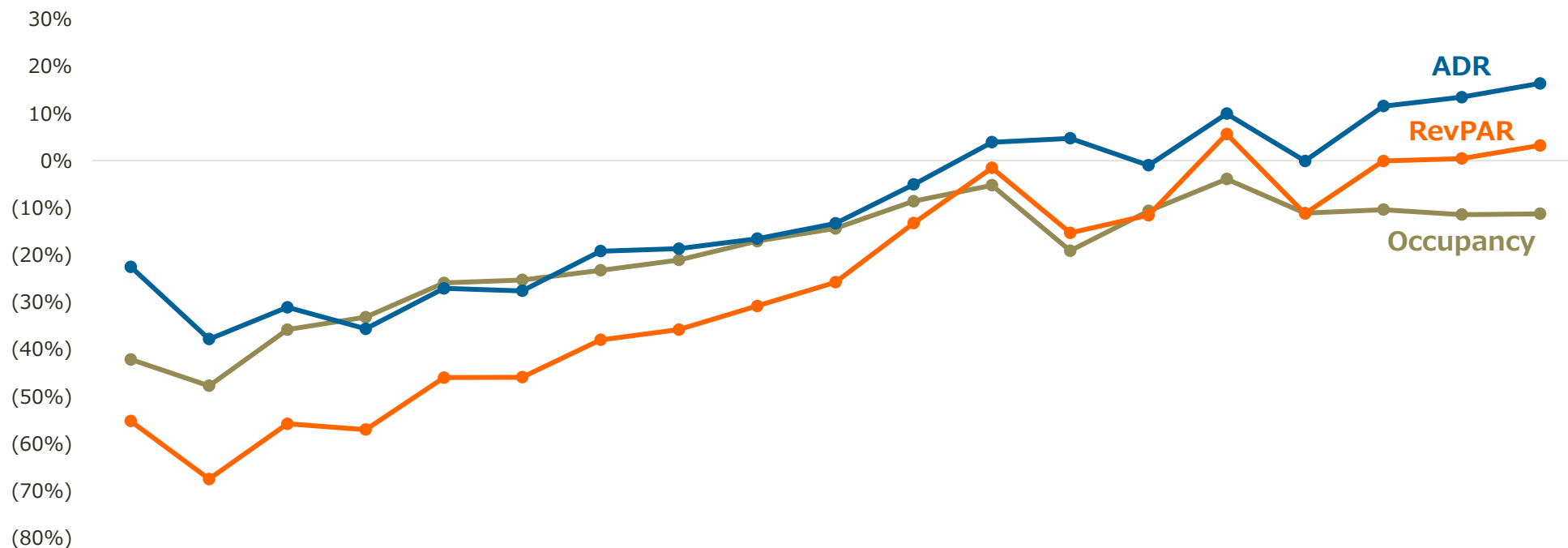
(\*2) The data was last updated on May 8, 2023, when Japan reclassified COVID-19's category to Class 5 infectious disease.

(\*3) Index for second half 2023 and full year 2023 are estimate as of the date of this document.

# 9. Hotel Indexes (January 2022 to July 2023)

◆ Recent RevPAR exceeded the pre-pandemic period in 2019 due to ADR-focused revenue management

### Key Indexes for the 25 Hotels with Variable Rent (vs 2019)



	2022												2023						
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
<b>Occupancy</b>	(42.2%)	(47.8%)	(35.9%)	(33.2%)	(26.0%)	(25.3%)	(23.3%)	(21.1%)	(17.1%)	(14.4%)	(8.6%)	(5.2%)	(19.1%)	(10.7%)	(3.9%)	(11.2%)	(10.4%)	(11.5%)	(11.3%)
<b>ADR</b>	(22.6%)	(37.9%)	(31.1%)	(35.7%)	(27.1%)	(27.6%)	(19.2%)	(18.7%)	(16.6%)	(13.3%)	(5.1%)	+3.9%	+4.7%	(1.0%)	+9.9%	(0.1%)	+11.5%	+13.4%	+16.3%
<b>RevPAR</b>	(55.2%)	(67.5%)	(55.8%)	(57.1%)	(46.0%)	(46.0%)	(38.0%)	(35.9%)	(30.9%)	(25.8%)	(13.3%)	(1.6%)	(15.3%)	(11.6%)	+5.6%	(11.3%)	(0.1%)	+0.4%	+3.2%



# 10. Balance Sheet

(Unit: JPY MM)

(as of)	FY12/2022 End of Fiscal Year December 31, 2022	FY12/2023 End of Midterm June 30, 2023	Variance	(as of)	FY12/2022 End of Fiscal Year December 31, 2022	FY12/2023 End of Midterm June 30, 2023	Variance
<b>ASSETS</b>				<b>LIABILITIES</b>			
<b>Current Assets</b>	<b>34,553</b>	<b>25,805</b>	<b>(8,748)</b>	<b>Current Liabilities</b>	<b>54,165</b>	<b>56,812</b>	<b>2,647</b>
Cash and Deposits <sup>(*1)</sup>	29,515	22,708	(6,806)	Operating Accounts Payable	1,943	312	(1,631)
Operating Accounts Receivables	4,442	2,498	(1,944)	Short-term Loans	35,113	35,070	(43)
Others	595	598	2	Current Portion of Investment Corporation Bond	—	—	—
<b>Noncurrent Assets</b>	<b>362,115</b>	<b>370,352</b>	<b>8,237</b>	Current Portion of Long-term Loans Payable	15,432	19,681	4,249
Net Property and Equipment	325,988	335,373	9,384	Accounts Payable	970	950	(19)
Buildings in Trust <sup>(*2)</sup>	111,217	112,203	986	Advances Received	664	719	54
Land in Trust	212,263	220,946	8,682	Others	42	79	37
Others <sup>(*3)</sup>	2,508	2,223	(284)	<b>Long-term Liabilities</b>	<b>119,059</b>	<b>114,710</b>	<b>(4,348)</b>
Intangible Assets	32,494	32,355	(138)	Investment Corporation Bonds	36,900	36,900	—
Other Assets	3,632	2,623	(1,008)	Long-term Loans Payable	76,786	72,580	(4,206)
Leasehold and Security Deposits	152	152	—	Tenant Leasehold and Security Deposits	4,660	4,802	142
Others	3,480	2,471	(1,008)	Derivative Liabilities	—	16	16
<b>Deferred Assets</b>	<b>130</b>	<b>113</b>	<b>(17)</b>	Others	713	412	(301)
				<b>TOTAL LIABILITIES</b>	<b>173,225</b>	<b>171,523</b>	<b>(1,701)</b>
				<b>NET ASSETS</b>			
				Unitholders' Capital	187,194	187,194	—
				Capital Surplus	21,746	21,746	—
				Reserve for Temporary Difference Adjustment	9,976	9,600	(376)
				Reserve for Special Advanced Depreciation	1,174	1,174	—
				Unappropriated Retained Earnings	2,672	4,899	2,226
				Others	809	133	(676)
				<b>TOTAL NET ASSETS</b>	<b>223,574</b>	<b>224,748</b>	<b>1,173</b>
<b>TOTAL ASSETS</b>	<b>396,799</b>	<b>396,271</b>	<b>(528)</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>396,799</b>	<b>396,271</b>	<b>(528)</b>

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

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

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



## **Appendix 3**

### **Investors Composition and Investment Unit Price**

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# 1. Major Unitholders and Classifications of Unitholders

## Top 10 Major Unitholders

As of the end of December 2022

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

As of the end of June 2023

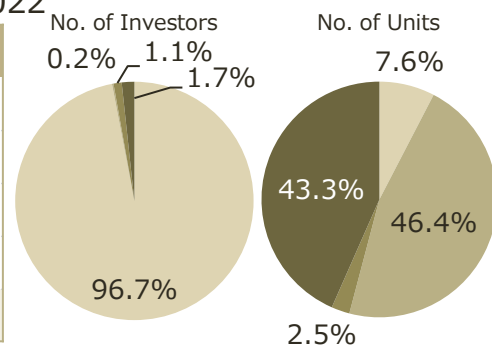
Rank	Name	No. of Units	%(*)
1	Custody Bank of Japan, Ltd. (Trust)	836,943	18.73
2	The Master Trust Bank of Japan, Ltd. (Trust)	834,232	18.67
3	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	228,824	5.12
4	SSBTC CLIENT OMNIBUS ACCOUNT	97,541	2.18
5	BNYM AS AGT/CLTS 10 PERCENT	88,582	1.98
6	STATE STREET BANK CLIENT - TREATY 505234	74,597	1.66
7	STATE STREET BANK AND TRUST COMPANY 505103	63,887	1.43
8	JP MORGAN CHASE BANK 385781	60,138	1.34
9	GOLDMAN SACHS INTERNATIONAL	60,100	1.34
10	JP MORGAN CHASE BANK 385632	59,046	1.32
<b>Total</b>		<b>2,403,890</b>	<b>53.81</b>

(\*) Ownership ratio shows the total units held by each investor to the total units issued by JHR as of the end of December 2022 and the end of June 2023, respectively (rounded down to two decimal places).

## Classifications of Unitholders

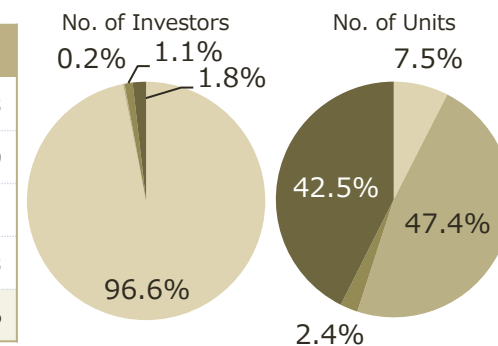
As of the end of December 2022

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



As of the end of June 2023

Owners	No. of Investors	No. of Units
Individuals & Others	26,137	335,383
Financial Institutions (Incl. Securities Firms)	77	2,121,319
Other Domestic Firms	316	107,541
Foreign Firms & Individuals	502	1,902,763
<b>Total</b>	<b>27,032</b>	<b>4,467,006</b>



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

# 2. Changes in Investment Unit Price and Market Capitalization

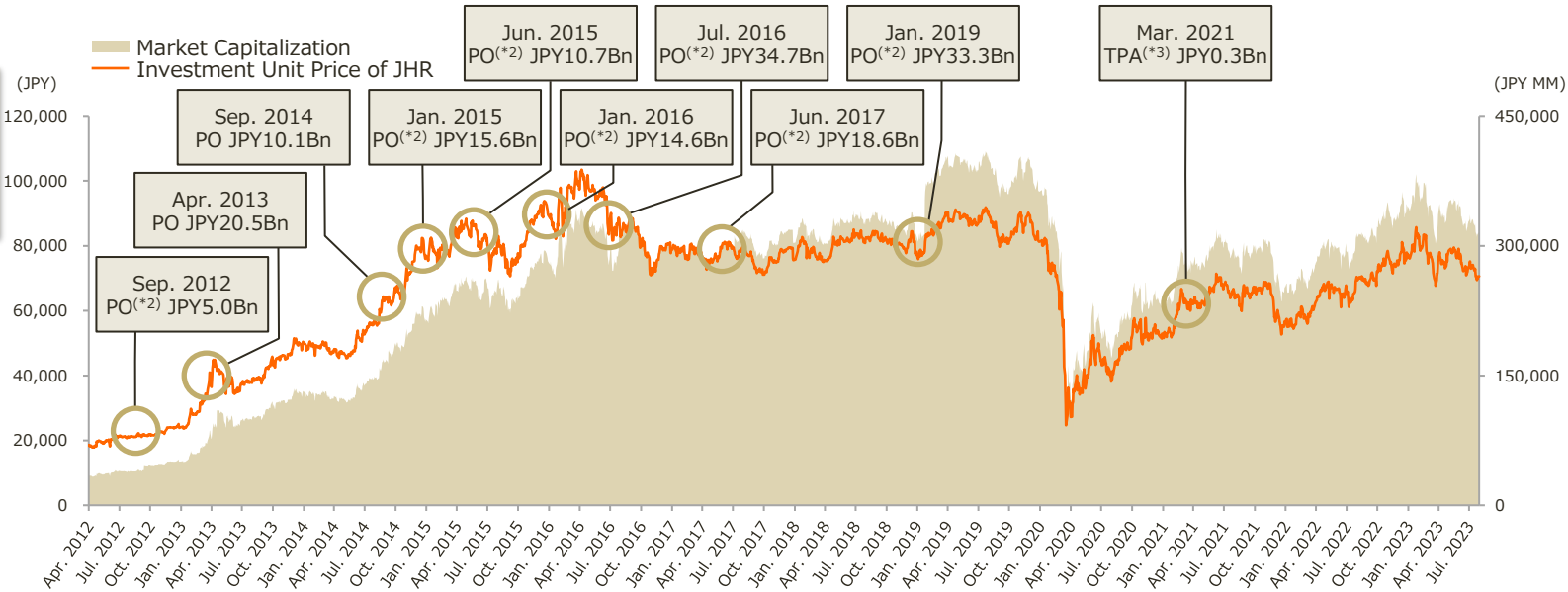
## Changes in the investment unit price and market capitalization (Based on the closing price)

**Price of the investment unit: JPY70,600**  
**Total market capitalization: JPY315.3Bn**  
 (based on the closing price of July 31, 2023)

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

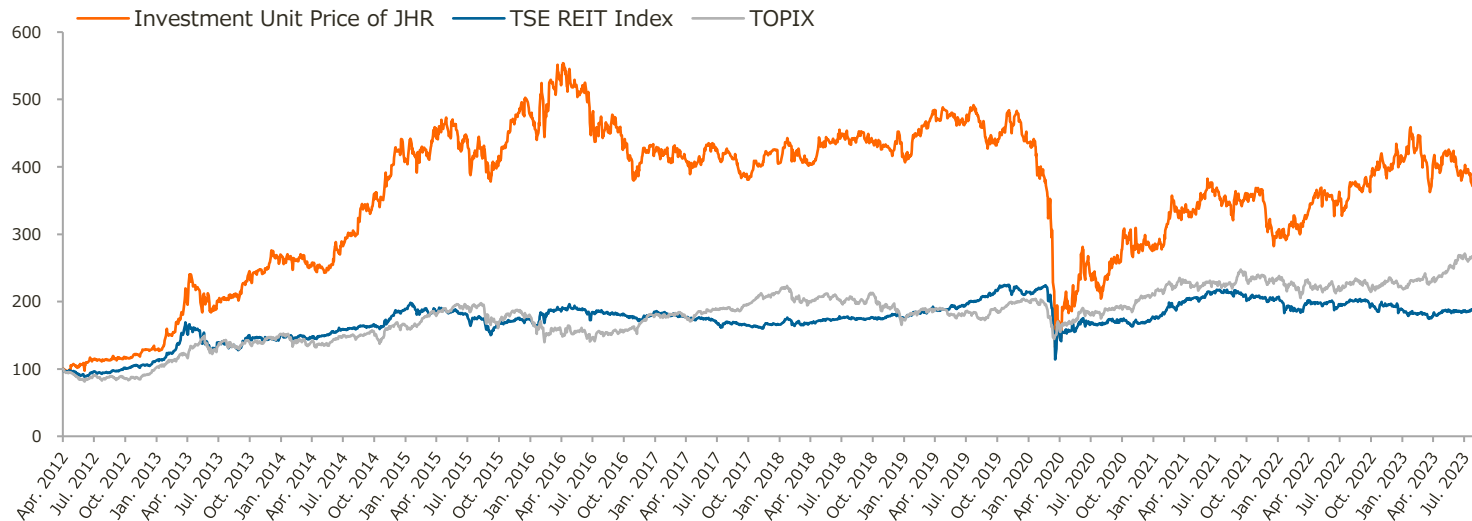
(\*2) Including OA

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



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

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



## **Appendix 4**

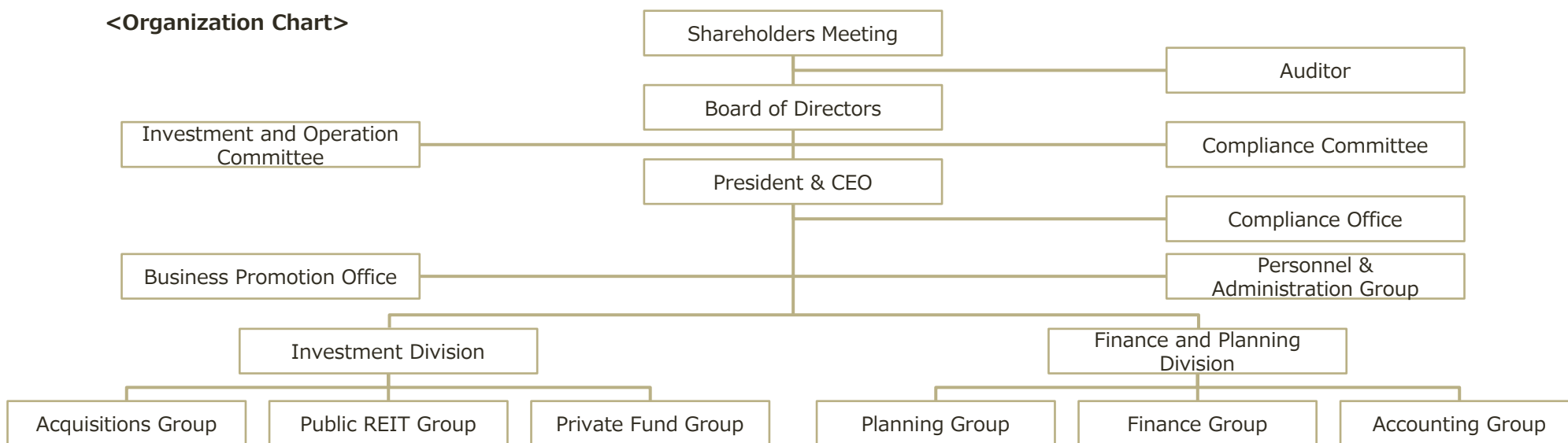
# **Summary of the Asset Management Company**

# 1. Summary of the Asset Management Company

(as of June 30, 2023)

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

## <Organization Chart>



### Mission Statement

## Connecting hotels, people, and the future

We explore the possibility of hotels.

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

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

We connect hotels, people, and a bright future.

#### Ideas behind the new mission statement

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

### Code of Conduct

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

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

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

#### Challenge

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



#### Teamwork

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

### Advanced Expertise

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

### Ensured Independence

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



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

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