

August 22, 2024

Midterm Financial Report for the Fiscal Year Ending December 31, 2024 (January 1, 2024 – June 30, 2024)

Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange
Securities code: 8985
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Scheduled date to file midterm Securities Report: September 20, 2024

Scheduled date to file midterm Securities Report: Yes

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

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

1. Status summary of operation and assets for the midterm of the fiscal year ending December 31, 2024 (January 1, 2024 – June 30, 2024)

(1) Operating results

(Percentages: full year—changes from the same period of the previous year)

	Operating revenue		Operating income		Ordinary income		Net income (loss)	
Midterm period ended	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%
June 30, 2024	14,362	27.2	8,498	47.5	7,434	51.8	7,433	51.8
June 30, 2023	11,288	107.8	5,759	—	4,897	—	4,896	—
Fiscal year ended December 31, 2023	26,574	78.2	15,014	249.4	13,135	391.4	13,134	391.6

	Net income for the current midterm period per unit
Midterm period ended	JPY
June 30, 2024	1,603
June 30, 2023	1,096
Fiscal year ended December 31, 2023	2,909

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

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
Midterm period ended	JPY1M	JPY1M	%	JPY
June 30, 2024	421,703	238,714	56.6	51,480
June 30, 2023	396,271	224,748	56.7	50,312
Fiscal year ended December 31, 2023	429,955	244,980	57.0	52,831

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

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of year
Midterm period ended	JPY1M	JPY1M	JPY1M	JPY1M
June 30, 2024	10,871	(3,821)	(13,971)	21,594
June 30, 2023	9,248	(13,009)	(3,044)	22,708
Fiscal year ended				
December 31, 2023	17,784	(38,551)	19,767	28,515

2. Operating forecast for the fiscal year ending December 31, 2024 (January 1, 2024 – December 31, 2024)

(Percentages show changes from the previous year)

	Operating revenue		Operating income		Ordinary income		Net income		Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%	JPY	JPY
Full year	32,910	23.8	20,198	34.5	17,645	34.3	17,644	34.3	3,815	—

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2024 (full year): ¥3,626 (Calculated based on the estimate of the period-average number of investment units of 4,865,133).

(Note) The source of the dividend payment is planned to be the total net income plus the reversed amount for temporary difference adjustment (¥1,802 million).

* Other

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

- (a) Changes in accounting policies due to revisions to accounting standards and other regulations: No change
- (b) Changes in accounting policies due to other reasons than above (a): No change
- (c) Changes in accounting estimates: No change
- (d) Restatement of financial statements for the prior period after error corrections: No change

(2) Total number of investment units issued and outstanding

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

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

As of June 30, 2024	4,637,006 units	As of June 30, 2023	4,467,006 units	As of December 31, 2023	4,637,006 units
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(b) Number of JHR's investment units held at the end of the fiscal year

As of June 30, 2024	0 unit	As of June 30, 2023	0 unit	As of December 31, 2023	0 unit
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(Note) For the number of investment units serving as the basis of computation for calculating net income per unit, please refer to "Notes on per unit information" on page 37.

* Midterm financial reports are not subject to interim audit procedures by accountants.

* Special items

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

Operating results; (1) Operating results; (B) Outlook for the second half of the fiscal year" on page 6 and "Assumptions of the operating forecast for the full fiscal year ending December 2024 (25th period)" on page 15.

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1. Operating results

(1) Operating results

(A) Overview of the midterm period under review

(a) Brief history and principal activities

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

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

JHR, the former Nippon Hotel Fund Investment Corporation, merged with Japan Hotel and Resort, Inc. with an effective date of April 1, 2012 (hereinafter referred to as the “Merger”) and changed its name to Japan Hotel REIT Investment Corporation. Since the Merger through the end of the midterm period under review (the six-month period from January 1, 2024, to June 30, 2024), JHR has conducted ten public offerings for capital increase and continuously acquired highly competitive hotels in mainly strategic investment areas where domestic and inbound leisure demand can be expected over the medium to long term.

By implementing the aforementioned growth strategy, JHR has expanded its asset size while improving the quality of its portfolio through new property acquisitions of 32 properties amounting to ¥308,537 million (acquisition price basis) in total since the Merger through the end of the midterm period under review. As a result, JHR had a portfolio of 47 properties with a combined acquisition price of ¥396,918 million, and the total number of investment units issued and outstanding stood at 4,637,006 units at the end of the midterm period under review.

JHR announced its 11th public offering in June 2024 and acquired four new properties (total acquisition price of ¥56,190 million) in July 2024 (after the end of the midterm period under review). As of the date of submission of this report, JHR owns 51 properties with a total acquisition price of ¥453,108 million and has a total of 5,097,006 investment units issued.

(b) Investment performance for the midterm period under review

Throughout the midterm period under review (the six-month period from January 1, 2024 to June 30, 2024), the Japanese economy showed a slight recovery trend due to an increase in capital investment and improvement in employment conditions, despite stagnation in personal consumption recovery due to the impact of inflation.

Regarding the domestic accommodation and tourism market, the number of foreign visitors to Japan (hereinafter referred to as “inbound visitors”) has remained above that of the same period in 2019, the pre-pandemic level, since the fall of 2023. With domestic accommodation demand staying strong, the estimated number of visitors in the first half of 2024 reached 17.77million, representing a 65.9% year-on-year increase and a 6.9% increase compared to the same period in 2019, according to the Japan National Tourism Organization (JNTO).

Moreover, based on the preliminary figures from the Overnight Travel Statistics Survey (Japan Tourism Agency), the number of Japanese overnight guests at domestic accommodations in the first half of 2024 was almost at the same level as the same period in 2019, with a decrease of 0.5%. In contrast, the number of foreign overnight guests in the first half of 2024 increased significantly, reaching an increase of 31.4 % compared to the same period in 2019, greatly exceeding the pre-pandemic level. As a result, the total number of overnight guests in domestic accommodation facilities in the first half of 2024 will be ¥305 million, a year-on-year increase of 7.5% and a 6.8% increase compared to the same period in 2019, and JHR believes that the accommodation market is entering a new phase of growth, driven by strong inbound demand.

For internal growth, JHR maintained close communication with the lessees and operators of each hotel to accurately capture the growth phase of the accommodation and tourism market while aiming to improve earnings through effective revenue management, including a high unit price sales strategy with a focus on ADR (Note 1). At the same time, JHR continued to

work on measures to reduce operating costs and other efforts to improve profitability.

In addition, as part of its internal growth strategy, JHR implemented strategic CAPEX (Capital expenditure) to improve earnings and competitiveness. During the midterm period under review, JHR renovated the guest rooms of Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Oriental Hotel Okinawa Resort & Spa and La'gent Stay Sapporo Odori, mainly to improve ADR. Oriental Hotel Okinawa Resort & Spa had been renovating guest rooms sequentially since 2023, and all renovations were completed by April 2024. Furthermore, during the midterm period under review, JHR comprehensively renewed the management contracts and the fixed-term building lease contract for the Accor Group Hotels (Note 2). This renewal resulted in a reduction in management contract expenses and other fees, leading to an increase in hotel rents.

Under these circumstances, during the midterm period under review, RevPAR (Note 3) of the 28 Hotels with Variable Rent, etc. (Note 2) increased by 18.6% year-on-year, significantly exceeding that of the same period in the previous year and GOP (Note 4) was ¥10,954 million, a 29.4% year-on-year increase, due to improved earnings from the growth of the accommodation and tourism market as well as successful cost management measures at the hotels.

For further details of sales, GOP (gross operating profit) and other management indicators for the 28 Hotels with Variable Rent, etc., please refer to “<Reference Information 2> Hotel operation indexes, sales and GOP (gross operating profit)” on page 20.

- (Note 1) ADR refers to the average guest room unit sales price (Average Daily Rate), which is calculated by dividing the total room sales (including service charges) for a given period by the total number of guest rooms sold for the same period. The same shall apply hereinafter.
- (Note 2) The 28 Hotels with Variable Rent, etc., refer to the 28 hotels, consisting of the 19 HMJ Hotels below, plus the Accor Group Hotels and the Ishin Group Hotels. HMJ stands for Hotel Management Japan Co., Ltd. (hereinafter referred to as “HMJ”), which is a group company of the Asset Management Company. The HMJ Group refers to the group HMJ and its subsidiaries (hereinafter collectively referred to as the “HMJ Group”). The same shall apply hereinafter.

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

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

The 19 HMJ Hotels refer to the following 19 hotels: the Five HMJ Hotels plus the following 14 hotels, which JHR leases to subsidiaries of HMJ.

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

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

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

- (Note 3) RevPAR represents Revenue Per Available Room, which is calculated by dividing total room sales for a certain period (including service charges) for a given period by the total number of guest rooms available for sale during the same period. The same shall apply hereinafter.
- (Note 4) GOP stands for Gross Operating Profit, which is the amount remaining after deducting expenses related to hotel operations, such as labor costs and general administrative costs from hotel sales. The same shall apply hereafter.

(c) Funding status

In the mid-term period under review, JHR borrowed ¥31,789 million in total and refinanced the existing loans that were due for repayment with long-term loans with a maximum term of six years. For ¥27,989 million of the loans, JHR sought to increase the fixed interest ratio by borrowing at fixed interest rates or by fixing interest rates through swap interest contracts. In addition, JHR borrowed ¥3,300 million as green loans during the mid-term period under review.

Consequently, the balance of interest-bearing debt at the end of the midterm period under review totaled ¥175,231 million, of which ¥14,100 million was the current portion of long-term loans payable, ¥124,231 million was long-term loans payable, ¥3,000 million was the current portion of investment corporation bonds and ¥33,900 million was investment corporation bonds. The ratio of interest-bearing debt to total assets (Note) at the end of the midterm was 41.6%, and the ratio of fixed interest rate debt to total interest-bearing debt at the end of the midterm period under review was 73.8%.

For the midterm period under review, in addition to ¥33,656 million procured through the public offering announced in June 2024 and the third-party allotment in July 2024, JHR borrowed ¥30,000 million in July 2024 to fund the acquisition of MIMARU Tokyo Shinjuku West, HOTEL AMANEK Shinjuku-Kabukicho, OKINAWA HARBORVIEW HOTEL and Southern Beach Hotel & Resort OKINAWA. The maximum loan period was approximately seven years to lengthen the loan period and diversify repayment dates, and the lender formation was further strengthened with three new lenders, Daiwa Next Bank, Ltd., the Bank of Okinawa, Ltd., and Bank of the Ryukyus, Limited. For ¥22,000 million of the borrowing in July, JHR seeks to secure a certain fixed interest rate ratio by borrowing at fixed interest rates or by fixing interest rates through swap interest contracts.

(Note) The ratio of interest-bearing debt to total assets at the end of the midterm period = Balance of interest-bearing debt at the end of the midterm period ÷ Total assets at the end of the midterm period × 100

JHR's issuer ratings as of the end of the midterm period under review are as follows:

Rating agency	Rating details	
Japan Credit Rating Agency, Ltd. (JCR)	Long-term Issuer Rating: A+	Outlook: Stable
Rating and Investment Information, Inc. (R&I)	Issuer Rating: A	Rating Outlook: Stable

(d) Financial results

As a result of the abovementioned asset management, for the mid-term period under review, JHR recorded operating revenue of ¥14,362 million, operating income of ¥8,498 million and ordinary income of ¥7,434 million and net income of ¥7,433 million. Operating revenue includes the variable rents of ¥4,042 million received from the hotels leased to the HMJ Group. This amount is calculated based on the AGOP (Note) of each hotel of the 19 HMJ Hotels for the mid-term period under review. The variable rent to be ultimately received from the 19 HMJ Hotels will be determined by the full-year AGOP (12-month period) of each hotel of the 19 HMJ Hotels.

JHR settles accounts on an annual basis and investment corporations do not have a system for interim dividends under the Investment Trusts Act. Accordingly, no distribution of earnings can be made in the midterm period under review. Distribution of earnings will be made based on the earnings for the full year (12-month period from January 1, 2024 to December 31, 2024). With regard to such distribution of earnings, earnings exceeding 90% of JHR's distributable profit as defined by Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957; as amended; hereinafter called "the Act on Special Measures Concerning Taxation") will be distributed.

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

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

(a) Investment policies and issues to be addressed

Regarding the outlook for the Japanese economy, although it is necessary to continue closely monitoring the effects of rising prices, fluctuations in financial and capital markets, and international developments, the economy is expected to continue its gradual recovery due to improvements in the employment and income environment as well as the effects of various policies.

With regard to demand related to inbound tourism, although there are concerns about the impact of rising prices and other

factors, JHR believes domestic travel needs are firm and are expected to remain solid. Inbound demand is exceeding the pre-pandemic levels in many Western and Southeast Asian countries, and further recovery is expected in China, where recovery has been slow, especially for individual travel. The number of inbound visitors in 2024 is expected to surpass 2019, reaching an all-time high.

JHR aims to achieve ADR-driven RevPAR growth by proactively capturing demand in the strong accommodation market and implementing a high unit-price sales strategy. At the same time, JHR will strive to increase sales in the non-accommodation sector through effective efforts on both the hardware side, including renovation, and the software side, such as service improvements. In terms of costs, JHR will continue to enhance profitability by maintaining efficient operations through the review of each hotel's operation, which has been realized in collaboration with lessees and operators. Additionally, as demand recovers, JHR will optimize resources to further improve profitability. In addition, JHR plans to select hotels with particularly high growth potential and renovate them through strategic CAPEX with the aim of increasing room sales, etc. JHR will also aim to realize upside from lease contract renewals and other factors following the first half of 2024. Specifically, JHR realized an increase in the fixed rent for the Ikebukuro, the Hachioji and the Hakata of the Ishin Group Hotels from August 2024 upon the expiration of their fixed-term building lease contracts. Furthermore, for Hotel Francs, whose fixed-term lease contract expires in October 2024, a revised contract has been concluded under the condition that variable rent will be introduced in addition to the previous fixed rent scheme, resulting in an increase in rent.

Given the large potential demand for overseas tourism globally, particularly due to the improvement in income levels in Asian countries and the popularity of Japan as a travel destination, etc., JHR expects Japan's accommodation demand from inbound visitors will keep growing over the medium-to-long term and believes that the accommodation and tourism market will expand. JHR considers that the asset management capability of the Asset Management Company will particularly lead to the differentiation of the hotels' performance, in addition to their locations, competitiveness and their operator's capability (including the operator's ability to differentiate the hotels they operate from other hotels, improve profitability including cost management and capture recovering demand).

Under this recognition of the environment, JHR, together with the Asset Management Company, will continue to implement a differentiation strategy that leverages its experience as a J-REIT specializing in hotels and will manage its properties in accordance with the following policy.

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

Internal growth

JHR will secure stability mainly through fixed rents and upside potential through the implementation of an active asset management strategy that actively seeks to improve property profitability and asset value through various means, including the adoption of brands that match the characteristics of the hotel and coordination with the HMJ Group.

For fixed-rent properties, JHR will continue to focus on setting and maintaining appropriate rents, considering either the market rent level where each hotel is situated, or the lessee's creditworthiness and capacity to bear the rent. Additionally, JHR intends to increase rents (including the introduction of a revenue-sharing rent) in alignment with the accommodation market's conditions.

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

(i) Properties under variable rent contracts

JHR works to enhance the profitability of its properties under variable rent contracts through its active asset management strategies. JHR adopts world-leading international brands such as Hilton, Sheraton, Mercure and Holiday Inn as well as leading brands in Japan including Oriental Hotel (a brand of the HMJ Group) and Hotel Nikko and, together with excellent operators, aims to increase variable rents, etc. through improved performance of these hotels.

JHR is collaborating with operators to enhance hotel performance by requesting them to realize synergy effects through

implementing marketing strategies to capture a wide range of demand given the expansion of domestic and inbound leisure needs, taking measures to maintain and raise sales unit prices, and reducing costs by managing multiple properties.

Meanwhile, JHR will continue to work closely with the lessees and operators of each hotel to create attractive products and provide added value by fully utilizing the characteristics of the owned properties, effective marketing measures, and expansion of sales channels in order to capture domestic and overseas demand in the future. At the same time, JHR will continue to promote various measures to increase hotel revenues through cost management and streamlining of operations.

Moreover, JHR will strive to improve hotel earnings by accurately grasping the conditions in the domestic accommodation and tourism market, including the changing needs of guests, and implementing strategic CAPEX as necessary. The guest room renovations of Kobe Meriken Park Oriental Hotel and Oriental Hotel Tokyo Bay, which have been implemented since 2023, will be continued in the second half of 2024. Additionally, JHR plans to conduct renovation work on the lobby floor, which will involve temporary closure and the construction of new guest rooms at Namba Oriental Hotel.

(ii) Properties under fixed rent contracts

JHR will appropriately monitor the operating status of each hotel and pay careful attention to each lessee's ability to bear the cost of rent. JHR will negotiate rent increases and the introduction of variable rent with hotels whose performance and rent-bearing capacity have recovered in order to increase JHR's revenue from these hotels. In addition, JHR will continuously execute investments to maintain and renew facilities and equipment in order to ensure that each hotel becomes prominent in the market and to maintain and enhance asset value.

External growth

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

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

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

In the hotel trading market, against the backdrop of further growth expectations in the hotel industry, along with a more flexible lending stance by financial institutions, not only foreign investors but also domestic investors, including J-REITs, are actively considering investment in hotels. This could lead to a further increase in active buying and selling of hotels. Going forward, while closely monitoring market trends from many angles, JHR will flexibly respond to changes in the earnings structures of hotels and the investment environment by leveraging the strengths and advantages it has cultivated as a J-REIT specializing in hotels and JHR will aim to expand asset size that accompanies improvement of the portfolio quality through acquiring highly competitive properties while utilizing the operation platform of the HMJ Group as necessary.

Finance strategy

JHR will focus on enhancing financial stability and soundness and intends to maintain and improve the relationship of trust with the financial institutions with which it does business through close communication, which will strengthen the lender formation.

With the hotel market transitioning into a growth phase, JHR aims to secure a certain fixed interest ratio, lengthen loan terms, and diversify loan maturities while paying attention to borrowing costs. At the same time, JHR will strengthen its financial

base by inviting new lenders and controlling capital expenditures appropriately. The ratio of interest-bearing debt to total assets will be maintained at or below 50% as before. In addition, JHR will further diversify its financing methods, including consideration of issuing investment corporation bonds and utilizing green finance.

Policy on handling of negative goodwill

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

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

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

Initiatives for sustainability

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

In order to put these ideas into practice, JHR, together with the Asset Management Company, has established “Sustainability Policy” as guidance for its ESG initiatives, promoting efforts to reduce environmental impact on properties in our portfolio based on this policy. JHR will continue to recognize its social responsibility toward the community as a J-REIT specializing in hotels and will actively engage in social contribution activities that leverage the unique characteristics of hotels.

■ Identification of Materiality (Key Issues) Related to ESG

In December 2021, JHR identified ESG-related materiality (Key Issues) for JHR from two perspectives: stakeholder expectations and the impact on JHR's business.

■ Acquisition of Third-Party Certifications Related to ESG and Green Buildings

JHR has acquired the following third-party certifications related to ESG and green buildings to ensure the reliability and objectivity of its efforts to reduce environmental impact.

- GRESB (Note 1) Real Estate Assessment

JHR was named "Sector Leader" in the Asian Hotel Sector in the 2023 GRESB Real Estate Assessment for the fourth consecutive year.

- BELS (Note 2) Certification

JHR acquired the Building-Housing Energy-efficiency Labeling System (BELS) Certification for Hotel Nikko Alivila and Mercure Okinawa Naha in February 2018 for UAN kanazawa in February 2024, bringing the total number of BELS-certified properties in JHR's portfolio to three.

- CASBEE (Note 3) Certification for Buildings

In April 2020, Hilton Tokyo Odaiba obtained CASBEE (Comprehensive Assessment System for Built Environment Efficiency) Certification for Buildings, marking the first such recognition for an existing hotel property. In May 2021, Oriental Hotel Fukuoka Hakata Station also received CASBEE Certification for Buildings.

■ Initiatives for Climate Change

The Asset Management Company has expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB), and has joined the TCFD Consortium, an organization of Japanese companies that support the TCFD recommendations.

In August 2022, JHR disclosed its efforts to address the four disclosure themes recommended by the TCFD, including the financial impact of climate change scenario analysis. JHR is also progressively clarifying its numerical targets by establishing and disclosing a CO₂ reduction target by 2050 in February 2023.

■ Formulation of Green Finance Framework

In January 2024, JHR formulated the Green Finance Framework as a framework for financing environmentally friendly projects. In March 2024, JHR borrowed ¥3,300 million as a green loan under the framework. JHR will continue to strive to promote initiatives for environmental improvement by utilizing funds procured under the framework.

■ Release of ESG Report

Since March 2023, JHR has been publishing an ESG report annually. Together with Asset Management Company, JHR will continue to actively promote and expand various sustainability initiatives and disclosures.

- (Note 1) GRESB, which stands for Global Real Estate Sustainability Benchmark, is an annual benchmarking assessment to measure ESG (Environmental, Social and Governance) considerations of real estate companies and funds. It evaluates initiatives for the sustainability of real estate companies, REITs and real estate funds, not of individual properties. The GRESB Rating makes relative assessment based on total scores, with 5 Stars being the highest ranking.
- (Note 2) BELS (Building-Housing Energy-Efficiency Labeling System) is a display system of energy conservation performance of a building set by the Ministry of Land, Infrastructure, Transport and Tourism.
- (Note 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.

(b) Significant subsequent events

(i) Acquisition of assets

JHR acquired the following assets on July 12, 2024 and July 31, 2024.

Name of acquired asset	MIMARU Tokyo Shinjuku West
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	3-11 Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo
Acquisition date	July 12, 2024
Seller	Not disclosed (Note 1)
Acquisition price (Note 2)	¥9,645 million

(Note 1) Undisclosed as consent of the tenant has not been obtained.

(Note 2) The acquisition price does not include expenses for acquisition, settlement of property tax, city planning tax, etc., and consumption tax and local consumption tax.

Name of acquired asset	HOTEL AMANEK Shinjuku-Kabukicho.
Asset category	Real estate beneficial interest in trust
Asset type	Hotel
Address	24-10 Kabukicho 2-chome, Shinjuku-ku, Tokyo
Acquisition date	July 12, 2024
Seller	Not disclosed (Note 1)
Acquisition price (Note 2)	¥8,845 million

(Note 1) Undisclosed as consent of the tenant has not been obtained.

(Note 2) The acquisition price does not include expenses for acquisition, settlement of property tax, city planning tax, etc., and consumption tax and local consumption tax.

Name of acquired asset	OKINAWA HARBORVIEW HOTEL
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	2-46, Izumizaki, Naha city, Okinawa
Acquisition date	July 31, 2024
Seller	Not disclosed (Note 1)
Acquisition price (Note 2)	¥21,500 million

(Note 1) Undisclosed as consent of the tenant has not been obtained.

(Note 2) The acquisition price does not include expenses for acquisition, settlement of property tax, city planning tax, etc., and consumption tax and local consumption tax.

Name of acquired asset	Southern Beach Hotel & Resort OKINAWA
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	1-6-1, Nishizakicho, Itoman city, Okinawa
Acquisition date	July 31, 2024
Seller	Not disclosed (Note 1)
Acquisition price (Note 2)	¥16,200 million

(Note 1) Undisclosed as consent of the tenant has not been obtained.

(Note 2) The acquisition price does not include expenses for acquisition, settlement of property tax, city planning tax, etc., and consumption tax and local consumption tax.

(ii) New loans

JHR procured funds as follows to partially finance the acquisition of real estate beneficial interests in trust and movable assets attached to the hotels, as described in “1. Acquisition of Assets” above.

Names of loan	Lenders	Amount of the new loan (JPY1M)	Interest rate (*)	Borrowing date	Maturity date	Collateral / method of repayment
Term Loan 102	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Limited MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan Inc. SBI Shinsei Bank, Limited Kansai Mirai Bank, Limited Daiwa Next Bank, Ltd	8,000	Base interest rate + 0.25%	July 12, 2024	September 30, 2025	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 103	Development Bank of Japan Inc. Bank of the Ryukyus, Limited The Nishi-Nippon City Bank, Ltd.	1,950	Base interest rate + 0.50%	July 31, 2024	March 30, 2029	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 104	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited The Bank of Fukuoka, Ltd. The Chiba Bank, Ltd. Kansai Mirai Bank, Limited Aozora Bank, Ltd. The Shizuoka Bank, Ltd.	5,850	Base interest rate + 0.55%	July 31, 2024	March 29, 2030	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 105	MUFG Bank, Ltd.	500	1.40380% (fixed interest rate)	July 31, 2024	March 29, 2030	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 106	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited SBI Shinsei Bank, Limited Daiwa Next Bank, Ltd. Aozora Bank, Ltd. The Minato Bank, Ltd. Kansai Mirai Bank, Limited The Bank of Okinawa, Ltd.	12,700	Base interest rate + 0.60%	July 31, 2024	March 31, 2031	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 107	MUFG Bank, Ltd.	1,000	1.51536% (fixed interest rate)	July 31, 2024	March 31, 2031	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date

(Note) The base interest rate to be applied to the calculation period of the interest to be paid on the interest payment date will be JBA Japanese Yen TIBOR for one month as of two business days prior to the immediately preceding interest payment date (or, two business days prior to the borrowing date as to the first interest calculation period). However, as to Term Loan 102, JBA Japanese Yen TIBOR for three months will be applied for the first interest calculation period and JBA Japanese Yen TIBOR for one month will be applied for all other interest calculation periods.

(iii) Issuance of new investment units

JHR resolved to issue new investment units at the Board of Directors meetings held on June 24, 2024 and June 27, 2024, and completed the payments on July 3, 2024 and July 30, 2024, under the following conditions.

(i) Issuance of new investment units (domestic public offering and overseas offering)

Number of investment units issued	: 451,641 units
Domestic public offering	: 221,641 units
Overseas offering	: 230,000 units
Issue price	: ¥75,558 per unit
Total issue price	: ¥34,125,090,678
Paid-in amount (Issue value)	: ¥73,167
Total paid-in amount (Issue value)	: ¥33,045,217,047
Payment date	: July 3, 2024

(ii) Issuance of new investment units (third-party allotment)

Number of investment units issued	: 8,359 units
Paid-in amount (Issue value)	: ¥73,167 per unit
Total paid-in amount (Issue value)	: ¥611,602,953
Payment date	: July 30, 2024
Allottee	: SMBC Nikko Securities Inc.

(iii) Use of the proceeds

The proceeds of ¥33,045,217,047 from the issuance of new investment units in the domestic public offering and overseas offering were allocated to partially fund the acquisition of MIMARU Tokyo Shinjuku West, HOTEL AMANEK Shinjuku-Kabukicho, OKINAWA HARBORVIEW HOTEL and Southern Beach Hotel & Resort OKINAWA as described in “1. Acquisition of assets” above. The remainder of the proceeds from the issuance of new investment units in the domestic public offering and overseas offering, along with ¥611,602,953 from the issuance of new investment units by way of the third-party allotment, will be retained as cash on hand to partially fund future acquisitions of specified assets or for repairs and capital expenditures to maintain and improve the competitiveness of existing properties.

(c) Operating forecast

(i) Operating result for the midterm of the fiscal year ending December 2024 (25th period)

The actual results of JHR for the midterm of the fiscal year ending December 2024 (25th period), along with the differences from the previous forecast (Note 1), are detailed below. During the period, JHR's operating revenue increased by ¥151 million from the previous forecast, mainly due to an increase in variable rents. Additionally, net income increased by ¥248 million from the previous forecast, primarily due to decreases in operating expenses and non-operating expenses.

Midterm of the fiscal year ending December 2024 (25th period)	Actual Results	Previous forecast (Note 1)	Difference	Percent change
Operating revenue	¥14,362 million	¥14,210 million	¥151 million	1.1%
Operating income	¥8,498 million	¥8,264 million	¥234 million	2.8%
Ordinary income	¥7,434 million	¥7,185 million	¥248 million	3.5%
Net income	¥7,433 million	¥7,185 million	¥248 million	3.5%

(ii) Operating forecast for the full fiscal year ending December 2024 (25th period)

JHR's operating and dividend forecasts for the full fiscal year ending December 2024 (25th period) are estimated as follows: Operating revenue is expected to increase by ¥151 million from the previous forecast, mainly due to an increase in variable rents in the first half. Operating expenses are projected to decrease by ¥82 million after reviewing property-related expenses and operating expenses. Non-operating expenses are expected to decrease by ¥13 million, mainly due to a reduction in financial costs. As a result, net income is anticipated to rise by ¥248 million from the previous forecast.

For the assumptions of these forecasts, please refer to "Assumptions of the operating forecast for the full fiscal year ending December 2024 (25th period)" on page 15.

Full fiscal year ending December 2024 (25th period)	Current forecast	Previous forecast (Note 1)	Difference	Percent change
Operating revenue	¥32,910 million	¥32,758 million	¥151 million	0.5%
Operating income	¥20,198 million	¥19,963 million	¥234 million	1.2%
Ordinary income	¥17,645 million	¥17,396 million	¥248 million	1.4%
Net income	¥17,644 million	¥17,395 million	¥248 million	1.4%
Dividend per unit	¥3,815	¥3,764	¥51	1.4%
Dividend per unit resulting from excess of earnings	¥—	¥—	¥—	—%

(Note 1) The figures were announced in the "Notice Concerning Revision of Operating and Dividend Forecast for the Fiscal Year Ending December 2024 (25th Period)" dated June 24, 2024. The same shall apply hereinafter.

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

Assumptions of the operating forecast for the full fiscal year ending December 2024 (25th period)

Item	Assumptions			
Calculation Period	• Full fiscal year ending December 2024 (25th Period): January 1, 2024 through December 31, 2024 (366 days)			
Assets under Management	• It is assumed that JHR’s portfolio consists of 51 properties, including 47 properties owned by JHR as of the end of June 2024 (hereinafter referred to as the “Existing Properties”) and the following four properties acquired (hereinafter referred to as the “Acquired Properties”).			
	Acquired Properties			
	Acquisition date	Name		
	July 12, 2024	MIMARU Tokyo Shinjuku West		
	July 12, 2024	HOTEL AMANEK Shinjuku-Kabukicho.		
	July 31, 2024	OKINAWA HARBORVIEW HOTEL		
	July 31, 2024	Southern Beach Hotel & Resort OKINAWA		
	• It is assumed that there will be no change (acquisition of new property or disposition of the existing properties, etc.) in assets under management through the end of the fiscal year ending December 2024 (25th period). However, changes in assets under management may take place.			
Operating Revenue	• Operating revenue is calculated based on the conditions of the lease and other contracts effective as of today, considering the competitiveness of hotels, market environment and other factors. If there are lease contracts with facilities other than hotels, such as commercial facilities and offices, operating revenue calculated based on the said lease contracts is included.			
	• Rents, etc., of the main hotels are calculated as follows:			
	(1) The 19 HMJ Hotels			
	The rent of the 19 HMJ Hotels consists of fixed rent and variable rent, and the variable rent is calculated by the following formula.			
	Variable rent = [Hotel AGOP (*1) - Base amount] × Variable rent ratio (%)			
	However, if the AGOP is less than the base amount, the variable rent will be 0 yen.			
	(Unit: millions of yen)			
		Fixed rent	Variable rent	Total rent
	The Five HMJ Hotels	3,221	3,168	6,389
	Oriental Hotel Universal City	316	1,492	1,808
	Oriental Hotel Okinawa Resort & Spa	550	507	1,057
	Sheraton Grand Hiroshima Hotel (*2)	348	396	744
	Oriental Hotel Fukuoka Hakata Station	425	1,347	1,772
	Holiday Inn Osaka Namba	576	676	1,252
	Hotel Oriental Express Fukuoka Tenjin	135	452	587
	Hilton Tokyo Narita Airport	444	234	678
	International Garden Hotel Narita	336	208	544
	Hotel Nikko Nara	420	129	549
	Hotel Oriental Express Osaka Shinsaibashi	110	104	214
	Hilton Tokyo Odaiba	1,600	1,268	2,868
Oriental Hotel Kyoto Rokujo	171	158	329	
Hotel Oriental Express Fukuoka Nakasukawabata	174	166	340	
Hotel JAL City Kannai Yokohama	135	51	186	
	Total	8,962	10,362	19,325

Item	Assumptions
Operating Revenue	(*1) AGOP (adjusted GOP) is calculated by subtracting certain fees and other items from GOP. GOP (gross operating profit) is the remainder after expenses incurred in hotel operation, such as personnel costs and general and administrative expenses, etc., are deducted from total sales. The same shall apply hereinafter.
	(*2) Stating the rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA. The fixed and variable rents from offices and commercial tenants in ACTIVE-INTER CITY HIROSHIMA are as follows. (Unit: millions of yen)

Item	Assumptions																																				
Operating Revenue	(d) Southern Beach Hotel & Resort OKINAWA (*7) The rent consists of fixed rent and variable rent, and the variable rent is calculated by the following formula. Variable rent = Amount calculated based on Hotel GOP However, if the calculated amount is below 0 yen, the variable rent will be 0 yen. (Unit: millions of yen) <table><tr><th></th><th>Fixed rent</th><th>Variable rent</th><th>Total rent</th></tr><tr><td>MIMARU Tokyo Shinjuku West</td><td>Undisclosed (*5)</td><td>Undisclosed (*5)</td><td>187</td></tr><tr><td>HOTEL AMANEK Shinjuku-Kabukicho.</td><td>Undisclosed (*5)</td><td>Undisclosed (*5)</td><td>233</td></tr><tr><td>OKINAWA HARBORVIEW HOTEL</td><td>440 (*6)</td><td>—</td><td>440</td></tr><tr><td>Southern Beach Hotel & Resort OKINAWA</td><td>257 (*7)</td><td>107 (*7)</td><td>365</td></tr><tr><td>Total</td><td>904</td><td>321</td><td>1,225</td></tr></table> (*5) Undisclosed since tenants that concluded lease contracts did not agree to disclose rent revenue, etc. The rent for the fiscal year ending December 2024 is an estimated amount for 173-day from July 12, 2024 to December 31, 2024. (*6) The annual fixed rent will be 1,050 million yen until July 31, 2026. The rent for the fiscal year ending December 2024 is an estimated amount for 154-day from July 31, 2024 to December 31, 2024. (*7) The annual fixed rent will be 600 million yen. The rent for the fiscal year ending December 2024 is an estimated amount including the rent from commercial tenants for 154-day from July 31, 2024 to December 31, 2024. The following is the breakdown of variable rent and income from management contracts. (Unit: millions of yen) <table><tr><th></th><th>Full year</th></tr><tr><td>The 19 HMJ Hotels</td><td>10,362</td></tr><tr><td>Other hotels with variable rent, etc.</td><td>5,001</td></tr><tr><td>Acquired Properties</td><td>321</td></tr><tr><td>Office and commercial tenants</td><td>13</td></tr><tr><td>Total</td><td>15,699</td></tr></table> (*8) For details of variable rent, please refer to “3. Reference Information; (1) Information on values of assets under management, etc. B. Assets under management; (C) Other major assets under management; (iii) Overview of the hotel business; a. Rent structures of hotels with variable rent, management contract or revenue sharing.”		Fixed rent	Variable rent	Total rent	MIMARU Tokyo Shinjuku West	Undisclosed (*5)	Undisclosed (*5)	187	HOTEL AMANEK Shinjuku-Kabukicho.	Undisclosed (*5)	Undisclosed (*5)	233	OKINAWA HARBORVIEW HOTEL	440 (*6)	—	440	Southern Beach Hotel & Resort OKINAWA	257 (*7)	107 (*7)	365	Total	904	321	1,225		Full year	The 19 HMJ Hotels	10,362	Other hotels with variable rent, etc.	5,001	Acquired Properties	321	Office and commercial tenants	13	Total	15,699
		Fixed rent	Variable rent	Total rent																																	
	MIMARU Tokyo Shinjuku West	Undisclosed (*5)	Undisclosed (*5)	187																																	
	HOTEL AMANEK Shinjuku-Kabukicho.	Undisclosed (*5)	Undisclosed (*5)	233																																	
	OKINAWA HARBORVIEW HOTEL	440 (*6)	—	440																																	
	Southern Beach Hotel & Resort OKINAWA	257 (*7)	107 (*7)	365																																	
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	Other hotels with variable rent, etc.	5,001																																			
Acquired Properties	321																																				
Office and commercial tenants	13																																				
Total	15,699																																				
Operating Expenses	- With respect to real estate operating costs, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation. - It is assumed that ¥2,093 million will be recognized as expenses for fixed asset taxes, city planning taxes, etc. In general, fixed asset taxes and city planning taxes for the year of acquisition on acquired assets are settled with the previous owner on a pro-rata basis over a period of time, and the amount equivalent to such settlement is included in the acquisition cost. Therefore, the fixed asset taxes, city planning tax, etc., of the Acquired Properties are not posted as expenses for the relevant calculation period. - Capital expenditure is assumed to be ¥7,311 million (¥3,745 million for capital expenditure I, ¥400 million for capital expenditure II and ¥3,165 million for capital expenditure III) for the fiscal year ending December 2024 (25th period). (*) JHR classifies capital expenditures into the following three categories. (I) Capital investment related to the renewal of equipment and facilities of buildings which is required to maintain proper values of properties, (II) capital investment for fixtures, furniture, and equipment that are not directly related to the building structure or facilities but necessary for operating hotels, and (III) strategic capital investment such as renovating guest rooms, etc. for improving the competitiveness of the hotels. - Depreciation is calculated using the straight-line method including the planned capital expenditures above and is assumed to be ¥5,630 million. - Repair expenses for buildings are recognized as expenses in the assumed amount necessary for each operating period. Please note that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as; (1) Emergency repair expenses may be necessary due to damage to buildings from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required regularly.																																				
Non-operating Expenses	¥2,554 million is expected as non-operating expenses for borrowing-related costs and other expenses. Borrowing-related costs include interest expense, amortization for financing fees, and arrangement fee.																																				

Item	Assumptions																		
Interest-bearing Debt	- The balance of interest-bearing debt (sum of loans and investment corporation bonds) as of today is ¥205,231 million, and it is assumed to remain unchanged until the end of the fiscal year ending December 31, 2024 (25th period). - It is assumed that loans totaling ¥6,100 million due by the end of the fiscal year ending December 2024 (25th period) will be fully refinanced. - It is assumed that the ¥1,000 million of investment corporation bonds due for redemption by the end of the fiscal year ending December 2024 (25th period) will be fully redeemed through borrowing funds or issuing investment corporation bonds.																		
Dividend per Unit	- Dividend per unit for the fiscal year ending December 2024 (25th period) is calculated based on the following assumptions. <table> <tr> <td>Unappropriated retained earnings</td><td>¥17,646 million</td></tr> <tr> <td>Reversal of reserve for temporary difference adjustment (negative goodwill)</td><td></td></tr> <tr> <td> 50-year amortization amount of negative goodwill (*1)</td><td>¥262 million</td></tr> <tr> <td> Loss on retirement of noncurrent assets (*2)</td><td>¥243 million</td></tr> <tr> <td> Amortization of trademark rights (*3)</td><td>¥56 million</td></tr> <tr> <td> Dilution (*4)</td><td>¥1,240 million</td></tr> <tr> <td>Distributable amount</td><td>¥19,448 million</td></tr> <tr> <td>Total number of investment units issued</td><td>5,097,006 units</td></tr> <tr> <td>Dividend per unit</td><td>¥3,815</td></tr> </table> (*1) ¥262 million (hereinafter called “50-year amortization amount of negative goodwill”) is scheduled to be paid out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount, for every fiscal year. (*2) The amount recognized as a loss on retirement of noncurrent assets will be appropriated by the reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on the dividend per unit. (*3) The trademark rights are amortized over ten years using the straight-line method. The amortization amount to be recorded this current fiscal year will have no impact on the dividend per unit due to the appropriation of the reserve for temporary difference adjustment (negative goodwill). (*4) Regarding the dividend per unit for the fiscal year ending December 2024 (25th period), JHR plans to allocate the reserve for temporary difference adjustment (negative goodwill) to a level that factors in the internal growth of the Existing Properties as a measure to offset the dilution of investment units caused by the issuance of new units for purchasing the Acquired Properties. - Dividend per unit may fluctuate due to various causes, such as fluctuation of rent revenue resulting from the transfer of assets under management, change of tenants, etc., at hotels, change in the business environment of hotel business for hotel tenants, etc., unexpected repairs, and an actual number of new investment units issued, etc. - The remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 2024 (25th period) is expected to be ¥6,952 million.	Unappropriated retained earnings	¥17,646 million	Reversal of reserve for temporary difference adjustment (negative goodwill)		50-year amortization amount of negative goodwill (*1)	¥262 million	Loss on retirement of noncurrent assets (*2)	¥243 million	Amortization of trademark rights (*3)	¥56 million	Dilution (*4)	¥1,240 million	Distributable amount	¥19,448 million	Total number of investment units issued	5,097,006 units	Dividend per unit	¥3,815
Unappropriated retained earnings	¥17,646 million																		
Reversal of reserve for temporary difference adjustment (negative goodwill)																			
50-year amortization amount of negative goodwill (*1)	¥262 million																		
Loss on retirement of noncurrent assets (*2)	¥243 million																		
Amortization of trademark rights (*3)	¥56 million																		
Dilution (*4)	¥1,240 million																		
Distributable amount	¥19,448 million																		
Total number of investment units issued	5,097,006 units																		
Dividend per unit	¥3,815																		
Dividend per Unit Resulting from Excess of Earnings	It is assumed that the excess of earnings (dividend per unit resulting from an excess of earnings) will not be distributed.																		
Others	- It is assumed that there will be no amendments to laws and regulations, the tax system, accounting standards, listing rules, or the regulations of The Investment Trusts Association, Japan, etc., that will affect the above forecast figures. - It is assumed that unexpected major incidents will not occur in the general economy, real estate market, hotel business environment, etc. - The numerical values are rounded down to the nearest millions of yen in the assumptions above.																		

<Reference Information 1>

Highlight of operating forecast and dividend estimate

Comparison of operational forecast and estimated dividend for the full fiscal year ending December 2024 (25th period) (current forecast) with the previous forecast and main reasons for the difference

(Unit: millions of yen)

		FY12/2024 (25th Period)	FY12/2024 (25th Period)	Difference		Existing Properties	Acquired Properties	Factors Causing Variance
		Previous Forecast (A)	Current Forecast (B)	(B)-(A)	% of increase/ decrease			
Properties	No. of Properties	51	51	—	—	—	—	
	Acquisition Price	453,108	453,108	—	—	—	—	
Profit and Loss	Operating Revenue	32,758	32,910	151	0.5%	151	—	
	Real Estate Operating Revenue	32,758	32,910	151	0.5%	151	—	
	Fixed Rent <i>Composition</i>	16,128 50.9%	16,128 50.7%	(0)	(0.0%)	(0)	—	
	Variable Rent <i>Composition</i>	15,562 49.1%	15,699 49.3%	136	0.9%	136	—	The 19 HMJ Hotels: +JPY146MM The Accor Group Hotels: (JPY5MM) The Ishin Group Hotels: +JPY6MM Others: (JPY10MM)
	Other Income	1,067	1,082	15	1.5%	15	—	
	NOI (*) <i>NOI Yield (*)</i>	28,331 6.3%	28,484 6.3%	152	0.5%	152	—	
	NOI after Depreciation (*) <i>NOI Yield after Depreciation (*)</i>	22,458 5.0%	22,608 5.0%	150	0.7%	150	—	
	Operating Income	19,963	20,198	234	1.2%			
	Ordinary Income	17,396	17,645	248	1.4%			
	Net Income	17,395	17,644	248	1.4%			
Dividend	Amount of Reversal from Reserve for Temporary Difference Adjustments (Negative Goodwill)	1,789	1,802	12	0.7%	Amount of reversal from reserve for temporary difference adjustments Previous Forecast: 50-year amortization amount on negative goodwill: JPY262MM Loss on retirement of noncurrent assets: JPY231MM Amortization of trademark rights: JPY56MM Dilution: JPY1,240MM		
	Total Dividends	19,185	19,445	259	1.4%			
	No. of Unit Issued (Unit)	5,097,006	5,097,006	—	—	Current Forecast: 50-year amortization amount on negative goodwill: JPY262MM Loss on retirement of noncurrent assets: JPY243MM Amortization of trademark rights: JPY56MM Dilution: JPY1,240MM		
	Dividend per Unit (JPY)	3,764	3,815	51	1.4%			

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

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

NOI yield = NOI ÷ acquisition price

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

NOI yield after depreciation = NOI after depreciation ÷ acquisition price

<Reference Information 2>

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

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

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

<1> The 19 HMJ Hotels

		Fiscal year ended December 2023		Fiscal year ending December 2024			
		Result	Comparison with previous fiscal year	Previous forecast	Current forecast	Comparison with previous fiscal year	Comparison with previous forecast
Occupancy rate	First half of the year	75.8%	21.2pt	81.8%	81.7%	5.9pt	(0.1pt)
	Second half of the year	81.3%	7.8pt	84.8%	84.8%	3.5pt	—
	Full year	78.6%	14.4pt	83.3%	83.3%	4.7pt	(0.0pt)
ADR (JPY)	First half of the year	18,055	46.9%	19,715	19,806	9.7%	0.5%
	Second half of the year	21,286	23.8%	22,999	22,999	8.0%	—
	Full year	19,740	30.6%	21,396	21,441	8.6%	0.2%
RevPAR (JPY)	First half of the year	13,685	103.8%	16,123	16,183	18.3%	0.4%
	Second half of the year	17,302	37.1%	19,507	19,507	12.7%	—
	Full year	15,508	60.0%	17,824	17,854	15.1%	0.2%
Sales (JPY1M)	First half of the year	23,947	88.3%	27,530	27,605	15.3%	0.3%
Rooms dept.		14,564	123.5%	17,254	17,319	18.9%	0.4%
F&B dept.		7,972	70.6%	9,157	9,164	15.0%	0.1%
Others		1,411	(7.9%)	1,120	1,122	(20.5%)	0.2%
Sales (JPY1M)	Second half of the year	29,373	33.3%	33,190	33,190	13.0%	—
Rooms dept.		18,720	50.3%	21,105	21,105	12.7%	—
F&B dept.		9,335	16.0%	10,915	10,915	16.9%	—
Others		1,317	(13.7%)	1,170	1,170	(11.2%)	—
Sales (JPY1M)	Full year	53,320	53.4%	60,721	60,795	14.0%	0.1%
Rooms dept.		33,284	75.5%	38,359	38,424	15.4%	0.2%
F&B dept.		17,307	36.0%	20,072	20,079	16.0%	0.0%
Others		2,729	(10.8%)	2,290	2,292	(16.0%)	0.1%
GOP (JPY1M)	First half of the year	7,464	386.0%	9,349	9,550	28.0%	2.1%
	Second half of the year	10,935	75.8%	12,577	12,577	15.0%	—
	Full year	18,399	137.2%	21,926	22,127	20.3%	0.9%

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

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

<2> The 28 Hotels with Variable Rent, etc.

		Fiscal year ended December 2023		Fiscal year ending December 2024			
		Result	Comparison with previous fiscal year	Previous forecast	Current forecast	Comparison with previous fiscal year	Comparison with previous forecast
Occupancy rate	First half of the year	75.9%	20.1pt	81.2%	81.1%	5.2pt	(0.1pt)
	Second half of the year	80.8%	6.6pt	84.6%	84.6%	3.7pt	—
	Full year	78.4%	13.3pt	82.9%	82.8%	4.5pt	(0.1pt)
ADR (JPY)	First half of the year	16,227	49.3%	17,955	18,014	11.0%	0.3%
	Second half of the year	19,184	27.7%	20,578	20,578	7.3%	—
	Full year	17,764	34.0%	19,300	19,330	8.8%	0.2%
RevPAR (JPY)	First half of the year	12,311	103.0%	14,575	14,601	18.6%	0.2%
	Second half of the year	15,504	39.2%	17,400	17,400	12.2%	—
	Full year	13,920	61.4%	15,995	16,008	15.0%	0.1%
Sales (JPY1M)	First half of the year	27,046	88.3%	31,343	31,388	16.1%	0.1%
Rooms dept.		17,209	117.7%	20,487	20,523	19.3%	0.2%
F&B dept.		8,345	71.9%	9,657	9,664	15.8%	0.1%
Others		1,492	(6.9%)	1,199	1,202	(19.5%)	0.2%
Sales (JPY1M)	Second half of the year	33,203	34.2%	37,469	37,469	12.8%	—
Rooms dept.		22,031	49.2%	24,726	24,726	12.2%	—
F&B dept.		9,778	17.0%	11,488	11,488	17.5%	—
Others		1,393	(13.7%)	1,254	1,254	(10.0%)	—
Sales (JPY1M)	Full year	60,249	54.1%	68,812	68,857	14.3%	0.1%
Rooms dept.		39,240	73.1%	45,213	45,248	15.3%	0.1%
F&B dept.		18,124	37.2%	21,146	21,153	16.7%	0.0%
Others		2,885	(10.3%)	2,453	2,456	(14.9%)	0.1%
GOP (JPY1M)	First half of the year	8,462	365.2%	10,752	10,954	29.4%	1.9%
	Second half of the year	12,388	75.6%	14,259	14,259	15.1%	—
	Full year	20,849	134.9%	25,011	25,213	20.9%	0.8%

2. Semi-annual financial statements

(1) Semi-annual balance sheets

(Unit: thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	17,693,462	10,197,526
Cash and deposits in trust	10,821,626	11,396,483
Operating accounts receivable	4,850,631	3,254,145
Prepaid expenses	626,308	656,227
Income taxes receivable	38	—
Derivatives	1,499	8,697
Other	56,376	241,668
Total current assets	34,049,942	25,754,748
Noncurrent assets		
Property and equipment, at cost		
Machinery and equipment	949,797	1,006,655
Accumulated depreciation	(451,651)	(497,110)
Machinery and equipment, net	498,146	509,545
Tools, furniture and fixtures	6,865,827	7,381,019
Accumulated depreciation	(4,507,557)	(4,829,556)
Tools, furniture and fixtures, net	2,358,270	2,551,463
Construction in progress	11,434	11,434
Buildings in trust	*1 152,039,254	*1 153,168,149
Accumulated depreciation	(35,463,200)	(37,471,420)
Buildings in trust, net	116,576,053	115,696,729
Structures in trust	3,058,840	3,062,982
Accumulated depreciation	(730,047)	(767,071)
Structures in trust, net	2,328,793	2,295,911
Machinery and equipment in trust	793,859	804,579
Accumulated depreciation	(264,608)	(284,922)
Machinery and equipment in trust, net	529,250	519,656
Tools, furniture and fixtures in trust	129,718	129,718
Accumulated depreciation	(113,038)	(113,776)
Tools, furniture and fixtures in trust, net	16,680	15,942
Land in trust	237,641,649	237,641,649
Construction in progress in trust	120,897	507,098
Net property and equipment	360,081,175	359,749,429
Intangible assets		
Software	226,128	215,608
Trademark right	355,231	327,186
Leasehold rights in trust	27,324,752	27,324,752
Fixed-term leasehold rights in trust	4,360,378	4,292,775
Other	4,561	4,221
Total intangible assets	32,271,051	32,164,544
Investments and other assets		
Security deposits	12,520	12,520
Leasehold and security deposits in trust	139,668	139,668
Long-term prepaid expenses	2,565,747	2,686,036
Derivative assets	398,477	795,076
Reserve for repairs and maintenance	300,469	288,510
Total investments and other assets	3,416,883	3,921,812
Total noncurrent assets	395,769,110	395,835,786
Deferred assets		
Investment unit issuance costs	40,379	32,324
Investment corporation bond issuance costs	95,957	80,573
Total deferred assets	136,336	112,898
Total assets	429,955,390	421,703,433

(Unit: thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Operating accounts payable	2,506,632	485,303
Short-term loans	15,568,000	—
Current portion of investment corporation bonds payable	3,000,000	3,000,000
Current portion of long-term loans payable	21,521,000	14,100,000
Accrued expenses	659,264	625,389
Income taxes payable	1,210	605
Consumption taxes payable	470,254	410,069
Advances received	764,638	770,918
Dividends payable	3,634	11,588
Deposits received	9,966	9,741
Derivative liabilities	2,626	—
Other	77,816	31,800
Total current liabilities	44,585,044	19,445,416
Long-term liabilities		
Investment corporation bonds	33,900,000	33,900,000
Long-term loans payable	101,242,000	124,231,000
Tenant leasehold and security deposits	1,040,520	1,040,520
Tenant leasehold and security deposits in trust	3,739,687	3,778,249
Derivative liabilities	1,951	—
Deferred tax liabilities	125,832	252,867
Asset retirement obligations	340,051	340,874
Total long-term liabilities	140,390,042	163,543,511
Total liabilities	184,975,086	182,988,927
Net assets		
Unitholders' equity		
Unitholders' capital	199,051,879	199,051,879
Surplus		
Capital surplus	21,746,398	21,746,398
Voluntary reserve		
Reserve for temporary difference adjustment	* ₂ 9,600,013	* ₂ 8,754,629
Reserve for tax purpose reduction entry	1,174,860	1,174,860
Total voluntary reserve	10,774,874	9,929,490
Unappropriated retained earnings (undisposed loss)	13,137,051	7,435,831
Total surplus	45,658,325	39,111,719
Total unitholders' equity	244,710,204	238,163,599
Valuation and translation adjustments		
Deferred gains (losses) on hedges	270,099	550,906
Total valuation and translation adjustments	270,099	550,906
Total net assets	* ₃ 244,980,303	* ₃ 238,714,505
Total liabilities and net assets	429,955,390	421,703,433

(2) Semi-annual statements of income

(Unit: thousands of yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Operating revenue		
Real estate operating revenue	*1 10,744,215	*1 13,842,962
Other real estate operating revenue	*1 544,157	*1 519,539
Total operating revenue	11,288,372	14,362,501
Operating Expenses		
Real estate operating costs	*1 4,548,722	*1 4,777,603
Asset management fee	815,364	916,709
Asset custody and administrative service fee	58,162	59,681
Directors' compensation	8,700	8,700
Other operating expenses	97,495	101,256
Total operating expenses	5,528,444	5,863,951
Operating income	5,759,928	8,498,549
Non-operating income		
Interest income	140	132
Gain on forfeiture of unclaimed dividends	3,813	949
Gain on derivative instruments	1,690	532
Total non-operating income	5,644	1,613
Non-operating Expenses		
Interest expense	425,566	517,765
Interest expense on investment corporation bonds	140,421	140,600
Borrowing costs	275,366	376,919
Amortization of investment corporation bond issuance costs	15,344	15,383
Amortization of investment unit issuance costs	1,785	8,054
Net derivative financial instruments loss	4,040	—
Other	5,744	7,112
Total non-operating expenses	868,269	1,065,835
Ordinary income	4,897,303	7,434,327
Extraordinary income		
Subsidy income	6,570	*2 213,025
Total extraordinary income	6,570	213,025
Extraordinary loss		
Loss on tax purpose reduction entry of non-current assets	*3 6,512	*3 212,779
Total extraordinary loss	6,512	212,779
Net income (loss) before income taxes	4,897,360	7,434,572
Income taxes – current	605	605
Total income taxes	605	605
Net income (loss)	4,896,755	7,433,967
Retained earnings brought forward	2,930	1,863
Unappropriated retained earnings (undisposed loss)	4,899,686	7,435,831

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

For the six months ended June 30, 2023

(Unit: thousands of yen)

(Unit: thousands of yen)

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

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

For the six months ended June 30, 2024

(Unit: thousands of yen)

	Unitholders' equity							
	Unitholders' capital	Surplus						Total unitholders' equity
		Capital surplus	Voluntary reserve			Unappropriated retained earnings (undisposed loss)	Total surplus	
			Reserve for temporary difference adjustment	Reserve for tax purpose reduction entry	Total voluntary reserve			
Balance, January 1, 2024	199,051,879	21,746,398	9,600,013	1,174,860	10,774,874	13,137,051	45,658,325	244,710,204
Changes of items during the period								
Reversal of reserve for temporary difference adjustment			(845,384)		(845,384)	845,384	—	—
Dividends paid						(13,980,573)	(13,980,573)	(13,980,573)
Net income						7,433,967	7,433,967	7,433,967
Net changes of items other than unitholders' equity								
Total changes of items during the period	—	—	(845,384)	—	(845,384)	(5,701,220)	(6,546,605)	(6,546,605)
Balance, June 30, 2024	199,051,879 ^{*1}	21,746,398	8,754,629	1,174,860	9,929,490	7,435,831	39,111,719	238,163,599

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2024	270,099	270,099	244,980,303
Changes of items during the period			
Reversal of reserve for temporary difference adjustment			—
Dividends paid			(13,980,573)
Net income			7,433,967
Net changes of items other than unitholders' equity	280,807	280,807	280,807
Total changes of items during the period	280,807	280,807	(6,265,798)
Balance, June 30, 2024	550,906	550,906	238,714,505

(4) Semi-annual statements of cash flows

(Unit: thousands of yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Cash flows from operating activities		
Income before income taxes	4,897,360	7,434,572
Depreciation and amortization	2,440,571	2,628,540
Loss on retirement of noncurrent assets	17,221	42,506
Loss (profit) on derivative instruments	2,350	(532)
Subsidy income	(6,570)	(213,025)
Loss on tax purpose reduction entry of non-current assets	6,512	212,779
Amortization of investment corporation bond issuance costs	15,344	15,383
Amortization of investment unit issuance expenses	1,785	8,054
Interest income	(140)	(132)
Interest expense	565,988	658,366
(Increase) decrease in operating accounts receivable	1,944,516	1,596,486
(Increase) decrease in prepaid expenses	(4,716)	(29,919)
(Increase) decrease in long-term prepaid expenses	24,233	(120,289)
Increase (decrease) in operating accounts payable	(164,539)	(382,531)
Increase (decrease) in accrued expenses	5,989	(31,878)
Increase (decrease) in consumption taxes payable	(22,043)	(60,185)
Increase (decrease) in advances received	54,920	6,279
Increase (decrease) in deposits received	1,431	(224)
Other	37,995	(230,688)
Subtotal	9,818,211	11,533,562
Interest received	140	132
Interest paid	(569,069)	(660,577)
Income taxes - refunded (paid)	(1,168)	(1,171)
Net cash provided by (used in) operating activities	9,248,114	10,871,945
Cash flows from investing activities		
Purchase of property and equipment	(397,764)	(1,078,057)
Purchase of property and equipment in trust	(12,703,570)	(2,919,524)
Purchase of intangible assets	(36,517)	(55,014)
Payments of reserve for repairs and maintenance	(20,312)	(20,312)
Proceeds from tenant leasehold and security deposits in trust	197,152	49,140
Reimbursements of tenant leasehold and security deposits in trust	(55,077)	(10,577)
Subsidies received	6,570	213,025
Net cash provided by (used in) investing activities	(13,009,520)	(3,821,320)
Cash flows from financing activities		
Proceeds from short-term loans payable	15,568,000	800,000
Repayments of short-term loans payable	(15,611,000)	(16,368,000)
Proceeds from long-term loans payable	11,215,000	30,989,000
Repayment of long-term loans payable	(11,172,000)	(15,421,000)
Dividends paid	(3,044,829)	(13,971,703)
Net cash provided by (used in) financing activities	(3,044,829)	(13,971,703)
Net increase (decrease) in cash and cash equivalents	(6,806,235)	(6,921,078)
Cash and cash equivalents at beginning of year	29,515,066	28,515,088
Cash and cash equivalents at end of period	*1 22,708,830	*1 21,594,010

(5) Notes on going concern assumption

Not applicable.

(6) Notes on matters concerning significant accounting policies

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

4. Method of hedge accounting	(1) Method of hedge accounting Deferred hedge accounting is applied (2) Hedging instruments and hedged items Hedging instruments Interest rate swaps Hedged items Interest rates on loans payable (3) Hedging policy JHR enters into certain derivative transactions in accordance with its financial policy in order to manage risks, which is provided in the Articles of Incorporation. (4) Method for assessing hedge effectiveness JHR evaluates hedge effectiveness by comparing the cumulative changes in cash flow of hedging instruments and the hedged items and assessing the ratio between the changes.
5. Scope of funds (cash and cash equivalents) in the semi-annual statements of cash flows	Cash and cash equivalents in the semi-annual statements of cash flows consist of cash on hand, cash in trust accounts, bank deposit and trust deposit, which can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased, which can easily be converted to cash and subject to minimal risk of change in value.
6. Other significant matters serving as the basis for preparing semi-annual financial statements	Accounting treatment of beneficial interests in trust with real estate, etc., as their assets For trust beneficial interests in real estate, etc., under management, all assets and liabilities held in trust accounts as well as all income generated and expenses incurred from assets in trust are presented in the accompanying semi-annual balance sheet and income statement accounts accordingly. The following material items of the trust accounts recorded in the relevant accounts are presented separately on the semi-annual balance sheets. (a) Cash and deposits in trust (b) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust (c) Leasehold rights in trust; Fixed-term leasehold rights in trust; Leasehold and security deposits in trust (d) Tenant leasehold and security deposits in trust

(7) Notes to semi-annual financial statements

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

[Notes to semi-annual balance sheets]

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

(Unit: thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Buildings in trust	17,865	230,645

- *2. Matters concerning provision and reversal of reserve for temporary difference adjustment
As of December 31, 2023

(Unit: thousands of yen)

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

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

As of June 30, 2024

(Unit: thousands of yen)

	Amount of initial accrual	Balance at beginning of period	Amount of provision during period	Amount of reversal during period	Balance at end of period	Grounds for provision and reversal
Dividend reserve (Note)	13,127,153	9,600,013	—	845,384	8,754,629	Allocation for dividend

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

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

(Unit: thousands of yen)

	As of December 31, 2023	As of June 30, 2024
	¥50,000	¥50,000

[Notes to semi-annual statements of income]

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

(Unit: thousands of yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
A. Real estate operating revenue		
Real estate operating revenue		
Fixed rent	7,250,068	7,572,442
Variable rent	3,008,922	5,544,795
Income from management contracts	485,224	725,723
Total	10,744,215	13,842,962
Other real estate operating revenue		
Parking lots	61,615	62,381
Other incidental revenue	36,565	54,763
Utilities	386,351	343,207
Other	59,625	59,186
Total	544,157	519,539
Total real estate operating revenue	11,288,372	14,362,501
B. Real estate operating costs		
Real estate operating costs		
Land lease and other rent expenses	422,758	429,492
Property taxes	980,780	1,026,452
Outsourcing expenses (Note)	203,873	212,748
Nonlife insurance	37,031	45,173
Depreciation and amortization	2,440,571	2,628,540
Loss on retirement of noncurrent assets	17,221	42,506
Repairs	7,413	5,613
Utilities	410,751	359,756
Trust fees	20,443	20,692
Other	7,877	6,627
Total real estate operating costs	4,548,722	4,777,603
C. Net real estate operating income (A-B)	6,739,649	9,584,897

(Note) Outsourcing expenses include management contract fees of ¥39,112 thousand for the six months ended June 30, 2023, and ¥52,048 thousand for the six months ended June 30, 2024.

*2 Breakdown of subsidy income

For the six months ended June 30, 2024

Subsidy income consists of income from subsidies for regional collaborative revitalization and high value-added development of tourist destinations and the tourism industry, as well as subsidies for CO₂ emission control measures.

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

(Unit: thousands of yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Buildings in trust	6,512	212,779

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

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

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Total number of investment units authorized	20,000,000 units	20,000,000 units
Total number of investment units issued and outstanding	4,467,006 units	4,637,006 units

[Notes to semi-annual statements of cash flows]

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

(Unit: thousands of yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Cash and deposits	13,274,927	10,197,526
Cash and deposits in trust	9,433,903	11,396,483
Cash and cash equivalents	22,708,830	21,594,010

[Notes on lease transactions]

Operating leases (as lessor)

Minimum rental revenue under non-cancellable operating leases

(Unit: thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Due within one year	1,331,074	1,390,931
Due after one year	3,782,292	3,761,501
Total	5,113,366	5,152,432

[Notes on financial instruments]

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

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

As of December 31, 2023

(Unit: thousands of yen)

	Carrying amount	Fair value	Difference
(1) Current portion of investment corporation bonds payable	3,000,000	2,973,700	(26,300)
(2) Current portion of long-term loans payable	21,521,000	21,521,000	—
(3) Investment corporation bonds	33,900,000	31,371,760	(2,528,240)
(4) Long-term loans payable	101,242,000	101,242,000	—
Total liabilities	159,663,000	157,108,460	(2,554,540)
(5) Derivative transactions (*)	395,399	395,399	—

As of June 30, 2024

(Unit: thousands of yen)

	Carrying amount	Fair value	Difference
(1) Current portion of investment corporation bonds payable	3,000,000	2,992,400	(7,600)
(2) Current portion of long-term loans payable	14,100,000	14,100,759	759
(3) Investment corporation bonds	33,900,000	31,539,320	(2,360,680)
(4) Long-term loans payable	124,231,000	124,219,105	(11,894)
Total liabilities	175,231,000	172,851,584	(2,379,415)
(5) Derivative transactions (*)	803,773	803,773	—

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

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

(1) Current portion of investment corporation bonds payable; (3) Investment corporation bonds

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

(2) Current portion of long-term loans payable; (4) Long-term loans payable

For long-term loans payable with floating interest rates, the book value is recognized as the fair value because the interest rate is periodically revised, which results in the fair value approximating the book value. For long-term loans payable with fixed interest rates, the present value is calculated by discounting the total principal and interest at the assumed rate for similar new borrowings.

(5) Derivative transactions

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

[Notes on derivative transactions]

1. Derivative transactions to which hedge accounting is not applied

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

As of December 31, 2023

(Unit: thousands of yen)

Classification	Type, etc., of derivative transaction	Contract amount, etc.		Fair value	Method to measure the fair value
			Of which, due after one year		
Transactions other than market transactions	Interest rate swaps (fixed rate payment, floating rate receipt)	1,750,000	—	(532)	The fair value is measured at the quoted price, etc., obtained from the counterparty financial institutions.

As of June 30, 2024

Not applicable.

2. Derivative transactions to which hedge accounting is applied

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

As of December 31, 2023

(Unit: thousands of yen)

Method of hedge accounting	Type, etc., of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Deferral method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	70,600,000	57,750,000	395,932	The fair value is measured at the quoted price, etc., obtained from the counterparty financial institutions.

As of June 30, 2024

(Unit: thousands of yen)

Method of hedge accounting	Type, etc., of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Deferral method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	87,239,000	78,939,000	803,773	The fair value is measured at the quoted price, etc., obtained from the counterparty financial institutions.

[Notes on asset retirement obligations]

Asset retirement obligations recognized on the balance sheet

1. Outline of the subject asset retirement obligations

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

2. Calculation method of the subject asset retirement obligations

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

3. Increase and decrease of the subject asset retirement obligations

(Unit: thousands of yen)

	For the year ended December 31, 2023	For the six months ended June 30, 2024
Balance at beginning of period	338,413	340,051
Adjustment due to passage of time	1,637	822
Balance at end of mid-term period (fiscal period)	340,051	340,874

[Notes on segment and related information]

1. Segment information

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

2. Related information

For the six months ended June 30, 2023

(1) Information about products and services

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

(2) Information about geographical areas

(i) Operating revenue

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

(ii) Property and equipment, at cost

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

(3) Information about major customers

(Unit: thousands of yen)

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

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

For the six months ended June 30, 2024

(1) Information about products and services

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

(2) Information about geographical areas

(i) Operating revenue

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

(ii) Property and equipment, at cost

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

(3) Information about major customers

(Unit: thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd. (Note)	8,675,320	Investment and management of hotel real estate

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

[Notes on rental properties, etc.]

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

(Unit: thousands of yen)

Use		For the year ended December 31, 2023	For the six months ended June 30, 2024
Hotel	Carrying amount		
	Balance at beginning of period	358,478,812	392,339,582
	Net increase (decrease) during period	33,860,769	(437,921)
	Balance at end of mid-term period (fiscal period)	392,339,582	391,901,661
	Fair value at end of mid-term period (fiscal period)	525,740,000	554,880,000

(Note 1) The decrease during the six months ended June 30, 2024 was principally due to depreciation. The increase for the same period was principally due to acquisition of UAN kanazawa (¥2,082,812 thousand), Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (¥8,487,515 thousand), La'gent Stay Sapporo Odori (¥10,428,224 thousand), Oriental Hotel Kyoto Rokujo (¥4,620,065 thousand), Hotel Oriental Express Fukuoka Nakasukawabata (¥4,665,800 thousand) and Hotel JAL City Kannai Yokohama (¥4,046,273 thousand).

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

[Notes on revenue recognition]

For the six months ended June 30, 2023

Breakdown of information on revenue generated from contracts with customers

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

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

For the six months ended June 30, 2024

Breakdown of information on revenue generated from contracts with customers

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

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

[Notes on per unit information]

Net assets per unit is as follows:

	As of December 31, 2023	As of June 30, 2024
Net assets per unit (JPY)	52,831	51,480

Net income per unit and the basis of computation of net income per unit for midterm are as follows:

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Net income (loss) per unit (JPY)	1,096	1,603
[Basis of computation]		
Net income for midterm (JPY 1,000)	4,896,755	7,433,967
Amount not attributable to common unitholders (JPY 1,000)	—	—
Net income for midterm attributable to common investment units (JPY 1,000)	4,896,755	7,433,967
Average number of investment units during period (units)	4,467,006	4,637,006

(Note) Net income per unit for midterm is computed by dividing net income for midterm by the average number of investment units during the midterm period. Net income per unit for midterm after the adjustment of potentially dilutive units is not presented since there are no potentially dilutive units.

[Notes on significant subsequent events]

1. Acquisition of assets

JHR acquired the following assets on July 12, 2024 and July 31, 2024.

Name of acquired asset	MIMARU Tokyo Shinjuku West
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	3-11 Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo
Acquisition date	July 12, 2024
Seller	Not disclosed (Note 1)
Acquisition price (Note 2)	¥9,645 million

(Note 1) Undisclosed as consent of the tenant has not been obtained.

(Note 2) The acquisition price does not include expenses for acquisition, settlement of property tax, city planning tax, etc., and consumption tax and local consumption tax.

Name of acquired asset	HOTEL AMANEK Shinjuku-Kabukicho.
Asset category	Real estate beneficial interest in trust
Asset type	Hotel
Address	24-10 Kabukicho 2-chome, Shinjuku-ku, Tokyo
Acquisition date	July 12, 2024
Seller	Not disclosed (Note 1)
Acquisition price (Note 2)	¥8,845 million

(Note 1) Undisclosed as consent of the tenant has not been obtained.

(Note 2) The acquisition price does not include expenses for acquisition, settlement of property tax, city planning tax, etc., and consumption tax and local consumption tax.

Name of acquired asset	OKINAWA HARBORVIEW HOTEL
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	2-46, Izumizaki, Naha city, Okinawa
Acquisition date	July 31, 2024
Seller	Not disclosed (Note 1)
Acquisition price (Note 2)	¥21,500 million

(Note 1) Undisclosed as consent of the tenant has not been obtained.

(Note 2) The acquisition price does not include expenses for acquisition, settlement of property tax, city planning tax, etc., and consumption tax and local consumption tax.

Name of acquired asset	Southern Beach Hotel & Resort OKINAWA
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	1-6-1, Nishizakicho, Itoman city, Okinawa
Acquisition date	July 31, 2024
Seller	Not disclosed (Note 1)
Acquisition price (Note 2)	¥16,200 million

(Note 1) Undisclosed as consent of the tenant has not been obtained.

(Note 2) The acquisition price does not include expenses for acquisition, settlement of property tax, city planning tax, etc., and consumption tax and local consumption tax.

2. New loans

JHR procured funds as follows to partially finance the acquisition of real estate beneficial interests in trust and movable assets attached to the hotels, as described in “1. Acquisition of Assets” above.

Names of loan	Lenders	Amount of the new loan (JPY1M)	Interest rate (Note)	Borrowing date	Maturity date	Collateral / method of repayment
Term Loan 102	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Limited MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan Inc. SBI Shinsei Bank, Limited Kansai Mirai Bank, Limited Daiwa Next Bank, Ltd	8,000	Base interest rate + 0.25%	July 12, 2024	September 30, 2025	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 103	Development Bank of Japan Inc. Bank of the Ryukyus, Limited The Nishi-Nippon City Bank, Ltd.	1,950	Base interest rate + 0.50%	July 31, 2024	March 30, 2029	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 104	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited The Bank of Fukuoka, Ltd. The Chiba Bank, Ltd. Kansai Mirai Bank, Limited Aozora Bank, Ltd. The Shizuoka Bank, Ltd.	5,850	Base interest rate + 0.55%	July 31, 2024	March 29, 2030	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 105	MUFG Bank, Ltd.	500	1.40380% (fixed interest rate)	July 31, 2024	March 29, 2030	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 106	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited SBI Shinsei Bank, Limited Daiwa Next Bank, Ltd. Aozora Bank, Ltd. The Minato Bank, Ltd. Kansai Mirai Bank, Limited The Bank of Okinawa, Ltd.	12,700	Base interest rate + 0.60%	July 31, 2024	March 31, 2031	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 107	MUFG Bank, Ltd.	1,000	1.51536% (fixed interest rate)	July 31, 2024	March 31, 2031	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date

(Note) The base interest rate to be applied to the calculation period of the interest to be paid on the interest payment date will be JBA Japanese Yen TIBOR for one month as of two business days prior to the immediately preceding interest payment date (or, two business days prior to the borrowing date as to the first interest calculation period). However, as to Term Loan 102, JBA Japanese Yen TIBOR for three months will be applied for the first interest calculation period and JBA Japanese Yen TIBOR for one month will be applied for all other interest calculation periods.

3. Issuance of new investment units

JHR resolved to issue new investment units at the Board of Directors meetings held on June 24, 2024 and June 27, 2024, and completed the payments on July 3, 2024 and July 30, 2024, under the following conditions.

(i) Issuance of new investment units (domestic public offering and overseas offering)

Number of investment units issued	: 451,641 units
Domestic public offering	: 221,641 units
Overseas offering	: 230,000 units
Issue price	: ¥75,558 per unit
Total issue price	: ¥34,125,090,678
Paid-in amount (Issue value)	: ¥73,167
Total paid-in amount (Issue value)	: ¥33,045,217,047
Payment date	: July 3, 2024

(ii) Issuance of new investment units (third-party allotment)

Number of investment units issued	: 8,359 units
Paid-in amount (Issue value)	: ¥73,167 per unit
Total paid-in amount (Issue value)	: ¥611,602,953
Payment date	: July 30, 2024
Allottee	: SMBC Nikko Securities Inc.

(iii) Use of the proceeds

The proceeds of ¥33,045,217,047 from the issuance of new investment units in the domestic public offering and overseas offering were allocated to partially fund the acquisition of MIMARU Tokyo Shinjuku West, HOTEL AMANEK Shinjuku-Kabukicho, OKINAWA HARBORVIEW HOTEL and Southern Beach Hotel & Resort OKINAWA as described in “1. Acquisition of assets” above. The remainder of the proceeds from the issuance of new investment units in the domestic public offering and overseas offering, along with ¥611,602,953 from the issuance of new investment units by way of the third-party allotment, will be retained as cash on hand to partially fund future acquisitions of specified assets or for repairs and capital expenditures to maintain and improve the competitiveness of existing properties.

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

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

Date	Capital transaction	Total number of investment units issued and outstanding (Units)		Unitholders' capital (JPY1M)		Note
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
March 16, 2021	Capital increase through third-party allotment of investment units	4,659	4,467,006	300	187,194	(Note 1)
September 21, 2023	Capital increase through public offering of investment units	170,000	4,637,006	11,857	199,051	(Note 2)

(Note 1) New investment units were issued through third-party allotment with an issue value per unit of ¥64,400 in order to procure part of the funds for capital expenditures.

(Note 2) New investment units were issued through public offering with an issue price per unit of ¥72,030 (issue value of ¥69,751) in order to procure funds for the acquisition of new properties, etc.

3. Reference information

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

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

A. Investment status

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

Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2023		As of June 30, 2024	
				Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)
Real estate in trust	Limited-service hotel	Osaka	Holiday Inn Osaka Namba	26,566	6.2	26,518	6.3
			Namba Oriental Hotel	14,217	3.3	14,168	3.4
			Hotel Oriental Express Osaka Shinsaibashi	2,769	0.6	2,763	0.7
		Tokyo	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	8,469	2.0	8,461	2.0
			the b Ikebukuro	6,599	1.5	6,589	1.6
			CANDEO HOTELS Ueno Koen	6,525	1.5	6,504	1.5
			Comfort Hotel Tokyo Higashi Nihombashi	3,394	0.8	3,382	0.8
			the b hachioji	2,691	0.6	2,675	0.6
			Smile Hotel Nihombashi Mitsukoshimae	2,025	0.5	2,017	0.5
			R&B Hotel Ueno-hirokoji	1,804	0.4	1,798	0.4
			Chisun Hotel Kamata	1,452	0.3	1,438	0.3
			the b suidobashi	1,140	0.3	1,133	0.3
			dormy inn EXPRESS Asakusa	917	0.2	914	0.2
			Chisun Inn Kamata	778	0.2	772	0.2
		Hokkaido	La'gent Stay Sapporo Odori	10,402	2.4	10,384	2.5
			ibis Styles Sapporo	6,299	1.5	6,265	1.5
			Mercure Sapporo	5,563	1.3	5,534	1.3
		Fukuoka	Hotel Oriental Express Fukuoka Tenjin	5,710	1.3	5,685	1.3
			Hotel Oriental Express Fukuoka Nakasukawabata	4,621	1.1	4,609	1.1
			the b hakata	2,319	0.5	2,310	0.5
			Washington Hotel Plaza Hakata, Nakasu	2,065	0.5	2,072	0.5
			Toyoko Inn Hakata-guchi Ekimae	1,346	0.3	1,337	0.3
		Kyoto	ibis Styles Kyoto Station	6,556	1.5	6,542	1.6
			Oriental Hotel Kyoto Rokujo	4,570	1.1	4,556	1.1
		Kanazawa	Hotel JAL City Kannai Yokohama	4,027	0.9	4,022	1.0
		Okinawa	Mercure Okinawa Naha	2,713	0.6	2,687	0.6
		Kumamoto	dormy inn Kumamoto	2,205	0.5	2,185	0.5
		Ishikawa	UAN kanazawa	2,056	0.5	2,046	0.5
		Nara	Washington Hotel Plaza Nara	1,716	0.4	1,698	0.4
		Subtotal		141,527	32.9	141,076	33.5
	Full-service hotel	Tokyo	Hilton Tokyo Odaiba	63,167	14.7	63,054	15.0
		Chiba	Oriental Hotel Tokyo Bay	16,932	3.9	16,820	4.0
			Hilton Tokyo Narita Airport	13,003	3.0	12,918	3.1
			International Garden Hotel Narita	8,916	2.1	8,839	2.1
			Hotel Francs	3,172	0.7	3,169	0.8
		Hiroshima	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 4)	16,848	3.9	16,808	4.0
			Oriental Hotel Hiroshima	4,005	0.9	3,975	0.9
		Aichi	Hilton Nagoya	15,527	3.6	15,455	3.7
		Nara	Hotel Nikko Nara	9,998	2.3	9,963	2.4
		Hyogo	Kobe Meriken Park Oriental Hotel	9,443	2.2	9,357	2.2
		Fukuoka	Oriental Hotel Fukuoka Hakata Station	8,395	2.0	8,231	2.0
		Kanagawa	Mercure Yokosuka	1,642	0.4	1,632	0.4
		Subtotal		171,054	39.8	170,225	40.4

Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2023		As of June 30, 2024	
				Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)
	Resort hotel	Okinawa	Hotel Nikko Alivila	17,441	4.1	17,336	4.1
			Oriental Hotel Okinawa Resort & Spa	15,626	3.6	16,198	3.8
			The Beach Tower Okinawa	6,413	1.5	6,399	1.5
		Chiba	Hilton Tokyo Bay	25,993	6.0	25,913	6.1
		Osaka	Oriental Hotel Universal City	7,192	1.7	7,152	1.7
		Kanagawa	Hakone Setsugetsuka	3,528	0.8	3,484	0.8
		Subtotal			76,195	17.7	76,485
	Real estate in trust – Total			388,777	90.4	387,787	92.0
	Deposits and other assets (Note 5)			41,177	9.6	33,916	8.0
	Total assets			429,955	100.0	421,703	100.0

	Amount (JPY1M)	Ratio to total assets (%)	Amount (JPY1M)	Ratio to total assets (%)
Total liabilities	184,975	43.0	182,988	43.4
Total net assets	244,980	57.0	238,714	56.6

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

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

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

(Note 4) ACTIVE-INTER CITY HIROSHIMA is classified in accordance with the business category of Sheraton Grand Hiroshima Hotel, its main facility.

(Note 5) Includes machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust, and intangible assets (excluding leasehold rights in trust and fixed-term land lease rights in trust).

B. Assets under management

(A) Major issues of investment securities

Not applicable.

(B) Real estate properties under management

Not applicable.

(C) Other major assets under management

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

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

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

Property No.	Name	Grade (Note 1)	Acquisition price (JPY1M) (Note 2)	Carrying amount at end of period (JPY1M) (Note 3)	Appraisal value at end of period (JPY1M) (Note 4)	Appraisal agency (Note 5)	Investment ratio (Acquisition price) (%) (Note 6)	Collateral (Note 7)
1	Kobe Meriken Park Oriental Hotel	Upper-middle	10,900	9,648	14,700	N	2.7	Unsecured
2	Oriental Hotel Tokyo Bay	Upper-middle	19,900	17,459	34,600	N	5.0	Unsecured
3	Namba Oriental Hotel	Mid-price	15,000	14,224	32,300	N	3.8	Unsecured
4	Hotel Nikko Alivila	Luxury	18,900	17,565	29,100	N	4.8	Unsecured
5	Oriental Hotel Hiroshima	Upper-middle	4,100	4,018	4,330	N	1.0	Unsecured
8	The Beach Tower Okinawa	Mid-price	7,610	6,402	10,200	N	1.9	Unsecured
9	Hakone Setsugetsuka	Mid-price	4,070	3,490	5,580	N	1.0	Unsecured
10	dormy inn Kumamoto	Mid-price	2,334	2,185	3,650	N	0.6	Unsecured
12	the b suidobashi	Mid-price	1,120	1,141	2,490	N	0.3	Unsecured
13	dormy inn EXPRESS Asakusa	Economy	999	915	1,350	J	0.3	Unsecured
14	Washington Hotel Plaza Hakata, Nakasu	Mid-price	2,130	2,072	4,610	N	0.5	Unsecured
15	Washington Hotel Plaza Nara	Mid-price	2,050	1,698	2,460	N	0.5	Unsecured
16	R&B Hotel Ueno-hirokoji	Economy	1,720	1,798	1,880	J	0.4	Unsecured
18	Comfort Hotel Tokyo Higashi Nihombashi	Economy	3,746	3,383	5,730	J	0.9	Unsecured
22	Smile Hotel Nihombashi Mitsukoshimae	Economy	2,108	2,017	3,070	J	0.5	Unsecured
24	Toyoko Inn Hakata-guchi Ekimae	Economy	1,652	1,337	2,770	T	0.4	Unsecured
25	Chisun Hotel Kamata	Economy	1,512	1,451	2,090	T	0.4	Unsecured
26	Chisun Inn Kamata	Economy	823	776	1,440	T	0.2	Unsecured
29	Oriental Hotel Universal City	Upper-middle	6,753	7,363	22,300	R	1.7	Unsecured
31	Hilton Tokyo Bay	Luxury	26,050	25,919	42,700	D	6.6	Unsecured
32	ibis Styles Kyoto Station	Mid-price	6,600	6,550	10,000	D	1.7	Unsecured
33	ibis Styles Sapporo	Mid-price	6,797	6,312	11,600	N	1.7	Unsecured
34	Mercure Sapporo	Mid-price	6,000	5,591	12,400	N	1.5	Unsecured
35	Mercure Okinawa Naha	Mid-price	3,000	2,733	7,370	N	0.8	Unsecured
37	the b ikebukuro	Mid-price	6,520	6,598	7,590	N	1.6	Unsecured
39	the b hachioji	Mid-price	2,610	2,689	2,720	N	0.7	Unsecured
40	the b hakata	Mid-price	2,300	2,318	4,760	N	0.6	Unsecured
41	Hotel Francs	Mid-price	3,105	3,171	4,660	D	0.8	Unsecured
42	Mercure Yokosuka	Upper-middle	1,650	1,659	3,550	D	0.4	Unsecured
43	Oriental Hotel Okinawa Resort & Spa	Upper-middle	14,950	17,068	19,500	N	3.8	Unsecured
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Luxury	17,320	17,051	20,500	D	4.4	Unsecured
45	CANDEO HOTELS Ueno Koen	Mid-price	6,705	6,515	7,620	D	1.7	Unsecured
46	Oriental Hotel Fukuoka Hakata Station	Upper-middle	7,197	8,332	15,500	D	1.8	Unsecured
47	Holiday Inn Osaka Namba	Mid-price	27,000	26,551	27,300	N	6.8	Unsecured
48	Hotel Oriental Express Fukuoka Tenjin	Mid-price	5,248	5,733	7,470	D	1.3	Unsecured
49	Hilton Nagoya	Luxury	15,250	15,455	15,500	D	3.8	Unsecured
50	Hilton Tokyo Narita Airport	Upper-middle	13,175	13,150	13,200	N	3.3	Unsecured
51	International Garden Hotel Narita	Mid-price	9,125	8,924	9,620	N	2.3	Unsecured

Property No.	Name	Grade (Note 1)	Acquisition price (JPY1M) (Note 2)	Carrying amount at end of period (JPY1M) (Note 3)	Appraisal value at end of period (JPY1M) (Note 4)	Appraisal agency (Note 5)	Investment ratio (Acquisition price) (%) (Note 6)	Collateral (Note 7)
52	Hotel Nikko Nara	Upper-middle	10,373	10,056	9,810	D	2.6	Unsecured
53	Hotel Oriental Express Osaka Shinsaibashi	Mid-price	2,738	2,781	2,900	D	0.7	Unsecured
54	Hilton Tokyo Odaiba	Upper-middle	62,400	63,246	72,700	N	15.7	Unsecured
55	UAN kanazawa	Upper-middle	2,050	2,052	2,340	N	0.5	Unsecured
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Mid-price	8,400	8,461	10,100	D	2.1	Unsecured
57	La'gent Stay Sapporo Odori	Mid-price	10,020	10,403	11,500	N	2.5	Unsecured
58	Oriental Hotel Kyoto Rokujo	Mid-price	4,446	4,608	6,470	N	1.1	Unsecured
59	Hotel Oriental Express Fukuoka Nakasukawabata	Mid-price	4,460	4,643	6,280	N	1.1	Unsecured
60	Hotel JAL City Kannai Yokohama	Mid-price	4,000	4,042	4,570	N	1.0	Unsecured
	Total		396,918	391,574	554,880		100.0	

(Note 1) JHR categorizes hotels into the four grade classes of "Luxury," "Upper-middle," "Mid-price" and "Economy" mainly from the perspective of average daily rate, etc.

(Note 2) "Acquisition price" is the acquisition price stated on the purchase and sale agreement for beneficial interest in trust, etc. (consumption tax, local consumption tax and the acquisition expense such as broker's fee are not included). The acceptance prices are indicated for the properties that have been accepted through the Merger.

(Note 3) "Carrying amount at end of period" is the book value at the end of the midterm period under review and includes not only the amounts for real estate in trust, but also for machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust and intangible assets.

(Note 4) "Appraisal value at end of period" is the appraisal value at the end of the midterm period under review as the date of appraisal, in accordance with the asset valuation methods and standards provided in JHR's Articles of Incorporation and the regulations set forth by The Investment Trusts Association, Japan.

(Note 5) Under "Appraisal agency," the letters indicate the appraisers for the properties as follows:

N: Nihon Fudosan Kenkyusho (Japan Real Estate Institute)

J: JLL Morii Valuation & Advisory K.K.

T: The Tanizawa Sogo Appraisal Co., Ltd.

R: Rich Appraisal Institute Co., Ltd.

D: DAIWA REAL ESTATE APPRAISAL CO., LTD.

(Note 6) "Investment ratio" is the ratio of acquisition price of the respective asset held at the end of the midterm period under review to the total amount of acquisition price of all assets held at the end of the midterm period under review, rounded off to one decimal place.

(Note 7) "Collateral" is whether or not a pledge has been established for the beneficial interest in trust.

(Note 8) The omitted property numbers are the property numbers of assets that have been transferred.

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

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

	End of 20th period December 2019	End of 21st period December 2020	End of 22nd period December 2021	End of 23rd period December 2022	End of 24th period December 2023	End of midterm of 25th period June 2024
Total number of tenants (Note 1)	125	121	116	110	117	119
Total leasable area (Note 2)	746,329.68m ²	741,083.02m ²	733,995.61m ²	733,995.61m ²	767,700.44m ²	767,700.44m ²
Total leased area (Note 3)	745,227.67m ²	740,146.96m ²	732,764.69m ²	732,251.49m ²	765,875.99m ²	766,256.79m ²
Occupancy rate (Note 4)	99.9%	99.9%	99.8%	99.8%	99.8%	99.8%

(Note 1) Total number of tenants indicates the total number of tenants based on the lease contracts for respective real estate in trust (excluding tenants of parking lots, etc.) as of the end of each fiscal period or midterm period. However, for properties for which master lease contracts under the pass-through scheme are concluded in which the trustee receives the same amounts of rents, etc. from end tenants as is in principle, the total number of end tenants (excluding tenants of parking lots, etc.) is indicated.

(Note 2) In principle, total leasable area represents leasable area of the building, which does not include leasable area of land (including parking lots on ground), based on a lease contract or plan for each real estate in trust. For properties in which the leased area is not described in the lease contract, leasable area represents the area described in the registration of the building. Furthermore, when the leasable area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578m² per one tsubo). The same shall apply hereinafter.

(Note 3) In principle, total leased area represents the leased area described in the lease contract of the building. For properties in which the leased area is not described in the lease contract, leased area shows the area described in the registration of the building. Furthermore, when the leased area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578m² per one tsubo). However, for properties for which master lease contracts under the pass-through scheme are concluded in which the trustee receives the same amounts of rents, etc. from end tenants as is in principle, the total area for which lease contracts have been concluded with end tenants and which are actually leased is indicated. The same shall apply hereinafter.

(Note 4) Occupancy rate indicates the percentage of leased area of leasable area of respective real estate properties in trust as of the end of each fiscal period or midterm period. The same shall apply hereinafter.

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

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

“Total annual rent” refers to the total amount calculated by multiplying the monthly fixed rent (rent of the building itself only, excluding common area maintenance charges and signage and parking usage fees without factoring in any change in rent during the fiscal year) in lease contracts at the end of the midterm period under review is multiplied by 12, adding assumed amounts of revenue sharing, variable rent and income from management contracts for the full fiscal year.

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

Property No.	Name	Rent type (Note 1)	Real estate operating revenue (JPY 1,000)	NOI (Note 2) (JPY 1,000)	NOI after depreciation (Note 3) (JPY 1,000)
1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	415,454	292,292	135,183
2	Oriental Hotel Tokyo Bay	Variable/Fixed	1,042,577	980,213	790,117
3	Namba Oriental Hotel	Variable/Fixed	667,836	610,222	551,350
4	Hotel Nikko Alivila	Variable/Fixed	438,278	358,264	224,031
5	Oriental Hotel Hiroshima	Variable/Fixed	79,716	57,371	18,220
8	The Beach Tower Okinawa	Fixed	255,504	233,255	174,841
9	Hakone Setsugetsuka	Fixed	147,469	134,860	86,290
10	dormy inn Kumamoto	Variable/Fixed	109,513	98,058	69,998
12	the b suidobashi	Variable/Fixed	77,759	72,316	60,019
13	dormy inn EXPRESS Asakusa	Fixed	32,537	27,898	21,461
14	Washington Hotel Plaza Hakata, Nakasu (Note 4)	Fixed	120,000	112,000	99,000
15	Washington Hotel Plaza Nara (Note 4)	Fixed	75,000	67,000	48,000
16	R&B Hotel Ueno-hirokoji	Fixed	48,645	40,814	31,030
18	Comfort Hotel Tokyo Higashi Nihombashi	Variable/Fixed (Note 5)	174,512	158,380	139,265
22	Smile Hotel Nihombashi Mitsukoshimae	Variable/Fixed (Note 5)	98,587	89,988	79,232
24	Toyoko Inn Hakata-guchi Ekimae	Fixed	70,519	63,190	54,275
25	Chisun Hotel Kamata	Variable	75,633	68,362	49,109
26	Chisun Inn Kamata	Variable	44,785	41,214	35,016
29	Oriental Hotel Universal City	Variable/Fixed	791,903	762,139	645,254
31	Hilton Tokyo Bay	Variable/Fixed (Note 5)	990,117	847,549	750,460
32	ibis Styles Kyoto Station	Management contract	200,116	178,408	161,868
33	ibis Styles Sapporo	Management contract	218,474	169,714	128,406
34	Mercure Sapporo	Management contract	318,873	220,193	174,613
35	Mercure Okinawa Naha	Management contract	129,069	101,336	64,486
37	the b ikebukuro	Variable/Fixed	183,414	167,210	151,398
39	the b hachioji	Variable/Fixed	99,434	87,448	67,077
40	the b hakata	Variable/Fixed	130,616	123,689	112,644
41	Hotel Francs	Fixed (Note 6)	150,000	119,181	91,452
42	Mercure Yokosuka	Variable	173,064	117,185	97,375
43	Oriental Hotel Okinawa Resort & Spa	Variable/Fixed	274,999	231,606	(41,536)
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed	769,528	523,021	402,268
45	CANDEO HOTELS Ueno Koen	Fixed	174,985	161,479	139,073
46	Oriental Hotel Fukuoka Hakata Station	Variable/Fixed	917,380	794,438	599,012
47	Holiday Inn Osaka Namba	Variable/Fixed	578,140	552,408	491,270
48	Hotel Oriental Express Fukuoka Tenjin	Variable/Fixed	365,315	312,720	277,259
49	Hilton Nagoya	Variable	657,560	343,113	244,841
50	Hilton Tokyo Narita Airport	Variable/Fixed	314,559	275,838	161,947
51	International Garden Hotel Narita	Variable/Fixed	251,743	230,105	145,801
52	Hotel Nikko Nara	Variable/Fixed	237,402	213,546	137,402
53	Hotel Oriental Express Osaka Shinsaibashi	Variable/Fixed	112,963	105,650	97,091
54	Hilton Tokyo Odaiba	Variable/Fixed	1,338,676	1,163,927	1,003,091
55	UAN kanazawa	Variable/Fixed (Note 5)	57,003	53,510	43,379
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Variable/Fixed (Note 5)	263,358	236,496	225,236
57	La'gent Stay Sapporo Odori	Variable	253,614	241,921	204,973
58	Oriental Hotel Kyoto Rokujo	Variable/Fixed	159,339	153,217	134,999
59	Hotel Oriental Express Fukuoka Nakasukawabata	Variable/Fixed	174,603	168,066	154,778
60	Hotel JAL City Kannai Yokohama	Variable/Fixed	67,500	61,639	46,322
	Total		14,328,996	12,223,263	9,579,437

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

(Note 2) NOI = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses

(Note 3) NOI after depreciation (net real estate operating income) = Real estate operating revenue – Real estate operating costs

(Note 4) For Washington Hotel Plaza Hakata, Nakasu and Washington Hotel Plaza Nara, consent on disclosure of rent in units of thousands of yen has not been

obtained from the lessees and numbers are thus rounded down to the nearest millions of yen.

(Note 5) Comfort Hotel Tokyo Higashi Nihombashi, Smile Hotel Nihombashi Mitsukoshimae, Hilton Tokyo Bay, UAN kanazawa and Sotetsu Fresa Inn Shimbashi-Karasumoriguchi have rent structures with fixed rents and partial revenue sharing.

(Note 6) For Hotel Francs, the rent type will change to Variable/Fixed from October 31, 2024 onward.

(Note 7) The property numbers of assets that were sold before the end of the previous fiscal year are intentionally omitted.

e. Summary of analyses, etc. of earthquake risk

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

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

Property No.	Name	Probable Maximum Loss (PML) ratio by earthquake risk analyses (%) (Note 1)	Existence of earthquake insurance	Provider of PML value (Note 2)
53	Hotel Oriental Express Osaka Shinsaibashi	7.3	None	S
54	Hilton Tokyo Odaiba	4.3	None	T
55	UAn kanazawa	10.0	None	T
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	7.0	None	S
57	La'gent Stay Sapporo Odori	2.6	None	T
58	Oriental Hotel Kyoto Rokujo	12.2	None	T
59	Hotel Oriental Express Fukuoka Nakasukawabata	5.2	None	T
60	Hotel JAL City Kannai Yokohama	7.9	None	S

(Note 1) PML (Probable Maximum Loss) represents damage caused by a major earthquake that may occur once every 475 years (estimated probability of such earthquake to occur during the 50 years is 10%.) during expected holding period (50 years = useful life of ordinary buildings). PML is the anticipated percentage of recovery cost against the building replacement cost. JHR will evaluate the possibility to acquire earthquake insurance for the property if the PML of the particular property exceeds 15%. As of the end of the midterm fiscal period under review, there is no property with a plan to be insured by earthquake insurance.

(Note 2) Under "Provider of PML value," the letters indicate the provider as follows.

T: Tokio Marine dR Co., Ltd.

P: Deloitte Tohmatsu Property Risk Solution Co., Ltd.

O: OBAYASHI CORPORATION

S: SOMPO Risk Management, Inc.

(Note 3) The property numbers of assets sold are intentionally omitted.

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

The following table shows income and expenditures for individual investment real estate properties (trust) for the current midterm period until June 30, 2024. Figures are rounded down to the nearest thousands of yen in principle but are otherwise noted if circumstances do not allow for the figures to be stated in units of thousands of yen.

Property No.	–	1	2	3	4	5
Property name	Portfolio total (Note 1)	Kobe Meriken Park Oriental Hotel	Oriental Hotel Tokyo Bay	Namba Oriental Hotel	Hotel Nikko Alivila	Oriental Hotel Hiroshima
Number of operating days	–	182	182	182	182	182
(A) Real estate operating revenue subtotal	14,328,996	415,454	1,042,577	667,836	438,278	79,716
Fixed rent	7,572,442	299,950	379,300	421,950	402,049	107,251
Variable rent	6,270,519	114,534	663,277	245,886	36,228	(27,535)
Other revenue	486,034	969	–	–	–	–
(B) Real estate operating costs subtotal	4,749,559	280,270	252,460	116,486	214,246	61,495
Land lease and other rent expenses	429,492	96,354	–	–	48,801	–
Property taxes	1,026,452	23,118	58,711	55,573	27,331	20,645
Outsourcing expenses	212,748	480	480	480	960	480
Nonlife insurance	45,173	2,391	2,716	1,104	2,006	713
Depreciation and amortization	2,600,495	157,092	185,555	58,871	126,193	39,150
Loss on retirement of noncurrent assets	42,506	16	4,541	–	8,039	–
Other costs	392,690	816	456	456	914	505
(C) Net real estate operating income = (A) – (B)	9,579,437	135,183	790,117	551,350	224,031	18,220
(Reference) Occupancy rate	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	119	1	1	1	1	1

Property No.	8	9	10	12	13	14
Property name	The Beach Tower Okinawa	Hakone Setsugetsuka	dormy inn Kumamoto	the b suidobashi	dormy inn EXPRESS Asakusa	Washington Hotel Plaza Hakata, Nakasu (Note 2)
Number of operating days	182	182	182	182	182	182
(A) Real estate operating revenue subtotal	255,504	147,469	109,513	77,759	32,537	120,000
Fixed rent	255,504	147,169	97,230	15,000	31,697	120,000
Variable rent	–	–	12,283	62,759	–	–
Other revenue	–	300	–	–	840	0
(B) Real estate operating costs subtotal	80,662	61,179	39,515	17,739	11,076	20,000
Land lease and other rent expenses	–	–	–	–	–	–
Property taxes	20,626	11,670	10,491	4,208	3,271	6,000
Outsourcing expenses	–	–	–	600	600	0
Nonlife insurance	1,101	533	381	145	88	0
Depreciation and amortization	58,413	48,569	28,060	12,296	6,437	12,000
Loss on retirement of noncurrent assets	–	–	–	–	–	–
Other costs	520	405	583	489	679	0
(C) Net real estate operating income = (A) – (B)	174,841	86,290	69,998	60,019	21,461	99,000
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	1	1	1	1	1

Property No.	15	16	18	22	24	25
Property name	Washington Hotel Plaza Nara (Note 2)	R&B Hotel Ueno-hirokoji	Comfort Hotel Tokyo Higashi Nihombashi	Smile Hotel Nihombashi Mitsukoshimae	Toyoko Inn Hakata-guchi Ekimae	Chisun Hotel Kamata
Number of operating days	182	182	182	182	182	182
(A) Real estate operating revenue subtotal	75,000	48,645	174,512	98,587	70,519	75,633
Fixed rent	73,000	48,252	130,160	67,200	70,519	-
Variable rent	-	-	38,748	31,387	-	75,633
Other revenue	1,000	393	5,602	-	-	-
(B) Real estate operating costs subtotal	27,000	17,615	35,246	19,355	16,244	26,524
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	5,000	6,753	14,498	7,235	6,064	6,078
Outsourcing expenses	1,000	420	807	600	540	600
Nonlife insurance	0	138	304	145	205	173
Depreciation and amortization	18,000	9,784	19,115	10,755	8,915	19,252
Loss on retirement of noncurrent assets	0	-	-	-	-	-
Other costs	0	518	521	618	518	419
(C) Net real estate operating income = (A) - (B)	48,000	31,030	139,265	79,232	54,275	49,109
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	2	1	2	1	1	1

Property No.	26	29	31	32	33	34
Property name	Chisun Inn Kamata	Oriental Hotel Universal City	Hilton Tokyo Bay	ibis Styles Kyoto Station (Note 1)	ibis Styles Sapporo (Note 1)	Mercure Sapporo (Note 1)
Number of operating days	182	182	182	182	182	182
(A) Real estate operating revenue subtotal	44,785	791,903	990,117	200,116	218,474	318,873
Fixed rent	-	158,333	Undisclosed (Note 3)	22,967	13,746	36,475
Variable rent	44,785	616,331	Undisclosed (Note 3)	176,955	184,551	235,170
Other revenue	-	17,239	Undisclosed (Note 3)	193	20,175	47,227
(B) Real estate operating costs subtotal	9,768	146,648	239,656	38,247	90,068	144,260
Land lease and other rent expenses	-	-	61,860	-	-	-
Property taxes	2,538	25,501	69,801	12,374	19,329	25,988
Outsourcing expenses	540	1,155	6,916	8,650	10,467	30,604
Nonlife insurance	72	1,663	3,182	264	697	750
Depreciation and amortization	6,197	116,879	97,089	16,540	41,308	45,579
Loss on retirement of noncurrent assets	-	5	-	-	-	-
Other costs	419	1,444	806	418	18,265	41,335
(C) Net real estate operating income = (A) - (B)	35,016	645,254	750,460	161,868	128,406	174,613
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	99.4%	99.1%
(Reference) Number of tenants	1	1	1	2	5	9

Property No.	35	37	39	40	41	42
Property name	Mercure Okinawa Naha (Note 1)	the b ikebukuro	the b hachioji	the b hakata	Hotel Francs	Mercure Yokosuka
Number of operating days	182	182	182	182	182	182
(A) Real estate operating revenue subtotal	129,069	183,414	99,434	130,616	150,000	173,064
Fixed rent	–	65,591	29,126	33,261	150,000	–
Variable rent	129,045	116,754	68,445	97,355	–	148,547
Other revenue	23	1,068	1,861	–	–	24,517
(B) Real estate operating costs subtotal	64,582	32,015	32,356	17,972	58,547	75,688
Land lease and other rent expenses	172	–	–	–	–	–
Property taxes	11,950	12,407	10,574	5,540	27,870	15,976
Outsourcing expenses	14,031	3,034	600	600	900	10,762
Nonlife insurance	618	333	386	216	803	1,091
Depreciation and amortization	36,850	15,812	20,371	11,045	27,728	19,809
Loss on retirement of noncurrent assets	–	–	–	–	–	–
Other costs	958	427	425	570	1,245	28,047
(C) Net real estate operating income = (A) – (B)	64,486	151,398	67,077	112,644	91,452	97,375
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	4	9	2	1	1

Property No.	43	44	45	46	47	48
Property name	Oriental Hotel Okinawa Resort & Spa	ACTIVE-INTER CITY HIROSHIMA	CANDEO HOTELS Ueno Koen	Oriental Hotel Fukuoka Hakata Station	Holiday Inn Osaka Namba	Hotel Oriental Express Fukuoka Tenjin
Number of operating days	182	182	182	182	182	182
(A) Real estate operating revenue subtotal	274,999	769,528	174,985	917,380	578,140	365,315
Fixed rent	274,999	420,842	Undisclosed (Note 3)	212,499	288,000	92,807
Variable rent	–	201,660	–	704,880	290,140	241,998
Other revenue	–	147,025	Undisclosed (Note 3)	–	–	30,509
(B) Real estate operating costs subtotal	316,536	367,260	35,911	318,368	86,869	88,055
Land lease and other rent expenses	–	–	–	111,103	–	–
Property taxes	39,816	64,452	11,952	8,912	23,712	18,145
Outsourcing expenses	1,200	51,408	600	1,500	780	5,886
Nonlife insurance	1,950	2,646	379	999	814	392
Depreciation and amortization	243,470	120,753	22,405	194,603	61,138	35,460
Loss on retirement of noncurrent assets	29,672	–	–	–	–	–
Other costs	426	128,001	574	1,249	423	28,171
(C) Net real estate operating income = (A) – (B)	(41,536)	402,268	139,073	599,012	491,270	277,259
(Reference) Occupancy rate	100.0%	98.5%	100.0%	100.0%	100.0%	90.9%
(Reference) Number of tenants	1	37	1	1	1	3

Property No.	49	50	51	52	53	54
Property name	Hilton Nagoya	Hilton Tokyo Narita Airport	International Garden Hotel Narita	Hotel Nikko Nara	Hotel Oriental Express Osaka Shinsaibashi	Hilton Tokyo Odaiba
Number of operating days	182	182	182	182	182	182
(A) Real estate operating revenue subtotal	657,560	314,559	251,743	237,402	112,963	1,338,676
Fixed rent	Undisclosed (Note 3)	222,000	168,000	210,000	55,200	799,800
Variable rent	Undisclosed (Note 3)	92,559	83,743	27,402	57,763	538,876
Other revenue	Undisclosed (Note 3)	–	–	–	–	–
(B) Real estate operating costs subtotal	412,718	152,611	105,942	99,999	15,872	335,585
Land lease and other rent expenses	111,200	–	–	–	–	–
Property taxes	50,059	34,190	18,849	20,093	5,865	171,275
Outsourcing expenses	41,085	1,260	1,140	1,200	1,080	60
Nonlife insurance	3,966	2,793	1,175	2,234	118	2,995
Depreciation and amortization	98,272	113,794	84,303	76,144	8,559	160,835
Loss on retirement of noncurrent assets	–	96	–	–	–	–
Other costs	108,134	477	473	327	249	418
(C) Net real estate operating income = (A) – (B)	244,841	161,947	145,801	137,402	97,091	1,003,091
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	4	1	1	1	1	1

Property No.	55	56	57	58	59	60
Property 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
Number of operating days	182	182	182	182	182	182
(A) Real estate investment revenue subtotal	57,003	263,358	253,614	159,339	174,603	67,500
Fixed rent	54,000	136,627	7,800	85,500	87,000	67,500
Variable rent	3,003	108,178	245,155	73,839	87,603	–
Other revenue	–	18,553	659	–	–	–
(B) Real estate operating costs subtotal	13,623	38,122	48,641	24,339	19,825	21,177
Land lease and other rent expenses	–	–	–	–	–	–
Property taxes	1,783	6,279	9,699	4,364	4,617	4,212
Outsourcing expenses	780	2,655	1,080	1,080	1,260	900
Nonlife insurance	160	290	548	313	299	340
Depreciation and amortization	10,130	11,259	36,948	18,218	13,288	15,317
Loss on retirement of noncurrent assets	–	–	–	–	–	–
Other costs	769	17,637	364	362	360	407
(C) Net real estate operating income = (A) – (B)	43,379	225,236	204,973	134,999	154,778	46,322
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	4	2	1	1	1

(Note 1) Variable rent includes income from management contracts. For details of the management contract, please refer to “(iii). Overview of the hotel business; a. Rent structures of hotels with variable rent, management contract or revenue sharing” on page 53.

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

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

(Note 4) The property numbers of assets sold before the end of the previous fiscal year are intentionally omitted.

(iii) Overview of the hotel business

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

	Property No.	Name	Rent type	Method of calculating variable rent and income from management contracts
The 19 HMJ Hotels	1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	(Total AGOP of the Five HMJ Hotels (Note 1) – base amount (¥4,120 million/year (Note 2))) x 85.0%
	2	Oriental Hotel Tokyo Bay		
	3	Namba Oriental Hotel		
	4	Hotel Nikko Alivila		
	5	Oriental Hotel Hiroshima		
	29	Oriental Hotel Universal City	Variable/Fixed	(AGOP – base amount (¥370 million/year)) x 95.0%
	43	Oriental Hotel Okinawa Resort & Spa	Variable/Fixed	(AGOP – base amount (¥655 million/year)) x 95.0%
	44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed (Note 3)	(AGOP – base amount (¥360 million/year)) x 90.0%
	46	Oriental Hotel Fukuoka Hakata Station	Variable/Fixed	(AGOP – base amount (¥442 million/year)) x 98.0%
	47	Holiday Inn Osaka Namba	Variable/Fixed	(AGOP – base amount (¥580 million/year)) x 97.0%
	48	Hotel Oriental Express Fukuoka Tenjin	Variable/Fixed	(AGOP – base amount (¥165 million/year)) x 97.0%
	50	Hilton Tokyo Narita Airport	Variable/Fixed	(AGOP – base amount (¥450 million/year)) x 93.0%
	51	International Garden Hotel Narita	Variable/Fixed	(AGOP – base amount (¥360 million/year)) x 98.0%
	52	Hotel Nikko Nara	Variable/Fixed	(AGOP – base amount (¥440 million/year)) x 95.0%
	53	Hotel Oriental Express Osaka Shinsaibashi	Variable/Fixed	(AGOP – base amount (¥128 million/year)) x 91.0%
	54	Hilton Tokyo Odaiba	Variable/Fixed	(AGOP – base amount (¥1,660 million/year)) x 98.0%
	58	Oriental Hotel Kyoto Rokujo	Variable/Fixed	(AGOP – base amount (¥183 million/year)) x 93.5%
	59	Hotel Oriental Express Fukuoka Nakasukawabata	Variable/Fixed	(AGOP – base amount (¥189 million/year)) x 92.0%
	60	Hotel JAL City Kannai Yokohama	Variable/Fixed	(AGOP – base amount (¥150 million/year)) x 95.0%
The Accor Group Hotels	32	ibis Styles Kyoto Station	Management contract (Note 4)	Amount equivalent to GOP
	33	ibis Styles Sapporo		
	34	Mercure Sapporo		
	35	Mercure Okinawa Naha		
	42	Mercure Yokosuka	Variable	Amount linked to GOP (Note 5)
The Ishin Group Hotels	12	the b suidobashi	Variable/Fixed	Amount linked to AGOP (Note 5)
	37	the b ikebukuro		
	39	the b hachioji		
	40	the b hakata		
Other hotels with variable rent or revenue sharing	10	dormy inn Kumamoto	Variable/Fixed	(GOP – base amount (¥400 million/year)) x 40.0%
	18	Comfort Hotel Tokyo Higashi Nihombashi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	22	Smile Hotel Nihombashi Mitsukoshimae	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	25	Chisun Hotel Kamata	Variable	Amount that is the monthly GOP multiplied by 86.0% (¥0 if the amount is below ¥0)
	26	Chisun Inn Kamata	Variable	Amount that is the monthly GOP multiplied by 86.0% (¥0 if the amount is below ¥0)
	31	Hilton Tokyo Bay	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	49	Hilton Nagoya	Variable	Variable rents linked to hotel sales, etc. (Note 5)
	55	UAN kanazawa	Fixed + Revenue sharing	(Room sales – base amount (¥270 million/year)) x 30.0%
	56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	57	La'gent Stay Sapporo Odori	Variable	Amount linked to GOP (Note 5)

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

(Note 2) For the purpose of payments of variable rent from each hotel, etc. JHR has set individual GOP base amount for each hotel. The breakdown of the AGOP base amount of the Five HMJ Hotels (¥4,120 million/year) is as follows:
¥690 million for Kobe Meriken Park Oriental Hotel, ¥1,060 million for Oriental Hotel Tokyo Bay, ¥890 million for Namba Oriental Hotel, ¥1,250 million for Hotel Nikko Alivila and ¥230 million for Oriental Hotel Hiroshima.

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

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

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

(Note 6) Additionally, the rent type of Hotel Francs will change from Fixed to Variable/Fixed from October 31, 2024 onward. The hotel's variable rent will be calculated as (GOP – base amount (¥350 million/year)) x 52.0%.

b. Major indicators of the hotel business

The following tables indicate the figures related to the hotel business of the 19 HMJ Hotels for the operating period from January 1, 2024 through June 30, 2024, based on the data provided by the hotel lessees. While these indicators of the hotels are among the indicators that show the operating status of the rooms departments, please note that they do not necessarily represent the operating revenue and the ability to bear rent, etc., of the respective hotels, as the room rates and profit margins, etc. of the respective rooms available for sale are not uniform, among other reasons. As such, the indicators are no more than the reference figures.

	Kobe Meriken Park Oriental Hotel		Oriental Hotel Tokyo Bay		Namba Oriental Hotel		Hotel Nikko Alivila		Oriental Hotel Hiroshima		The Five HMJ Hotels Total/Average	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	78.9%	—	87.0%	—	90.1%	—	72.2%	—	74.2%	—	80.8%	—
ADR (Note 1)	20,787	—	26,993	—	21,932	—	27,390	—	10,565	—	23,091	—
RevPAR (Note 2)	16,402	—	23,495	—	19,753	—	19,768	—	7,844	—	18,665	—
Total sales	2,477	100.0	3,413	100.0	1,213	100.0	2,295	100.0	571	100.0	9,968	100.0
Rooms department	964	38.9	2,185	64.0	928	76.5	1,428	62.2	324	56.8	5,829	58.5
Food & beverage department	1,394	56.3	1,072	31.4	58	4.8	707	30.8	233	40.8	3,464	34.7
Tenant department	33	1.3	103	3.0	204	16.9	1	0.1	0	0.0	342	3.4
Other departments (Note 3)	85	3.4	53	1.6	23	1.9	159	6.9	14	2.4	333	3.3
GOP	480	19.4	1,310	38.4	734	60.5	674	29.4	83	14.5	3,281	32.9

	Oriental Hotel Universal City		Oriental Hotel Okinawa Resort & Spa		Sheraton Grand Hiroshima Hotel (Note 4)		Oriental Hotel Fukuoka Hakata Station		Holiday Inn Osaka Namba		Hotel Oriental Express Fukuoka Tenjin	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	87.9%	—	51.5%	—	83.7%	—	91.2%	—	90.1%	—	91.6%	—
ADR (Note 1)	26,931	—	24,349	—	26,863	—	23,686	—	19,062	—	12,262	—
RevPAR (Note 2)	23,682	—	12,534	—	22,484	—	21,603	—	17,180	—	11,231	—
Total sales	1,628	100.0	1,240	100.0	1,702	100.0	1,677	100.0	1,012	100.0	550	100.0
Rooms department	1,422	87.4	824	66.4	974	57.2	869	51.8	982	97.0	538	97.8
Food & beverage department	201	12.4	359	28.9	690	40.5	676	40.3	—	—	6	1.1
Tenant department	—	—	17	1.4	—	—	118	7.0	17	1.7	—	—
Other departments (Note 3)	4	0.3	40	3.3	38	2.2	14	0.8	13	1.3	6	1.2
GOP	834	51.2	119	9.6	473	27.8	940	56.1	634	62.6	332	60.4

	Hilton Tokyo Narita Airport		International Garden Hotel Narita		Hotel Nikko Nara		Hotel Oriental Express Osaka Shinsaibashi		Hilton Tokyo Odaiba		Oriental Hotel Kyoto Rokujo	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	89.0%	—	87.3%	—	63.9%	—	88.5%	—	82.8%	—	79.2%	—
ADR (Note 1)	12,088	—	8,410	—	15,269	—	11,877	—	35,538	—	13,490	—
RevPAR (Note 2)	10,758	—	7,343	—	9,752	—	10,514	—	29,441	—	10,687	—
Total sales	1,522	100.0	801	100.0	1,220	100.0	238	100.0	4,979	100.0	367	100.0
Rooms department	1,073	70.5	619	77.2	586	48.0	237	99.8	2,427	48.7	323	88.1
Food & beverage department	412	27.1	177	22.1	626	51.3	—	—	2,437	49.0	41	11.2
Tenant department	14	0.9	2	0.3	2	0.2	—	—	37	0.7	—	—
Other departments (Note 3)	23	1.5	4	0.4	7	0.5	1	0.2	77	1.6	3	0.8
GOP	386	25.3	265	33.1	264	21.7	127	53.6	1,448	29.1	170	46.5

	Hotel Oriental Express Fukuoka Nakasukawabata		Hotel JAL City Kannai Yokohama		The 19 HMJ Hotels Total/Average (Note 5)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	90.0%	—	78.1%	—	81.7%	—
ADR (Note 1)	11,201	—	11,626	—	19,806	—
RevPAR (Note 2)	10,076	—	9,076	—	16,183	—
Total sales	365	100.0	336	100.0	27,605	100.0
Rooms department	336	91.9	281	83.7	17,319	62.7
Food & beverage department	27	7.4	49	14.5	9,164	33.2
Tenant department	—	—	—	—	549	2.0
Other departments (Note 3)	3	0.8	6	1.9	573	2.1
GOP	190	51.9	85	25.3	9,550	34.6

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

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

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

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

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

(Note 5) For Total/Average of the 19 HMJ Hotels, figures are calculated by JHR as references since no figures have been provided by the hotel lessees.

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

(2) Status of capital expenditures

a. Planned capital expenditures (Note)

The following table shows major estimated capital expenditure items for renovation work, etc., planned as of the end of the midterm period under review. Total capital expenditures for the second half of the year are planned to be ¥5,251 million. Together with the capital expenditures in the first half of the year, total capital expenditures for the full year are planned to be ¥7,311 million.

Name of property, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (JPY1M)	
			Total amount	Total amount paid
Kobe Meriken Park Oriental Hotel (Kobe city, Hyogo)	Renovation of guest rooms (10th and 11th floor)	From April 2024 to August 2024	280	—
Kobe Meriken Park Oriental Hotel (Kobe city, Hyogo)	Renovation of prefabricated bath units in guest rooms	From April 2024 to August 2024	100	—
Oriental Hotel Tokyo Bay (Urayasu city, Chiba)	Renovation of guest rooms (7th to 10th floor)	From May 2024 to November 2024	950	358
Namba Oriental Hotel (Osaka city, Osaka)	Renovation of 3rd floor front desk, etc.	From August 2024 to December 2024	780	—
Namba Oriental Hotel (Osaka city, Osaka)	Renovation of 1st and 2nd floors	From July 2024 to December 2024	520	—
Hotel Nikko Alivila (Nakagami-gun, Okinawa)	Installation of new emergency generators	From October 2023 to June 2025	752	39
Oriental Hotel Okinawa Resort & Spa (Nago city, Okinawa)	Exterior construction	From January 2024 to August 2024	210	—
Hilton Tokyo Narita Airport (Narita city, Chiba)	Renovation of guest rooms	From November 2024 to December 2024	87	5
Hilton Tokyo Narita Airport (Narita city, Chiba)	Renewal of air-conditioning facilities in guest rooms	From November 2024 to December 2024	58	—
Hilton Tokyo Narita Airport (Narita city, Chiba)	Renovation of central monitoring system	From February 2024 to December 2024	78	—
Oriental Hotel Universal City (Osaka city, Osaka)	Renewal of automatic fire alarm system	From January 2024 to October 2024	71	—
Hilton Tokyo Bay (Urayasu city, Chiba)	Renewal of air-conditioning facilities in guest rooms	From May 2024 to July 2024	81	—
Hilton Tokyo Bay (Urayasu city, Chiba)	Renewal of elevators	From November 2024 to December 2024	82	—
Total			4,051	402

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

b. Capital expenditures during the period (Note)

Major construction work conducted by JHR during the midterm period under review that represents capital expenditures is outlined below. Capital expenditures for the midterm period under review totaled ¥2,059 million, and repair expenses that were accounted for as expenses for the midterm period under review totaled ¥5 million. In aggregate, ¥2,065 million of construction work was carried out.

Name of property, etc. (Location)	Purpose	Period	Construction costs (JPY1M)
Oriental Hotel Okinawa Resort & Spa (Nago city, Okinawa)	Renovation of guest rooms (3rd phase)	From September 2023 to April 2024	962
Oriental Hotel Okinawa Resort & Spa (Nago city, Okinawa)	Renewal of air-conditioning facilities in guest rooms	From September 2023 to April 2024	171
Oriental Hotel Okinawa Resort & Spa (Nago city, Okinawa)	Painting of exterior wall	From September 2023 to April 2024	113
Oriental Hotel Okinawa Resort & Spa (Nago city, Okinawa)	Renewal of piping	From September 2023 to April 2024	120
Total			1,366

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