

Japan Hotel REIT Investment Corporation (TSE: 8985)

Financial Results

FY12/2023 (24th Period)

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

February 21, 2024

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I . Settlement of Accounts — Highlights

1. FY12/2023 Highlights

1. Status of Hotel Operations

- In 2023, normalization from the COVID-19 pandemic progressed, with a marked recovery in demand, especially in the second half of the year. RevPAR exceeded 2019 figures for the full year, while GOP decreased by 7.1% compared to 2019 due to the impact of the non-rooms department
- For 2024, both room and F&B sales are expected to see double-digit growth vs previous year; GOP is projected to increase by 19.2%

2023 Result (25 Hotels with Variable Rent, etc. ^{(*)1})

		2023	vs Previous Year	vs 2019
RevPAR (JPY)	First Half	12,628	+108.3%	(5.0%)
	Second Half	15,955	+43.2%	+7.0%
	Full Year	14,305	+65.9%	+1.4%
Sales (JPY MM)	Rooms Dept.	37,614	+65.9%	+1.5%
	F&B Dept.	17,951	+35.9%	(12.2%)
	Others	2,867	(10.9%)	(27.6%)
	Total	58,432	+49.4%	(4.9%)
GOP (JPY MM)		20,162	+127.2%	(7.1%)

2024 Forecast (28 Hotels with Variable Rent, etc. ^{(*)1})

		2023	2024	vs Previous Year
RevPAR (JPY)	First Half	12,311	14,670	+19.2%
	Second Half	15,504	17,400	+12.2%
	Full Year	13,920	16,043	+15.2%
Sales (JPY MM)	Rooms Dept.	39,240	45,346	+15.6%
	F&B Dept.	18,124	21,248	+17.2%
	Others	2,885	2,431	(15.7%)
	Total	60,249	69,025	+14.6%
GOP (JPY MM)		20,849	24,850	+19.2%

2. External Growth

- Acquired six new properties (total acquisition price of JPY33.3 billion) and resumed external growth in 2023
- Three of the properties were acquired through public offering for the first time since the COVID-19 pandemic

Acquired in January



UAN Kanazawa (Ishikawa)
JPY2.05Bn

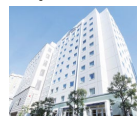
* The amount shown is the acquisition price. The same shall apply hereinafter.

Acquired in March



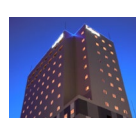
Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (Tokyo)
JPY8.40Bn

Acquired in December



Hotel JAL City Kannai Yokohama (Kanagawa)
JPY4.00Bn

Acquired in September (PO)



La'gent Stay Sapporo Odori (Hokkaido)
JPY10.02Bn



Oriental Hotel Kyoto Rokujo (Kyoto)
JPY4.44Bn

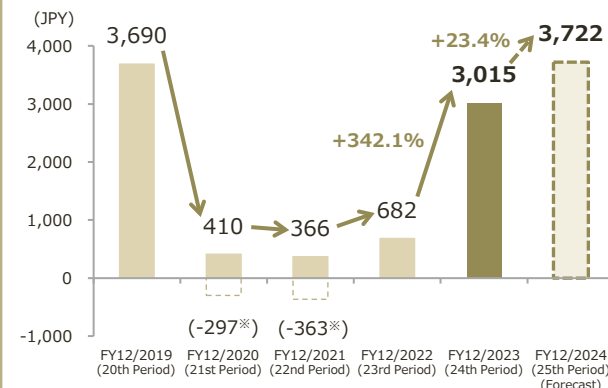


Hotel Oriental Express Fukuoka Nakasukawabata (Fukuoka)
JPY4.46Bn

4. Changes in DPU and NAV

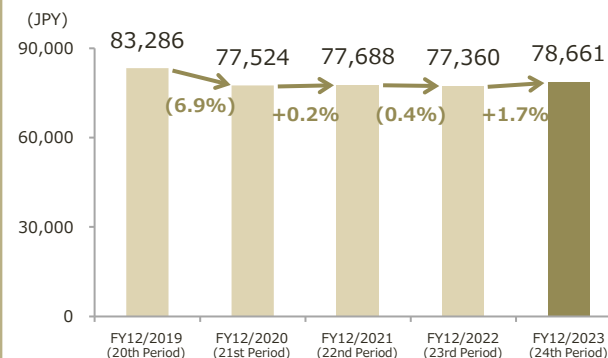
- DPU for 2024 is expected to reach JPY3,722, an increase of 23.4% vs 2023, surpassing the figure of 2019

Changes in DPU



* Rough estimate in case gain on sale was excluded ^{(*)2}

Changes in NAV per Unit



3. Financial Soundness

- Fully refinanced the entire loans with long-term loans of up to 6 years
- Newly financed JPY11,800MM for property acquisitions

(as of the end of December 2023)

LTV (total asset base)	40.8%	Refinancing	
Costs for Interest-bearing Debt	1.0%	2023 (result)	JPY 49.7 Bn
Average Life of Debt	2.9 years	2024 (scheduled)	JPY 40.0 Bn
Free Cash	JPY 10.2 Bn		

(*)1 Please refer to footnote on page 8 for the definition of the "25 Hotels with Variable Rent, etc." and footnote on page 10 for the definition of "28 Hotels with Variable Rent, etc.".

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

(*)3 Please refer to the footnotes on page 20 for the definition of the financial indicators.

II. Summary of Settlement of Accounts

1. Results for FY12/2023

		[Reference]															
		FY12/2022 (23rd Period)		FY12/2023 (24th Period)		Difference from Previous Year		Breakdown of Variance		FY12/2019 (20th Period)		Difference from FY2019 Actual					
(Unit: JPY MM)		Actual (A)		Actual (A)		(B)-(A)		Existing Properties		Acquisition in 2023		Actual (C)		(B)-(C)		%	
Propert ies	No. of Properties	41		47		6		-		6		43		4		-	
	Acquisition Price	363,542		396,918		33,376		9.2%		-		374,508		22,410		6.0%	
Profit and Loss	Operating Revenue	14,912		26,574		11,661		78.2%		11,000		661		28,278		(1,703) (6.0%)	
	Real Estate Operating Revenue	14,912		26,574		11,661		78.2%		11,000		661		28,278		(1,703) (6.0%)	
	Fixed Rent	42.1%	6,279	55.2%	14,658	8,379	133.5%	7,977	402	56.3%	15,931	(1,272)	(8.0%)				
	Other Income	6.6%	986	4.0%	1,070	83	8.5%	57	26	4.1%	1,170	(99)	(8.5%)				
	Variable Rent	51.3%	7,646	40.8%	10,844	3,198	41.8%	2,964	233	39.5%	11,176	(332)	(3.0%)				
	NOI ^(*2)	10,963		22,344		11,381		103.8%		10,756		625		24,087		(1,742) (7.2%)	
	NOI Yield	3.0%		5.6%		2.6pt								6.4%		(0.8pt)	
	Depreciation	4,787		5,083		295				209		86		4,557		525	
	Loss on Retirement of Noncurrent Assets, etc.	59		153		93				93		-		248		(95)	
	NOI after Depreciation ^(*2)	6,116		17,108		10,992		179.7%		10,453		539		19,281		(2,172) (11.3%)	
	NOI Yield after Depreciation	1.7%		4.3%		2.6pt								5.1%		(0.8pt)	
	Other Operating Expenses	1,819		2,093		274								2,132		(38)	
Operating Income	4,296		15,014		10,717		249.4%						17,148		(2,134) (12.4%)		
Ordinary Income	2,672		13,135		10,462		391.4%						15,291		(2,156) (14.1%)		
Net Income	2,671		13,134		10,462		391.6%						15,290		(2,156) (14.1%)		
Dividend	Use of Negative Goodwill	376		845		468		124.5%						1,176		(331) (28.1%)	
	Total Dividends	3,046		13,980		10,934		358.9%						16,466		(2,485) (15.1%)	
	Number of Units Issued (Unit)	4,467,006		4,637,006		170,000		3.8%						4,462,347		174,659 3.9%	
	Dividend per Unit (JPY)	682		3,015		2,333		342.1%						3,690		(675) (18.3%)	

Main Factors of Difference from the Previous Year's Results (2023 vs 2022)

Fixed Rent

- The 16 HMJ Hotels^(*3) +JPY8,030MM
- Properties acquired in 2023^(*4) +JPY402MM
(Three HMJ Hotels acquired in 2023^(*3) +JPY93MM)
- Others (JPY52MM)

(Total) +JPY8,379MM

Variable Rent

- The 16 HMJ Hotels +JPY774MM
- The Accor Group Hotels^(*3) +JPY1,075MM
- The Ishin Group Hotels^(*3) +JPY160MM
- Properties acquired in 2023 +JPY233MM
(Three HMJ Hotels acquired in 2023 +JPY86MM)
- Others +JPY953MM

(Total) +JPY3,198MM

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

	Fixed Rent	Variable Rent	Total
The 19 HMJ Hotels	+8,124	+861	+8,985
The 16 HMJ Hotels	+8,030	+774	+8,805
Three HMJ Hotels acquired in 2023	+93	+86	+180
The Accor Group Hotels	-	+1,075	+1,075
The Ishin Group Hotels	-	+160	+160
Total	+8,124	+2,097	+10,221

(*1) For detail, please refer to Financial Report for the Fiscal Year Ended December 31, 2023 (January 1, 2023–December 31, 2023) dated February 21, 2024.

(*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
The same shall apply hereinafter.

(*3) Please refer to the footnote on page 8 for the definition of "the Accor Group Hotels" and to the footnote on page 10 for the definition of "the 19 HMJ Hotels" and "Three HMJ Hotels acquired in 2023."

(*4) The figure shown is the impact amount due to properties acquired in 2023 (including tenants). The same shall apply hereinafter.

2. Operating Forecasts for FY12/2024

		FY12/2023 (24th Period)		FY12/2024 (25th Period)		Difference from Previous Year		Breakdown of Variance		FY12/2019 (20th Period)		Difference from FY2019 Actual	
		Actual (A)		Forecast (B)		(B)-(A)		Existing Properties		Actual (C)		(B)-(C)	
						%		Acquisition in 2023				%	
(Unit: JPY MM)													
Propert ies	No. of Properties	47		47		-		-		43		4	
	Acquisition Price	396,918		396,918		-		-		374,508		22,410 6.0%	
Profit and Loss	Operating Revenue	26,574		31,288		4,714 17.7%		3,419 1,294		28,278		3,010 10.6%	
	Real Estate Operating Revenue	26,574		31,288		4,714 17.7%		3,419 1,294		28,278		3,010 10.6%	
	Fixed Rent	55.2% 14,658		48.4% 15,132		473 3.2%		(1) 474		56.3% 15,931		(798) (5.0%)	
	Other Income	4.0% 1,070		3.3% 1,034		(36) (3.4%)		(47) 11		4.1% 1,170		(135) (11.6%)	
	Variable Rent	40.8% 10,844		48.3% 15,121		4,277 39.4%		3,468 808		39.5% 11,176		3,945 35.3%	
	NOI	22,344		26,825		4,481 20.1%		3,273 1,207		24,087		2,738 11.4%	
	NOI Yield	5.6%		6.8%		1.1pt				6.4%		0.3pt	
	Depreciation	5,083		5,345		261		126 135		4,557		787	
	Loss on Retirement of Noncurrent Assets, etc.	153		232		79		79 -		248		(16)	
	NOI after Depreciation	17,108		21,248		4,140 24.2%		3,067 1,072		19,281		1,967 10.2%	
	NOI Yield after Depreciation	4.3%		5.4%		1.0pt				5.1%		0.2pt	
Other Operating Expenses	2,093		2,433		339				2,132		300		
Operating Income	15,014		18,815		3,800 25.3%				17,148		1,666 9.7%		
Ordinary Income	13,135		16,713		3,577 27.2%				15,291		1,421 9.3%		
Net Income	13,134		16,712		3,577 27.2%				15,290		1,421 9.3%		
Dividend	Use of Negative Goodwill	845		549		(295) (35.0%)				1,176		(626) (53.3%)	
	Total Dividends	13,980		17,258		3,278 23.4%				16,466		792 4.8%	
	Number of Units Issued (Unit)	4,637,006		4,637,006		-		-		4,462,347		174,659 3.9%	
	Dividend per Unit (JPY)	3,015		3,722		707 23.4%				3,690		32 0.9%	

[Reference]

Main Factors of Difference from the Previous Year's Results (2024 vs 2023)

Fixed Rent

- Properties acquired in 2023 (Three HMJ Hotels acquired in 2023) +JPY474MM +JPY386MM
- Others (JPY1MM)

(Total) +JPY473MM

Variable Rent

- The 16 HMJ Hotels +JPY2,793MM
- The Accor Group Hotels +JPY522MM
- The Ishin Group Hotels +JPY101MM
- Properties acquired in 2023 (Three HMJ Hotels acquired in 2023) +JPY808MM +JPY279MM
- Others +JPY50MM

(Total) +JPY4,277MM

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

	Fixed Rent	Variable Rent	Total
The 19 HMJ Hotels	+386	+3,073	+3,459
The 16 HMJ Hotels	-	+2,793	+2,793
Three HMJ Hotels acquired in 2023	+386	+279	+665
The Accor Group Hotels	-	+522	+522
The Ishin Group Hotels	-	+101	+101
Total	+386	+3,697	+4,083

(*) For detail, please refer to Financial Report for the Fiscal Year Ended December 31, 2023 (January 1, 2023–December 31, 2023) dated February 21, 2024.

III. Status of Hotel Operations

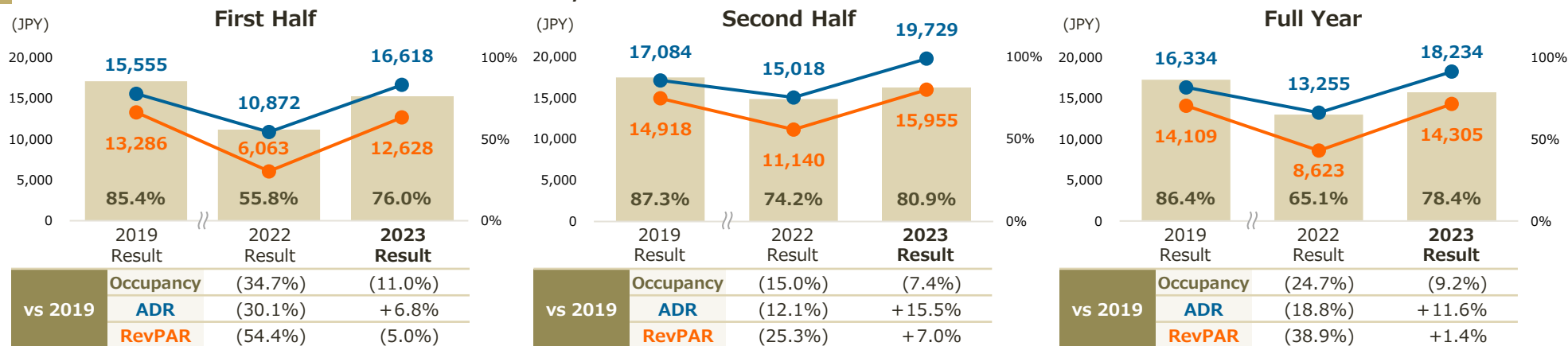
1. Hotel Performance Results for FY2023 (Key Performance Indicators for Rooms Dept.)

- ◆ With an ADR-focused sales strategy and revenue management, ADR increased by over 10% compared to the 2019 level, while RevPAR surpassed that of 2019

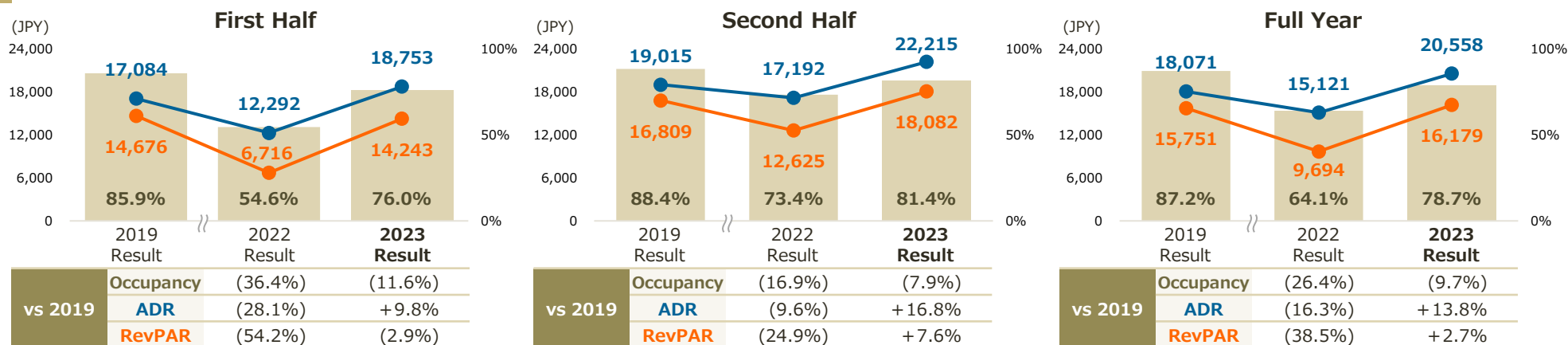
Key Performance Indicators (Rooms Department)

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

Total of the 25 Hotels with Variable Rent, etc. (*)



The 16 HMJ Hotels (*)



(*) 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"), plus 4 hotels of the b suidobashi, the b suidoburo, the b ikebukuro, the b hachioji, and the b hakata ("The Ishin Group Hotels") and 5 hotels of ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka ("The Accor Group Hotels"). The same shall apply hereinafter.

2. Hotel Performance Results for FY2023 (Sales & GOP)

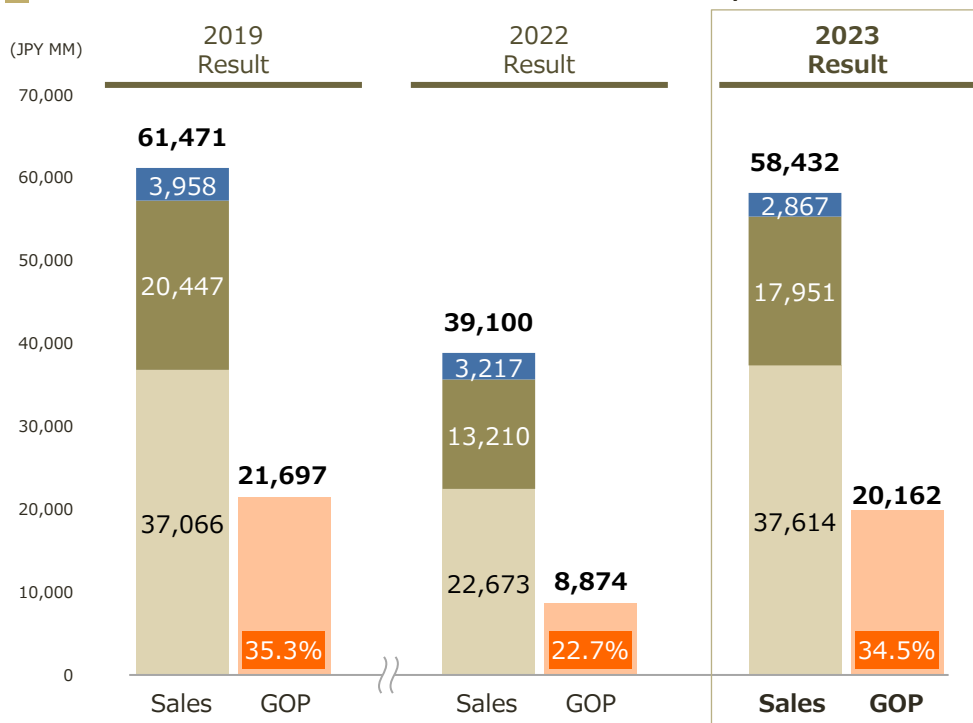
◆ While total sales were lower than 2019 due to F&B Dept., room sales exceeded 2019 and GOP margins improved significantly

Sales/Performance of GOP

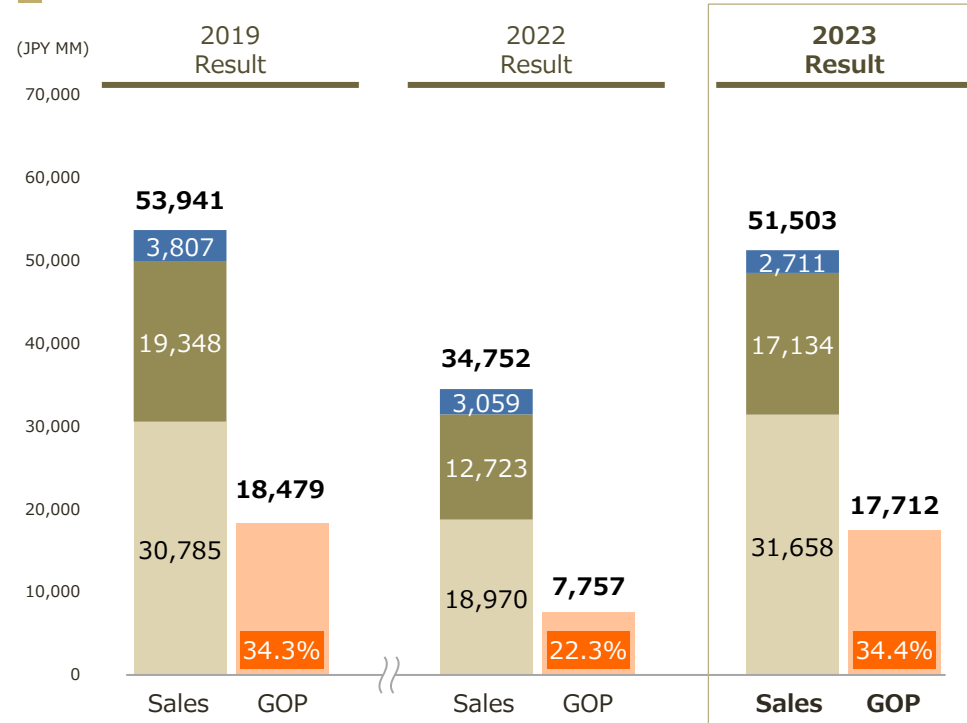
■ Rooms Dept. ■ F&B Dept. ■ Others ■ GOP

* Figures in indicate GOP ratio (vs sales)

Total of the 25 Hotels with Variable Rent, etc.



The 16 HMJ Hotels



		vs Previous Year	vs 2019
Percentage Change in Actual Results for 2023	Total Sales	+49.4%	(4.9%)
	Rooms Dept.	+65.9%	+1.5%
	F&B Dept.	+35.9%	(12.2%)
	Others	(10.9%)	(27.6%)
	GOP	+127.2%	(7.1%)

		vs Previous Year	vs 2019
Percentage Change in Actual Results for 2023	Total Sales	+48.2%	(4.5%)
	Rooms Dept.	+66.9%	+2.8%
	F&B Dept.	+34.7%	(11.4%)
	Others	(11.4%)	(28.8%)
	GOP	+128.3%	(4.2%)

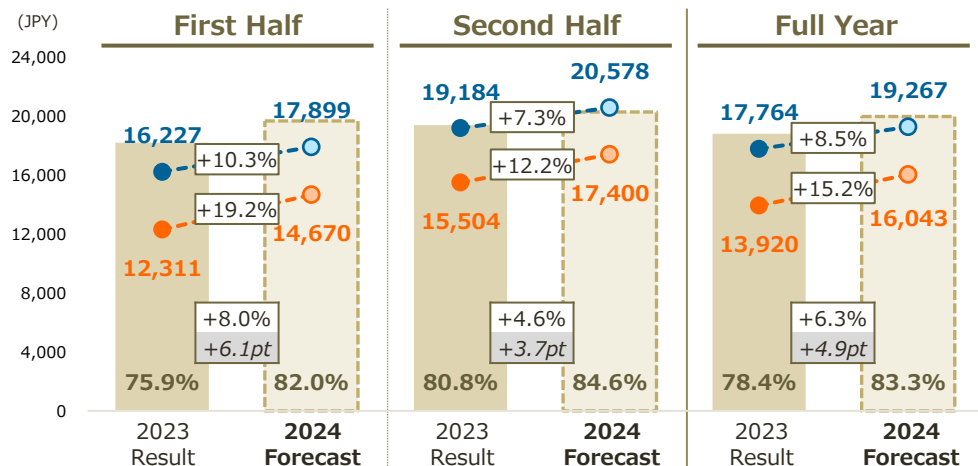
3. Hotel Performance Forecasts for FY2024

◆ Rooms Department performed well, Food & Beverage Department recovered, and GOP margins are expected to improve further along with sales growth

Result and Forecast of Key Performance Indicators (Rooms Dept.)

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

Total of the 28 Hotels with Variable Rent, etc. (*)

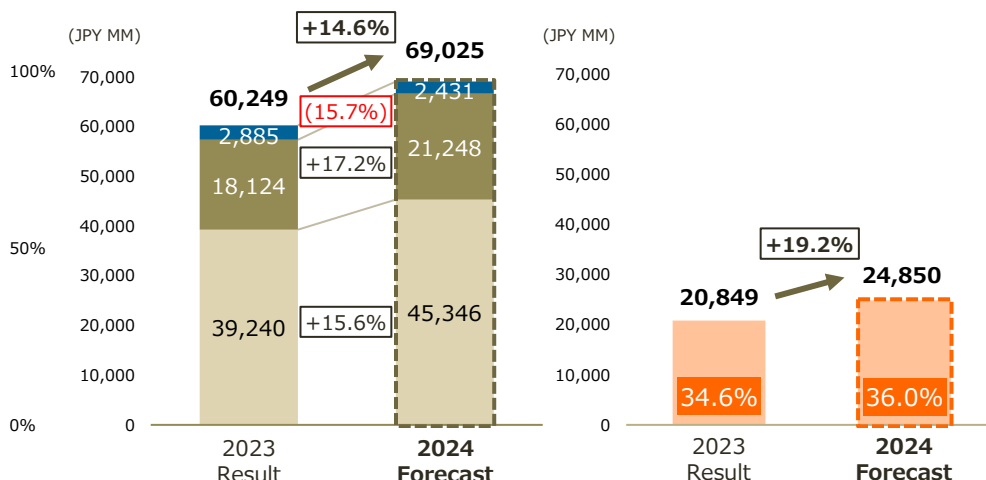


Sales

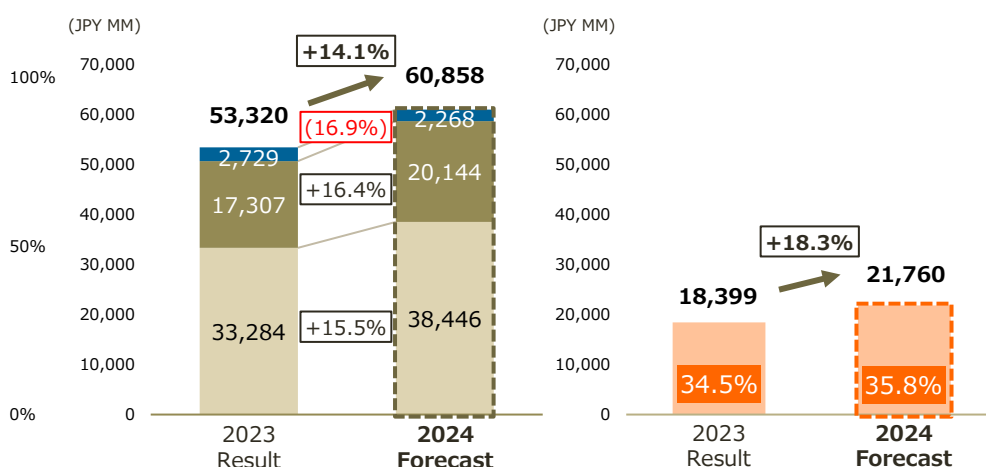
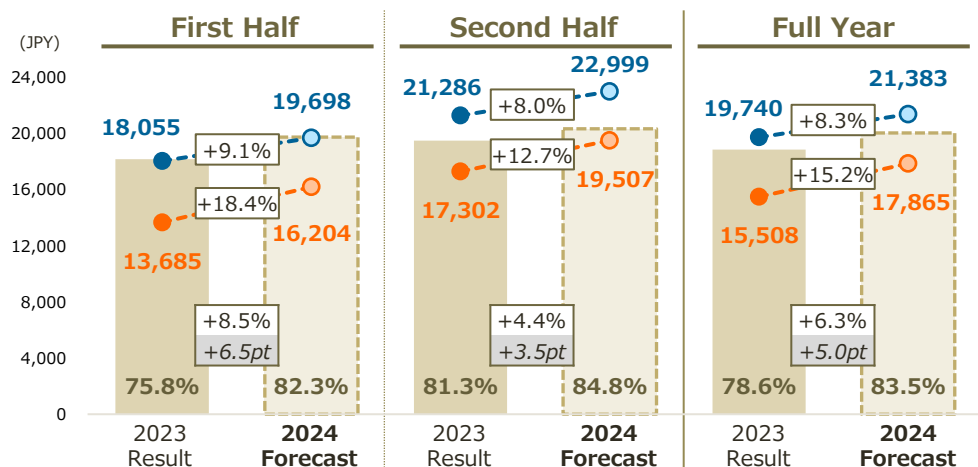
Rooms Dept. F&B Dept. Others

GOP

* Figures in orange indicate GOP ratio (vs sales)



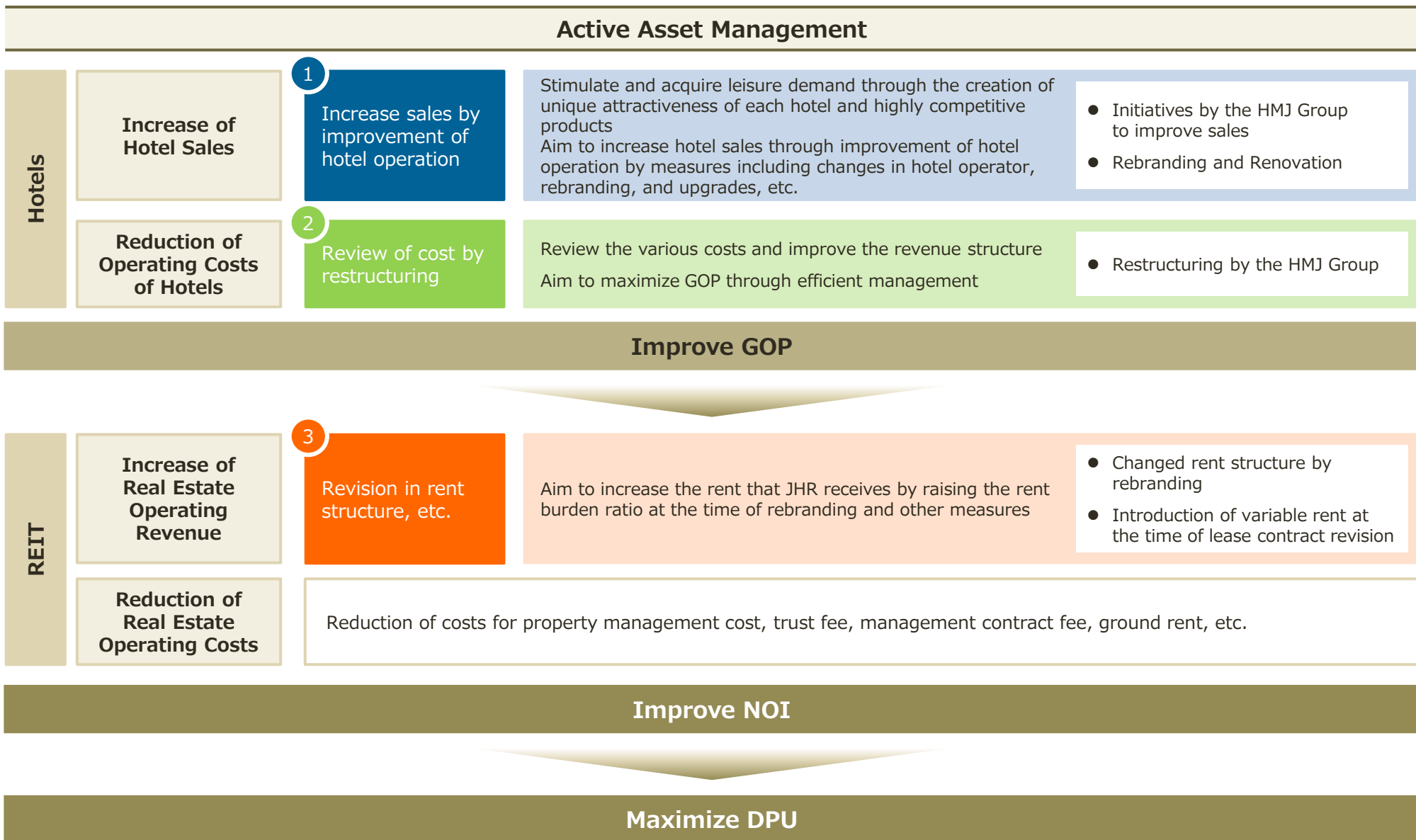
Total of the 19 HMJ Hotels (*)



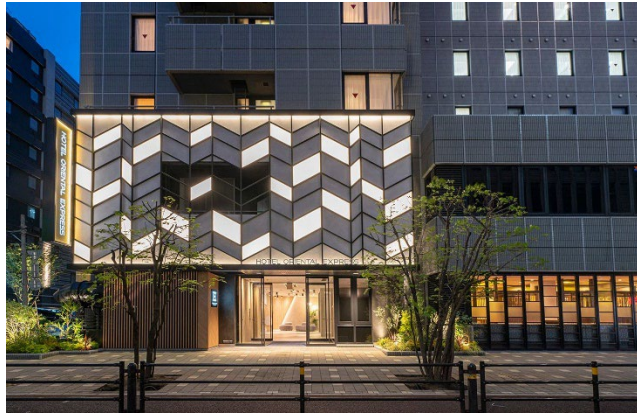
(*) The 28 Hotels with Variable Rent, etc. refer to a total of 28 hotels comprising the 25 Hotels with Variable Rent, etc., plus three hotels (Oriental Hotel Kyoto Rokujo, Hotel Oriental Express Fukuoka Nakasukawabata, and Hotel JAL City Kannai Yokohama) leased by HMJ Group (hereinafter called the "Three HMJ Hotels acquired in 2023"), acquired in 2023. The HMJ19 Hotels refer to the 19 hotels, comprising the 16 HMJ hotels plus the Three HMJ Hotels acquired in 2023. The same shall apply hereinafter.

4. Internal Growth by Active Asset Management

◆ Realize upside potential through Active Asset Management



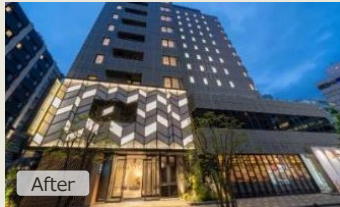
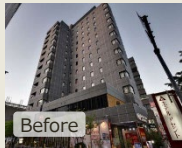
Hotel Oriental Express Fukuoka Tenjin (former HOTEL ASCENT FUKUOKA)



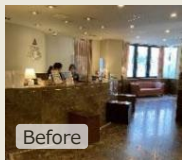
Overview of Active Asset Management

- The previous lessee decided to withdraw as a lessee due to the deterioration of business performance resulting from the COVID-19 pandemic. Consequently, JHR selected the HMJ Group as the lessee, and rebranded the hotel as an HMJ Group Hotel in June 2021
 - Efficient operations utilizing the advantages of operating multiple hotels in Fukuoka
 - Changed the rent scheme from "Fixed Rent" to "Fixed Rent + Variable Rent." Sought to enjoy further upside by adopting the contract scheme of the HMJ Group hotels
- Rebranded opening in June 2021
 - The hotel was previously in the economy-price range, but with HMJ's appropriate operations and JHR's sophisticated monitoring, JHR determined that it could realize an upside
 - The hotel has improved its positioning to mid-price range through effective renovation and proper operations

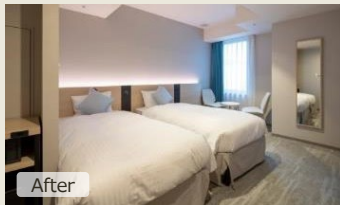
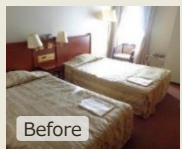
◆ Exterior



◆ Lobby



◆ Guest room




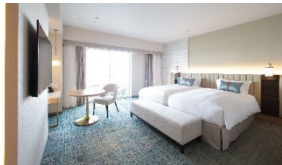
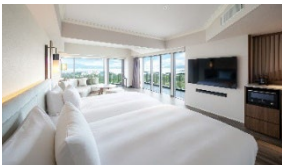
Comparison between Pre-post Rebranding

	Pre-rebranding (FY2019)	Post-rebranding (FY2023)	Percentage Change
Occupancy	86.1%	84.7%	(1.4pt)
ADR (JPY)	7,224	11,069	+53.2%
RevPAR (JPY)	6,219	9,370	+50.7%
Sales (JPY MM)	632	924	+46.2%
Rent (JPY MM)	334	529	+58.1%
Fixed Rent (JPY MM)	334	192	(42.4%)
Variable Rent (JPY MM)	–	336	–
NOI (JPY MM)	302	488	+61.8%
NOI Yield	6.1%	9.3%	+3.2pt

6. Renovation Details and Results for FY2023

◆ Implemented strategic capital expenditures (CAPEX Ⅲ) totaling JPY1,295 million for renovation, which resulted in a significant rise in unit price

Guest Room Renovation

Name	Total Planning Period (scheduled)	Overview of Renovation	Overview of Renovation in 2023	ADR Result for Guest Rooms subject to Renovation
Oriental Hotel Tokyo Bay	FY2023–FY2025	 <ul style="list-style-type: none"> Improved merchantability by separating the toilet, wash basin, and bathtub in prefabricated bathroom units. Added beds by effectively utilizing the living room space, aiming to sell at a higher unit price by increasing DOR^(*1) 	Renovation period: May to July No. of rooms subject to renovation: 99/511 rooms Renovation cost: JPY382MM	August to December 2023: JPY34,987 (+52.2% vs 2019)
Kobe Meriken Park Oriental Hotel	FY2023–FY2026	 <ul style="list-style-type: none"> Established guest rooms with lounge access along with the renovation, aiming to sell at a higher unit price 	Renovation period: May to August No. of rooms subject to renovation: 62/323 rooms Renovation cost: JPY214MM	September to December 2023: JPY26,549 (+42.4% vs 2019)
Oriental Hotel Okinawa Resort & Spa	FY2023–FY2024	 <ul style="list-style-type: none"> Since the rebranding, gradually renovated the unrefurbished rooms and completed renovations in all rooms 	Renovation period: September to December No. of rooms subject to renovation: 96/361 rooms Renovation cost: JPY470MM	No sales in 2023 as the construction was completed in December 2023 *Reference: Actual ADR result in 2023 for the guest rooms on the club floor renovated from October to December 2022: JPY35,258 (+44.1% vs 2019)

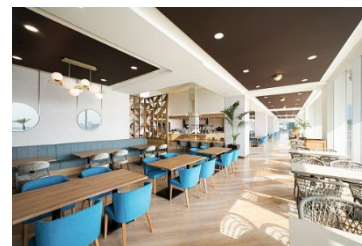
Restaurant Renovation

Oriental Hotel Tokyo Bay



Grand Reopening	November 1, 2023
Overview	Renovated into an exciting space, featuring a new live kitchen, with a calm and gentle color scheme in its interior
Renovation Cost	JPY63MM
Per-customer Spending after Opening ^(*2)	+38.6% for November to December 2023 vs 2019

Kobe Meriken Park Oriental Hotel



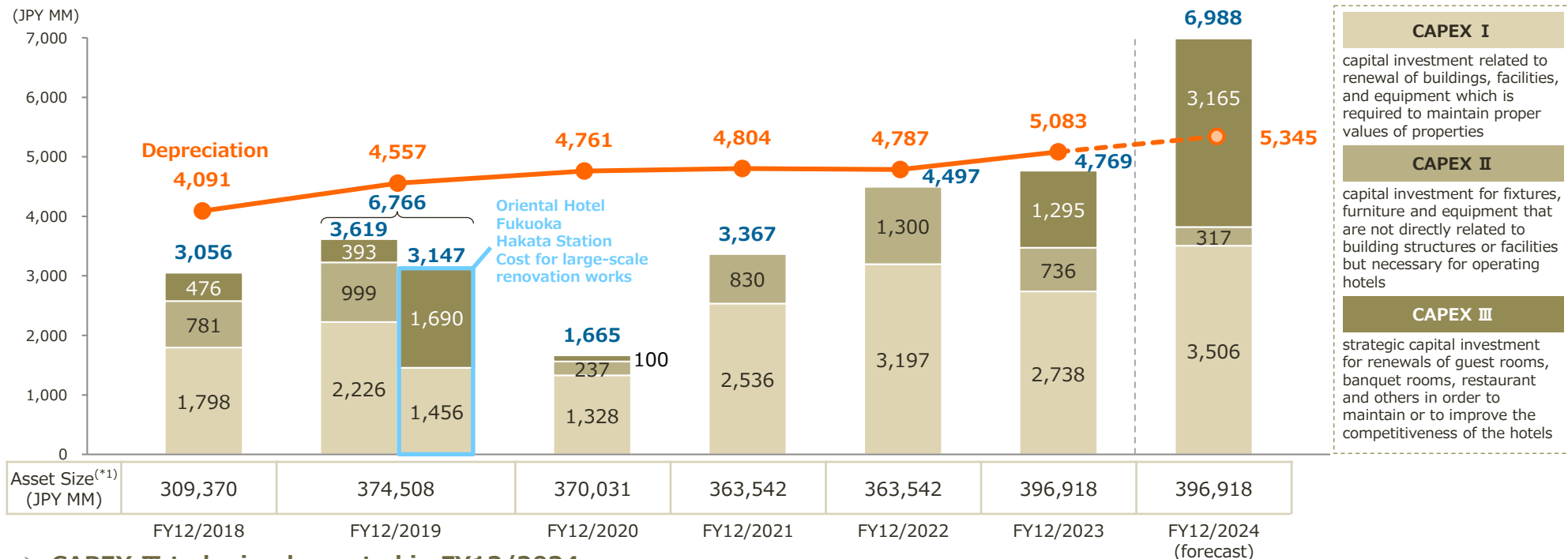
Grand Reopening	December 9, 2023
Overview	Renovated into a high-quality space where you can enjoy the chef's signature dishes while taking in the spectacular view as if you were sailing on a cruise ship
Renovation Cost	JPY165MM
Per-customer Spending after Opening ^(*2)	+30.8% for December 2023 vs 2019

(*1) DOR stands for Double Occupancy Ratio. The number of guests divided by the number of available rooms indicates the average number of guests per room. The same shall apply hereinafter.

(*2) Based on per-customer spending for lunch and dinner.

7. Capital Expenditure (CAPEX) and Depreciation

- ◆ In principle, JHR's policy is to implement appropriate CAPEX within the depreciation
- ◆ In FY12/2024, JHR plans to invest over JPY3 billion in CAPEX III to achieve strong unit price increases and sales growth



➤ CAPEX III to be implemented in FY12/2024

Property Name	Detail	Purpose	Areas to be Renovated	Amount (JPY MM)	Period (scheduled)
Oriental Hotel Tokyo Bay	Guest room renovation	Improve merchantability by making the wet area independent and increase DOR by adding beds	216/511 rooms	992	May to November 2024
Oriental Hotel Okinawa Resort & Spa	Guest room renovation	Improve merchantability by addressing age-related deterioration and creating high quality spaces	192/361 rooms	968	September 2023 to April 2024
Namba Oriental Hotel	Constructed new guest rooms and a new lounge	Construct new guest rooms suitable for long-term stays and accommodating large numbers of people, and enhance ancillary facilities, such as a lounge	Front lobby, common areas and nine new guest rooms	780	August to December 2024 ^{(*)2}
Kobe Meriken Park Oriental Hotel	Guest room renovation	Improve merchantability by addressing age-related deterioration and creating high quality spaces	79/323 rooms	380	April to August 2024
La'gent Stay Sapporo Odori	Guest room renovation	Increase DOR by adding beds	19/219 rooms	45	April to May 2024
Total				3,165	-

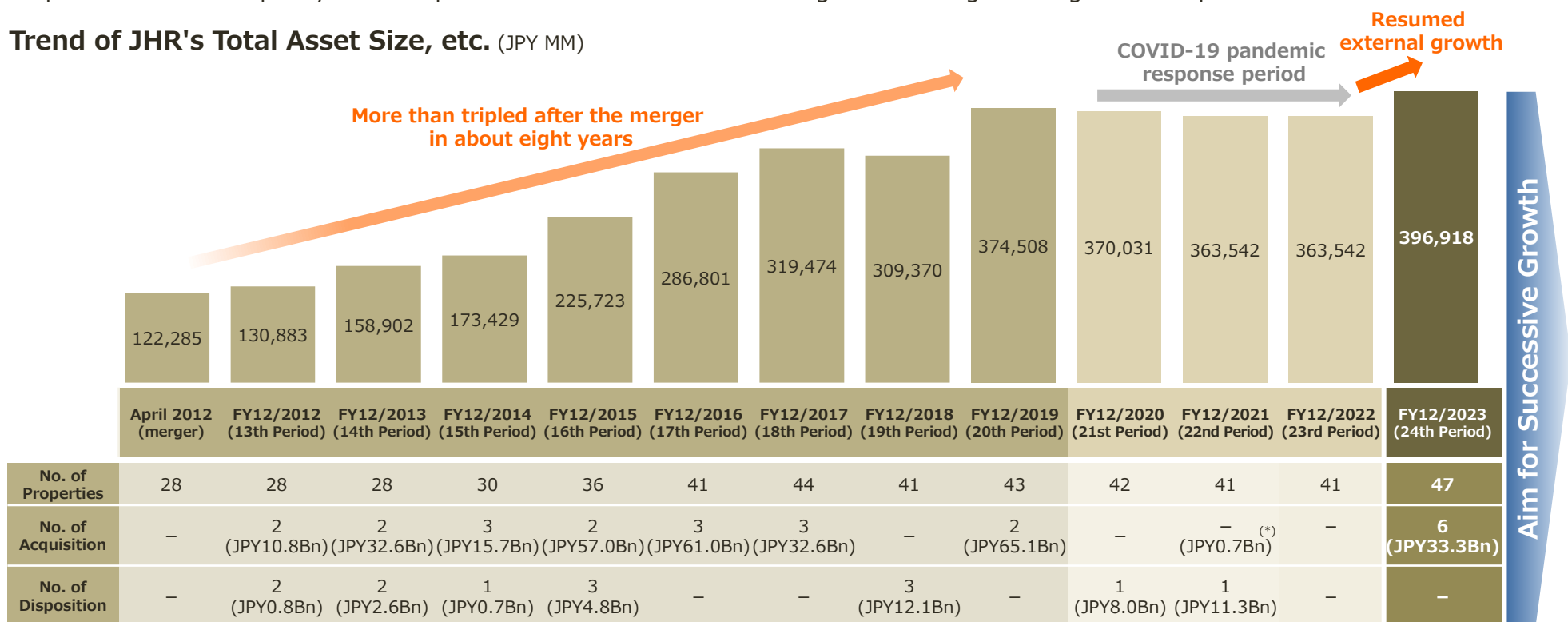
(*1) Asset size is based on the aggregate acquisition price of the properties at the end of each fiscal period. The same shall apply hereinafter.

(*2) The entire building will be closed during the construction period as the front floor will be inaccessible.

8. 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)



Acquisitions in 2023



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

9. Assets Acquired in FY2023

- ◆ In 2023, JHR acquired six new properties for a total acquisition price of JPY33.3 billion, three of which were acquired through the public offering for the first time since the COVID-19 pandemic
- ◆ Among the six properties, the HMJ Group is the lessee of the Oriental Hotel Kyoto Rokujo, Hotel Oriental Express Fukuoka Nakasukawabata and Hotel JAL City Kannai Yokohama, seeking to boost revenue through the strategic active asset management using its platform

Property Acquired through Public Offering in September 2023

Name	UAN kanazawa	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	La'gent Stay Sapporo Odori	Oriental Hotel Kyoto Rokujo	Hotel Oriental Express Fukuoka Nakasukawabata	Hotel JAL City Kannai Yokohama
Exterior						
Acquisition Date	January 31, 2023	March 24, 2023	September 27, 2023	September 27, 2023	September 27, 2023	December 22, 2023
Acquisition Price	JPY2,050MM	JPY8,400MM	JPY10,020MM	JPY4,446MM	JPY4,460MM	JPY4,000MM
Appraisal Value	JPY2,200MM	JPY10,100MM	JPY10,800MM	JPY5,940MM	JPY6,090MM	JPY4,340MM
Location	Kanazawa city, Ishikawa	Minato-ku, Tokyo	Sapporo city, Hokkaido	Kyoto city, Kyoto	Fukuoka city, Fukuoka	Yokohama city, Kanazawa
Hotel Type	Limited-service	Limited-service	Limited-service	Limited-service	Limited-service	Limited-service
Grade	Upper-middle	Mid-price	Mid-price	Mid-price	Mid-price	Mid-price
No. of Guest Rooms	47	220	219	166	183	170
Rent Structure	Fixed + Revenue sharing	Fixed + Revenue sharing	Variable	Fixed + Variable	Fixed + Variable	Fixed + Variable
Hotel Lessee	Solare Hotels and Resorts Co., Ltd.	Sotetsu Hotel Development Co., Ltd.	AB Accommo. Co. Ltd.	Kyoto Horikawa Operations Co., Ltd. (wholly owned subsidiary of HMJ)	Fukuoka Tenyamachi Operations Co., Ltd. (wholly owned subsidiary of HMJ)	K.K. Yokohama Yamashita-cho Operations (wholly owned subsidiary of HMJ)
NOI Yield ^(*)	5.8%	4.6%	5.3%	6.5%	6.8%	5.1%

(*) Based on the forecast for 2024 announced in the financial report dated February 21, 2024.

10. 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

2017	➤ Establishment of Sustainability Policy	
2018	➤ Two properties—Hotel Nikko Alivila and Mercure Okinawa Naha—acquired BELS ^(*1) certification ➤ Received an "A" rating indicating excellent environmentally friendly management, in the SMBC Environmental Assessment Loan ^(*2)	
2019	➤ Issued Hotel Green Bonds (nickname) and used the procured funds to carry out construction works to save energy	 Oriental Hotel Fukuoka Hakata Station Okinawa Marriott Resort & Spa
2020	➤ Hilton Tokyo Odaiba acquired CASBEE ^(*3) "B+ (good)" building certification	 Hilton Tokyo Odaiba CASBEE B+ (good) 2020
2021	➤ Oriental Hotel Fukuoka Hakata Station acquired CASBEE "B+ (good)" building certification ➤ JHRA expressed its support for the TCFD ^(*4) recommendations ➤ Identified JHR's materialities (key issues)	 Oriental Hotel Fukuoka Hakata Station CASBEE B+ (good) 2021
2022	➤ Released initiatives for four disclosure themes recommended by TCFD	
2023	➤ Formulated GHG reduction target ^(*6) (30% reduction by 2050 compared to FY2017 ^(*7)) ➤ Issued ESG report	
2024	➤ Formulated the Green Finance Framework: Overall Evaluation of Green 1 (F) ➤ UAN Kanazawa acquired BELS evaluation	

GRESB Real Estate Assessment^(*5)

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

- In 2023, JHR was selected for **"Sector Leader"** in **Asian hotel sector** for four consecutive years



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

Formulation of Green Finance Framework

- Formulated the Green Finance Framework as a structure for financing projects with environmental consideration in January 2024
- Acquired the highest Overall Evaluation of **"Green 1 (F)"** from the Japan Credit Rating Agency, Ltd. (JCR) for the Framework
- Promote initiatives aimed at environmental improvement utilizing funds procured under the Framework going forward



Acquisition of BELS Evaluation

UAN kanazawa acquired BELS evaluation in February 2024



(*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.
 (*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-CO₂/m²)
 (*8) ESG disclosure information on JHR website: <https://www.jhrth.co.jp/en/esg/index.html>

IV. Financial Conditions

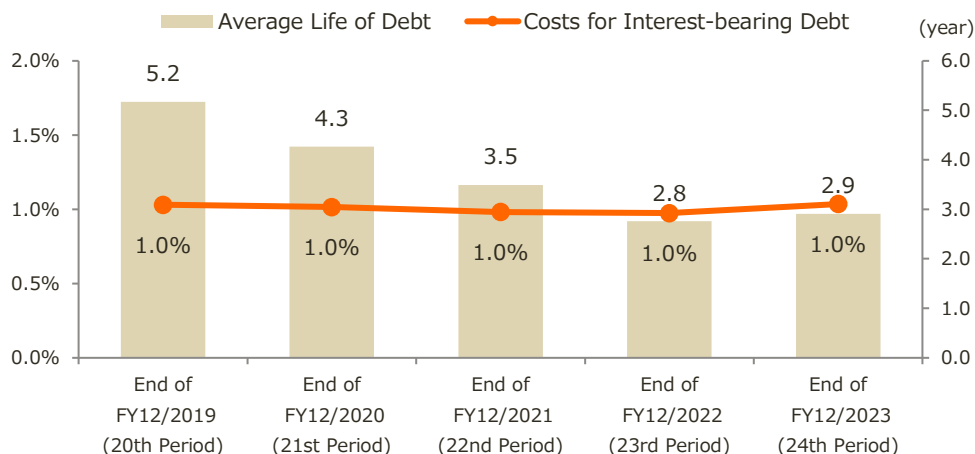
1. Financial Conditions (1)

Main Financial Indicators

(as of the end of December 2023)

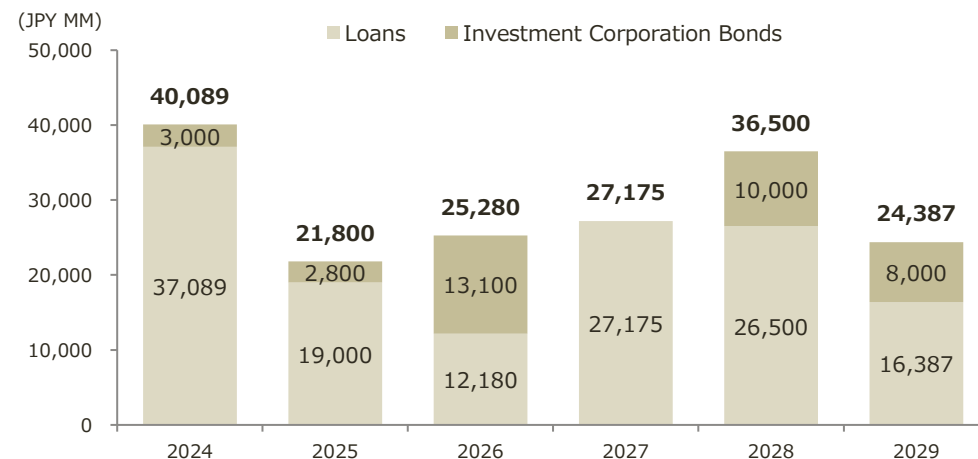
Total interest-bearing debt	JPY 175.2 Bn
LTV (total asset base)	40.8%
Cost for interest-bearing debt ^(*1)	1.0%
Average life of interest-bearing debt ^(*2)	2.9 years
Free cash ^(*3)	JPY 10.2 Bn
Unrealized gain ^(*4)	JPY 133.7 Bn

Changes in Costs for Interest-bearing Debt^(*1) and Average Life of Interest-bearing Debt^(*2)



Repayment Schedule of Interest-bearing Debt

(as of the end of December 2023)



Actual Refinancing and New Borrowing in 2023

(JPY MM)

Repayment and Borrowing Date	Refinancing Amount	New Borrowing Amount
Full Year	49,745	11,800
First Half	25,983	800
Second Half	23,762	11,000

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

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

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

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

1. Financial Conditions (2)

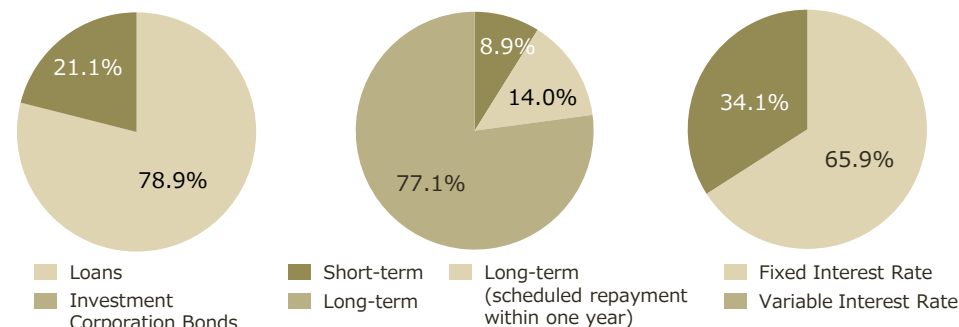
Lender List for Interest-bearing Debt

(Unit: JPY MM)

Lenders/Bond Name	Balance (as of the end of December 2022)		Balance (as of the end of December 2023)		Variance
	Balance	%	Balance	%	
Sumitomo Mitsui Banking Corporation	33,238	20.2%	35,033	20.0%	1,795
Mizuho Bank, Ltd.	19,818	12.1%	22,846	13.0%	3,028
SBI Shinsei Bank, Ltd.	18,558	11.3%	18,858	10.8%	300
Sumitomo Mitsui Trust Bank, Limited	14,143	8.6%	15,235	8.7%	1,092
Resona Bank, Limited	9,982	6.1%	10,382	5.9%	400
Development Bank of Japan Inc.	6,034	3.7%	6,355	3.6%	321
MUFG Bank, Ltd.	2,700	1.6%	4,700	2.7%	2,000
Fukuoka Bank, Ltd.	4,636	2.8%	4,636	2.6%	-
Aozora Bank, Ltd.	3,352	2.0%	3,652	2.1%	300
The Nomura Trust and Banking Co., Ltd.	4,548	2.8%	3,200	1.8%	(1,348)
The Chiba Bank, Ltd.	2,732	1.7%	2,732	1.6%	-
The Nishi-Nippon City Bank, Ltd.	2,684	1.6%	2,500	1.4%	(184)
The Tokyo Star Bank, Limited	-	-	2,260	1.3%	2,260
Hiroshima Bank, Ltd.	1,854	1.1%	1,854	1.1%	-
The Minato Bank, Ltd.	1,000	0.6%	1,400	0.8%	400
Sompo Japan Insurance Inc.	1,464	0.9%	1,000	0.6%	(464)
Kansai Mirai Bank, Limited	-	-	800	0.5%	800
The Shizuoka Bank, Ltd.	588	0.4%	588	0.3%	-
The Hokuriku Bank, Ltd.	-	-	300	0.2%	300
Total of Bank Loans	127,331	77.5%	138,331	78.9%	11,000
Investment Corporation Bonds (for institutional investors)					
6th Investment Corporation Bonds without Collateral	3,000	1.8%	3,000	1.7%	-
8th Investment Corporation Bonds without Collateral	1,100	0.7%	1,100	0.6%	-
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	1.1%	-
13th Investment Corporation Bonds without Collateral	2,800	1.7%	2,800	1.6%	-
Total of Investment Corporation Bonds (for institutional investors)	9,900	6.0%	9,900	5.6%	-
Investment Corporation Bonds (for individual investors)					
7th Investment Corporation Bonds without Collateral	9,000	5.5%	9,000	5.1%	-
10th Investment Corporation Bonds without Collateral	10,000	6.1%	10,000	5.7%	-
11th Investment Corporation Bonds without Collateral	8,000	4.9%	8,000	4.6%	-
Total of Investment Corporation Bonds (for individual investors)	27,000	16.4%	27,000	15.4%	-
Total of Investment Corporation Bonds	36,900	22.5%	36,900	21.1%	-
Total of Interest-bearing Debt	164,231	100.0%	175,231	100.0%	11,000

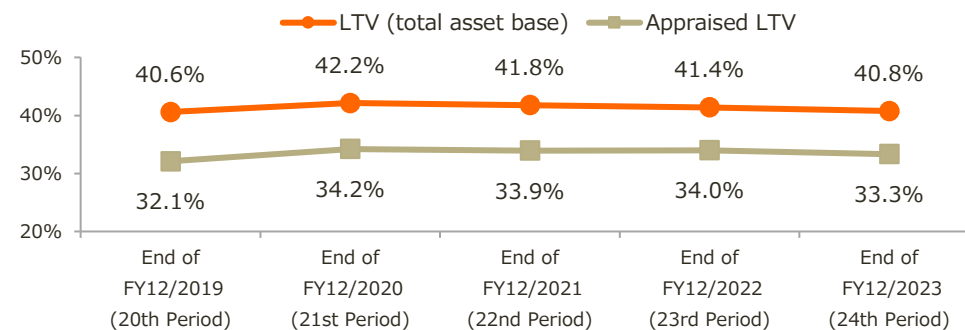
Breakdown of Interest-bearing Debt

(as of the end of December 2023)



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

Changes in LTV



Status of Credit Rating

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

1. Financial Conditions (3)

Negative Goodwill

<Policy for Use of Negative Goodwill>

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

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

<Amount used in FY12/2023>

50-year amortization amount on negative goodwill :	JPY262MM
Cope with loss on retirement of noncurrent assets :	JPY151MM
Amortization of trademark rights :	JPY56MM
Dilution :	JPY375MM
Total amount :	JPY845MM

Balance of Negative Goodwill after the end of December 2023	JPY8,754MM
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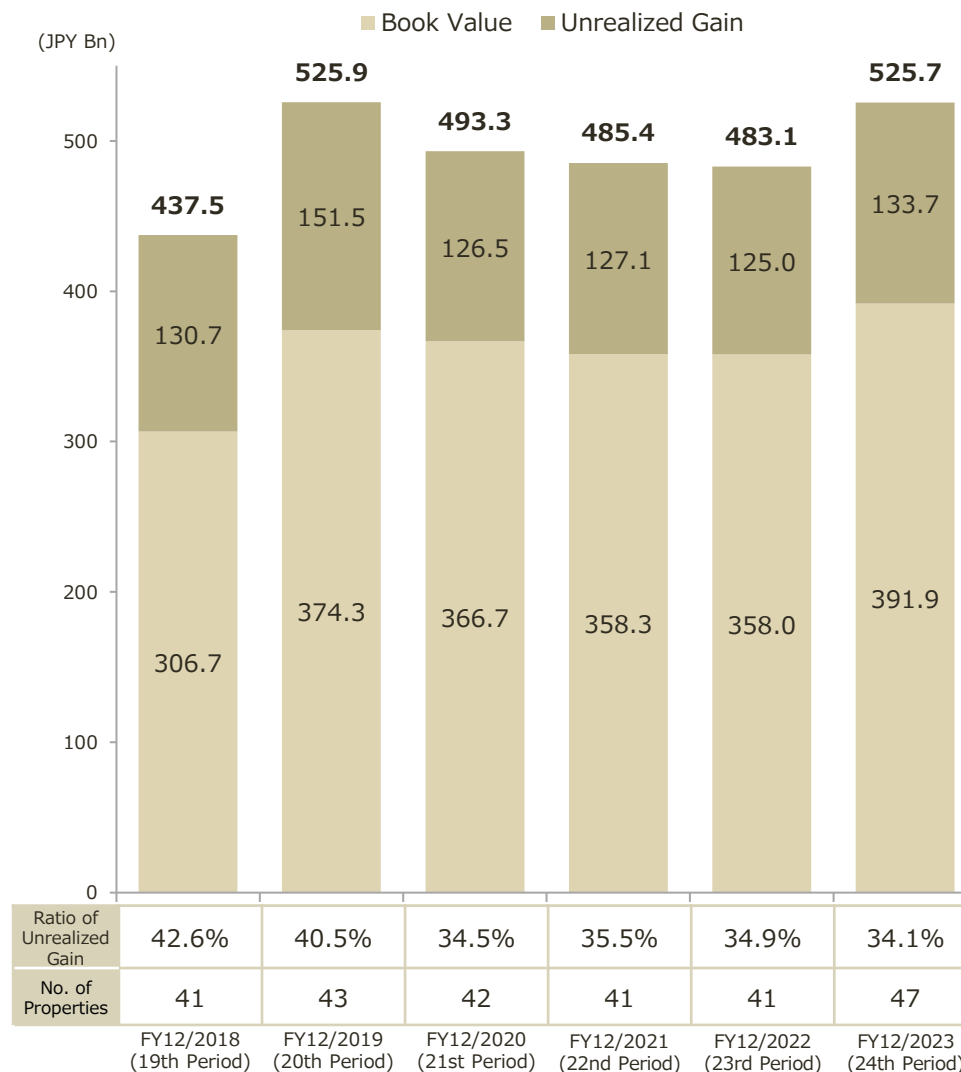
<Amount planned to be used in FY12/2024>

50-year amortization amount on negative goodwill :	JPY262MM
Cope with loss on retirement of noncurrent assets :	JPY231MM
Amortization of trademark rights :	JPY56MM
Total amount :	JPY549MM

Estimated Balance of Negative Goodwill after the end of December 2024^(*)	JPY8,204MM
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(*) The amount after deducting the amount appropriated to dividend payment for FY12/2023 from the balance at the end of the period.

Changes in Appraisal Value (Unrealized Gain)



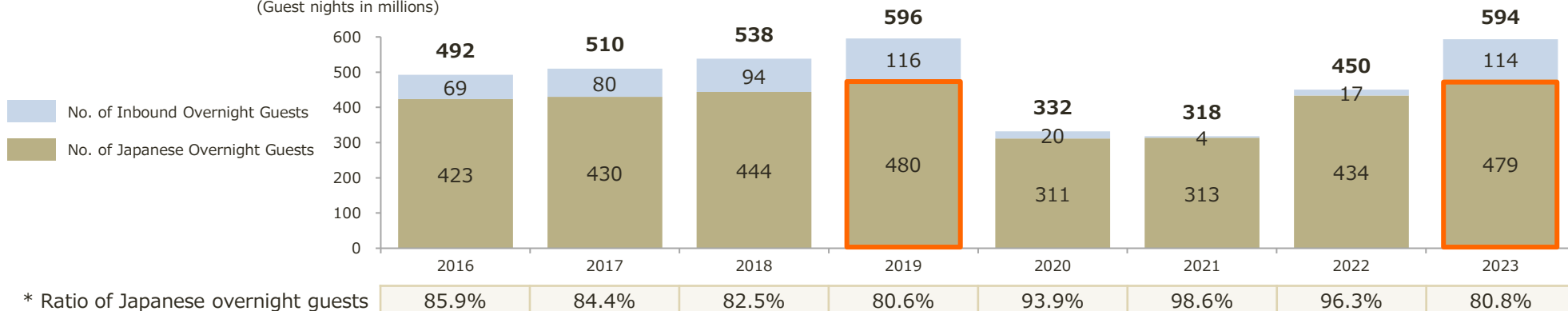
V . Market Environment

1. Status of Domestic Accommodation Demand

◆ Domestic accommodation demand in 2023 remained stable at roughly the 2019 level

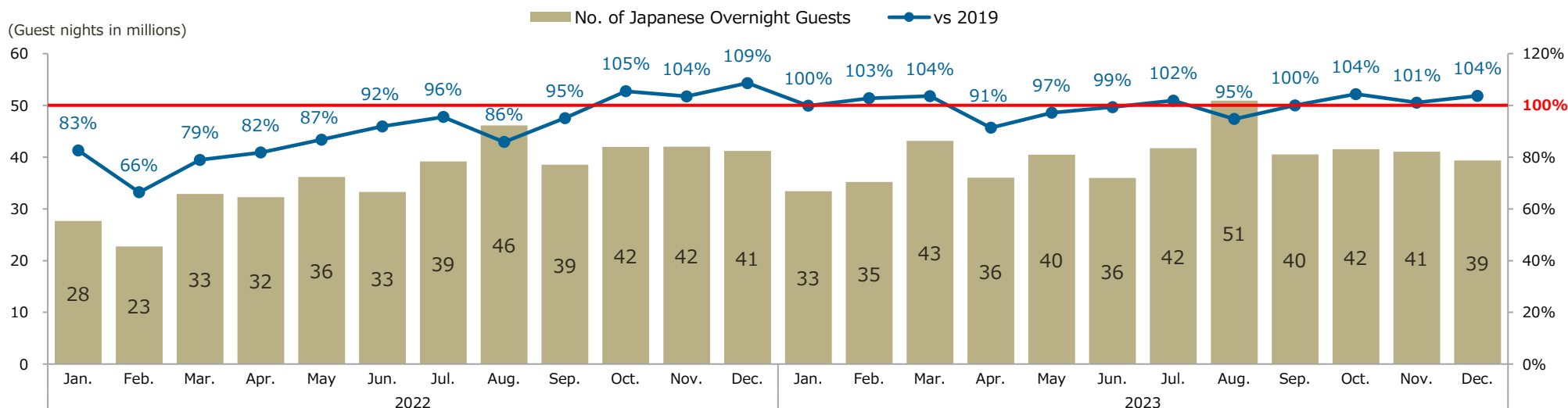
Changes in Number of Overnight Guests in Japan (by calendar year)

(Guest nights in millions)



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

(Guest nights in millions)



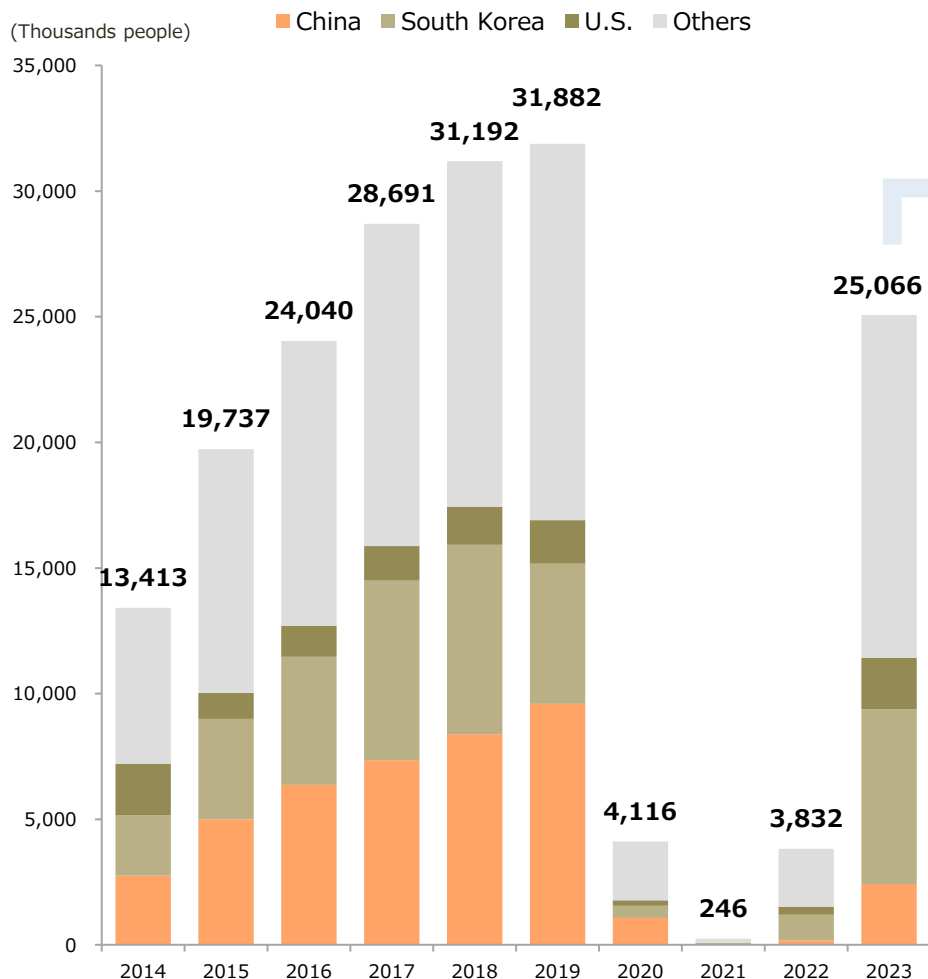
Source: Statistics of Overnight Travel by Japan Tourism Agency

(*) Rounded off to the nearest millions of overnight guests. The figures from 2016 to 2022 are final, and those for January to November 2023 are second preliminary figure, those for December 2023 are first preliminary figure.

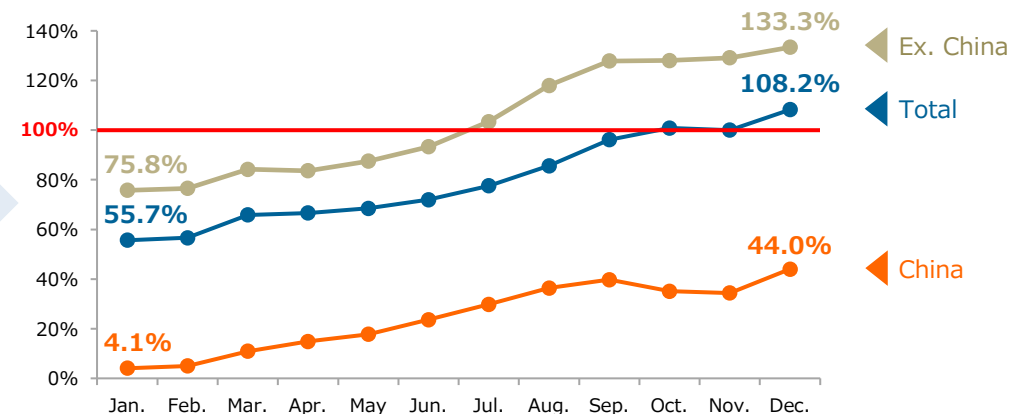
Status of Inbound Visitors

- ◆ In 2023, the number of inbound visitors showed a remarkable recovery following the removal of entry restrictions in May, reaching about 80% of the 2019 level for the year. For December alone, there was an 8.2% increase compared to the same month of 2019
- ◆ As for China, inbound visitors remained at 25% of the 2019 level for the year but increased to 44.0% for December alone. Further recovery is expected in the future

Changes in Number of Inbound Visitors



Monthly Trends in Inbound Visitors in 2023 (vs 2019)



Number of Inbound Visitors to Japan and Composition Per Year

(Thousands people)

	2023 (Composition)		vs 2019	vs 2018	2019 (Composition)		2018 (Composition)	
China	2,425	10%	(75%)	(71%)	9,594	30%	8,380	27%
South Korea	6,959	28%	+25%	(8%)	5,585	18%	7,539	24%
Taiwan	4,202	17%	(14%)	(12%)	4,891	15%	4,757	15%
Hong Kong	2,114	8%	(8%)	(4%)	2,291	7%	2,208	7%
Thailand	996	4%	(25%)	(12%)	1,319	4%	1,132	4%
Singapore	591	2%	+20%	+35%	492	2%	437	1%
Vietnam	574	2%	+16%	+48%	495	2%	389	1%
UK	322	1%	(24%)	(4%)	424	1%	334	1%
U.S.	2,046	8%	+19%	+34%	1,724	5%	1,526	5%
Australia	613	2%	(1%)	+11%	622	2%	552	2%
Others	4,225	17%	(5%)	+7%	4,445	14%	3,937	13%
Total	25,066	100%	(20%)	(21%)	31,882	100%	31,192	100%

Source: Japan National Tourism Organization (JNTO)

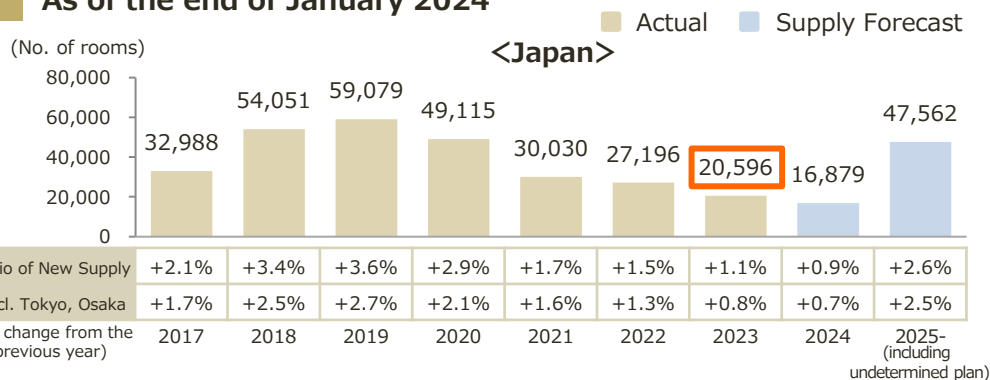
(*) The number of inbound visitors is rounded off to the nearest thousand. The figures for 2014 through 2022 are final, the figures for January through October 2023 are provisional, and the figures for November and December 2023 are estimates.

3. Status of New Supply of Hotels

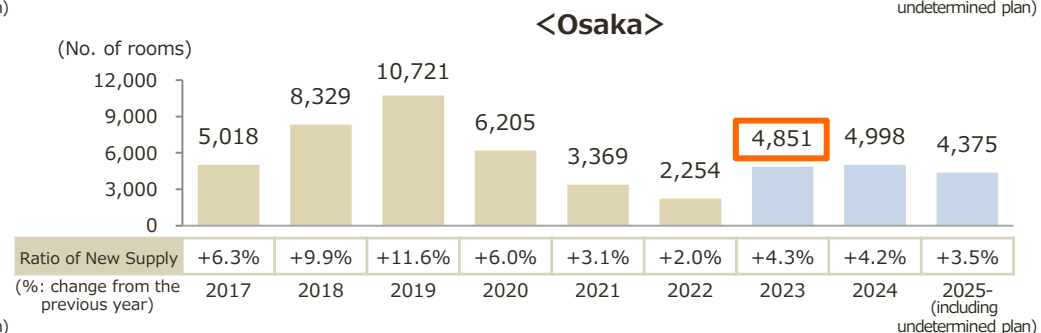
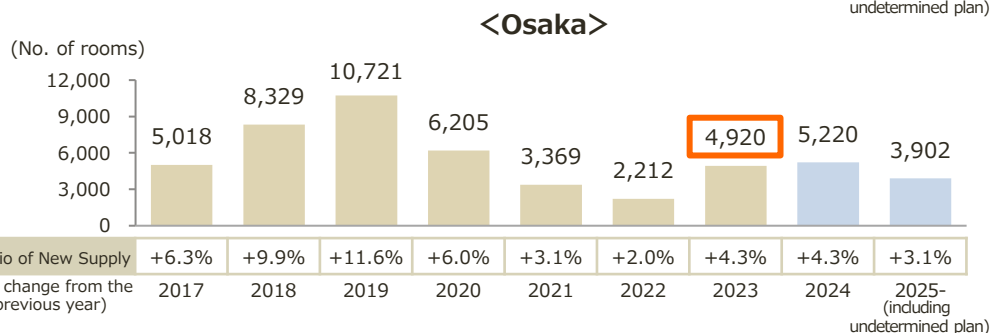
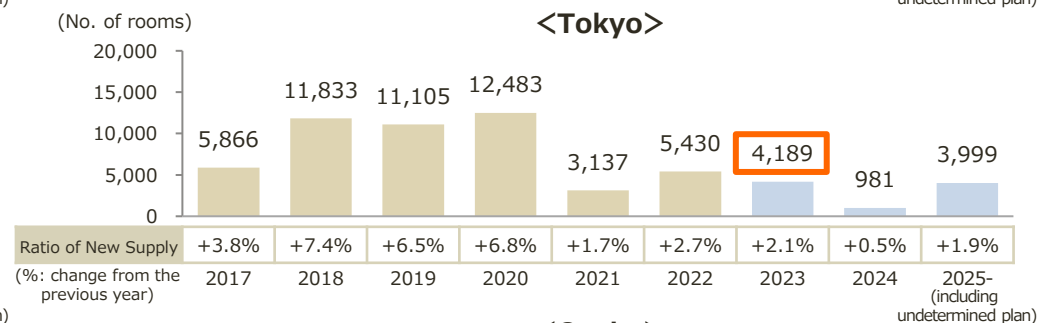
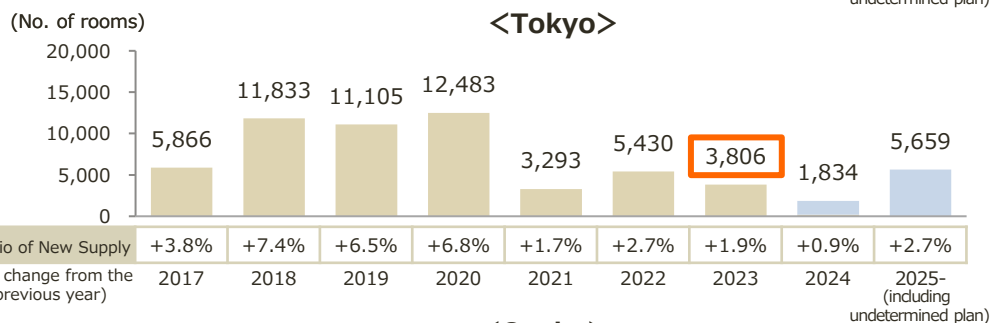
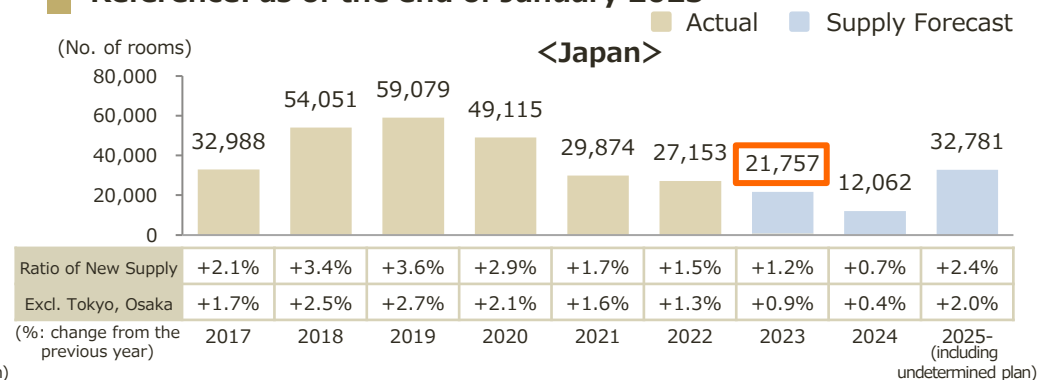
◆ New supply in 2023 decreased by over 1,000 rooms compared to the forecast one year ago

Supply of Rooms in Hotels/Ryokans in Japan

As of the end of January 2024



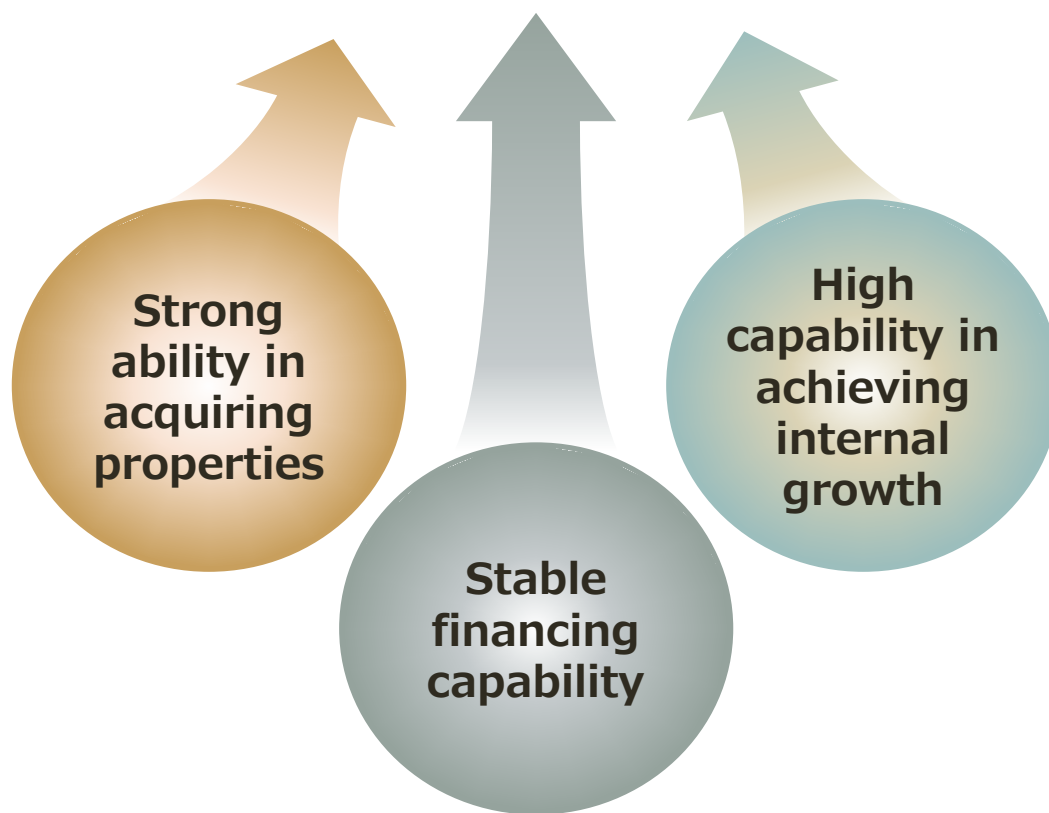
Reference: as of the end of January 2023(*2)



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) The figures were announced in the Midterm Financial Results Briefing for FY12/2023.

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

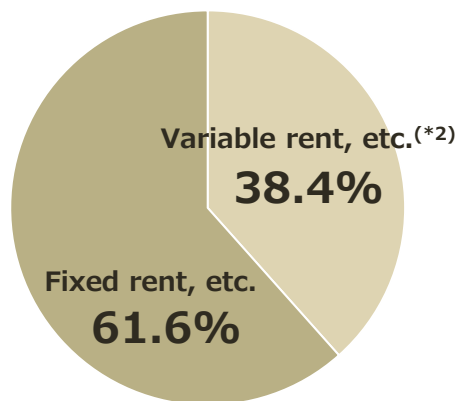
Active Asset Management Strategies

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

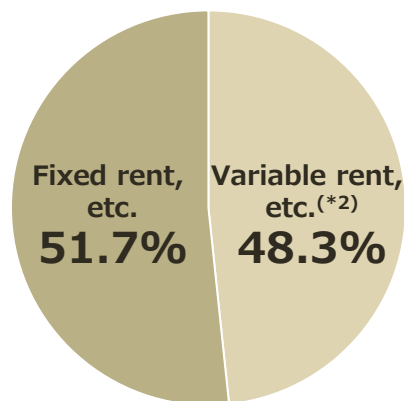
Increase in rental income, etc. through improvement in hotels' performance

Proportion of Rental Income

**2019 Results
(annualized)**

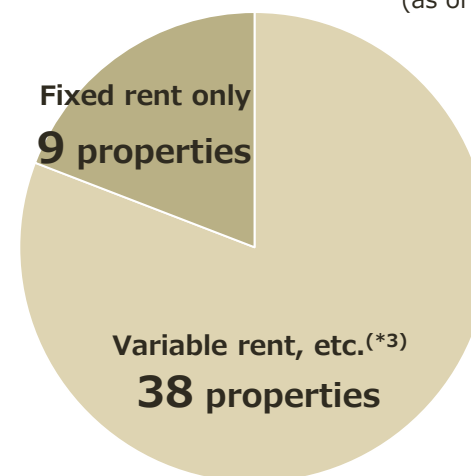


2024 Forecast^(*1)



Proportion of Rent Structures

(as of February 21, 2024)



(*1) Based on the forecast announced in the financial report dated February 21, 2024.

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

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

3. External Growth Strategy

Recognition of External Environment

Trend of the Hotel Investment Market

- Due to steady domestic demand and high inbound demand, some areas and hotels are showing recovery beyond the pre-pandemic level. Further improvement in hotel revenues is expected with increased visitors from China, whose recovery has been slow.
- 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^(*1), Osaka/Kyoto area^(*2), 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

- Domestic leisure demand is expected to remain robust as the employment and income environment improves further. Japan is popular worldwide as a travel destination, and strong inbound demand is expected to reach record highs. Given these, we believe that the hotel market will overcome the impact of the COVID-19 pandemic and enter a strong growth phase.
- 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, Western countries, etc., 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

- In 2023, J-REIT public offerings decreased compared to the previous year, yet the capital raised was higher. The TSE REIT Index weakened over the year, dropping by around 4% due to expected increases in interest rates in anticipation of the Bank of Japan's expected adjustment to its monetary easing policy.
- With the recovery in hotel performance becoming more pronounced and steady growth expected in the future, financial institutions are taking a more positive stance.
- Certain caution remains required for changes in interest rates due to the Bank of Japan's policy adjustments and overseas factors.

Basic Policies

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



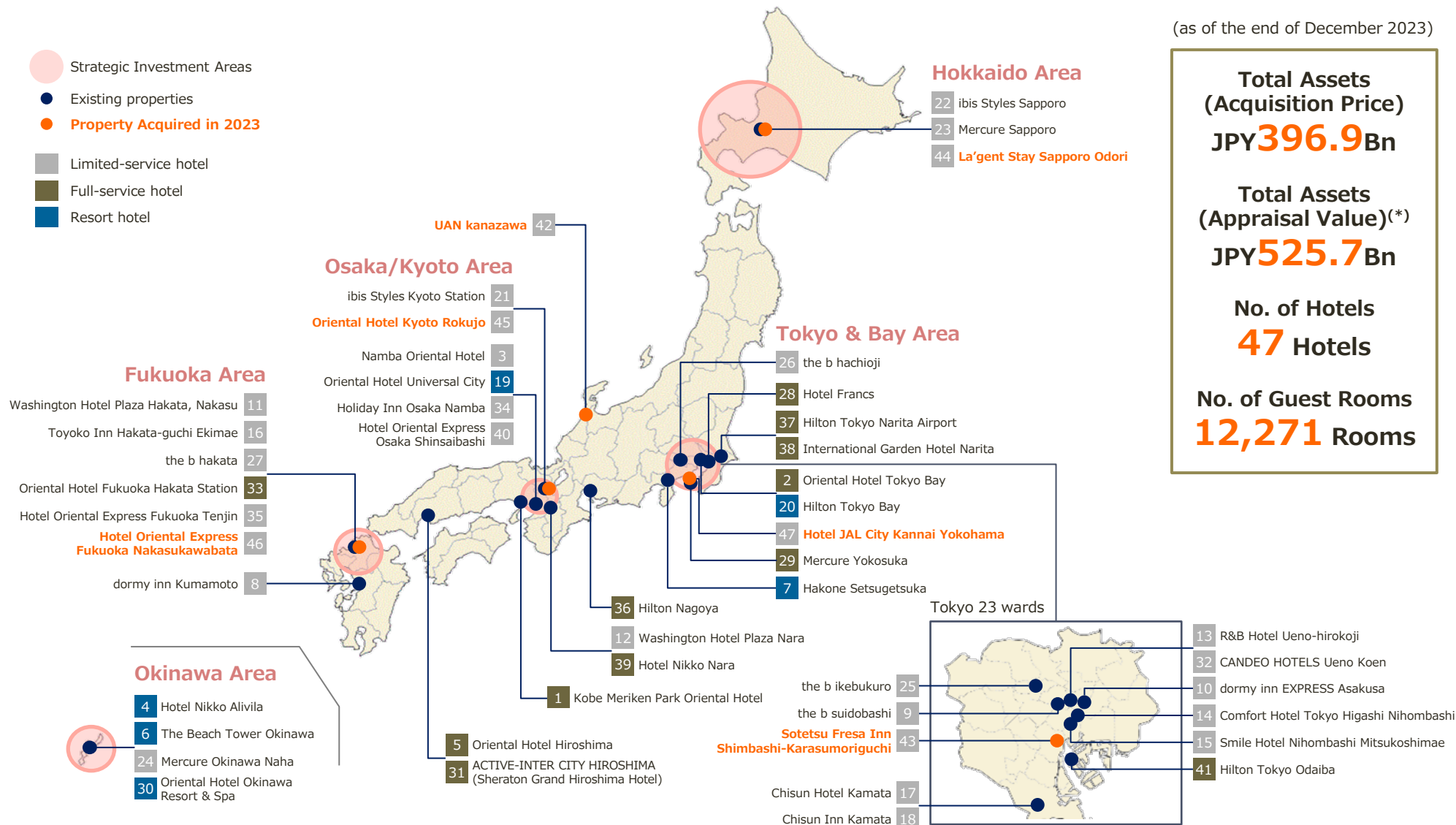
Key Measures

- Maintain good relationship with financial institutions
- Improve financial stability by fixing interest rates, etc., as necessary, while considering diversification of repayment dates
- Optimize financing costs
- 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

Appendix 2
Information of Properties

1. Portfolio Map

- ◆ 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

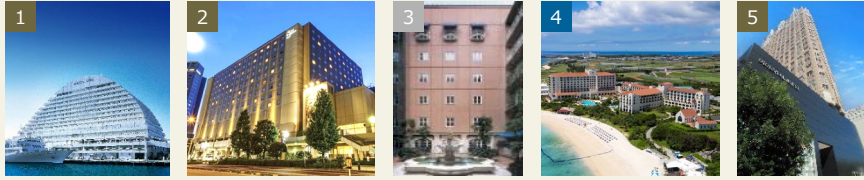


(*) Based on the appraisal value at the end of December 2023.

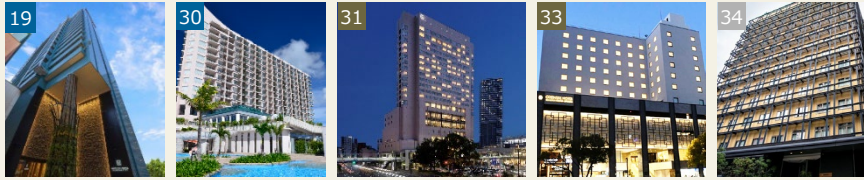
2. List of Portfolio

The 28 Hotels with Variable Rent, etc.

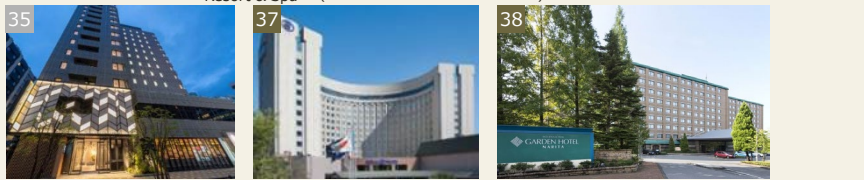
The 19 HMJ Hotels



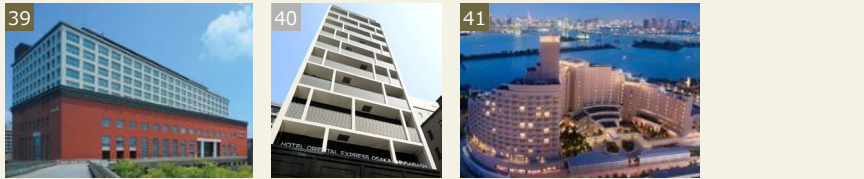
1 Kobe Meriken Park Oriental Hotel 2 Oriental Hotel Tokyo Bay 3 Namba Oriental Hotel 4 Hotel Nikko Aliviva 5 Oriental Hotel Hiroshima



19 Oriental Hotel Universal City 30 Oriental Hotel Okinawa Resort & Spa 31 ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) 33 Oriental Hotel Fukuoka Hakata Station 34 Holiday Inn Osaka Namba



35 Hotel Oriental Express Fukuoka Tenjin 37 Hilton Tokyo Narita Airport 38 International Garden Hotel Narita



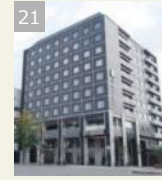
39 Hotel Nikko Nara 40 Hotel Oriental Express Osaka Shinsaibashi 41 Hilton Tokyo Odaiba

Acquisition in 2023

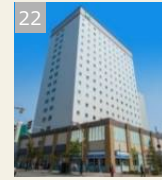


45 Oriental Hotel Kyoto Rokujo 46 Hotel Oriental Express Fukuoka Nakasukawabata 47 Hotel JAL City Kannai Yokohama

The Accor Group Hotels



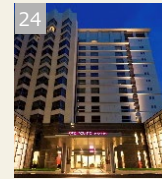
21 ibis Styles Kyoto Station



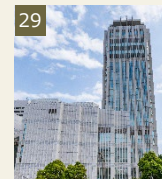
22 ibis Styles Sapporo



23 Mercure Sapporo



24 Mercure Okinawa Naha



29 Mercure Yokosuka

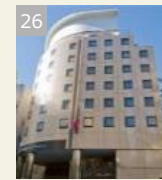
The Ishin Group Hotels



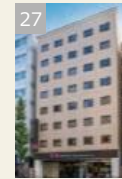
9 the b suidobashi



25 the b ikebukuro



26 the b hachioji



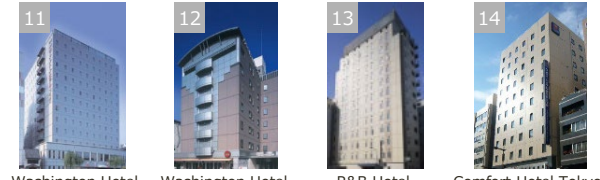
27 the b hakata

(as of the end of December 2023)

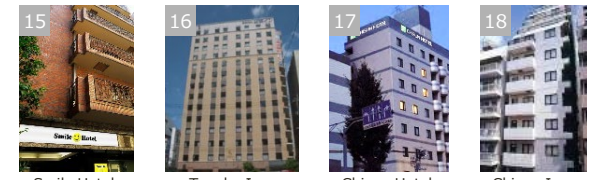
Limited-service hotel
 Full-service hotel
 Resort hotel



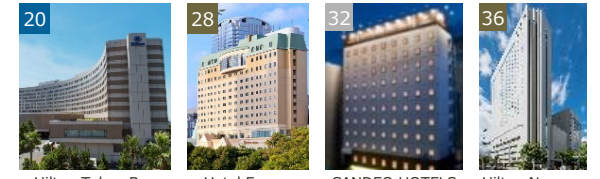
6 The Beach Tower Okinawa 7 Hakone Setsugetsuka 8 dormy inn Kumamoto 10 dormy inn EXPRESS Asakusa



11 Washington Hotel Plaza Hakata, Nakasu 12 Washington Hotel Plaza Nara 13 R&B Hotel Ueno-hirokoji 14 Comfort Hotel Tokyo Higashi Nihombashi

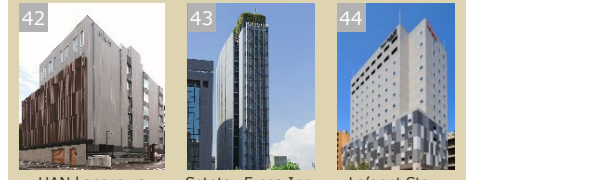


15 Smile Hotel Nihombashi Mitsukoshimae 16 Toyoko Inn Hakata-guchi Ekimae 17 Chisun Hotel Kamata 18 Chisun Inn Kamata



20 Hilton Tokyo Bay 28 Hotel Francs 32 CANDEO HOTELS Ueno Koen 36 Hilton Nagoya

Acquisition in 2023



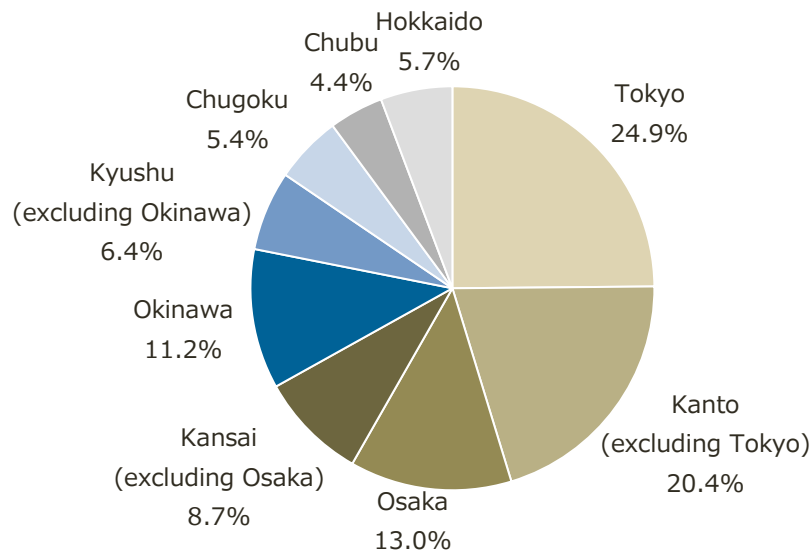
42 UAN kanazawa 43 Sotetsu Fresa Inn Shimbashi-Karasumoriguchi 44 La'gent Stay Sapporo Odori

3. Portfolio Diversification

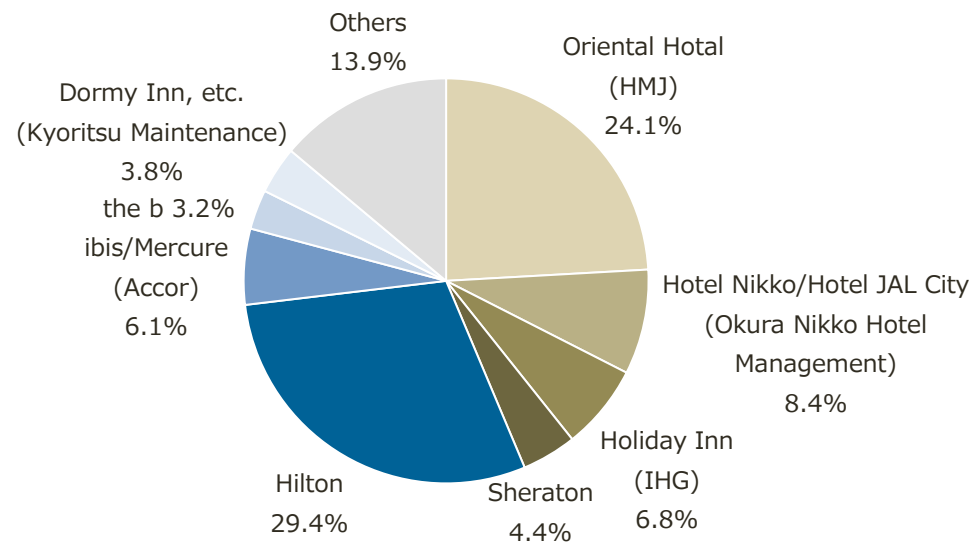
- ◆ Widely diversified and high-quality portfolio
- ◆ Appeal to inbound visitors by international brands

(as of the end of December 2023)

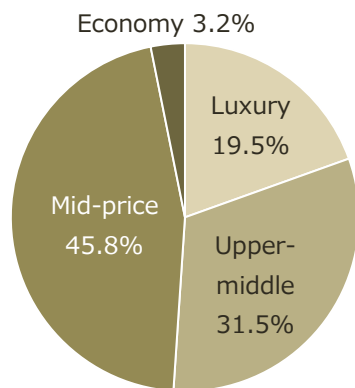
By Area



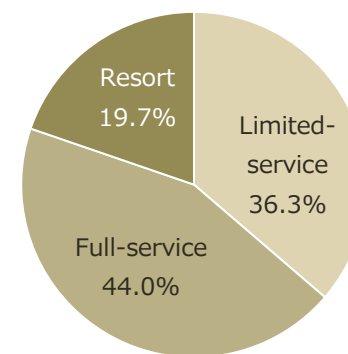
By Hotel Brand



By Hotel Grade



By Hotel Type



(*) Calculated based on acquisition price. The percentages are rounded to one decimal place.

4. Rent Structure

◆ Aim to secure stability through fixed rents and increase variable rents, etc. through active asset management strategies

(FY12/2024 forecast)

Rent Structure ^(*1)		Fixed rent	Fixed rent + Revenue-sharing rent	Fixed rent + Variable rent	Variable rent	Management contract	Total
Type of Contract		Lease contract	Lease contract	Lease contract	Lease contract	Management contract	
Type of Rent	Fixed	○	○	○	-	-	-
	Variable	-	A certain percentage of sales exceeding the threshold	A certain percentage of hotel GOP	A certain percentage of hotel revenue or hotel GOP	Hotel GOP	-
Real Estate Operating Revenue ^(*2) (%)		JPY2,151MM (6.9%)	JPY3,365MM (10.8%)	JPY21,101MM (67.5%)	JPY2,558MM (8.2%)	JPY2,081MM (6.7%)	JPY31,258MM (100.0%)
(breakdown)	Fixed Rent, etc. ^(*3) (%)	JPY2,151MM (6.9%)	JPY2,803MM (9.0%)	JPY10,367MM (33.2%)	JPY537MM (1.7%)	JPY277MM (0.9%)	JPY16,136MM (51.6%)
	Variable Rent (%)	-	JPY561MM (1.8%)	JPY10,734MM (34.3%)	JPY2,021MM (6.5%)	JPY1,804MM (5.8%)	JPY15,121MM (48.4%)
CAPEX Paid by JHR ^(*4)		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	24	5	4	47
Acquisition Price (%)		JPY30,041MM (7.6%)	JPY42,354MM (10.7%)	JPY272,870MM (68.7%)	JPY29,255MM (7.4%)	JPY22,397MM (5.6%)	JPY396,918MM (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 Fresa Inn Shimbashi-Karasumoriguchi	The 19 HMJ Hotels The Ishin Group Hotels dormy inn Kumamoto	Hilton Nagoya Mercure Yokosuka Chisun Hotel Kamata Chisun Inn Kamata La'gent Stay Sapporo Odori	ibis Styles Kyoto Station ibis Styles Sapporo Mercure Sapporo Mercure Okinawa Naha	-

(*1) Rent Structure is classified based on the type of rent under the lease contract of hotels owned by JHR as of the end of December 2023.

(*2) Based on the revenue forecast for FY12/2024, which was announced in the financial report dated February 21, 2024. Revenue from trademark rights is excluded.

(*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.

5. Property List (1/2)

(as of the end of December 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 (actual) (*8)
									24th Period (as of June 30, 2023)		24th Period (as of December 31, 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	28.5	10,900	9,772	14,100	4.8%	14,100	4.8%	2.7%	689,771	441,899	85,892	4.1%
2	Oriental Hotel Tokyo Bay	Full-service	Mid-price	511	Chiba	28.7	19,900	17,221	31,700	4.4%	31,900	4.4%	5.0%	1,874,027	1,751,861	1,319,550	8.8%
3	Namba Oriental Hotel	Limited-service	Mid-price	258	Osaka	27.8	15,000	14,280	31,000	4.1%	31,000	4.1%	3.8%	1,232,813	1,112,264	995,718	7.4%
4	Oriental Hotel Hiroshima	Full-service	Upper-middle	397	Hiroshima	29.8	18,900	17,648	28,100	4.8%	28,200	4.8%	4.8%	1,400,873	1,252,062	975,202	6.6%
5	Hotel Nikko Alivila	Resort	Luxury	227	Okinawa	30.3	4,100	4,051	4,150	4.9%	4,220	5.0%	1.0%	366,106	321,157	235,759	7.8%
6	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	19.8	7,610	6,416	9,960	4.4%	9,940	4.4%	1.9%	511,008	467,270	352,695	6.1%
7	Hakone Setsugetsuka	Resort	Mid-price	158	Kanagawa	17.2	4,070	3,534	5,260	4.9%	5,390	4.8%	1.0%	294,940	269,033	173,268	6.6%
8	dormy inn Kumamoto	Limited-service	Mid-price	291	Kumamoto	15.9	2,334	2,205	3,230	5.6%	3,390	5.6%	0.6%	248,243	225,668	170,719	9.7%
9	the b sudobashi	Limited-service	Mid-price	99	Tokyo	37.4	1,120	1,149	2,270	4.1%	2,330	4.1%	0.3%	97,487	85,575	57,704	7.6%
10	dormy inn EXPRESS Asakusa	Limited-service	Economy	75	Tokyo	26.8	999	917	1,290	4.0%	1,320	3.9%	0.3%	65,075	55,183	42,506	5.5%
11	Washington Hotel Plaza Hakata, Nakasu	Limited-service	Mid-price	247	Fukuoka	28.8	2,130	2,065	4,510	4.4%	4,520	4.4%	0.5%	240,000	224,000	199,000	10.5%
12	Washington Hotel Plaza Nara	Limited-service	Mid-price	203	Nara	23.8	2,050	1,717	2,430	5.0%	2,440	5.0%	0.5%	150,000	133,000	96,000	6.5%
13	R&B Hotel Ueno-hirokoji	Limited-service	Economy	176	Tokyo	21.7	1,720	1,804	1,800	4.1%	1,830	4.0%	0.4%	97,291	82,152	62,994	4.8%
14	Comfort Hotel Tokyo Higashi Nihombashi	Limited-service	Economy	259	Tokyo	15.9	3,746	3,395	5,360	4.4%	5,470	4.3%	0.9%	453,212	421,680	383,651	11.3%
15	Smile Hotel Nihombashi Mitsukoshimae	Limited-service	Economy	164	Tokyo	26.8	2,108	2,025	2,940	4.1%	3,030	4.0%	0.5%	138,953	121,598	100,551	5.8%
16	Toyoko Inn Hakata-guchi Ekimae	Limited-service	Economy	256	Fukuoka	22.3	1,652	1,346	2,730	4.5%	2,780	4.4%	0.4%	141,039	126,853	108,858	7.7%
17	Chisun Hotel Kamata	Limited-service	Economy	105	Tokyo	31.9	1,512	1,468	2,080	4.7%	2,080	4.6%	0.4%	118,281	102,768	62,346	6.8%
18	Chisun Inn Kamata	Limited-service	Economy	70	Tokyo	20.7	823	781	1,390	4.5%	1,430	4.4%	0.2%	66,467	58,526	44,009	7.1%
19	Oriental Hotel Universal City	Resort	Mid-price	330	Osaka	22.5	6,753	7,468	17,800	4.8%	18,500	4.8%	1.7%	1,623,257	1,562,599	1,261,861	23.1%
20	Hilton Tokyo Bay	Resort	Luxury	828	Chiba	35.5	26,050	26,000	39,900	4.3%	40,200	4.2%	6.6%	2,349,912	2,065,618	1,866,360	7.9%
21	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kyoto	14.8	6,600	6,566	9,990	4.3%	9,990	4.2%	1.7%	318,464	277,262	243,174	4.2%
22	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	13.4	6,797	6,350	11,100	4.7%	11,100	4.7%	1.7%	487,015	379,406	296,050	5.6%
23	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	14.7	6,000	5,625	10,500	4.7%	10,600	4.6%	1.5%	632,629	401,490	311,200	6.7%
24	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	14.4	3,000	2,768	6,940	4.7%	7,070	4.6%	0.8%	172,694	119,581	44,757	4.0%
25	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	41.5	6,520	6,608	7,200	4.2%	7,200	4.2%	1.6%	316,613	289,385	260,856	4.4%
26	the b hachioji	Limited-service	Mid-price	196	Tokyo	37.4	2,610	2,706	2,570	5.1%	2,610	5.1%	0.7%	169,873	145,713	105,529	5.6%
27	the b hakata	Limited-service	Mid-price	175	Fukuoka	26.3	2,300	2,328	4,320	4.3%	4,520	4.3%	0.6%	219,415	206,269	184,192	9.0%

5. Property List (2/2)

(as of the end of December 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 (actual) (*8)
									24th Period (as of June 30, 2023)		24th Period (as of December 31, 2023)						
									Appraisal Value (JPY MM)	CAP Rate	Appraisal Value (JPY MM)	CAP Rate					
28	Hotel Francs	Full-service	Mid-price	222	Chiba	32.4	3,105	3,174	4,100	4.7%	4,130	4.6%	0.8%	300,000	239,316	187,459	7.7%
29	Mercure Yokosuka	Full-service	Mid-price	160	Kanagawa	30.2	1,650	1,672	3,240	4.6%	3,210	4.6%	0.4%	322,637	206,827	169,117	12.5%
30	Oriental Hotel Okinawa Resort & Spa	Resort	Upper-middle	361	Okinawa	18.9	14,950	16,115	18,100	4.9%	18,300	4.9%	3.8%	641,137	554,718	163,692	3.7%
31	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Full-service	Luxury	238	Hiroshima	13.3	17,320	17,053	20,700	4.6%	20,400	4.5%	4.4%	1,539,440	1,015,007	776,276	5.9%
32	CANDEO HOTELS Ueno Koen	Limited-service	Mid-price	268	Tokyo	14.0	6,705	6,537	7,460	4.0%	7,590	3.9%	1.7%	349,971	322,882	278,648	4.8%
33	Oriental Hotel Fukuoka Hakata Station	Full-service	Upper-middle	221	Fukuoka	38.5	7,197	8,520	15,000	4.6%	15,000	4.5%	1.8%	1,515,721	1,269,063	877,671	17.6%
34	Holiday Inn Osaka Namba	Limited-service	Mid-price	314	Osaka	15.4	27,000	26,601	26,600	4.3%	26,600	4.4%	6.8%	895,797	844,841	724,594	3.1%
35	Hotel Oriental Express Fukuoka Tenjin	Limited-service	Mid-price	263	Fukuoka	24.7	5,248	5,765	6,520	4.7%	6,650	4.6%	1.3%	590,989	488,895	387,869	9.3%
36	Hilton Nagoya	Full-service	Luxury	460	Aichi	34.8	15,250	15,527	14,900	4.2%	14,900	4.1%	3.8%	1,263,632	590,031	400,651	3.9%
37	Hilton Tokyo Narita Airport	Full-service	Upper-middle	548	Chiba	30.4	13,175	13,261	12,300	4.6%	12,300	4.6%	3.3%	532,370	451,597	230,832	3.4%
38	International Garden Hotel Narita	Full-service	Mid-price	463	Chiba	27.6	9,125	9,012	9,110	4.8%	9,270	4.8%	2.3%	477,563	433,991	265,440	4.8%
39	Hotel Nikko Nara	Full-service	Upper-middle	330	Nara	25.8	10,373	10,090	9,500	4.8%	9,670	4.7%	2.6%	444,883	396,500	244,933	3.8%
40	Hotel Oriental Express Osaka Shinsaibashi	Limited-service	Mid-price	124	Osaka	5.9	2,738	2,789	2,890	4.7%	2,890	4.6%	0.7%	179,436	165,072	148,084	6.0%
41	Hilton Tokyo Odaiba	Full-service	Upper-middle	453	Tokyo	28.0	62,400	63,365	68,000	3.7%	68,200	3.7%	15.7%	2,349,222	2,005,645	1,695,940	3.2%
42	UAN kanazawa (*9)	Limited-service	Upper-middle	47	Ishikawa	6.3	2,050	2,062	-	-	2,200	4.6%	0.5%	118,301	115,228	94,978	5.7%
43	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (*9)	Limited-service	Mid-price	220	Tokyo	15.8	8,400	8,469	-	-	10,100	3.8%	2.1%	230,700	200,752	182,279	2.9%
44	La'gent Stay Sapporo Odori (*9)	Limited-service	Mid-price	219	Hokkaido	7.5	10,020	10,422	-	-	10,800	4.3%	2.5%	132,381	131,332	107,023	4.7%
45	Oriental Hotel Kyoto Rokujo (*9)	Limited-service	Mid-price	166	Kyoto	4.3	4,446	4,608	-	-	5,940	4.3%	1.1%	94,374	93,359	81,606	5.3%
46	Hotel Oriental Express Fukuoka Nakasukawabata (*9)	Limited-service	Mid-price	183	Fukuoka	2.7	4,460	4,657	-	-	6,090	4.2%	1.1%	75,259	74,176	65,325	5.2%
47	Hotel JAL City Kannai Yokohama (*9)	Limited-service	Mid-price	170	Kanagawa	17.2	4,000	4,047	-	-	4,340	4.1%	1.0%	10,463	10,373	7,837	2.9%
Total or Average		-	-	12,271	-	24.2	396,918	391,984	483,040	-	525,740	-	100.0%	26,541,085	22,311,135	17,130,816	5.6%

(*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) 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 the end of December 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 December 2023.

(*6) The investment ratio column shows the ratio of the acquisition price of each property to the total acquisition price of the properties held as of the end of December 2023, rounded to one decimal place.

(*7) Actual for 12 months from January to December 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 (actual) is calculated based on NOI (actual) for the full year FY12/2023. NOI yields (actual) through No. 42 and 47 are calculated by annualized NOI (actual) for FY12/2023 of each property. NOI yield (actual) of the portfolio is calculated as follows: Total NOI (actual) for FY12/2023 / total acquisition price of properties held as of the end of December 2023.

(*9) Since these properties were acquired in FY2023, the appraisal values at the end of June 2023 are omitted in the table and excluded from the total figures.

6. Summary of Lease Contracts (1/3)

(as of the end of December 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 (2024 to 2025)									
										Timing	Condition	2024	2025								
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 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 Aliviva																				
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																		
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	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											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%)	-	To be expired (Apr.)										
13	Comfort Hotel Tokyo Higashi Nihombashi	Fixed- lease	Fixed + Revenue sharing	Greens Co., Ltd.		20	Jan. 2028	JPY21MM/month + Revenue-sharing rent	Rent can be modified through mutual agreement every five years.	Apr. 2018	Same (Introduced Revenue-sharing rent)	-	-								
14	Smile Hotel Nihombashi Mitsukoshimae	Lease	Fixed + Revenue sharing	THE KAMOGAWA GRAND HOTEL, LTD.		3	Mar. 2026	JPY11MM/month + Revenue-sharing rent	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	-	To be expired (Dec.)								
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 December 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 (2024 to 2025)	
										Timing	Condition	2024	2025
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	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	Starwood Asia Pacific Hotels & Resorts Pte. Ltd.	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 ^(*)	Rent can be modified through mutual agreement every three years.	Jul. 2016	Nondisclosure ^(*)	-	-
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 December 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 (2024 to 2025)	
										Timing	Condition	2024	2025
36	Hilton Nagoya	Lease	Variable	Nagoya Hilton Co., Ltd.	Hilton International Company	41	Dec. 2029	Nondisclosure ^(*3)	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 rent	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 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 Hotel 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	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.	-	-	-	-
47	Hotel JAL City Kannai Yokohama	Fixed-lease	Fixed + Variable	K.K. Yokohama Yamashita-cho Operations	Okura Nikko Hotel Management Co., Ltd.	10	Dec. 2033	JPY11.25MM/month + when Hotel AGOP exceeds JPY150MM, the excess x 95% is paid	In principle, the same rent will be applied until expiration of the contract.	-	-	-	-

(*1) Rent structure is as follows:

Fixed: Fixed rent

Variable: Variable rent

Management contract: Management contract

Fixed + Variable: Property paying both fixed and variable rent

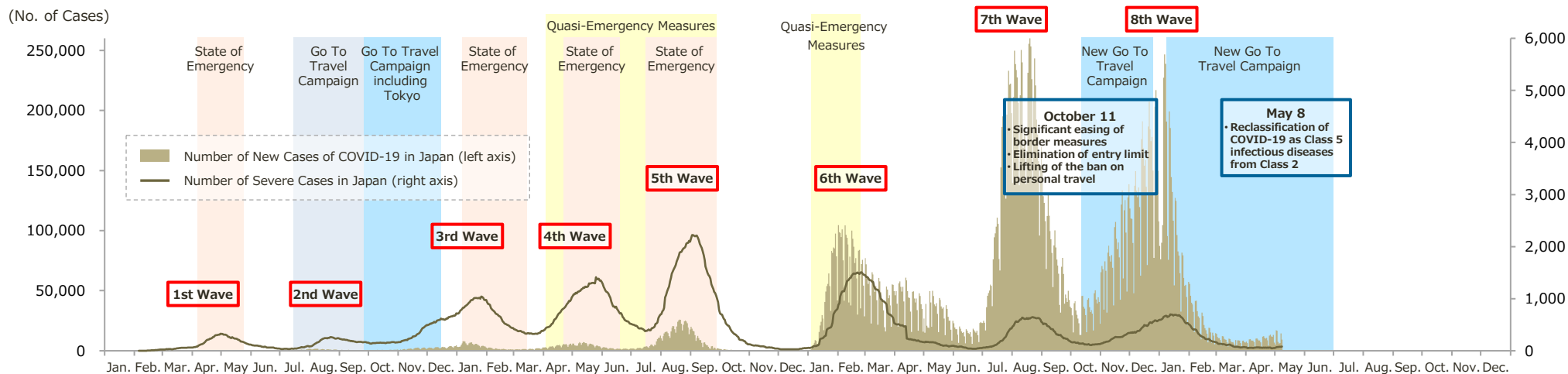
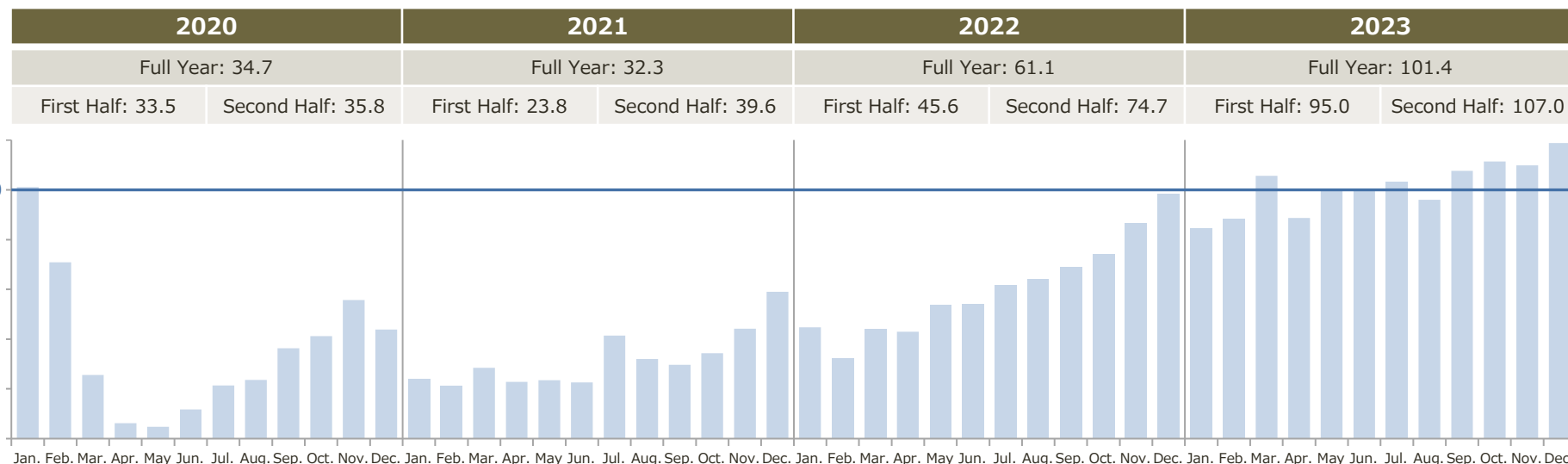
Fixed + Revenue sharing: When the sales of the hotel exceed pre-determined amount, additional rent is paid

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

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

7. Trend of RevPAR Index and Status

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



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.

8. Balance Sheet

(Unit: JPY MM)

(as of)	FY12/2022 End of Fiscal Year December 31, 2022	FY12/2023 End of Fiscal Year December 31, 2023	Variance	(as of)	FY12/2022 End of Fiscal Year December 31, 2022	FY12/2023 End of Fiscal Year December 31, 2023	Variance
ASSETS				LIABILITIES			
Current Assets	34,553	34,049	(503)	Current Liabilities	54,165	44,585	(9,580)
Cash and Deposits ^(*1)	29,515	28,515	(999)	Operating Accounts Payable	1,943	2,506	562
Operating Accounts Receivables	4,442	4,850	408	Short-term Loans	35,113	15,568	(19,545)
Others	595	684	88	Current Portion of Investment Corporation Bond	—	3,000	3,000
Noncurrent Assets	362,115	395,769	33,653	Current Portion of Long-term Loans Payable	15,432	21,521	6,089
Net Property and Equipment	325,988	360,081	34,092	Accounts Payable	970	1,130	160
Buildings in Trust ^(*2)	111,217	119,571	8,354	Advances Received	664	764	100
Land in Trust	212,263	237,641	25,378	Others	42	94	51
Others ^(*3)	2,508	2,867	359	Long-term Liabilities	119,059	140,390	21,330
Intangible Assets	32,494	32,271	(223)	Investment Corporation Bonds	36,900	33,900	(3,000)
Other Assets	3,632	3,416	(215)	Long-term Loans Payable	76,786	101,242	24,456
Leasehold and Security Deposits	152	152	—	Tenant Leasehold and Security Deposits	4,660	4,780	120
Others	3,480	3,264	(215)	Derivative Liabilities	—	1	1
Deferred Assets	130	136	5	Others	713	465	(247)
				TOTAL LIABILITIES	173,225	184,975	11,749
				NET ASSETS			
				Unitholders' Capital	187,194	199,051	11,857
				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	13,137	10,464
				Others	809	270	(539)
				TOTAL NET ASSETS	223,574	244,980	21,405
TOTAL ASSETS	396,799	429,955	33,155	TOTAL LIABILITIES AND NET ASSETS	396,799	429,955	33,155

(*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

1. Major Unitholders and Classifications of Unitholders

Top 10 Major Unitholders

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
Total		2,403,890	53.81

As of the end of December 2023

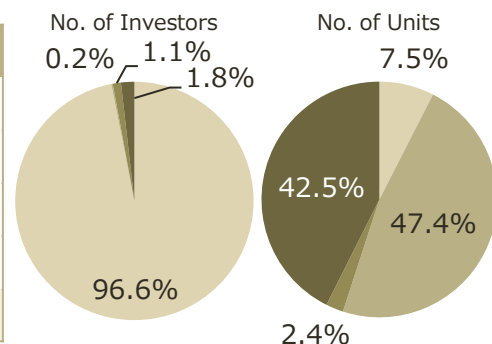
Rank	Name	No. of Units	%(*)
1	The Master Trust Bank of Japan, Ltd. (Trust)	941,008	20.29
2	Custody Bank of Japan, Ltd. (Trust)	841,944	18.15
3	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	255,752	5.51
4	BNYM AS AGT/CLTS 10 PERCENT	96,115	2.07
5	SSBTC CLIENT OMNIBUS ACCOUNT	81,205	1.75
6	STATE STREET BANK CLIENT - TREATY 505234	75,764	1.63
7	STATE STREET BANK AND TRUST COMPANY 505103	74,474	1.60
8	JP MORGAN CHASE BANK 385781	63,009	1.35
9	GOLDMAN SACHS INTERNATIONAL	62,840	1.35
10	STATE STREET BANK AND TRUST COMPANY 505223	57,473	1.23
Total		2,549,584	54.98

(*) Ownership ratio shows the total units held by each investor to the total units issued as of respective date (rounded down to two decimal places).

Classifications of Unitholders

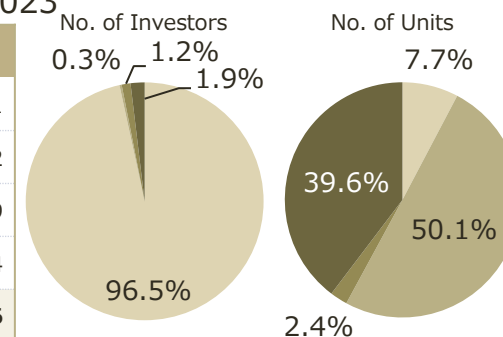
As of the end of June 2023

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
Total	27,032	4,467,006



As of the end of December 2023

Owners	No. of Investors	No. of Units
Individuals & Others	25,727	357,171
Financial Institutions (Incl. Securities Firms)	87	2,326,452
Other Domestic Firms	325	113,839
Foreign Firms & Individuals	509	1,839,544
Total	26,648	4,637,006



(*) 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

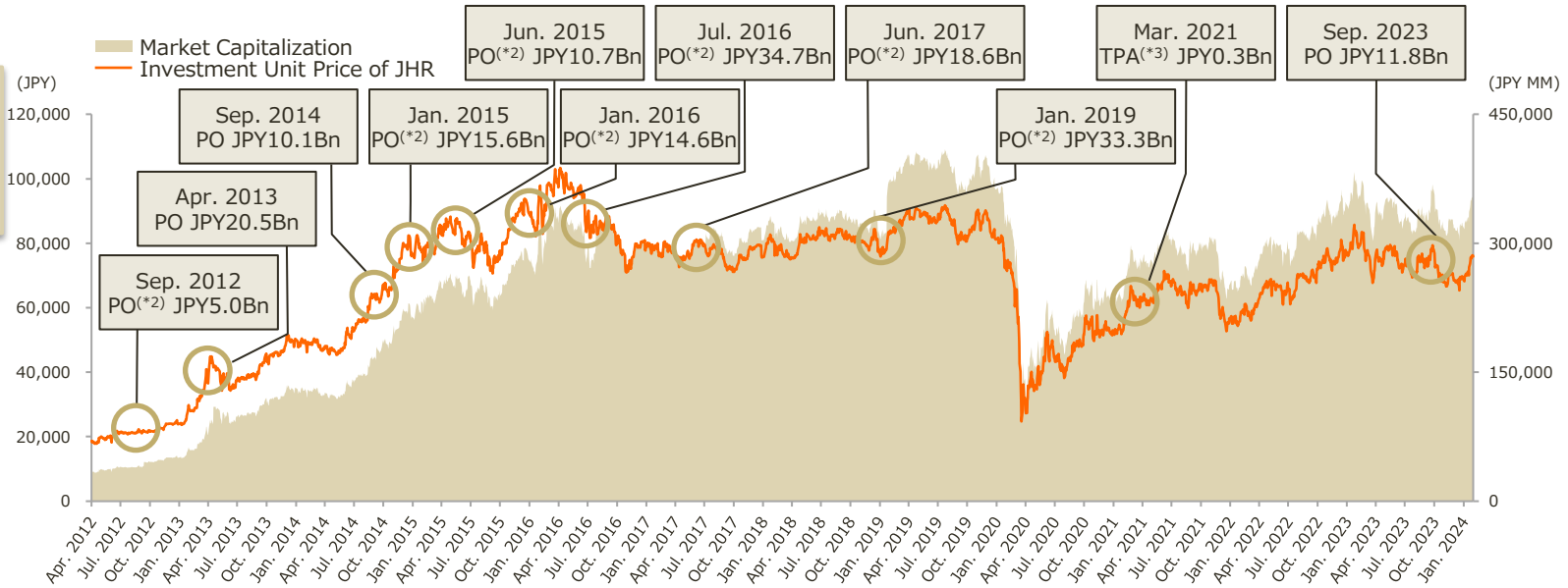
Changes in the investment unit price and market capitalization (Based on the closing price)

Price of the investment unit:
JPY75,900
Total market capitalization:
JPY351.9Bn
 (based on the closing price of January 31, 2024)

(*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. For the risks of investing in JHR's investment securities, please refer to JHR's securities report dated March 23, 2023, and the mid-term financial report dated September 22, 2023.

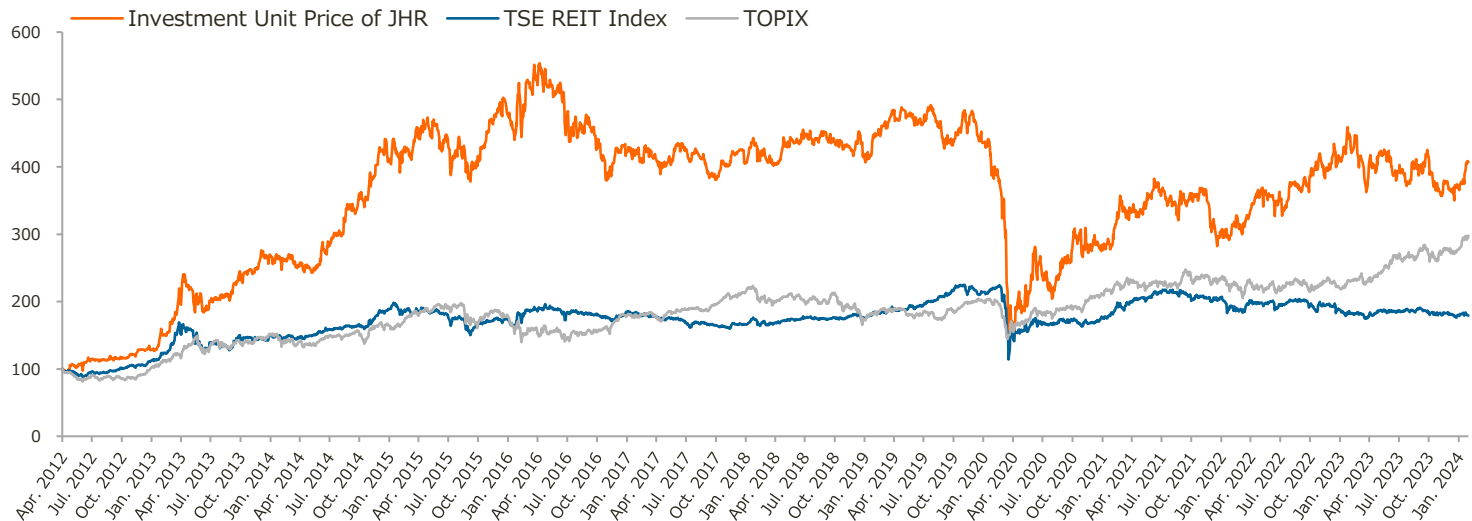
(*2) Including OA

(*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)

(*) JHR unit price, TSE REIT index and TOPIX are indexed to the closing price on April 2, 2012, which equals the base value of 100. REIT Index of TSE is an index of a weighted average of the market capitalization of all REITs listed on TSE.



Appendix 4

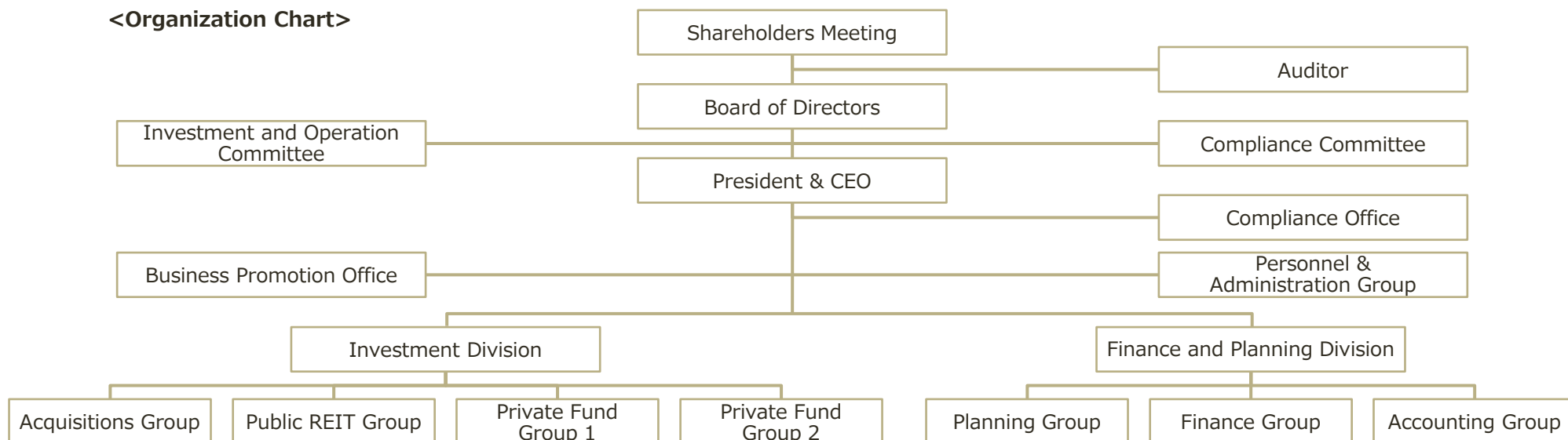
Summary of the Asset Management Company

1. Summary of the Asset Management Company

(as of February 21, 2024)

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	Hiroyuki Aoki
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 of the Asset Management Company comprises a total of six directors: four directors (including one part-time director) unaffiliated with the sponsor, two part-time directors affiliated with the sponsor, and one part-time auditor unaffiliated with the sponsor. This structure ensures a highly independent management, a key characteristic of JHRA.
- ◆ 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.

This material is prepared and provided solely for the purpose of providing information of Japan Hotel REIT Advisors Co., Ltd ("JHRA") and not to offer, solicit, or do business, etc. with specific financial instruments including purchase of investment units, or investment corporation bonds of Japan Hotel REIT Investment Corporation ("JHR") or any other financial instruments to invest in private funds. Investors are asked to ensure that they make decisions on investment at their own discretion. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

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

