



Japan Hotel REIT Investment Corporation (TSE: 8985)

**Supplementary Material  
for Press Releases dated September 11, 2023  
(10th Public Offering and New Acquisition)**

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

September 2023

These supplementary materials are a supplement to the "Notice Concerning Issuance of New Investment Units", "Notice Concerning Acquisition and Lease of New Assets (La'gent Stay Sapporo Odori, Oriental Hotel Kyoto Rokujo and Hotel Oriental Express Fukuoka Nakasukawabata)" and "Notice Concerning Revision of Operating Forecast for the Fiscal Year Ending December 2023 (24th Period)" dated September 11, 2023, and other related materials. Please refer to the respective notices for details.

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# Overview of Acquisitions and Changes in DPU

## Overview of Anticipated Acquisitions

<b>No. of Properties</b>	3 properties
<b>Property Name</b>	<ul style="list-style-type: none"> <li>• La'gent Stay Sapporo Odori</li> <li>• Oriental Hotel Kyoto Rokujo</li> <li>• Hotel Oriental Express Fukuoka Nakasukawabata</li> </ul>
<b>Total Anticipated Acquisition Price<sup>(*1)</sup></b>	JPY18,926MM
<b>Anticipated Acquisition Date</b>	September 27, 2023

## S&U (Planned)<sup>(\*2)</sup>

(JPY MM)

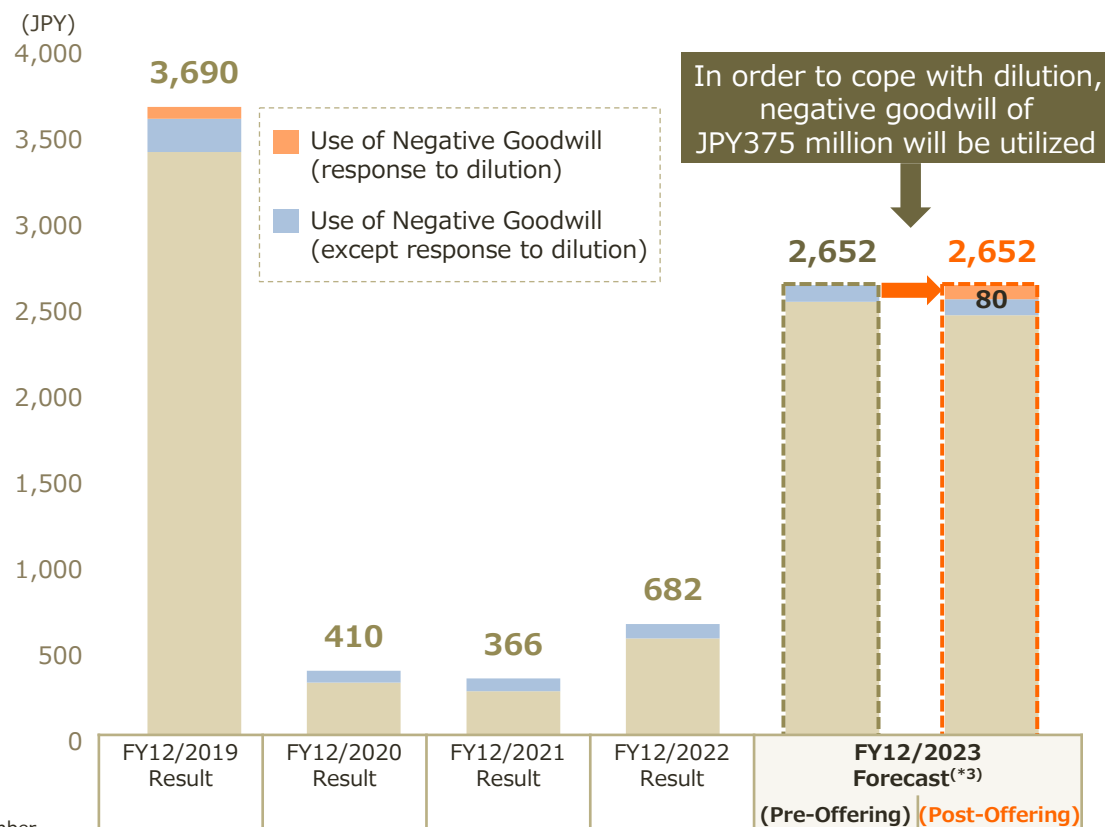
Uses		Sources	
Total Anticipated Acquisition Price	: 18,926	Public Offering	: 12,196
Surplus	: 270	Borrowings	: 7,000
<b>Total</b>	<b>: 19,196</b>	<b>Total</b>	<b>: 19,196</b>

(\*2) Figures for financing amount are as of September 11, 2023, and may differ from actual number

(\*3) With respect to the forecast for FY12/2023, the pre-offering figures are the estimated values calculated on August 24, 2023 based on assumptions for the figures listed in "Midterm Financial Report for the Fiscal Year Ending December 31, 2023(January 1, 2023 - June 30, 2023)" dated August 24, 2023, and the post-offering figures are the estimated values calculated on September 11, 2023 based on assumptions for the figures listed in "Notice Concerning Revision of Operating Forecast for the Fiscal Year Ending December 2023 (24th Period)" dated September 11, 2023. Forecast for pre-offering figures shows estimated figures which were already revised by forecast for post-offering figures and forecast for post-offering figures are estimates based on certain assumptions. Furthermore, actual results may differ significantly from figures in forecast for post-offering, and forecasts for post-offering does not guarantee such amounts of dividend

## DPU Changes (Actual and Forecast)<sup>(\*3)</sup>

- Maintain revised DPU forecast of JPY2,652 announced at disclosure of settlement of account for midterm of FY12/2023 by utilizing negative goodwill to cope with dilution due to the offering
- Plan to fix amount for reversal of negative goodwill at JPY375 million to cover the dilution caused by the offering (DPU may change by actual results for FY12/2023)



**I**

**Resume growth cycle  
by acquiring properties with proceeds from public offering**

**II**

**Acquire three hotels with upside potential in ADR,  
superior for capturing leisure demand**

**III**

**Enhance portfolio quality and demonstrate distinguished hotel  
management capabilities through active asset management<sup>(\*)</sup>**

**IV**

**Continue sound financial management and  
initiatives for sustainability improvement**

**I . Resume growth cycle**

**by acquiring properties with proceeds from public offering**

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# Resume Growth Cycle

- ◆ In order to capture the upside from the market recovery promptly, JHR will newly acquire three hotels through its first public offering after the COVID-19 pandemic
- ◆ JHR will resume the growth cycle, aim to expand its asset size and provide investment opportunities in a hotel with high growth potential

Growth Phase along with Market Expansion

During the COVID-19 Pandemic

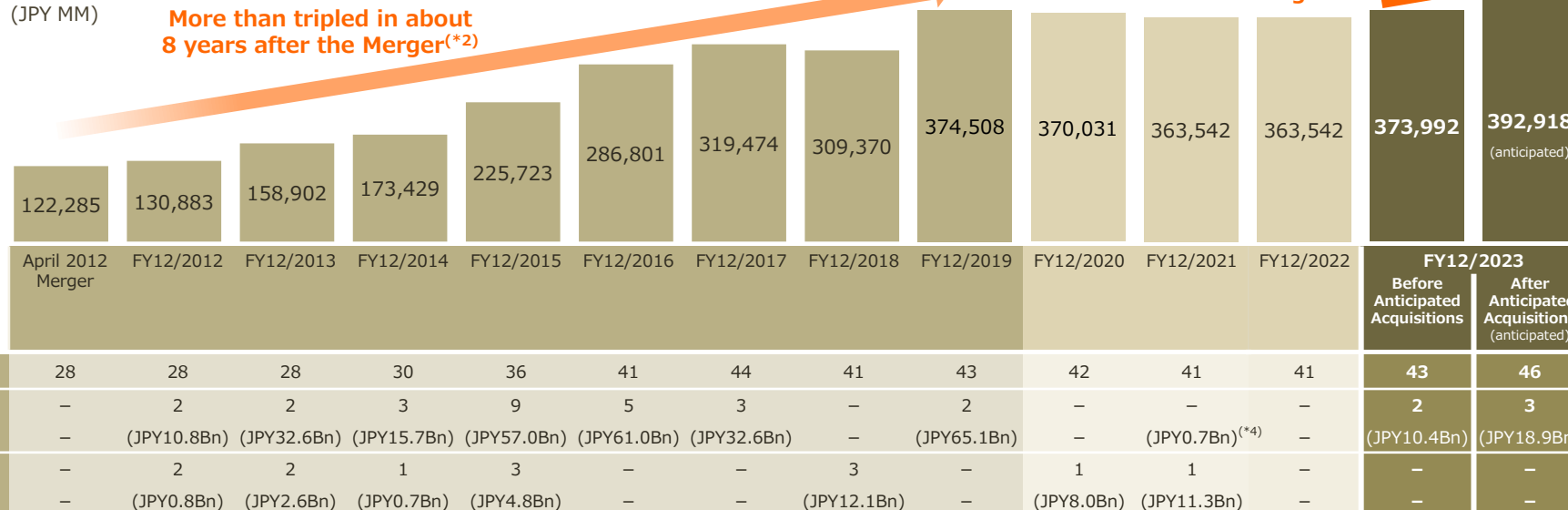
Resume Growth Cycle

<Growth in Asset Size<sup>(\*1)</sup> (based on (Anticipated) Acquisition Price)>

(JPY MM)

More than tripled in about 8 years after the Merger<sup>(\*2)</sup>

Reaccelerating external growth



Aim for Further Growth Cycle

	April 2012 Merger	FY12/2012	FY12/2013	FY12/2014	FY12/2015	FY12/2016	FY12/2017	FY12/2018	FY12/2019	FY12/2020	FY12/2021	FY12/2022	FY12/2023	
No. of Properties	28	28	28	30	36	41	44	41	43	42	41	41	43	46
No. of Acquisitions <sup>(*3)</sup>	-	2	2	3	9	5	3	-	2	-	-	-	2	3
	-	(JPY10.8Bn)	(JPY32.6Bn)	(JPY15.7Bn)	(JPY57.0Bn)	(JPY61.0Bn)	(JPY32.6Bn)	-	(JPY65.1Bn)	-	(JPY0.7Bn) <sup>(*4)</sup>	-	(JPY10.4Bn)	(JPY18.9Bn)
No. of Dispositions <sup>(*3)</sup>	-	2	2	1	3	-	-	3	-	1	1	-	-	-
	-	(JPY0.8Bn)	(JPY2.6Bn)	(JPY0.7Bn)	(JPY4.8Bn)	-	-	(JPY12.1Bn)	-	(JPY8.0Bn)	(JPY11.3Bn)	-	-	-

## Growth Phase along with the Market Expansion (until 2019)

- Since 2012, the number of inbound visitors to Japan increased dramatically, especially from Asian countries
  - The hotel market significantly grew owing to the increasing inbound tourism demand
- ➔ Through a total of 9 public offerings, JHR had expanded its asset size to over JPY370 billion, more than 3 times the size at the time of the Merger

## During the COVID-19 Pandemic (2020 to 2022)

- Domestic tourism demand decreased significantly due to the outbreak of COVID-19
  - Inbound tourism demand plummeted due to Japan's entry restrictions, etc.
- ➔ JHR made **cost reductions** through restructuring<sup>(\*5)</sup> by operators
- Lay the foundation for growth after COVID-19 pandemic by implementing measures including **rebranding, renovation and sales growth with focus on market recovery**

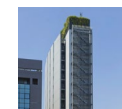
## Resume Growth Cycle (2023 onwards)

- Number of Japanese overnight guests and travel spending recovered to pre-COVID-19 pandemic levels
- Inbound tourism demand is under trend of gradual recovery owing to the easing of entry restrictions

➔ JHR made acquisitions of two hotels in January and March 2023 financed by cash on hand, through negotiated transactions



UAN kanazawa



Sotetsu Fresa Inn Shimbashi-Karasumoriguchi

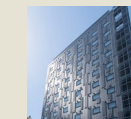
➔ Looking ahead to the hotel market growth, JHR plans to acquire additional properties through the public offering, aiming for a continuous growth driven by high ADR exceeding 2019 levels



La'gent Stay Sapporo Odori



Oriental Hotel Kyoto Rokujo



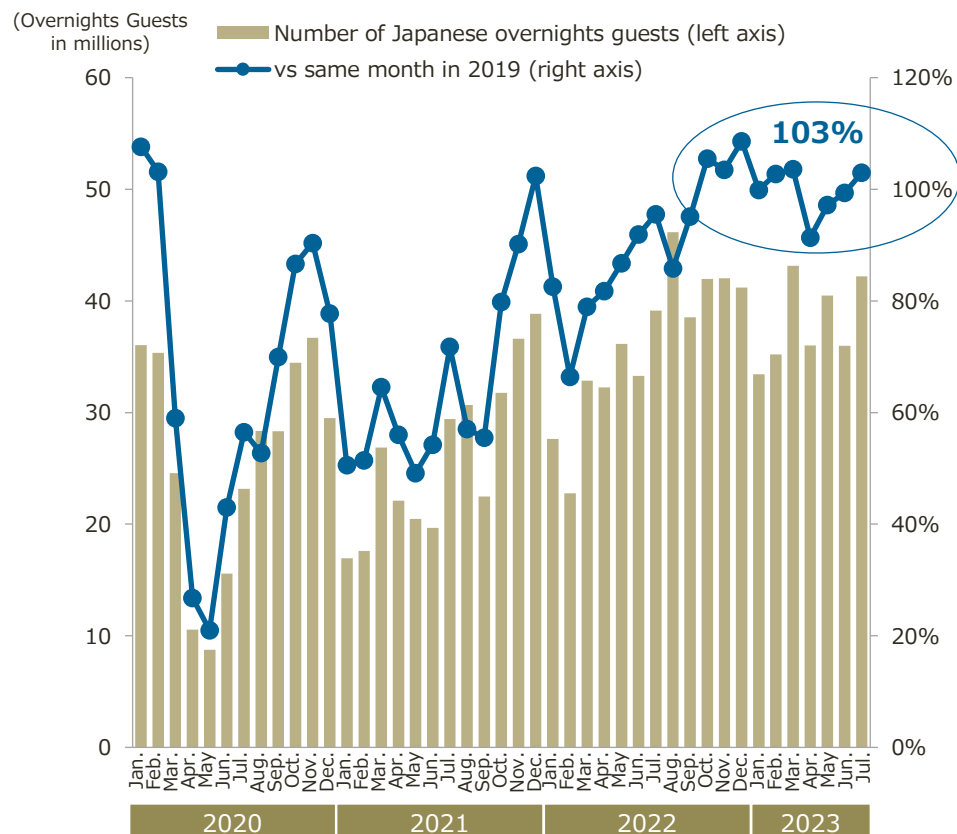
Hotel Oriental Express Fukuoka Nakasukawabata

# Recovery in the Hotel Market (1) – Domestic Travel Demand–

- ◆ The number of Japanese overnight guests at domestic accommodation facilities and Japanese domestic travel spending have recovered to pre-COVID-19 pandemic levels in 2019
- ◆ Domestic tourism demand is expected to steadily increase as Japanese consumers reevaluate domestic travel in the wake of the COVID-19 pandemic and have been returning to domestic travel

## Trend of Number of Japanese Overnight Guests in Domestic Accommodation Facilities

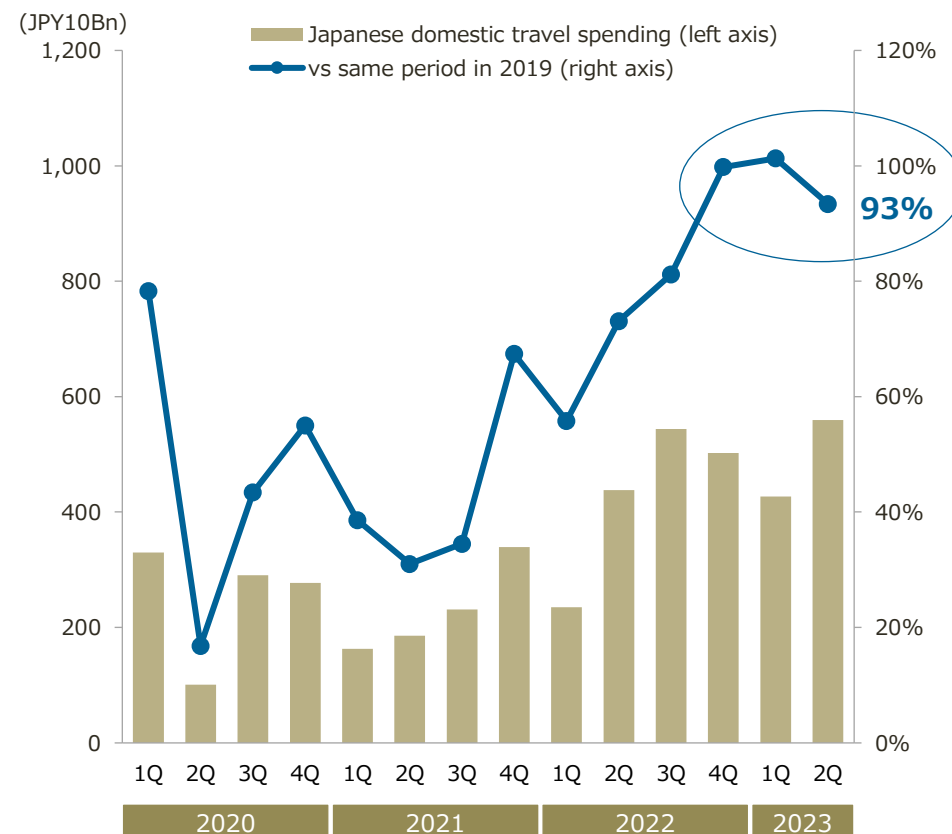
Number of Japanese Overnight Guests by Month vs. Same Month in 2019(\*)



Source: Prepared by JHRA based on the data from Japan Tourism Agency, "Statistics of Overnight Travel"

## Trend of Japanese Domestic Travel Spending

Japanese Domestic Travel Spending by Quarter vs. Same Period in 2019(\*)



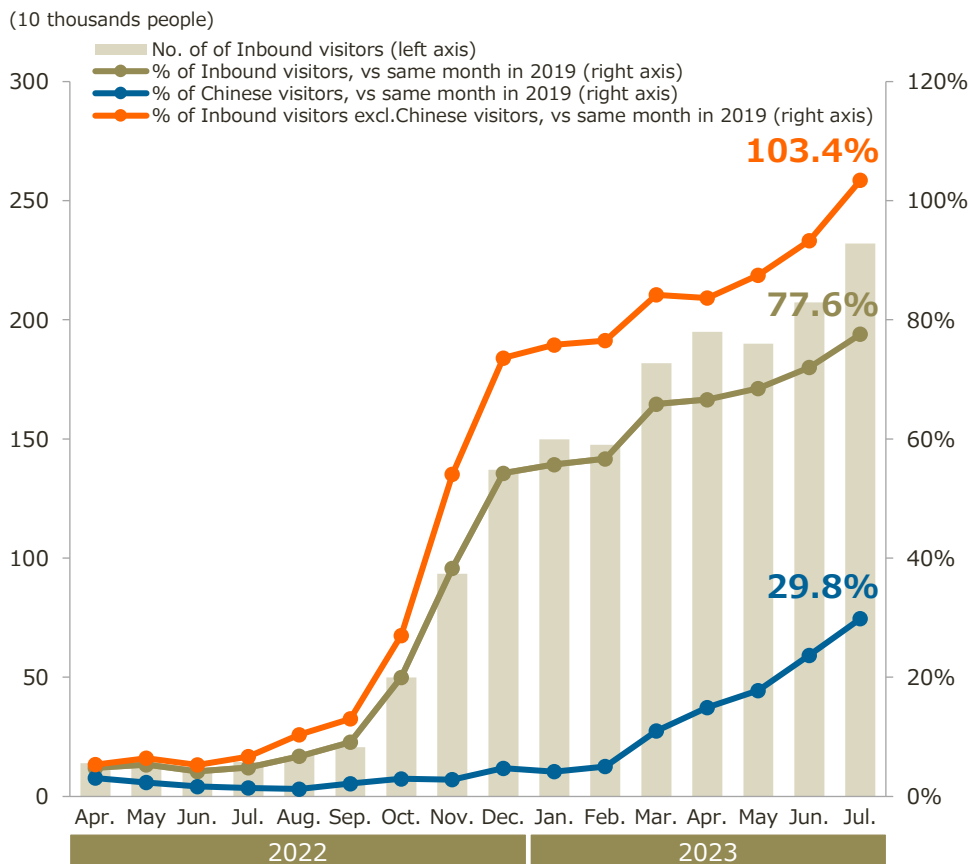
Source: Prepared by JHRA based on the data from Japan Tourism Agency, "Survey of Travel and Tourism Consumption Trend"

# Recovery in the Hotel Market (2) –Inbound Travel Demand–

- ◆ As of July 2023, the number of inbound visitors to Japan has recovered to 77.6% of the same month in 2019, pre-COVID-19 pandemic. In particular, there is room for further rebound in the number of Chinese tourists to Japan
- ◆ Inbound visitors' travel spending per capita in April to June 2023 is significantly increased by 32% over the same period in 2019

## Trend of Number of Inbound Visitors to Japan

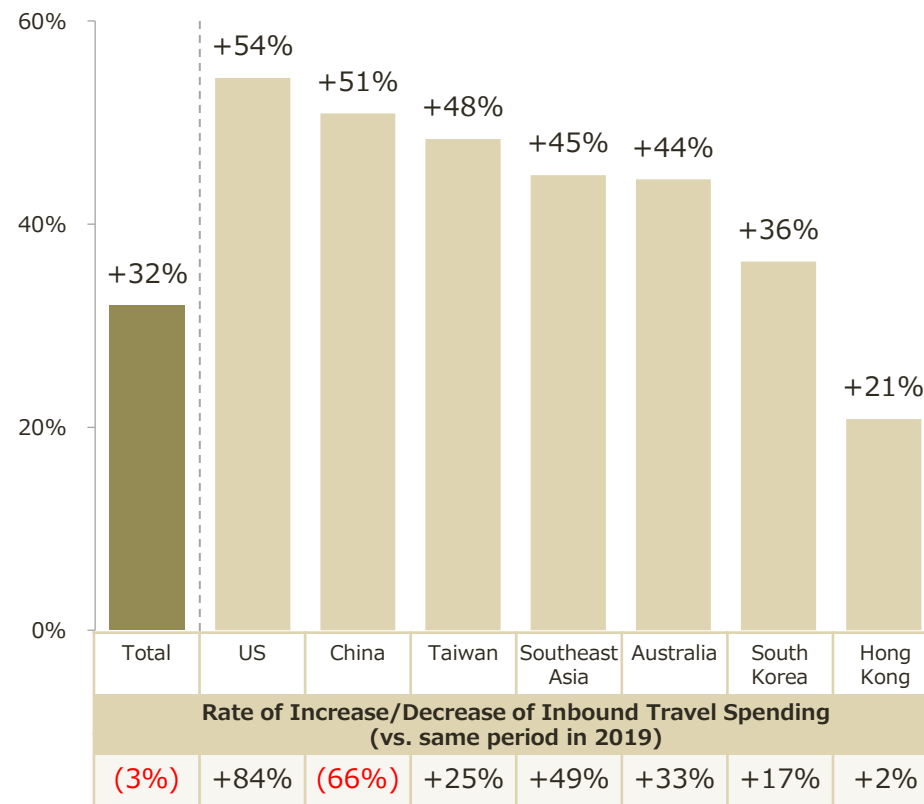
Number of Inbound Visitors to Japan by Month and vs. Same Month in 2019



Source: Prepared by JHRA based on the data from Japan National Tourism Organization (JNTO), "Trends of the number of international visitors to Japan"

## Rate of Increase/Decrease in Inbound Visitors' Travel Spending per Capita and Inbound Travel Spending (vs. Same Period in 2019)

Rate of Increase/Decrease in Inbound Visitors' Travel Spending per Capita by Country vs. Same Period in 2019 (Cumulative Total for Apr.-Jun. 2023)



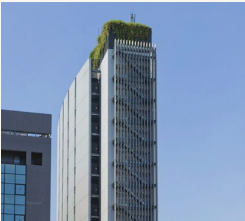


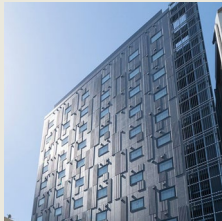
Source: Prepared by JHRA based on the data from Japan Tourism Agency, "Consumption Trends of International Visitors to Japan Survey." Note that only a nationwide survey (9 airports) is being conducted in 2023, and no regional or cruise surveys were conducted



**II . Acquire three hotels with upside potential in ADR,  
superior for capturing leisure demand**

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# Overview of Acquisitions in 2023 and Anticipated Acquisitions

	Acquisitions in 2023		Anticipated Acquisitions		
Property Name	UAN kanazawa	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	La'gent Stay Sapporo Odori	Oriental Hotel Kyoto Rokujo	Hotel Oriental Express Fukuoka Nakasukawabata
Exterior Appearance					
(Anticipated) Acquisition Date	January 31, 2023	March 24, 2023	September 27, 2023		
(Anticipated) Acquisition Price	JPY2,050MM	JPY8,400MM	JPY10,020MM	JPY4,446MM	JPY4,460MM
Appraisal Value	JPY2,140MM	JPY10,100MM	JPY10,800MM	JPY5,920MM	JPY6,070MM
Location	Kanazawa City, Ishikawa	Minato-ku, Tokyo	Sapporo City, Hokkaido	Kyoto City, Kyoto	Fukuoka City, Fukuoka
Hotel Type <sup>(*1)</sup>	Limited-service	Limited-service	Limited-service	Limited-service	Limited-service
Grade <sup>(*1)</sup>	Upper-middle	Mid-price	Mid-price	Mid-price	Mid-price
No. of Guest Rooms	47 rooms	220 rooms	219 rooms	166 rooms	183 rooms
Rent Structure	Fixed rent + Revenue sharing	Fixed rent + Revenue sharing	Variable rent	Fixed rent + Variable rent	Fixed rent + Variable rent
Hotel Lessee	Solare Hotels and Resorts Co., Ltd.	Sotetsu Hotel Development Co., Ltd.	AB Accommo. Co. Ltd.	Kyoto Horikawa Operations Co., Ltd. (wholly owned by HMJ)	Fukuoka Tenyamachi Operations Co., Ltd. (wholly owned by HMJ)
NOI Yield <sup>(*2)</sup>	5.1%	5.1%	5.2%	6.3%	6.3%
NOI Yield after Depreciation <sup>(*2)</sup>	4.0%	4.8%	4.4%	5.4%	5.6%

## ◆ Summary of Anticipated Acquisitions

Total Anticipated Acquisition Price<sup>(\*3)</sup>

**JPY18.9Bn**

Total Appraisal Value<sup>(\*4)</sup>

**JPY22.7Bn**

Difference between Appraisal value and Book value<sup>(\*5)</sup>

**JPY3.8Bn**

Average Age<sup>(\*6)</sup>

**5.4 years**

Average NOI Yield<sup>(\*7)</sup>

**5.7%**

Average NOI Yield after Depreciation<sup>(\*7)</sup>

**4.9%**

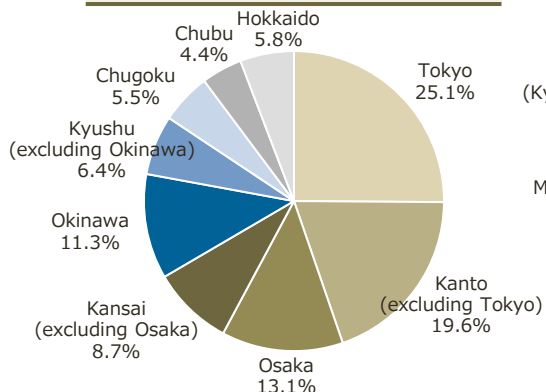
# Changes in Portfolio

- ◆ JHR has already acquired two properties in 2023 and aims to move into the next growth phase with the Anticipated Acquisitions of three properties through the public offering
- ◆ The asset size is anticipated to expand to over JPY390 billion by Anticipated Acquisitions

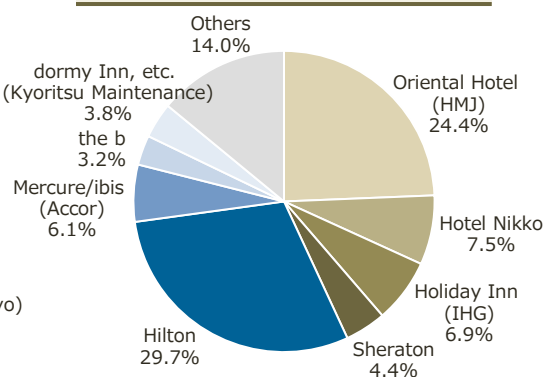
	End of FY12/2019	End of FY12/2022	Acquisitions in 2023	Anticipated Acquisitions	After Anticipated Acquisitions
No. of Properties	43 properties	41 properties	2 properties	3 properties	46 properties
Total (Anticipated) Acquisition Price	JPY374.5Bn	JPY363.5Bn	JPY10.4Bn	JPY18.9Bn	JPY392.9Bn
Total Appraisal Value <sup>(*1)</sup>	JPY525.9Bn	JPY483.1Bn	JPY12.2Bn	JPY22.7Bn	JPY518.0Bn
Difference between Appraisal value and Book value <sup>(*2)</sup>	JPY151.5Bn	JPY125.0Bn	JPY1.6Bn	JPY3.8Bn	JPY131.8Bn
NOI Yield <sup>(*3)</sup>	6.4%	3.0%	5.1%	5.7%	5.3%
NOI Yield after Depreciation <sup>(*3)</sup>	5.1%	1.7%	4.7%	4.9%	4.0%
LTV (Total Asset Base) <sup>(*4)</sup>	40.6%	41.4%			41.2%
NAV per Unit <sup>(*5)</sup>	JPY83,286	JPY77,360			JPY78,293

## Portfolio after Anticipated Acquisitions<sup>(\*6)</sup>

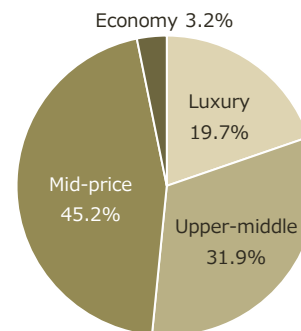
### By Area



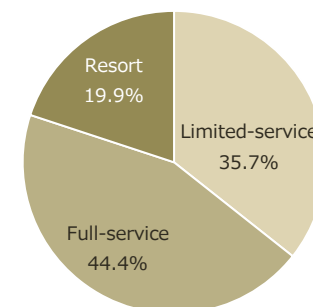
### By Hotel Brand



### By Hotel Grade



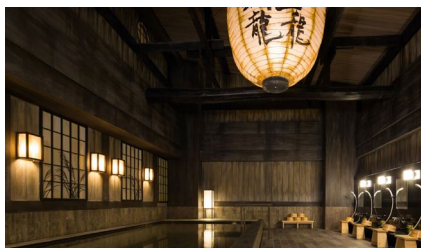
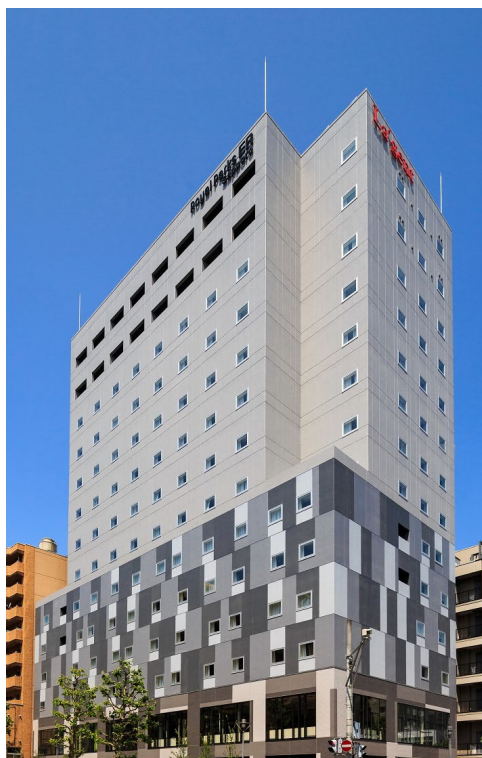
### By Hotel Type



<sup>(\*3)</sup> NOI yield and NOI yield after depreciation are based on the actual NOI for the respective calculation periods for the end of FY12/2019 and end of FY12/2022, based on the appraisal NOI as of June 30, 2023 and August 31, 2023 for the Acquisitions in 2023 and Anticipated Acquisitions, and based on the NOI forecast prepared by JHRA under the assumptions of the forecast of revenue for FY12/2023 for the After Anticipated Acquisitions. Please refer to the notes below for details of each calculation formula. The figures of "After Anticipated Acquisitions" are estimates as of September 11, 2023, and may differ significantly from the actual results. Please refer to assumptions for the figures listed in "Notice Concerning Revision of Operating Forecast for the Fiscal Year Ending December 2023 (24th Period)" dated September 11, 2023 for details of assumptions of the forecast of revenue for FY12/2023

## Significance/Highlights of the Acquisition

- Located in the center of Sapporo where attracting strong leisure demand for accommodation, the hotel is within walking distance of major tourist attractions
- With large bathhouses of natural hot springs, JHR believes that it differentiates from other Limited-service hotels in the surrounding areas
- Several types of rooms, including Japanese-style rooms and condominium-style rooms equipped with kitchens, to meet various needs. In particular, almost all guest rooms can accommodate two or more people, making it an excellent guest room configuration for capturing leisure demand, especially inbound demand
- With the rent structure of full variable rent, the hotel is expected to enjoy potential upside in the future



NOI yield<sup>(\*1)</sup>

5.2 %

NOI yield after depreciation<sup>(\*1)</sup>

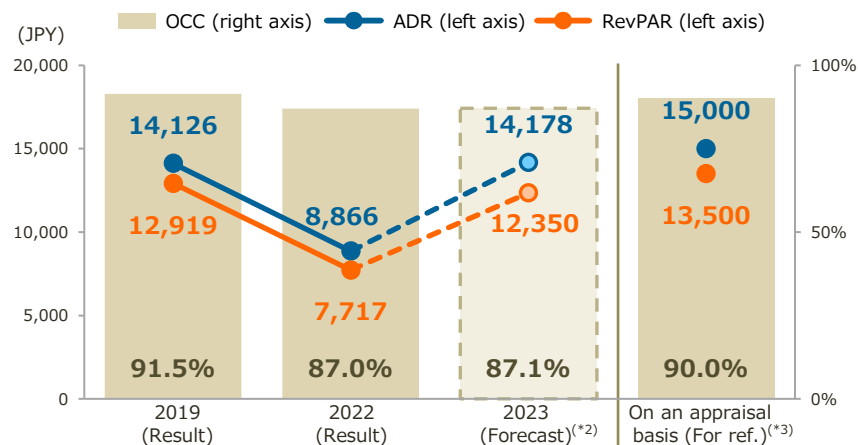
4.4 %

## Property Overview

Anticipated Acquisition Price	JPY10,020MM
Appraisal Value	JPY10,800MM
Hotel Type	Limited-service
Grade	Mid-price
Location	5-26-5, Minami 2-jo nishi, Chuo-ku Sapporo City, Hokkaido
Acreage of Land	1,277.68 m <sup>2</sup>
Total Floor Space	9,742.83 m <sup>2</sup>
Structure and Stories	RC; 14 stories above ground
Completion	June 2016
No. of Guest Rooms	219 rooms
Rent Type	Variable rent
Hotel Lessee	AB Accommo. Co. Ltd.



## Changes in Key Performance Index (KPI) (Result and Forecast)

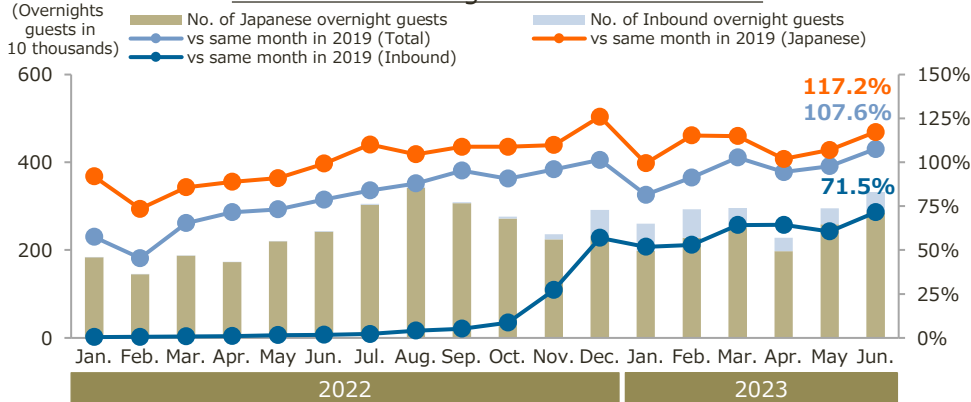


<sup>(\*2)</sup> KPI of "2023 (Forecast)" are estimates as of September 11, 2023, calculated based on assumptions for the figures listed in "Notice Concerning Revision of Operating Forecast for the Fiscal Year Ending December 2023 (24th Period)" dated September 11, 2023, and may differ significantly from the actual results

## The Recovering Market Mainly Driven by Japanese Tourists

- Expect further recovery due to increase of air traffic at New Chitose Airport and other factors

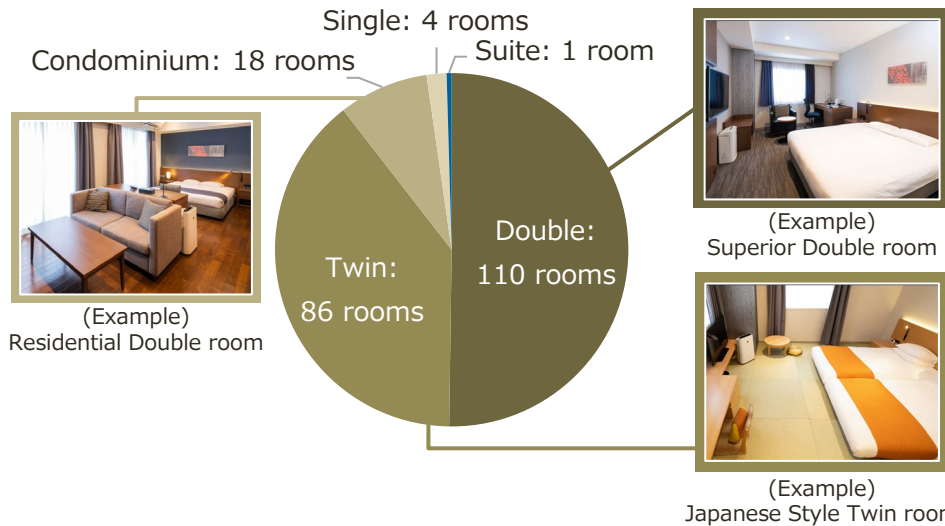
Number of Overnight Guests in Hokkaido(\*)



Source: Prepared by JHRA based on the data from Japan Tourism Agency, "Overnight Travel Statistics Survey"

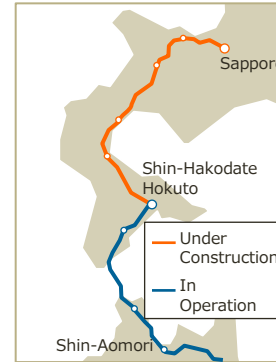
## Room Composition Suitable for Capturing Leisure Accommodation Demand

- Almost all rooms can accommodate two or more guests



## Improving Accessibility by Development of Transportation Network

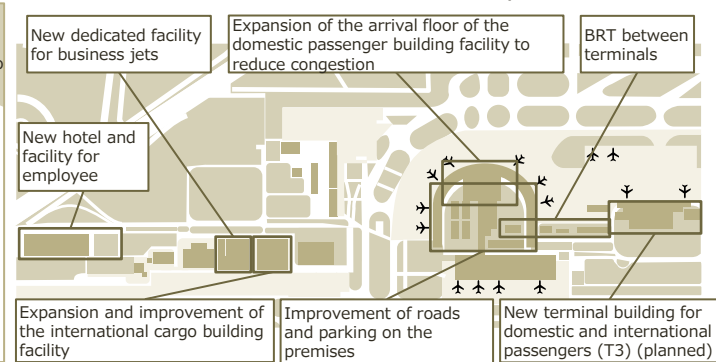
### Extension of the Hokkaido Shinkansen Line



- Direct service between Tokyo and Sapporo planned by the end of FY2030

Source: Prepared by JHRA based on the data from Japan Railway Construction, Transport and Technology Agency, "Hokkaido Shinkansen" and Hokkaido Airport Corporation, "Master Plan"

### Function Improvement Plan Related to New Chitose Airport

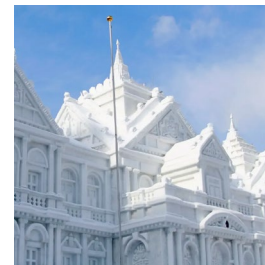


- Approximately JPY295 billion will be invested for 30 years from 2017 to 2047. Expansion of the capacity of the airport and further improvement of accessibility between New Chitose Airport and Sapporo is expected

## Resumption of Various Events

### Sapporo Snow Festival

In February 2023, held in person for the first time in about 3 years



SAPPORO SNOW FESTIVAL 2023



### Sapporo Lilac Festival

May 2022  
Held in person for the first time in about 3 years

### YOSAKOI Soran Festival

June 2022  
Held for the first time in about 3 years

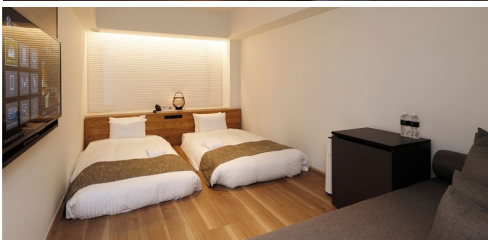
### Sapporo Summer Festival

July-August 2022  
Held at the venue for the first time in about 3 years

Source: Prepared by JHRA based on the data from Sapporo City, "Sightseeing in Sapporo"

## Significance/Highlights of the Acquisition

- Located in Kyoto, one of the most popular tourist cities in Japan and has high popularity and strong demand not only in Japan but also from abroad. The area offers easy access to historical tourist attractions
- A relatively newly built limited-service hotel that opened in November 2019. All of guest rooms can accommodate two or more people, and more than half of the rooms can accommodate three people, adequate composition to capture leisure lodging demand
- Attractive space design based on the concept of Japanese culture, utilizing the atmosphere of the ancient capital of Kyoto
- Thorough the rent structure which combines fixed and variable rents and the operation by HMJ, ensure stability and also provide upside potential



NOI yield<sup>(\*1)</sup>

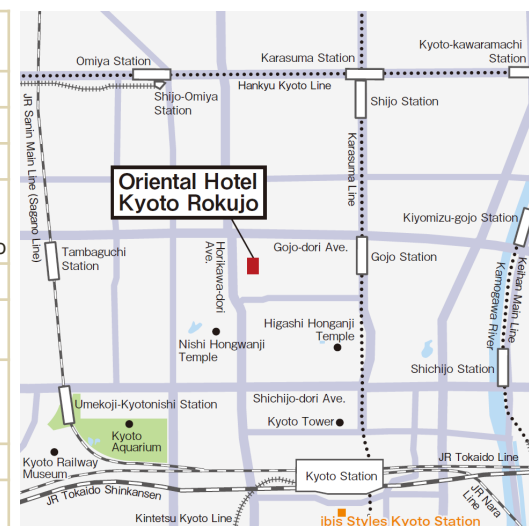
6.3 %

NOI yield after depreciation<sup>(\*1)</sup>

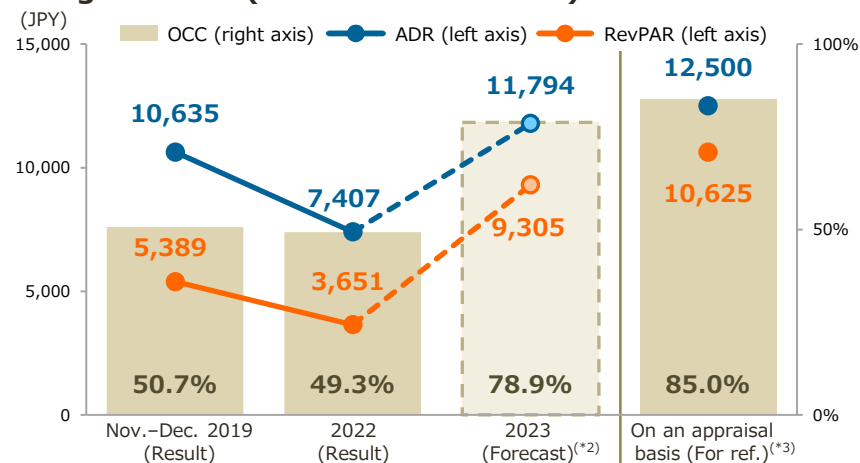
5.4 %

## Property Overview

Anticipated Acquisition Price	JPY4,446MM
Appraisal Value	JPY5,920MM
Hotel Type	Limited-service
Grade	Mid-price
Location	181 Bokumikanabutsucho, Aburanokojidori-rokujo-agaru, Shimogyo-ku, Kyoto City, Kyoto
Acreage of Land	1,741.01 m <sup>2</sup>
Total Floor Space	5,464.79 m <sup>2</sup>
Structure and Stories	SRC; 5 stories above ground with 1 story below ground
Completion	September 2019
No. of Guest Rooms	166 rooms
Rent Type	Fixed rent + Variable rent
Hotel Lessee	Kyoto Horikawa Operations Co., Ltd. (Wholly owned by HMJ)



## Changes in KPI (Result and Forecast)

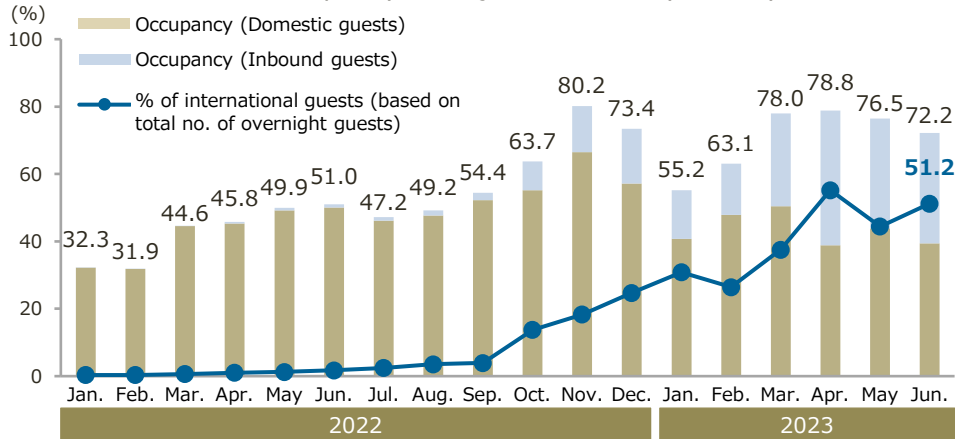


<sup>(\*2)</sup> KPI of "2023 (Forecast)" are estimates as of September 11, 2023, calculated based on assumptions for the figures listed in "Notice Concerning Revision of Operating Forecast for the Fiscal Year Ending December 2023 (24th Period)" dated September 11, 2023, and may differ significantly from the actual results

## Market Attracting Domestic/Inbound Leisure Accommodation Demand

- Occupancy recovered to the level above 70% due to inbound demand

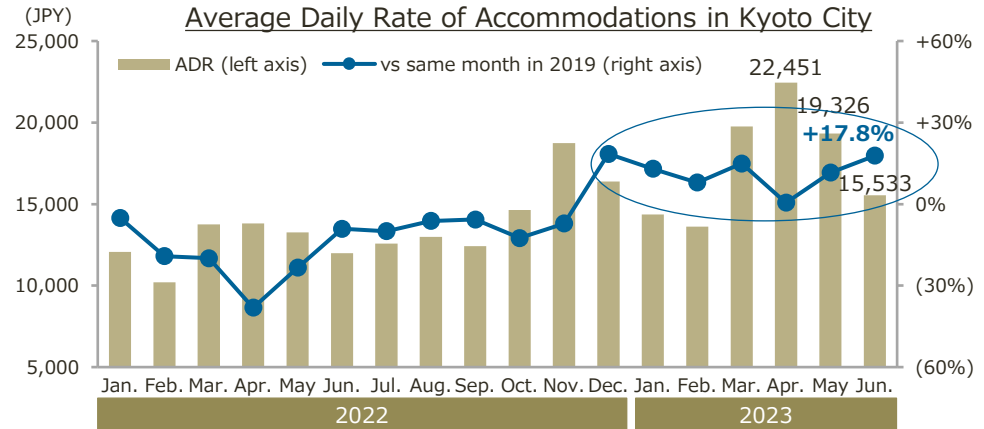
### Occupancy of Major Hotels in Kyoto City



Source: Prepared by JHRA based on the data from Kyoto City Tourism Association (KTA), "KTA Monthly Data Report"

## Rising Average Daily Rate of Accommodation Facilities in Kyoto City

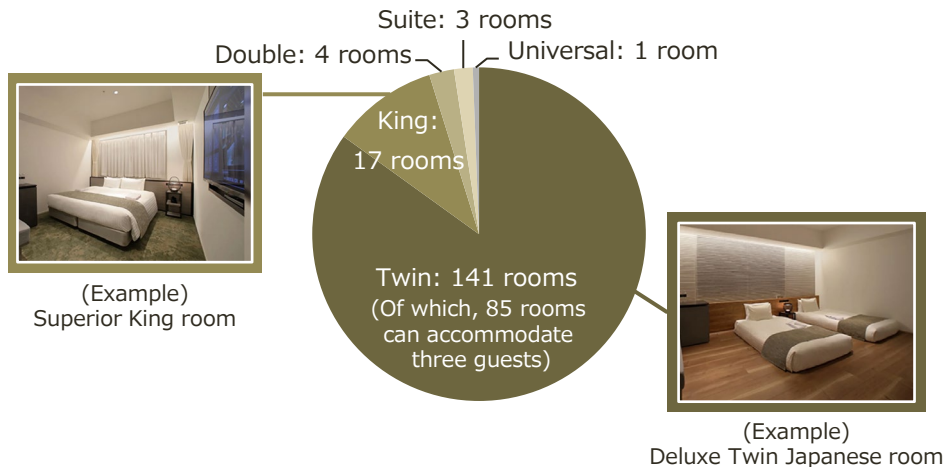
- Since December 2022, the average daily rate of accommodation facilities in Kyoto City has recovered to the 2019 level



Source: Prepared by JHRA based on the data from KTA, "KTA Monthly Data Report"

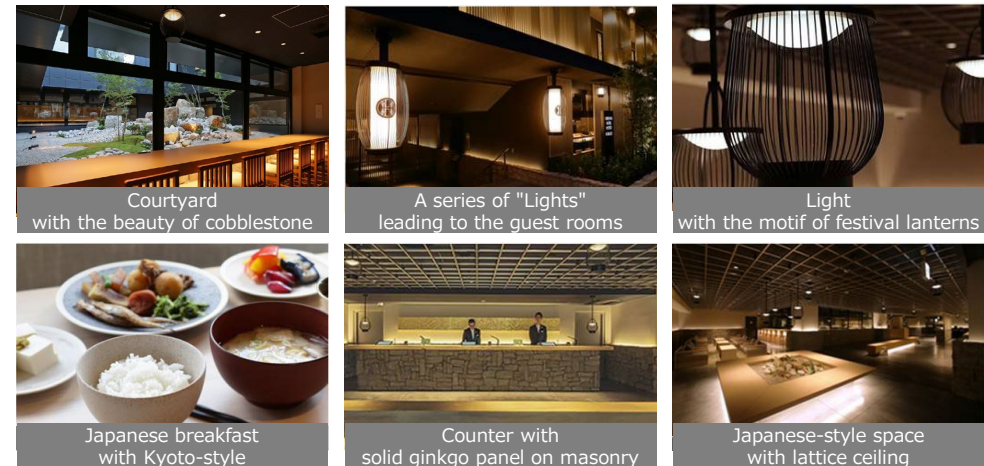
## Room Composition suitable for Capturing Leisure Accommodation Demand

- All rooms can accommodate two or more guests



## Design Concept Reflecting Traditional Culture of Kyoto

- Design concept inspired by Japanese traditional "tea garden" culture welcoming guests, offering atmosphere of Kyoto's essence

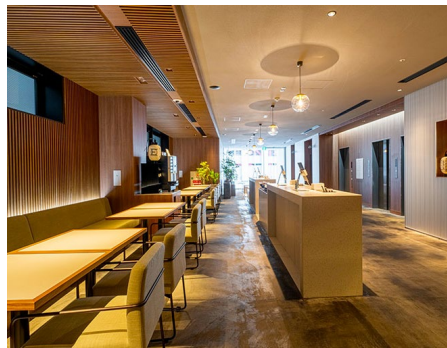


# Overview of Anticipated Acquisitions

## -Hotel Oriental Express Fukuoka Nakasukawabata (1/2)-

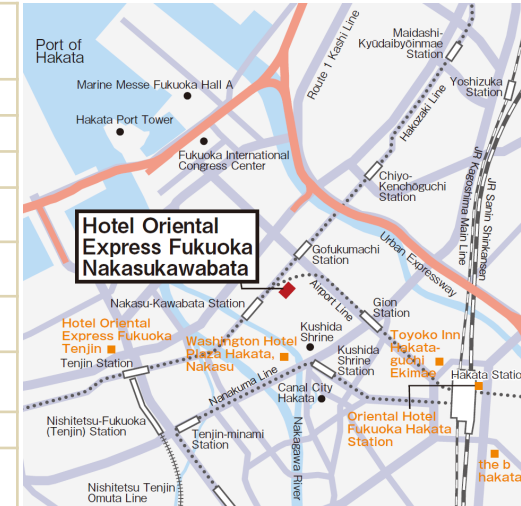
### Significance/Highlights of the Acquisition

- Fukuoka is the center of business and tourism in Kyushu region, attracting strong accommodation demand from domestic and inbound tourists
- A relatively newly built limited-service hotel that opened in April 2021, having good access to Hakata Station and Tenjin Station, and located close to the downtown area, offering convenience to leisure traveling guests
- All of guest rooms can accommodate two or more people, adequate composition to capture domestic and inbound leisure demand
- Through the rent structure, which combines fixed and variable rents and operation by HMJ, ensures stability and also provide upside potential

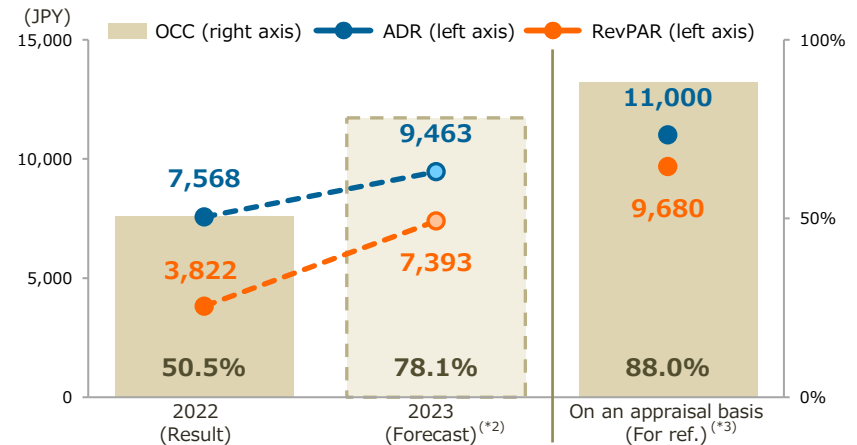


### Property Overview

Anticipated Acquisition Price	JPY4,460MM
Appraisal Value	JPY6,070MM
Hotel Type	Limited-service
Grade	Mid-price
Location	6-26, Tenyamachi, Hakata-ku, Fukuoka City, Fukuoka
Acreeage of Land	812.23 m <sup>2</sup>
Total Floor Space	4,614.35 m <sup>2</sup>
Structure and Stories	S; 11 stories above ground
Completion	April 2021
No. of Guest Rooms	183 rooms
Rent Type	Fixed rent + Variable rent
Hotel Lessee	Fukuoka Tenyamachi Operations Co., Ltd. (Wholly owned by HMJ)



### Changes in KPI (Result and Forecast)



NOI yield(\*1)

6.3 %

NOI yield after depreciation(\*1)

5.6 %

(\*2) KPI of "2023 (Forecast)" are estimates as of September 11, 2023, calculated based on assumptions for the figures listed in "Notice Concerning Revision of Operating Forecast for the Fiscal Year Ending December 2023 (24th Period)" dated September 11, 2023, and may differ significantly from the actual results

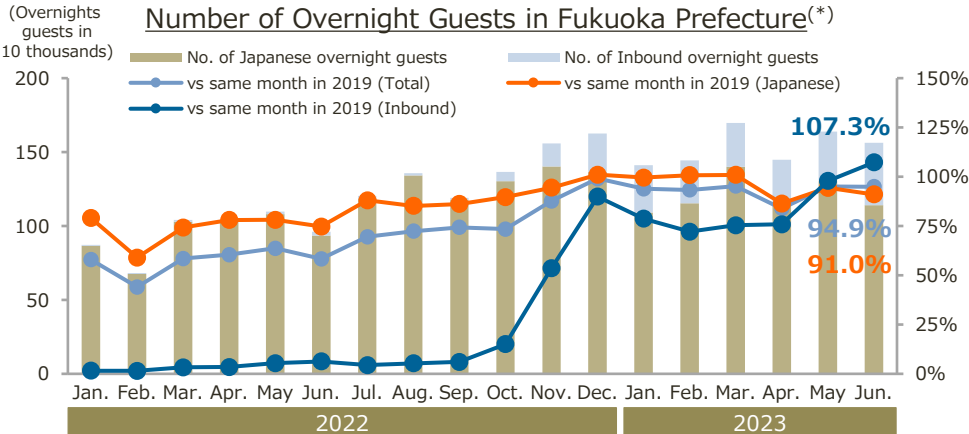


# Overview of Anticipated Acquisitions

## -Hotel Oriental Express Fukuoka Nakasukawabata (2/2)-

### Fukuoka Showing an Earlier Recovery

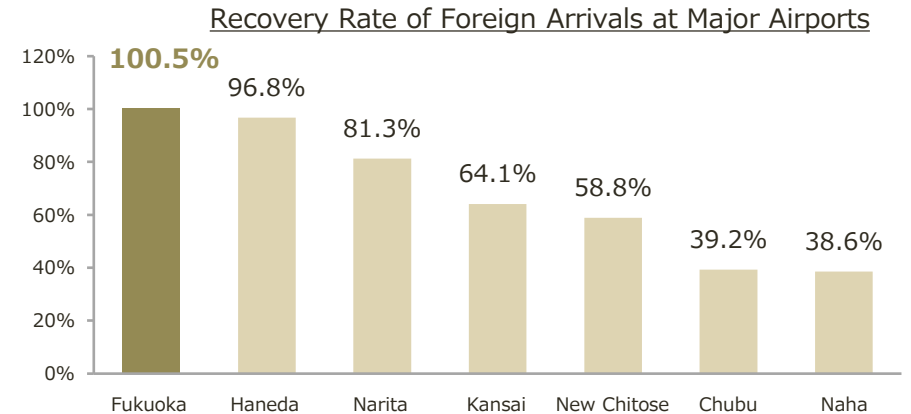
- Remarkable recovery in the number of inbound overnight guests since the significant easing of border measures in October 2022



Source: Prepared by JHRA based on the data from Japan Tourism Agency, "Overnight Travel Statistics Survey"

### Fastest Recovery in Inbound Arrivals among Major Airports

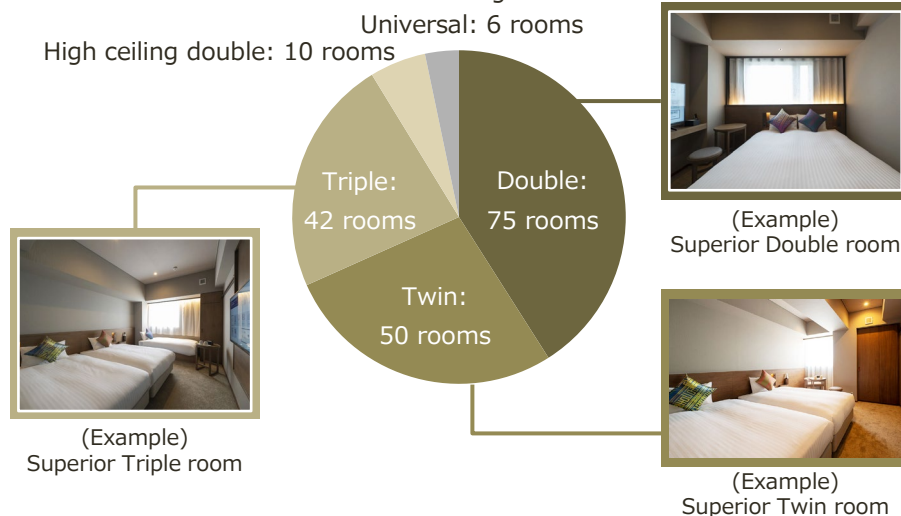
- Cumulative inbound arrivals in Jan.-Jul. 2023 recovered to 100.0% of the same period in 2019



Source: Prepared by JHRA based on the data from Ministry of Justice, "Immigration Statistics"

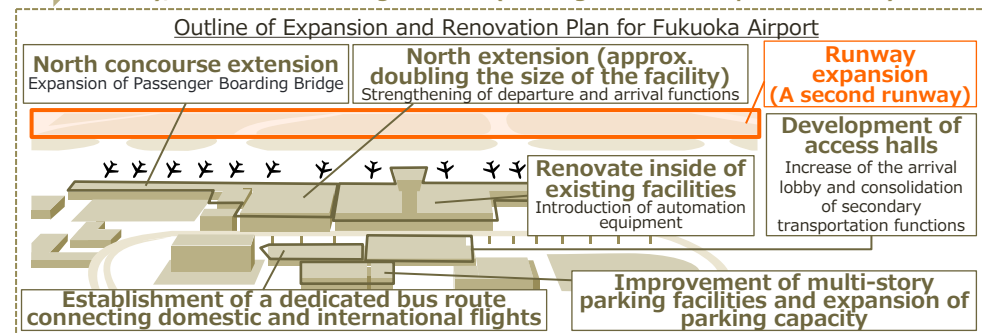
### Room Composition Suitable for Capturing Leisure Accommodation Demand

- All rooms can accommodate two or more guests



### Strengthening Functions at Fukuoka Airport

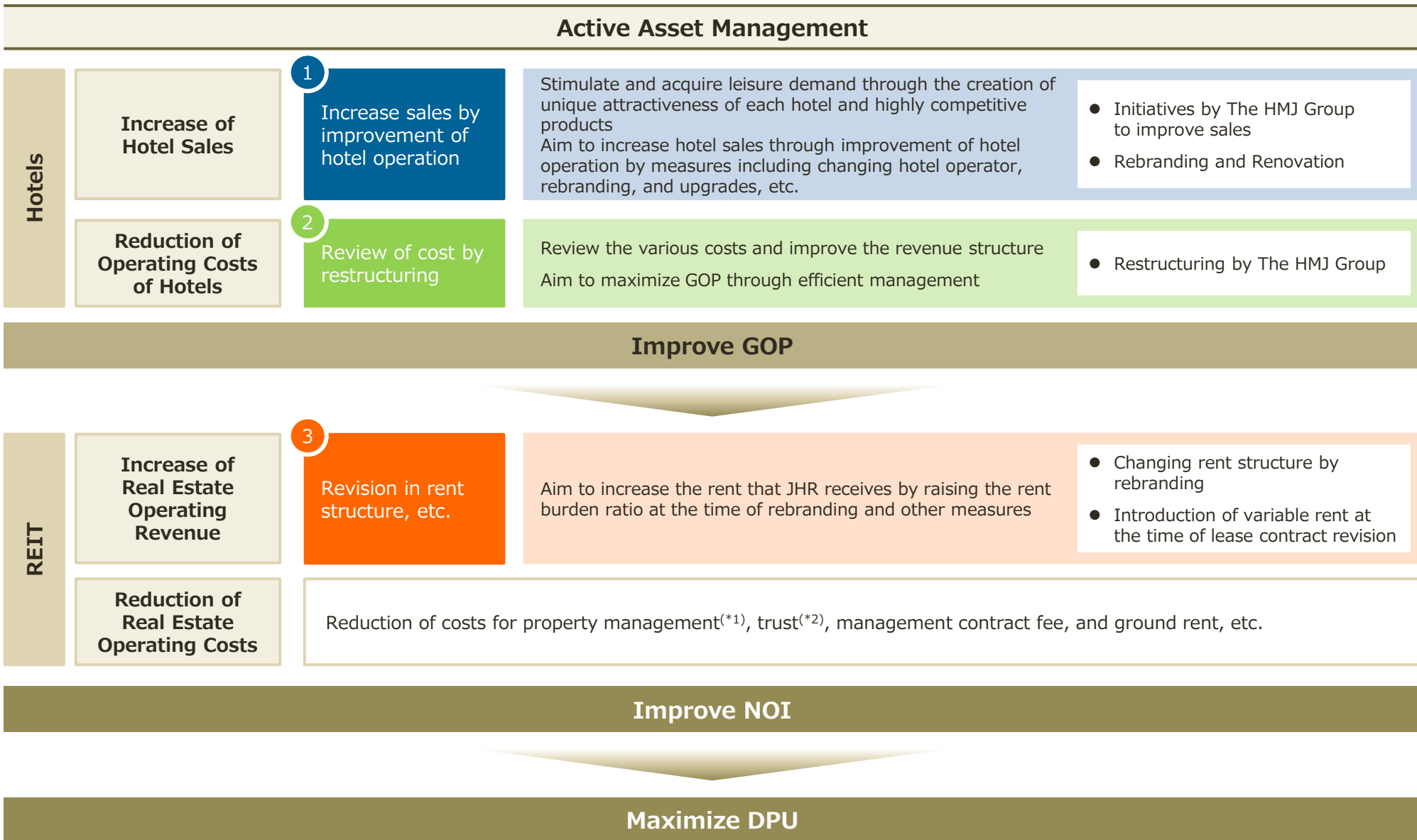
- A second runway is under construction and will be in service in March 2025
  - Expansion and renovation of the international terminal has already begun and will be completed by the end of 2025
- Aims for 16 million international passengers by 2048 (approx. 2.3 times the 2019 actual)/67 International flight routes (+45 flight routes compared to 2019)



Source: Prepared by JHRA based on the data from Kyushu Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism, "Fukuoka Airport Runway Expansion Plan" and Fukuoka International Airport Co., Ltd., "Fukuoka Airport International Terminal Expansion and Renovation Plan" and "Medium-Term Business Plan (FY2019-FY2023)"

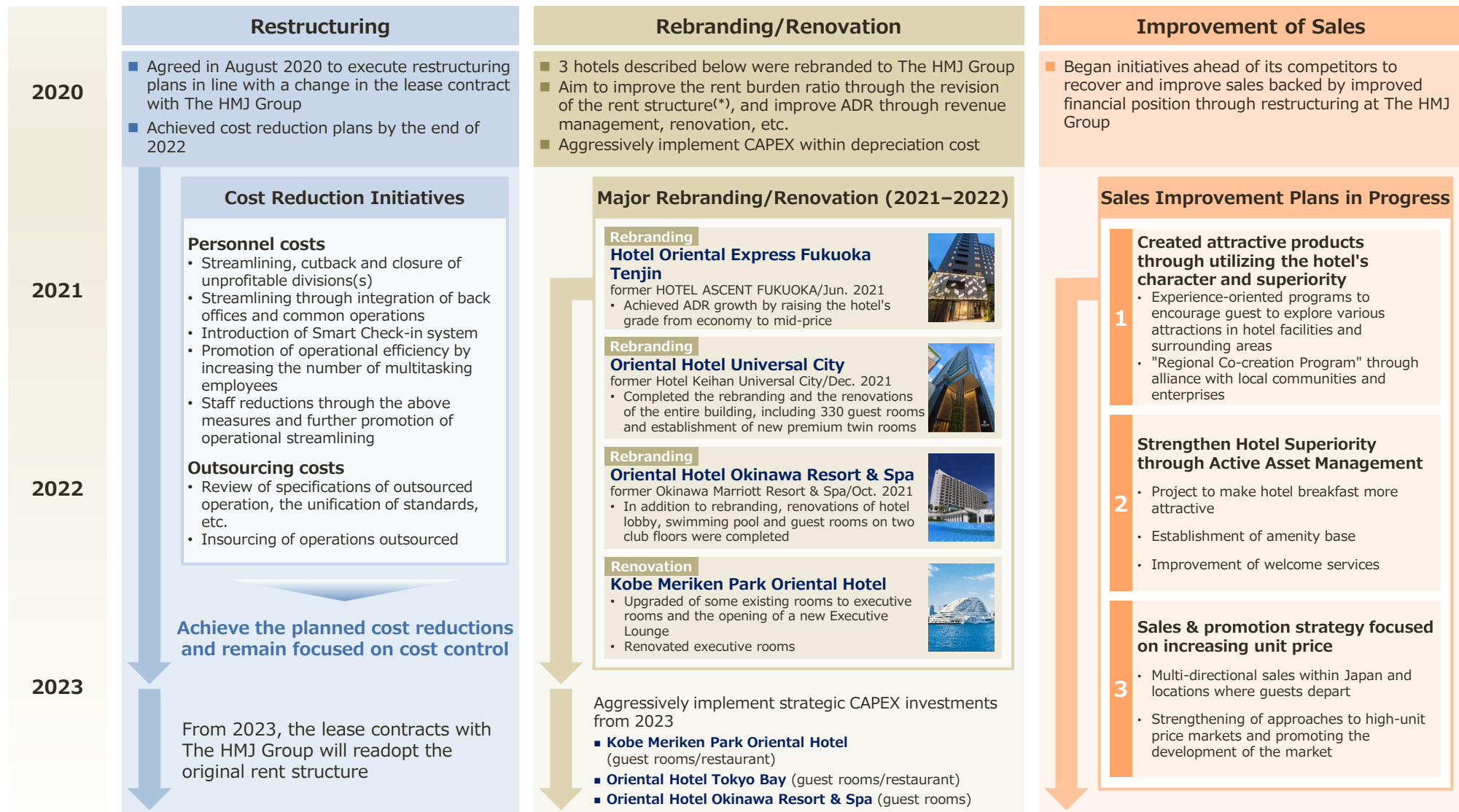
**III. Enhance portfolio quality and  
demonstrate distinguished hotel management capabilities  
through active asset management**

◆ Realize upside potential through Active Asset Management



# 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)



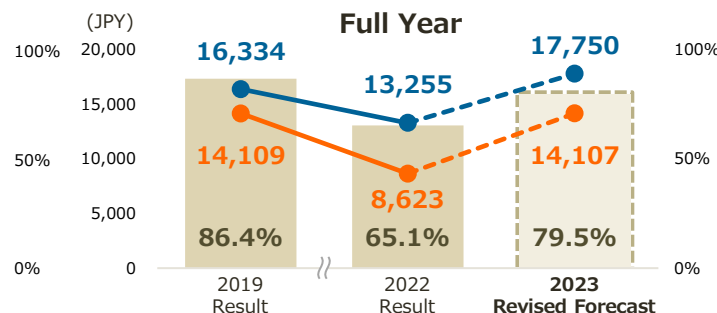
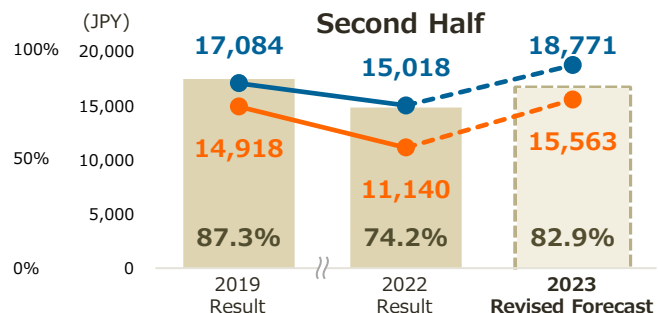
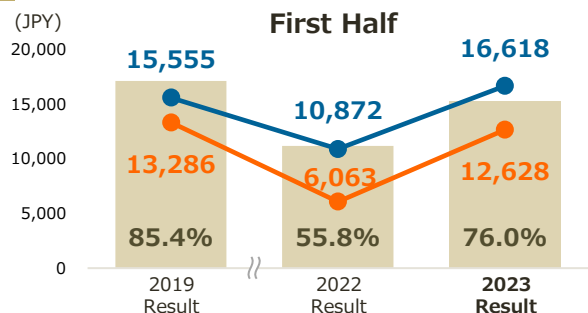
# Performance of The 25 Hotels with Variable Rent, etc. (1)

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

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

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

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

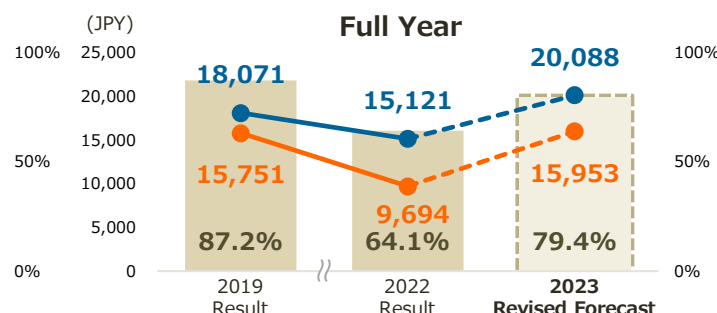
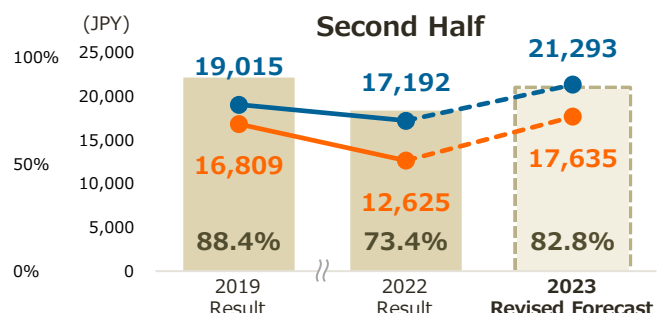
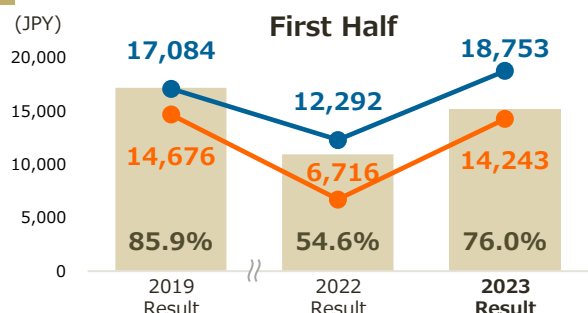


vs 2019	Occupancy	ADR	RevPAR
	(34.7%)	(30.1%)	(54.4%)
	(11.0%)	+6.8%	(5.0%)

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%

<sup>(\*)</sup> Figures of "2023 Revised Forecast" are estimates as of September 11, 2023, calculated based on assumptions for the figures listed in "Notice Concerning Revision of Operating Forecast for the Fiscal Year Ending December 2023 (24th Period)" dated September 11, 2023, and may differ significantly from the actual results

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

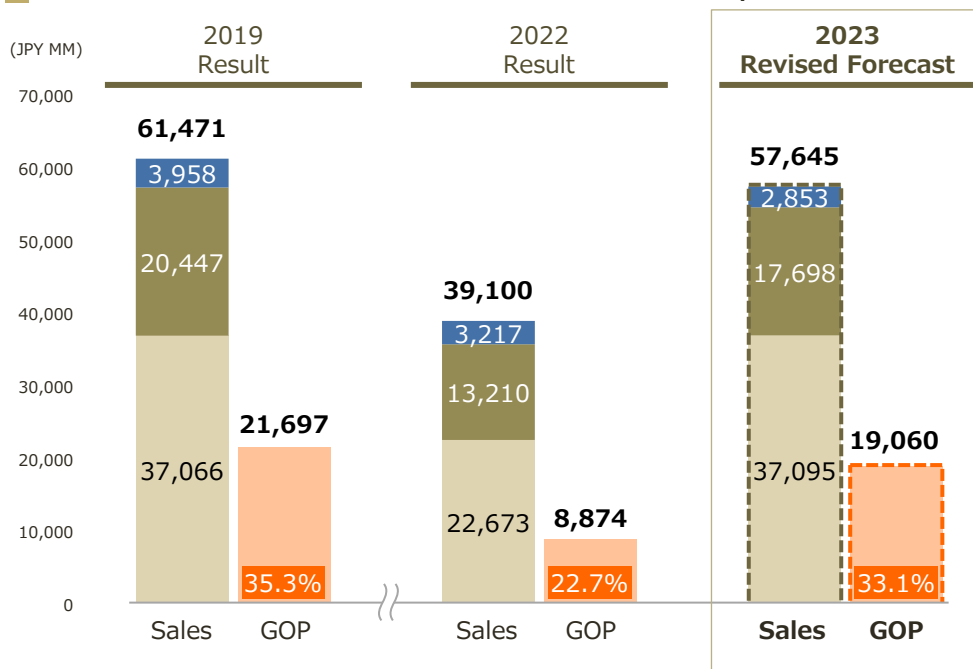
◆ Expect GOP improvement through sales increase and cost management

## Result and Forecast of Sales/GOP(\*)

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

\* Figures in   indicate GOP ratio (vs sales)

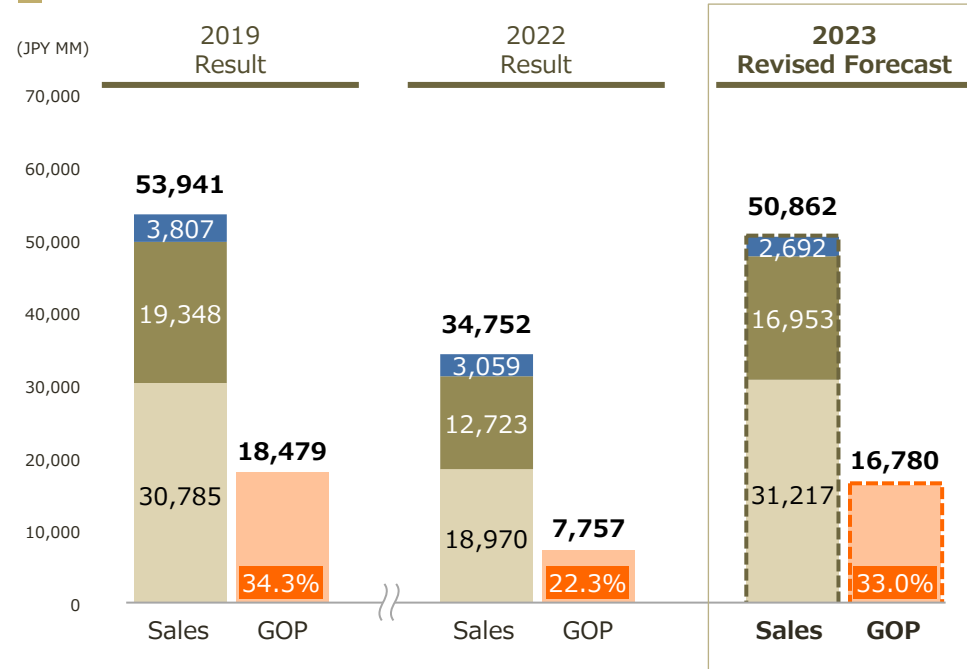
### Total of The 25 Hotels with Variable Rent, etc.



#### <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




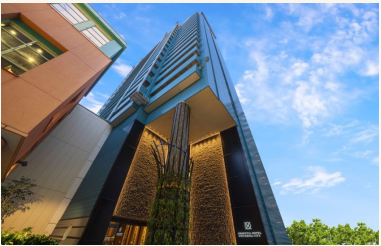








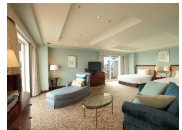

#### <Ratio of Increase/Decrease vs 2019>

	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>

(\*) Figures of "2023 Revised Forecast" are estimates as of September 11, 2023, calculated based on assumptions for the figures listed in "Notice Concerning Revision of Operating Forecast for the Fiscal Year Ending December 2023 (24th Period)" dated September 11, 2023, and may differ significantly from the actual results

# 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 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, 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>2 floors of guest room at Club Floor (Completed in December 2022)</li> </ul>		<ul style="list-style-type: none"> <li>Established Executive Lounge (Completed in July 2021)</li> <li>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%)

**IV. Continue sound financial management and initiatives for sustainability improvement**

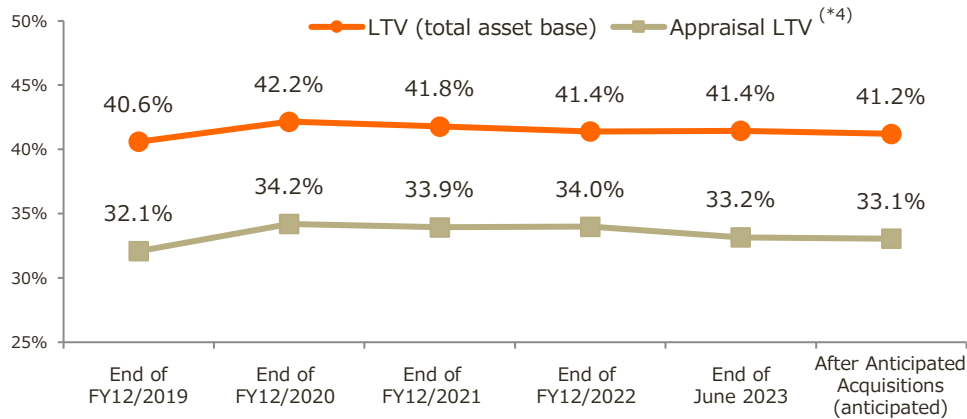
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<b>Total Interest-bearing Debt</b> (After Anticipated Acquisitions) <b>JPY171.2Bn</b>	<b>Total Asset LTV</b> (After Anticipated Acquisitions) <b>41.2%</b>	<b>Average Life of Interest-bearing Debt<sup>(*1)</sup></b> (as of the end of June 2023) <b>2.5 years</b>	<b>Costs of Interest-bearing Debt<sup>(*2)</sup></b> (as of the end of June 2023) <b>1.0%</b>	<b>Difference between Appraisal value and Book value</b> (as of the end of June 2023) <b>JPY127.9Bn</b>	<b>Credit Ratings<sup>(*3)</sup></b> (as of the date of this document) <b>JCR A+ (Stable)</b> <b>R&amp;I A (Stable)</b>
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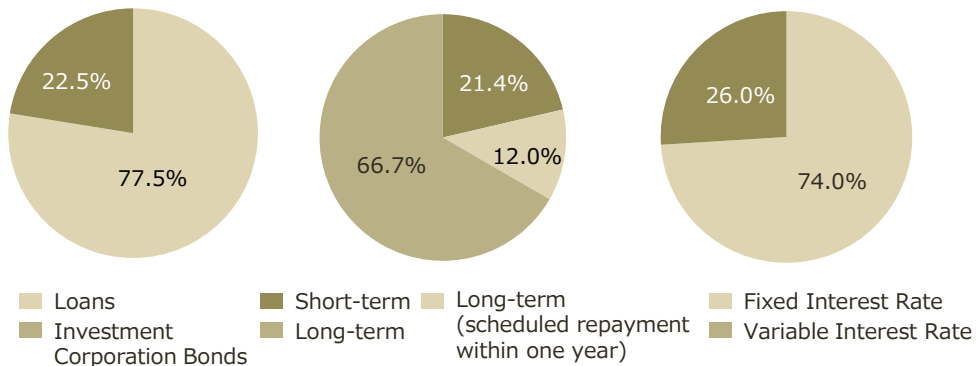
## Historical Interest-Bearing Debt Ratios

- Total Asset LTV is stable under control



## Breakdown of Interest-bearing Debt<sup>(\*5)</sup>

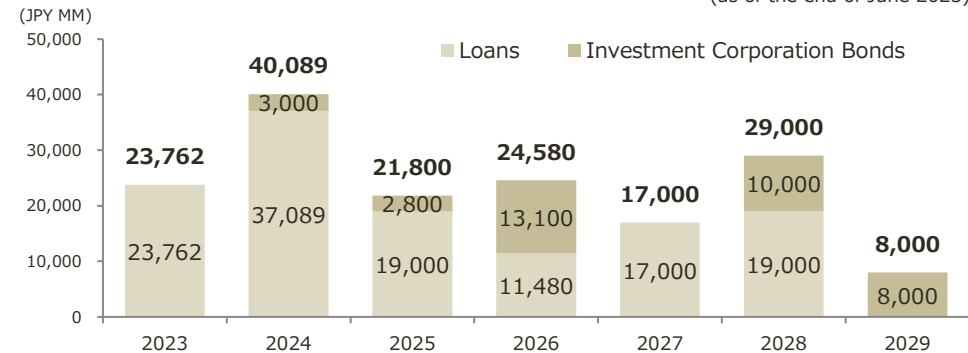
(as of the end of June 2023)



## Repayment Schedule of Interest-bearing Debt

- Achieved refinancing with long-term loans since 2023

(as of the end of June 2023)



## Negative Goodwill<sup>(\*6)</sup>

### <Policy for Use of Negative Goodwill>

- Add JPY262 million (50-years amortization amount of negative goodwill) to dividends every fiscal year
- In addition to above, increase dividends in response to the followings:






- 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<sup>(\*7)</sup> (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 revenue

**Balance of Negative Goodwill as of the end of June 2023**

**JPY9,600MM**

- ◆ 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

2017	➤ Establishment of Sustainability Policy	
2018	<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> 
2019	➤ 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>
2020	➤ Hilton Tokyo Odaiba acquired a CASBEE <sup>(*3)</sup> "B+ (good)" building certification	 <p>Hilton Tokyo Odaiba</p>
2021	<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>
2022	➤ Released initiatives for four disclosure themes recommended by TCFD	
2023	➤ 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**

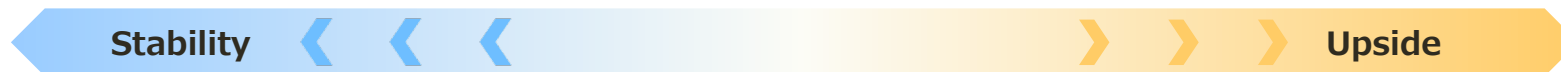
<https://www.jhrth.co.jp/en/esg/index.html>

※ ESG report was published at the end of March 2023



**Appendix**

(planned as of the time After Anticipated Acquisitions)



Rent Structure <sup>(*1)</sup>		Fixed rent	Fixed rent + Revenue sharing	Fixed rent + Variable rent	Variable rent	Management contract <sup>(*2)</sup>	Total
Type of Contract		Lease contract	Lease contract	Lease contract	Lease contract	Management contract	
Type of Rent	Fixed <sup>(*3)</sup>	○	○	○	-	-	-
	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	-
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	23	5	4	46
Acquisition Price (JPY MM)		30,041	42,354	268,870	29,255	22,397	392,918
Investment Ratio		7.6%	10.8%	68.4%	7.4%	5.7%	100.0%
Hotels <b>* Underlined are Anticipated Acquisitions</b>		The Beach Tower Okinawa Hotel Francs CANDEO HOTELS Ueno Koen and other hotels	Hilton Tokyo Bay Smile Hotel Nihombashi Mitsukoshimae Comfort Hotel Tokyo Higashi Nihombashi UAN kanazawa Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	The 16 HMJ Hotels The Ishin Group Hotels dormy inn Kumamoto <u>Oriental Hotel Kyoto Rokujo</u> <u>Hotel Oriental Express Fukuoka Nakasukawabata</u>	Hilton Nagoya Mercure Yokosuka Chisun Hotel Kamata Chisun Inn Kamata <u>La'gent Stay Sapporo Odori</u>	ibis Styles Kyoto Station ibis Styles Sapporo Mercure Sapporo Mercure Okinawa Naha	-

# Property List after Anticipated Acquisitions (1/2)

(as of After Anticipated Acquisitions)

No.	Property Name	Hotel Type <sup>(*)1</sup>	Grade	Number of Guest Rooms <sup>(*)2</sup>	Location	Completion	Purchase price (JPY MM) <sup>(*)3</sup>	Appraisal Value (JPY MM) <sup>(*)4</sup>	Investment Ratio <sup>(*)5</sup>
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	323	Hyogo	Jul. 1995	10,900	14,100	2.8%
2	Oriental Hotel Tokyo Bay	Full-service	Mid-price	511	Chiba	May 1995	19,900	31,700	5.1%
3	Namba Oriental Hotel	Limited-service	Mid-price	258	Osaka	Mar. 1996	15,000	31,000	3.8%
4	Hotel Nikko Alivila	Resort	Luxury	397	Okinawa	Apr. 1994	18,900	28,100	4.8%
5	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Hiroshima	Sep. 1993/ Extension in Sep. 2006	4,100	4,150	1.0%
6	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	Mar. 2004/ Extension in Jun. 2005 and May 2006	7,610	9,960	1.9%
7	Hakone Setsugetsuka	Resort	Mid-price	158	Kanagawa	Oct. 2006	4,070	5,260	1.0%
8	dormy inn Kumamoto	Limited-service	Mid-price	291	Kumamoto	Jan. 2008	2,334	3,230	0.6%
9	the b suidobashi	Limited-service	Mid-price	99	Tokyo	Aug. 1986/ Extension in Sep. 1989	1,120	2,270	0.3%
10	dormy inn EXPRESS Asakusa <sup>(*)6</sup>	Limited-service	Economy	75	Tokyo	Mar. 1997	999	1,290	0.3%
11	Washington Hotel Plaza Hakata, Nakasu	Limited-service	Mid-price	247	Fukuoka	Mar. 1995	2,130	4,510	0.5%
12	Washington Hotel Plaza Nara	Limited-service	Mid-price	204	Nara	Mar. 2000	2,050	2,430	0.5%
13	R&B Hotel Ueno-hirokoji	Limited-service	Economy	187	Tokyo	Apr. 2002	1,720	1,800	0.4%
14	Comfort Hotel Tokyo Higashi Nihombashi	Limited-service	Economy	259	Tokyo	Jan. 2008	3,746	5,360	1.0%
15	Smile Hotel Nihombashi Mitsukoshimae	Limited-service	Economy	164	Tokyo	Mar. 1997	2,108	2,940	0.5%
16	Toyoko Inn Hakata-guchi Ekimae	Limited-service	Economy	257	Fukuoka	Sep. 2001	1,652	2,730	0.4%
17	Chisun Hotel Kamata	Limited-service	Economy	105	Tokyo	Jan. 1992	1,512	2,080	0.4%
18	Chisun Inn Kamata	Limited-service	Economy	70	Tokyo	Apr. 2003	823	1,390	0.2%
19	Oriental Hotel Universal City	Resort	Mid-price	330	Osaka	Jun. 2001	6,753	17,800	1.7%
20	Hilton Tokyo Bay	Resort	Luxury	828	Chiba	Jun. 1988	26,050	39,900	6.6%
21	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kyoto	Mar. 2009	6,600	9,990	1.7%
22	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	Jul. 2010	6,797	11,100	1.7%
23	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	Apr. 2009	6,000	10,500	1.5%
24	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	Aug. 2009	3,000	6,940	0.8%
25	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	Jun. 1982	6,520	7,200	1.7%
26	the b hachioji	Limited-service	Mid-price	196	Tokyo	Aug. 1986	2,610	2,570	0.7%

# Property List after Anticipated Acquisitions (2/2)

(as of After Anticipated Acquisitions)

No.	Property Name	Hotel Type <sup>(*)1</sup>	Grade	Number of Guest Rooms <sup>(*)2</sup>	Location	Completion	Purchase price (JPY MM) <sup>(*)3</sup>	Appraisal Value (JPY MM) <sup>(*)4</sup>	Investment Ratio <sup>(*)5</sup>
27	the b hakata	Limited-service	Mid-price	175	Fukuoka	Sep. 1997	2,300	4,320	0.6%
28	Hotel Francs	Full-service	Mid-price	222	Chiba	Aug. 1991	3,105	4,100	0.8%
29	Mercure Yokosuka	Full-service	Mid-price	160	Kanagawa	Nov. 1993	1,650	3,240	0.4%
30	Oriental Hotel Okinawa Resort & Spa	Resort	Upper-middle	361	Okinawa	Feb. 2005/ Extension in Dec. 2006	14,950	18,100	3.8%
31	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Full-service	Luxury	238	Hiroshima	Aug. 2010	17,320	20,700	4.4%
32	CANDEO HOTELS Ueno Koen	Limited-service	Mid-price	268	Tokyo	Dec. 2009	6,705	7,460	1.7%
33	Oriental Hotel Fukuoka Hakata Station	Full-service	Upper-middle	221	Fukuoka	Jul. 1985	7,197	15,000	1.8%
34	Holiday Inn Osaka Namba	Limited-service	Mid-price	314	Osaka	Aug. 2008	27,000	26,600	6.9%
35	Hotel Oriental Express Fukuoka Tenjin	Limited-service	Mid-price	263	Fukuoka	Apr. 1999	5,248	6,520	1.3%
36	Hilton Nagoya	Full-service	Luxury	460	Aichi	Feb. 1989	15,250	14,900	3.9%
37	Hilton Tokyo Narita Airport	Full-service	Upper-middle	548	Chiba	Aug. 1993	13,175	12,300	3.4%
38	International Garden Hotel Narita	Full-service	Mid-price	463	Chiba	May 1996	9,125	9,110	2.3%
39	Hotel Nikko Nara	Full-service	Upper-middle	330	Nara	Feb. 1998	10,373	9,500	2.6%
40	Hotel Oriental Express Osaka Shinsaibashi	Limited-service	Mid-price	124	Osaka	Jan. 2018	2,738	2,890	0.7%
41	Hilton Tokyo Odaiba	Full-service	Upper-middle	453	Tokyo	Jan. 1996	62,400	68,000	15.9%
End of FY12/2022 Portfolio Subtotal		-	-	11,279	-	-	363,542	483,040	92.5%
42	UAN kanazawa	Limited-service	Upper-middle	47	Ishikawa	Sep. 2017	2,050	2,140	0.5%
43	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Limited-service	Mid-price	220	Tokyo	Mar. 2008	8,400	10,100	2.1%
Acquisitions in 2023 Subtotal		-	-	267	-	-	10,450	12,240	2.7%
44	La'gent Stay Sapporo Odori	Limited-service	Mid-price	219	Hokkaido	Jun. 2016	10,020	10,800	2.6%
45	Oriental Hotel Kyoto Rokujo	Limited-service	Mid-price	166	Kyoto	Sep. 2019	4,446	5,920	1.1%
46	Hotel Oriental Express Fukuoka Nakasukawabata	Limited-service	Mid-price	183	Fukuoka	Apr. 2021	4,460	6,070	1.1%
Anticipated Acquisitions Subtotal		-	-	568	-	-	18,926	22,790	4.8%
<b>Total</b>		-	-	<b>12,114</b>	-	-	<b>392,918</b>	<b>518,070</b>	<b>100.0%</b>

# Summary of Lease Contracts (1/3)

(as of After Anticipated Acquisitions)

No.	Property Name	Lease Type	Rent Structure (*2)	Lessee	Hotel Operator/ Hotel Consulting and Management Company	Lease/ MC Term	Expiration Date of Contract	Contractual Rent (*3)	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.	Okura Nikko Hotel Management Co., Ltd.	15	Dec. 2034	For The 5 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																												
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																										
10	Washington Hotel Plaza Hakata, Nakasu	Lease	Fixed																			Washington Hotel K.K.	3	Mar. 2024	JPY20MM/month	Rent can be modified through mutual agreement	Apr. 2021	Same	-
11	Washington Hotel Plaza Nara	Lease	Fixed	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	-	-								

# Summary of Lease Contracts (2/3)

(as of After Anticipated Acquisitions)

No.	Property Name	Lease Type	Rent Structure (*2)	Lessee	Hotel Operator/ Hotel Consulting and Management Company	Lease/ MC Term	Expiration Date of Contract	Contractual Rent (*3)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2023 to 2024)		
										Timing	Condition	2023	2024	
										18	Oriental Hotel Universal City	Fixed-lease	Fixed + Variable	K.K. Osaka Sakurajima Operations
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>(*4)</sup>	Rent can be modified through mutual agreement every three years	Jul. 2016	Nondisclosure <sup>(*4)</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	-	-	



# Summary of Lease Contracts (3/3)

(as of After Anticipated Acquisitions)

No.	Property Name	Lease Type	Rent Structure (*2)	Lessee	Hotel Operator/ Hotel Consulting and Management Company	Lease/ MC Term	Expiration Date of Contract	Contractual Rent (*3)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2023 to 2024)	
										Timing	Condition	2023	2024
34	Holiday Inn Osaka Namba	Fixed-lease	Fixed + Variable	OW Hotel Operations KK		15	Oct. 2031	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	-	-
36	Hilton Nagoya	Lease	Variable	Nagoya Hilton Co., Ltd.	Hilton International Company	41	Dec. 2029	Nondisclosure <sup>(**4)</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	-	-	-	-
44	La'gent Stay Sapporo Odori	Fixed-lease	Variable	AB Accommo. Co. Ltd.		5	May 2024	Linked to Hotel Revenue and Hotel GOP	The same rent will be applied until expiration of the contract	-	-	-	To be expired (May)
45	Oriental Hotel Kyoto Rokujo	Fixed-lease	Fixed + Variable	Kyoto Horikawa Operations Co., Ltd.		14.2	Dec. 2033	JPY14.25MM/month + when AGOP exceeds JPY183MM, the excess x 93.5% is paid	In principle, the same rent will be applied until expiration of the contract	-	-	-	-
46	Hotel Oriental Express Fukuoka Nakasukawabata	Fixed-lease	Fixed + Variable	Fukuoka Tenyamachi Operations Co., Ltd.		12.7	Dec. 2033	Feb. - Dec. 2023: JPY14.5MM/month + when hotel AGOP exceeds JPY173.25MM, the excess x 92% is paid 2024 onward: JPY14.5MM/month + when hotel AGOP exceeds JPY189MM, the excess x 92% is paid	In principle, the same rent will be applied until expiration of the contract	-	-	-	-

\*Anticipated Acquisitions

**Overall**

1. The Offering indicates the issuance of new investment units through a public offering in accordance with the resolution by the Board of Directors Meeting at JHR held on September 11, 2023 (Monday)
2. Anticipated Acquisitions refers to the following properties to be acquired, respectively or collectively: "La'gent Stay Sapporo Odori," "Oriental Hotel Kyoto Rokujo" and "Hotel Oriental Express Fukuoka Nakasukawabata," or refers to the acquisition of the three properties above
3. Acquisitions in 2023 refers to the following properties acquired in 2023, respectively or collectively: "UAN kanazawa," acquired on January 31, 2023 and "Sotetsu Fresa Inn Shimbashi-Karasumoriguchi" acquired on March 24, 2023
4. HMJ stands for Hotel Management Japan Co., Ltd. (the company in which SC J-Holdings Pte. Ltd. indirectly owns 100% of the issued shares), and the HMJ Group indicates HMJ and its subsidiaries (the companies in which HMJ owns more than 50% of the issued shares)
5. The 25 Hotels with Variable Rent, etc. refers to The 16 HMJ Hotels plus The Accor Group Hotels plus The Ishin Group Hotels  
The 5 HMJ Hotels refers to the following 5 hotels JHR leases to HMJ: Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima  
The 16 HMJ Hotels refers to The 5 HMJ Hotels plus the following 11 hotels which JHR leases to the subsidiaries of HMJ: Oriental Hotel Okinawa Resort & Spa, Sheraton Grand Hiroshima Hotel (main facility of ACTIVE-INTER CITY HIROSHIMA), Oriental Hotel Fukuoka Hakata Station, Holiday Inn Osaka Namba, Hilton Tokyo Narita Airport, International Garden Hotel Narita, Hotel Nikko Nara, Hotel Oriental Express Osaka Shinsaibashi, Hilton Tokyo Odaiba, Hotel Oriental Express Fukuoka Tenjin and Oriental Hotel Universal City  
The Accor Group Hotels refers to the following 5 hotels: ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha and Mercure Yokosuka  
The Ishin Group Hotels refers to the following 4 hotels: the b suidobashi, the b ikebukuro, the b hachioji and the b hakata
6. Occupancy is the ratio calculated by dividing the number of guest rooms sold for a certain period by the total number of rooms available for sale during the period
7. ADR represents the Average Daily Rate, which is calculated by dividing the total room revenue of the accommodation department (including service charges) for a certain period by the total number of rooms sold during the period
8. RevPAR represents Revenue Per Available Room, which is calculated by dividing the total room revenue of the accommodation department (including service charges) for a certain period by the total number of rooms available for sale during the period. RevPAR is equivalent to the figure calculated by multiplying ADR with Occupancy

**Overall**

9. GOP represents Gross Operating Profit, the remainder after expenses incurred in hotel operation, such as personnel costs and general and administrative expenses, etc., are deducted from total sales. In addition, AGOP (Adjusted GOP) is the amount calculated by subtracting certain fees and other items from GOP
10. Occupancy is rounded off to one decimal place, and ADR and RevPAR are rounded off to the nearest whole number
11. Unless otherwise noted, percentage figures in this document are rounded off to one decimal place

**P2**

1. Concerning the Total Anticipated Acquisition Price, please refer to Note 3 on page 9

**P3**

Active Asset Management means proactive asset management that aims to achieve strong internal growth, improve profits and eventually increase the portfolio's asset value. Specific examples include increasing ADR through strategic capital expenditures (hereinafter referred to as "CAPEX") to enhance hotel competitiveness such as guest room upgrades/renovations (\*); changing hotel operators (companies to which are entrusted hotel management. The same applies hereinafter) to those that best suit the hotel characteristics and rebranding (\*\*); revising the rent structure to capture potential upside; and replacing (disposing) assets to improve the portfolio quality, etc. The same applies hereinafter

(\*) JHR classifies its capital expenditures into three categories: 1) capital expenditures related to the renewal of facilities and equipment of buildings which is required to maintain proper values of properties; 2) capital expenditures for fixtures, furniture and equipment that are not directly related to building structures or facilities but necessary for operating hotels; and 3) strategic CAPEX such as renovating guest rooms and others in order to improve the competitiveness of the hotels

(\*\*) Rebranding means the reconstruction of a hotel brand through a combination of hotel name change, operator change and strategic CAPEX. The same applies hereinafter

**P5**

1. The asset size indicates the total (anticipated) acquisition prices rounded down to the nearest unit at the end of each fiscal year and at the time of Before Anticipated Acquisitions and After Anticipated Acquisitions. The (anticipated) acquisition prices are calculated by summing the acquisition prices stated in the Purchase and Sale Agreement for Beneficial Interest in Trust, etc. (excluding consumption tax, local consumption tax, brokerage fees and other expenses incurred in connection with the acquisitions). In addition, the calculation uses the transfer prices for the assets obtained through the Merger and the anticipated acquisition prices for Anticipated Acquisitions
2. The Merger indicates the absorption-type merger effective on April 1, 2012, with JHR (former Nippon Hotel Fund Investment Corporation) as the surviving investment corporation and Japan Hotel and Resort, Inc. as the absorbed investment corporation. The same applies hereinafter
3. The columns of No. of acquisitions and No. of dispositions describe the number of properties acquired or disposed for each period and the total purchase or sale prices rounded down to the nearest JPY100 million calculated by summing the purchase or sale prices stated in the Purchase and Sale Agreement for Beneficial Interest in Trust, etc. (excluding consumption tax, local consumption tax, brokerage fees and other expenses incurred in connection with acquisitions)
4. JHR acquired the land that is part of the site of Oriental Hotel Universal City for JPY753 million on July 30, 2021
5. Restructuring means the initiatives for restructuring the business and organization, including streamlining or downsizing unprofitable divisions and improving efficiency by consolidating back office or common functions. The same applies hereinafter

**P6**

The number of Japanese overnight guests and the Japanese domestic travel spending are rounded off to the nearest unit and the percentage vs. same period in 2019 is rounded off to the nearest whole number. The number of Japanese overnight guests for January to June 2023 is the second preliminary figure, the number for July 2023 is first preliminary figure

**P9**

1. JHR classifies its hotels into three categories according to the type of hotel business: "Limited-service Hotels (lodging-specialized hotels)," "Full-service Hotels (comprehensive hotels)" and "Resort Hotels (comprehensive hotels located in resort areas (areas blessed with natural environment and tourism resources such as hot springs and scenic spots or surrounding areas of leisure facilities which is famous or with high capability to attract tourists))." In addition, from the viewpoint of ADR, etc., JHR classifies its hotels into 4 grade categories: "Luxury," "Upper-middle," "Mid-price," and "Economy." The same applies hereinafter
2. For details of NOI yield and NOI yield after depreciation, please refer to Note 3 for page 10 below
3. Total Anticipated Acquisition Price indicates the sum of the purchase prices of Anticipated Acquisitions stated in the Purchase and Sale Agreement for Beneficial Interest in Trust, etc. (excluding consumption tax, local consumption tax, brokerage fees and other expenses incurred in connection with the acquisitions). The figure is rounded down to the nearest JPY100 million
4. Total Appraisal Value is calculated by summing the appraisal value stated in each real estate appraisal report at the time of acquisition. The figure is rounded down to the nearest JPY100 million
5. Difference between Appraisal value and Book is the sum of the amounts calculated by subtracting the anticipated acquisition price of each asset from the appraisal value of each asset to be acquired. The figure is rounded down to the nearest JPY100 million
6. Average Age is the weighted average of the periods from the date of new construction stated in the registry of the main building of each asset of the Anticipated Acquisitions to the date of anticipated acquisition weighted by the anticipated acquisition prices
7. Average NOI Yield and Average NOI Yield after Depreciation for the Anticipated Acquisitions are the average of NOI yield or NOI yield after depreciation of each asset, weighted by the anticipated acquisition prices

**P10**

1. Total Appraisal Value as of the end of each fiscal year is calculated by using the appraisal value at the end of each fiscal year as the valuation base date, in accordance with the methods and standards of asset valuation stipulated in the Articles of Incorporation of JHR and the rules provided for by the Investment Trusts Association, Japan. Total appraisal value for After Anticipated Acquisitions is calculated by adding the appraisal value of the Anticipated Acquisitions as of August 31, 2023 to the total amount of appraisal value as of the valuation base date of June 30, 2023 for the assets owned at the end of the midterm period of the FY12/2023. The same applies hereinafter
2. For FY12/2019 and FY12/2022, difference between appraisal value and book value are calculated by deducting the total book value of the assets owned at the end of each fiscal year from the total appraisal value as of the valuation base date of December 31, 2019 and December 31, 2022, respectively. For Acquisitions in 2023, difference between appraisal value and book value are calculated by deducting the total book value of the relevant assets as of June 30, 2023 from the total appraisal value of those assets as of June 30, 2023. For Anticipated Acquisitions, difference between appraisal value and book value are calculated by deducting the anticipated acquisition price of each Anticipated Acquisitions from the appraisal value stated in the real estate appraisal report issued as of August 31, 2023. For After Anticipated Acquisitions, the difference between appraisal value and book value indicates the sum of the difference between appraisal value and book value of the assets owned as of June 30, 2023 and the difference between appraisal value and book value of Anticipated Acquisitions. Figures are rounded down to the nearest JPY100 million
3. NOI yield and NOI yield after depreciation at each timing are calculated as follows

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

NOI yield = NOI / Total (Anticipated) Acquisition Price

NOI after depreciation = Real estate operating revenue (\*) - Real estate operating costs

NOI yield after depreciation = NOI after depreciation / Total (Anticipated) Acquisition price

(\*) Real estate operating revenue is calculated by deducting gain on sales of properties, etc. from operating revenue

NOI and NOI after depreciation at each timing are calculated as follows

End of FY12/2019

NOI at the End of FY12/2019 is calculated by using the actual NOI for the FY12/2019, and NOI after depreciation is calculated by using the actual depreciation expenses and loss on retirement of noncurrent assets for FY12/2019

End of FY12/2022

NOI at the End of FY12/2022 is calculated by using the actual NOI for the FY12/2022, and NOI after depreciation is calculated by using the actual depreciation expenses and loss on retirement of noncurrent assets for FY12/2022

**P10**

## Acquisitions in 2023

NOI for Acquisitions in 2023 is calculated based on the NOI (Net Operating Income), which is the assumption in calculating the revenue value through the direct capitalization method in the real estate appraisal reports as of June 30, 2023. NOI yield indicates the NOI yield to the acquisition price. The NOI after depreciation is calculated by using the annual depreciation expenses estimated by JHR by using a depreciation rate of the straight-line method based on the useful life. The same applies hereinafter

## Anticipated Acquisitions

NOI for Anticipated Acquisitions is calculated based on the NOI (Net Operating Income), which is the assumption in calculating the revenue value through the direct capitalization method in the real estate appraisal reports as of August 31, 2023. NOI yield indicates the NOI yield to the anticipated acquisition price. The NOI after depreciation is calculated by using the annual depreciation expenses estimated by JHR by using a depreciation rate of the straight-line method based on the useful life. The same applies hereinafter

## After Anticipated Acquisitions

NOI for After Anticipated Acquisitions is calculated based on the NOI, which is the assumption of the earnings forecasts for FY12/2023. For details of the assumption of the earnings forecasts for FY12/2023, please refer to Assumptions of the Forecast for FY12/2023 (Post-Offering) in "Notice Concerning Revision of Operating Forecast for the Fiscal Year Ending December 2023 (24th Period)" dated September 11, 2023. The same applies hereinafter

4. LTV (total asset base) is calculated using the following formula and assumptions. The same applies hereinafter

$$\text{LTV (total asset base)} = \text{Total amount of interest-bearing liabilities (*)} / \text{Total amount of assets (**)} \times 100$$

(\*) Total amount of interest-bearing liabilities

FY12/2019: The total amount of interest-bearing liabilities as of December 31, 2019 was JPY168,754 million

FY12/2022: The total amount of interest-bearing liabilities as of December 31, 2022 was JPY164,231 million

## After Anticipated Acquisitions:

Interest-bearing liabilities of JPY164,231 million as of June 30, 2023 + interest-bearing liabilities of JPY7,000 million to be procured in connection with the Offering. The same applies hereinafter

(\*\*) The total amount of assets

FY12/2019: The total amount of assets as of December 31, 2019 was JPY415,722 million

FY12/2022: The total amount of assets as of December 31, 2022 was JPY396,799 million

**P10**

After Anticipated Acquisitions:

Total assets of JPY396,271 million as of June 30, 2023 + Estimated net proceeds from the Offering of JPY12,196 million + Estimated amount of interest-bearing liabilities of JPY7,000 million to be procured in relation with the Offering

The estimated amount of net proceeds from the Offering is expected to be JPY12,196 million as the total paid-in amount through the Offering. The above-estimated amount is calculated based on the closing price of ordinary transactions of the investment units on the Tokyo Stock Exchange as of August 10, 2023, assuming that the issue price is JPY71,744 per unit for the investment unit. Accordingly, if the actual issue price of the Offering is lower than the above assumption, the net proceeds from the Offering will be lower than the above amount, and the LTV (total asset base) after the actual Anticipated Acquisitions will be higher than the above figure. On the other hand, if the actual issue price becomes higher than the above assumption, the net proceeds from the Offering may increase more than the above amount, in which case the actual LTV (total asset base) After Anticipated Acquisitions will be lower than the above figure

5. NAV (Net Asset Value) per unit at the ends of FY12/2019 and FY12/2022 is the amount obtained by subtracting the total amount of distributed dividend from the amount of net assets stated in the balance sheet for each fiscal year, adding difference between appraisal value and book value on the entire portfolio as of the end of the relevant fiscal year, and then dividing the result by the total number of investment units issued and outstanding as of the end of the relevant fiscal year. In addition, the amount After Anticipated Acquisitions is calculated using the following formula. Both of which differ from the amount of net assets per unit for accounting purposes

NAV per unit After Anticipated Acquisitions =

(Net assets as of June 30, 2023 + Estimated increase in profit for the second half of the FY12/2023 (\*) + difference between the appraisal value and book value on the entire portfolio as of June 30, 2023 + difference between the appraisal value and book value on the Anticipated Acquisitions - Estimated total distributions for FY12/2023 (\*)) / (Number of investment units issued as of June 30, 2023 + Number of investment units to be issued through the Offering (\*))

(\*) For details, please refer to Assumptions of the Forecast for FY12/2023 (Post-Offering) in "Notice Concerning Revision of Operating Forecast for the Fiscal Year Ending December 2023 (24th Period)" dated September 11, 2023

6. Based on the (anticipated) acquisition price



**P11,P13,P15**

1. Please refer to Note 3 on page 10 for the NOI yield and the NOI yield after depreciation of each Anticipated Acquisition
3. KPIs on an appraisal basis (For ref.) are values or figures assessed by each appraiser stated in real estate appraisal reports for each Anticipated Acquisitions. These are assumed indexes in a normal year assessed by each appraiser based on certain assumptions, and there is no guarantee for the achievement in the future and may differ significantly from the actual results

**P12,P16**

The numbers of inbound overnight guests and Japanese overnight guests for January to June 2023 are the second preliminary figures

**P18**

1. Costs for property management are compensation paid to property management companies (which refers to property management companies that manage tenants of properties and repairs of buildings; the same applies hereinafter) based on a property management contract for each property
2. Costs for trust refers to the compensation paid to the trust banks, which is the owner of each property, under the trust agreement

**P19**

Revision of the rent structure means a change in the structure of rent under the lease contract in line with rebranding to the HMJ Group. See page 22 for details. For structures of rent, see Note 1 on page 27

**P22**

1. The franchise agreement with the Marriott Group was an agreement between the hotel operator and Global Hospitality Licensing S.a r.l., the franchisor of the international brand "Marriott"
2. ADR (actual) of Kobe Meriken Park Oriental Hotel is the ADR for 29 guest rooms regraded as executive rooms for the period from January to July 2019, and ADR for a total of 33 rooms for the same period in 2023, including the above 29 rooms plus 4 rooms in which brides rooms (waiting rooms for wedding couples) were converted to executive rooms

**P24**

1. Average Life of Interest-bearing Debt is the weighted average of the period from June 30, 2023 to the due date or maturity calculated using the balance of interest-bearing liabilities as of June 30, 2023. Figures are rounded to one decimal place
2. Cost of Interest-bearing Debt is the weighted average cost of interest-bearing liabilities calculated using the balance of interest-bearing liabilities based on applicable interest rate of interest-bearing liabilities (after taking into account the effect of interest rate swaps, etc.) as of June 30, 2023, plus the annualized ancillary expenses such as financing fees including the upfront fee (fees to be paid to the lending banks when borrowing is executed) and issuance costs of investment corporation bonds including underwriting commissions. Figures are rounded off to one decimal place
3. Credit Ratings (as of the date of this document) are the credit ratings for JHR and not for its investment units. As for the investment units, there is no credit rating by credit rating agencies provided or made available (or to be made available) for public inspection by the request of JHR
4. Appraisal LTV is calculated based on the following assumptions (the same applies hereinafter). For the total amount of interest-bearing liabilities used as assumptions for Appraisal LTV After Anticipated Acquisitions, please refer to Note 4 on page 10 above

$$\text{Appraisal LTV} = \text{Total amount of interest-bearing liabilities} / \text{Total appraisal value} \times 100$$

5. Long-term refers to debts with a borrowing period or redemption period of more than one year, and Short-term refers to debts with a borrowing period or redemption period of one year or less. The same applies hereinafter
6. Negative Goodwill is a difference that occurs when the acquisition cost of the acquiring company in accounting at the time of the merger is less than the net asset value based on the market value of the acquired company. The same applies hereinafter
7. Inconsistency between tax and accounting treatments refers to the difference between tax profits and accounting profits, which are generated by depreciation of fixed term leasehold interest and asset retirement obligations, among others

**P25**

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 provided by Sumitomo Mitsui Banking Corporation based on environmental assessment conducted by the Japan Research Institute, Limited, which reviews the borrower's environmental management comprehensively
3. CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a system for evaluating and rating the environmental performance of buildings. In addition to environmental considerations such as energy conservation and the use of materials and equipment with low environmental impact, it comprehensively evaluates the quality of buildings, including consideration for interior comfort and landscaping

**P25**

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
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>)

**P27**

1. Rent Structure is classified based on the type of rent under the lease contract for hotels acquired and to be acquired
2. The management contract structure is a system in which the hotel operations of hotel real estate owned by JHR are entrusted to an operator and JHR records the business results as revenues or losses from real estate operations. Specifically, JHR, the owner of the hotel real estate, concludes a management contract with an operator and entrusts the operator with the various operations necessary to run the hotel business. JHR receives the hotel revenue from the hotel business (operation) by the operator and, at the same time, pays a management fee to the operator. This hotel revenue is recognized as real estate operating revenue through a management contract and corresponds to variable rent, which is the real estate operating revenue in the rent structure
3. The fixed amount of real estate operating revenue includes fixed rent from the hotel lessee as well as fixed rent and water utility expense income under the lease contract for the non-hotel parts (offices, signage, car park, retail shop, etc.) of the acquired assets
4. The table lists a general scope of CAPEX paid by JHR and detail is individually stipulated in the lease contract of each hotel

**P28~29**

1. For hotel type, "Full-service" refers to a "full-service hotel," "Resort" refers to a "resort hotel," and "Limited-service" refers to a "limited-service hotel"
2. The number of guest rooms is the number of rooms available for sale (excluding those for long-term in-house use) as of June 30, 2023. For the Anticipated Acquisitions, the figure is the number of rooms available for sale (planned) as of the acquisition date of each property
3. The price in the purchase price column is the purchase price stated in the Purchase and Sale Agreement for Beneficial Interest in Trust, etc. (excluding consumption tax, local consumption tax, brokerage fees and other expenses incurred in connection with the acquisitions)
4. For assets owned as of the end of midterm of FY12/2023, the appraisal value as of June 30, 2023 is shown. For the Anticipated Acquisitions, the appraisal value as of August 31, 2023 is shown
5. The investment ratio column shows the ratio of the (anticipated) acquisition price of the property to the total (anticipated) acquisition price of the property upon the completion of the Anticipated Acquisitions. Figures have been rounded to the nearest one decimal place
6. dormy inn global cabin Asakusa changed its name to dormy inn EXPRESS Asakusa on April 1, 2023

**P30~32**

1. Table lists a summary of lease contracts as of June 30, 2023. As for the Anticipated Acquisitions, a summary of the scheduled acquisition dates is listed
2. Rent Structure is classified into the following rent types:  
"Fixed": Fixed rent, "Variable": Variable rent, "Management contract": Management contract, "Fixed + variable": A combination of fixed and variable rent, "Fixed-rent + Revenue sharing": in addition to fixed rent, rent from revenue sharing is paid when certain conditions are met
3. Amount excluding taxes but including parking, common area maintenance fee, etc.
4. Undisclosed as consent on disclosure for details of rent has not been obtained from the lessee

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