

Japan Hotel REIT Investment Corporation (TSE: 8985)

# Midterm Financial Results

FY12/2022 (23rd Period)



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

August 24, 2022

<b>I. Highlights</b>			
1. Highlights		3	
<b>II. Operating Forecast for the Full Fiscal Year and Summary of Midterm Settlement of Accounts</b>			
1. Operating Forecast for the Full Year Ending December 2022		5	
2. Midterm Results for the Fiscal Year Ending December 2022		6	
<b>III. Status of Hotel Operations</b>			
1. Trend of RevPAR Index and Status of Infection by COVID-19 in Japan		8	
2. Performance of The 25 Hotels with Variable Rent, etc.		9	
3. Correspondence to HMJ Group		10	
4. Initiatives by the HMJ Group for the Recovery Period		11	
5. Rebranding and Other Measures		12	
6. Active Asset Management for Post COVID-19		13	
7. Capital Expenditure and Depreciation		14	
8. ESG Initiatives		15	
<b>IV. Financial Conditions</b>			
1. Financial Conditions		18	
<b>V. Market Environment</b>			
1. Status of Domestic Accommodation Demand		22	
2. Status of Inbound Visitors		23	
3. Status of New Supply of Hotels		24	
<b>VI. Takeaways</b>			
1. Takeaways		26	
<b>Appendix 1 JHR's Characteristics and Strategy</b>			
1. JHR's Investment Targets		28	
2. Simultaneous Pursuit of Stability and Upside Potential		29	
3. External Growth Strategy		30	
4. Internal Growth Strategy		31	
5. Financial Strategy		32	
6. Benefits Program for Unitholders		33	
<b>Appendix 2 Information of Properties</b>			
1. Portfolio		35	
2. Portfolio Diversification		36	
3. Trend of Asset Size		37	
4. Rent Structures		38	
5. Property List		39	
6. Summary of Lease Contracts		41	
7. The Five HMJ Hotels — Highlights		44	
8. Portfolio Map		45	
9. Balance Sheet		46	
<b>Appendix 3 Investors Composition and Investment Unit Price</b>			
1. Major Unitholders and Classifications of Unitholders		48	
2. Changes in Investment Unit Price and Market Capitalization		49	
<b>Appendix 4 Summary of the Asset Management Company</b>			
1. Summary of the Asset Management Company		51	
2. Features and Governance of the Asset Management Company		52	

## **I . Highlights**

# 1. Highlights

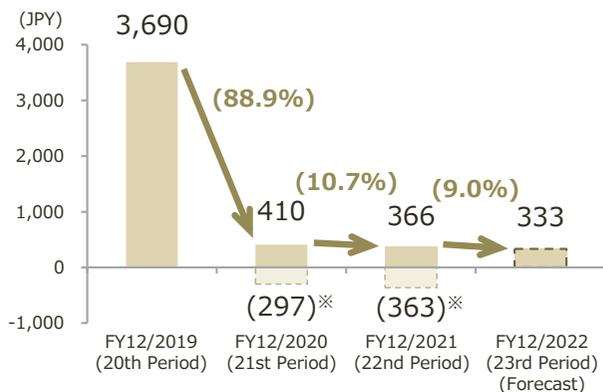
## Summary of Full Year Forecast for FY2022

(Unit: JPY MM)

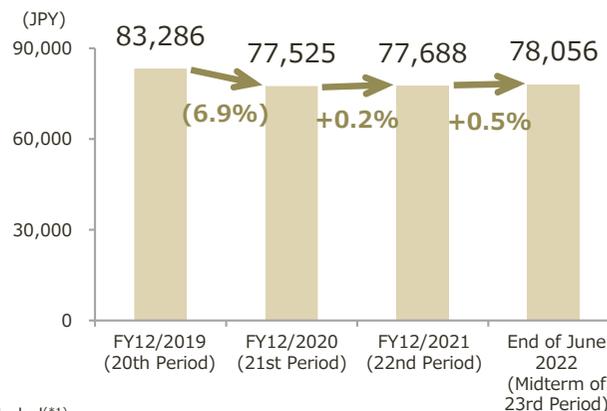
	FY2022 (forecast)	vs FY2021	vs FY2019
<b>Operating Revenue</b>	<b>13,337</b>	(2.2%)	(52.8%)
<b>Real Estate Operating Revenue</b>	<b>13,337</b>	28.6%	(52.8%)
Fixed Rent	7,192	(1.3%)	(57.9%)
Variable Rent	6,145	99.0%	(45.0%)
<b>Gain on Sale of Properties</b>	—	(100.0%)	—
<b>Net Income</b>	<b>1,158</b>	<b>(10.7%)</b>	<b>(92.4%)</b>
<b>Use of Negative Goodwill</b>	<b>332</b>	<b>(0.8%)</b>	<b>(71.7%)</b>
<b>Dividend per Unit (JPY)</b>	<b>333</b>	<b>(9.0%)</b>	<b>(91.0%)</b>

## Changes in DPU and NAV

### Changes in DPU



### Changes in NAV per Unit



(\*1) Rough estimate calculated by excluding the amount equivalent to the gain on sales of Sotetsu Fresa Inn Shimbashi-Karasumoriguchi from the distributable profit in FY12/2020 and the amount equivalent to the gain on sales of ibis Tokyo Shinjuku from the distributable profit in FY12/2021 respectively.

(\*2) HMJ Group refers to Hotel Management Japan Co., Ltd. (hereinafter called "HMJ") or subsidiaries of HMJ. The same shall apply hereinafter.

## Main Initiatives

### Correspondence to Lessees/Operators

- Lease Contract with HMJ Group(\*2) was changed to full variable rent until the end of 2022
- In addition to measures to reduce hotel operating costs in cooperation with HMJ Group, we implement measures to increase revenues for the hotel market recovery period

### Rebranding

- Rebranded 3 properties to Oriental Hotels of HMJ Group (in 2021)
- Improved hotel brand value through renovation, optimization of operations, quality enhancement of breakfast menu, etc.

### Finance

- Ensure healthy and stable finance
- Maintain good relationship with lender and will refinance the full amount of the loan

### ESG

- Selected as GRESB Asia Hotel Sector Leader for second consecutive year
- Promote TCFD action and conduct Climate Change scenario analysis

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

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# 1. Operating Forecast for the Full Year Ending December 2022

						[Reference]				
		FY12/2021 (22nd Period)		FY12/2022 (23rd Period)		Difference from FY2021 Actual		FY12/2019 (20th Period)	Difference from FY2019 Actual	
		Actual (A)	Forecast (B)	(B)-(A)	%	Actual (C)	(B)-(C)	%		
		(Unit: JPY MM)								
Proper ties	No. of Properties	41	41	-	-	43	(2)	-		
	Acquisition Price	363,542	363,542	-	-	374,508	(10,966)	(2.9%)		
Profit and Loss	Operating Revenue	13,633	13,337	(296)	(2.2%)	28,278	(14,941)	(52.8%)		
	Real Estate Operating Revenue	10,374	13,337	2,962	28.6%	28,278	(14,941)	(52.8%)		
	Fixed Rent	61.8% 6,413	47.0% 6,273	(140)	(2.2%)	56.3% 15,931	(9,657)	(60.6%)		
	Other Income	8.4% 872	6.9% 918	46	5.3%	4.1% 1,170	(252)	(21.5%)		
	Variable Rent	29.8% 3,088	46.1% 6,145	3,056	99.0%	39.5% 11,176	(5,031)	(45.0%)		
	Gain on Sales of Properties, etc.	3,258	-	(3,258)	(100.0%)	-	-	-		
	NOI <sup>(*2)</sup>	6,366	9,452	3,085	48.5%	24,087	(14,635)	(60.8%)		
	NOI Yield	1.8%	2.6%	0.8pt		6.4%	(3.8pt)			
	Depreciation	4,804	4,733	(70)		4,557	175			
	Asset Retirement Obligations Expenses	1	1	0		2	(0)			
	Loss on Retirement of Noncurrent Assets	16	13	(2)		246	(232)			
	NOI after Depreciation <sup>(*2)</sup>	1,544	4,703	3,159	204.6%	19,281	(14,577)	(75.6%)		
	NOI Yield after Depreciation	0.4%	1.3%	0.9pt		5.1%	(3.9pt)			
	Other Operating Expenses	1,843	1,876	32	1.8%	2,132	(256)	(12.0%)		
	Operating Income	2,959	2,827	(132)	(4.5%)	17,148	(14,321)	(83.5%)		
Ordinary Income	1,298	1,159	(138)	(10.6%)	15,291	(14,131)	(92.4%)			
Extraordinary Income	-	-	-		-	-				
Others	1	1	-		1	-				
Net Income	1,296	1,158	(138)	(10.7%)	15,290	(14,131)	(92.4%)			
Dividend	Use of Negative Goodwill	335	332	(2)	(0.8%)	1,176	(843)	(71.7%)		
	Total Dividends	1,634	1,487	(147)	(9.0%)	16,466	(14,978)	(91.0%)		
	Number of Units Issued (Unit)	4,467,006	4,467,006	-	-	4,462,347	4,659	0.1%		
	Dividend per Unit (JPY)	366	333	(33)	(9.0%)	3,690	(3,357)	(91.0%)		

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

### Fixed Rent

- The Ishin Group Hotels<sup>(\*3)</sup> +JPY114MM
- The Two HMJ Rebranded Hotels<sup>(\*4)</sup> (JPY168MM)
- Other hotels and tenants +JPY6MM
- Property sold in 2021<sup>(\*5)</sup> (JPY92MM)

**(Total) (JPY140MM)**

### Variable Rent

- The 14 HMJ Hotels<sup>(\*6)</sup> +JPY2,895MM
- The Accor Group Hotels<sup>(\*7)</sup> +JPY152MM
- The Ishin Group Hotels (JPY51MM)
- Other hotels and tenants +JPY93MM
- Property sold in 2021 (JPY33MM)

**(Total) +JPY3,056MM**

### Others

- Gain on sales of properties (JPY3,258MM)

- (\*1) For detail, please refer to Midterm Financial Report for the Fiscal Year Ending December 31, 2022 (January 1, 2022–December 31, 2022) dated August 24, 2022.
- (\*2) Each is calculated using the following formula: NOI (Net Operating Income) = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses. NOI after depreciation = Real estate operating revenue – Real estate operating costs
- (\*3) The Ishin Group Hotels refers to 4 Hotels, which are the b ikebukuro, the b Hachioji, the b Hakata and the b Suidobashi. The same shall apply hereinafter.
- (\*4) The Two HMJ Rebranded Hotels refers to 2 hotels, which are Hotel Oriental Express Fukuoka Tenjin and Oriental Hotel Universal City, changed their lessees to the subsidiaries of HMJ by rebranding in 2021. The same shall apply hereinafter.
- (\*5) Stating the impact by the sale of ibis Tokyo Shinjuku sold on December 15, 2021.
- (\*6) The 14 HMJ Hotels refers to 14 hotels, which are The Five HMJ Hotels plus Oriental Hotel Okinawa Resort & Spa, Sheraton Grand Hiroshima, which is major 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 and Hilton Tokyo Odaiba. The Five HMJ Hotels refers to Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo bay, Namba Oriental Hotel, Hotel Nikko Alivilla, Oriental Hotel Hiroshima. The same shall apply hereinafter.
- (\*7) The Accor Group Hotels refers to 5 hotels, which are ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Hotel Sapporo, Mercure Hotel Okinawa Naha and Mercure Hotel Yokosuka. The same shall apply hereinafter.

## 2. Midterm Results for the Fiscal Year Ending December 2022

						[Reference]			
		FY12/2021 (22nd Period)	FY12/2022 (23rd Period)	Difference from FY2021 Actual		FY12/2019 (20th Period)	Difference from FY2019 Actual		
(Unit: JPY MM)		Mid-term Results (A)	Mid-term Results (B)	(B)-(A)	%	Mid-term Results (C)	(B)-(C)	%	
Properties	No. of Properties	42	41	(1)	-	43	(2)	-	
	Acquisition Price	370,031	363,542	(6,489)	(1.8%)	374,508	(10,966)	(2.9%)	
Profit and Loss	Operating Revenue	4,589	5,431	842	18.3%	12,719	(7,288)	(57.3%)	
	Real Estate Operating Revenue	4,589	5,431	842	18.3%	12,719	(7,288)	(57.3%)	
	Fixed Rent	<b>72.0%</b> 3,302	<b>57.8%</b> 3,139	(162)	(4.9%)	<b>59.3%</b> 7,537	(4,397)	(58.3%)	
	Other Income	<b>9.7%</b> 445	<b>7.9%</b> 428	(16)	(3.8%)	<b>4.5%</b> 576	(147)	(25.7%)	
	Variable Rent	<b>18.3%</b> 841	<b>34.3%</b> 1,863	1,021	121.5%	<b>36.2%</b> 4,606	(2,742)	(59.5%)	
	NOI <sup>(*2)</sup>	2,513	3,514	1,000	39.8%	10,679	(7,165)	(67.1%)	
	Depreciation	2,334	2,312	(21)		2,165	146		
	Asset Retirement Obligations Expenses	0	0	0		1	(0)		
	Loss on Retirement of Noncurrent Assets	7	0	(6)		218	(218)		
	NOI after Depreciation <sup>(*2)</sup>	171	1,200	1,028	598.7%	8,294	(7,093)	(85.5%)	
	Other Operating Expenses	871	876	5		1,001	(124)		
	Operating Income	(699)	323	1,023	-	7,293	(6,969)	(95.6%)	
	Non-Operating Income	76	12	(63)		9	2		
Non-Operating Expenses	864	807	(57)		948	(141)			
Ordinary Income	(1,488)	(470)	1,017	-	6,354	(6,824)	(107.4%)		
Net Income	(1,488)	(471)	1,017	-	6,353	(6,824)	(107.4%)		

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

#### Fixed Rent

• The Two HMJ Rebranded Hotels	(JPY168MM)
• The Ishin Group Hotels	+JPY57MM
• Other hotels and tenants	(JPY1MM)
• Property sold in 2021 <sup>(*3)</sup>	(JPY50MM)
<b>(Total)</b>	<b>(JPY162MM)</b>

#### Variable Rent

• The 14 HMJ Hotels	+JPY947MM
• The Accor Group Hotels	(JPY37MM)
• The Ishin Group Hotels	+JPY45MM
• Other hotels and tenants	+JPY70MM
• Property sold in 2021	(JPY3MM)
<b>(Total)</b>	<b>+JPY1,021MM</b>

(\*1) For detail, please refer to Midterm Financial Report for the Fiscal Year Ending December 31, 2022 (January 1, 2022–December 31, 2022) dated August 24, 2022.

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

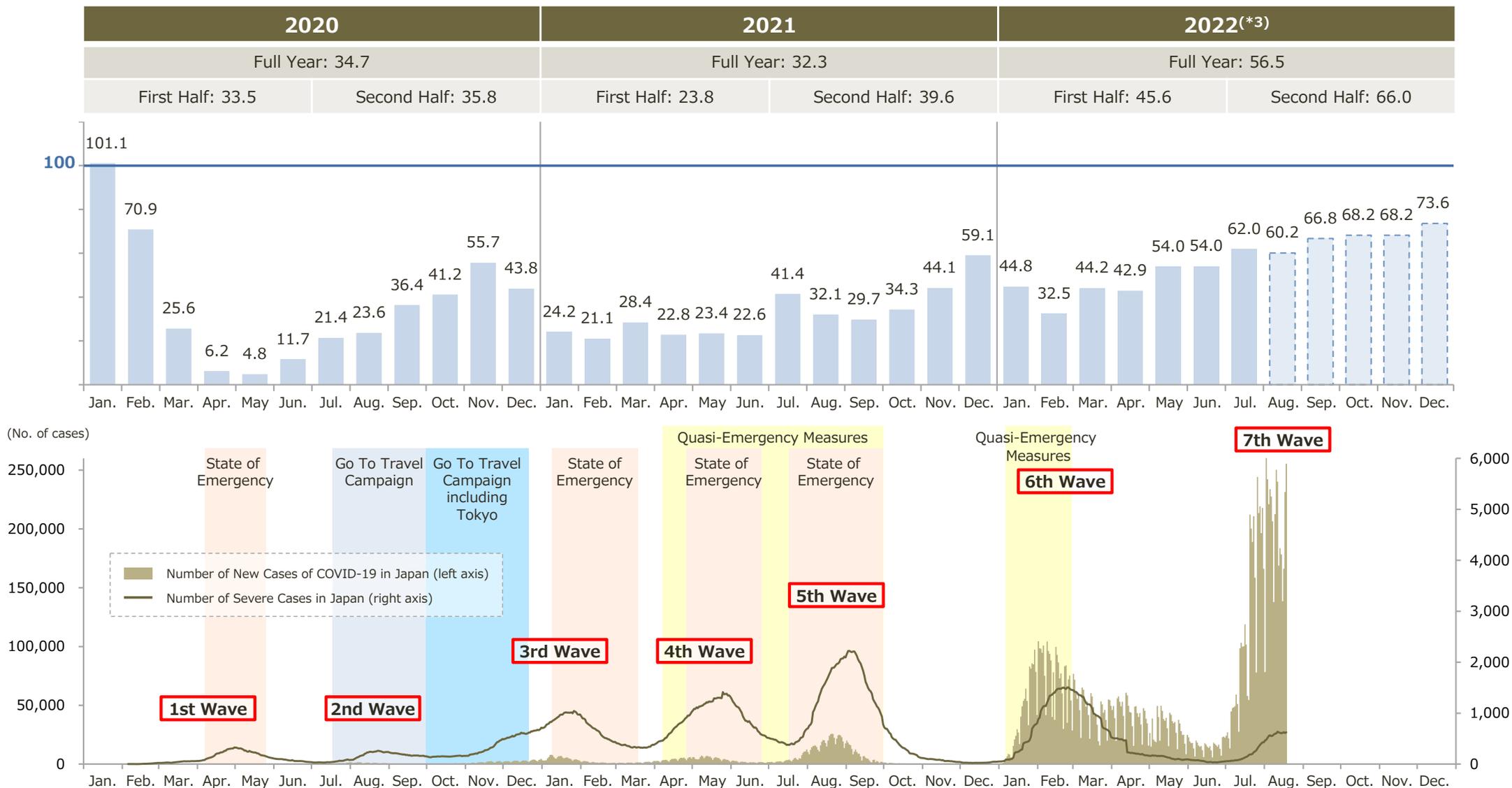
(\*3) Stating the impact by the sale of ibis Tokyo Shinjuku sold on December 15, 2021.

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

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

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



Source: Ministry of Health, Labour and Welfare  
 (\*1) The 25 Hotels with variable rent refers to 25 hotels, which are "The Ishin Group Hotels" plus "The Accor Group Hotels" plus The 16 HMJ Hotels. The 16 hotels are The 14 HMJ Hotels and The Two HMJ Rebranded Hotels. The same shall apply hereinafter.  
 (\*2) The RevPAR for each period is indexed with the same period in 2019 as 100.  
 (\*3) Index for August through December 2022, 2nd half 2022 and Full year 2022 are estimate as of date of this document.

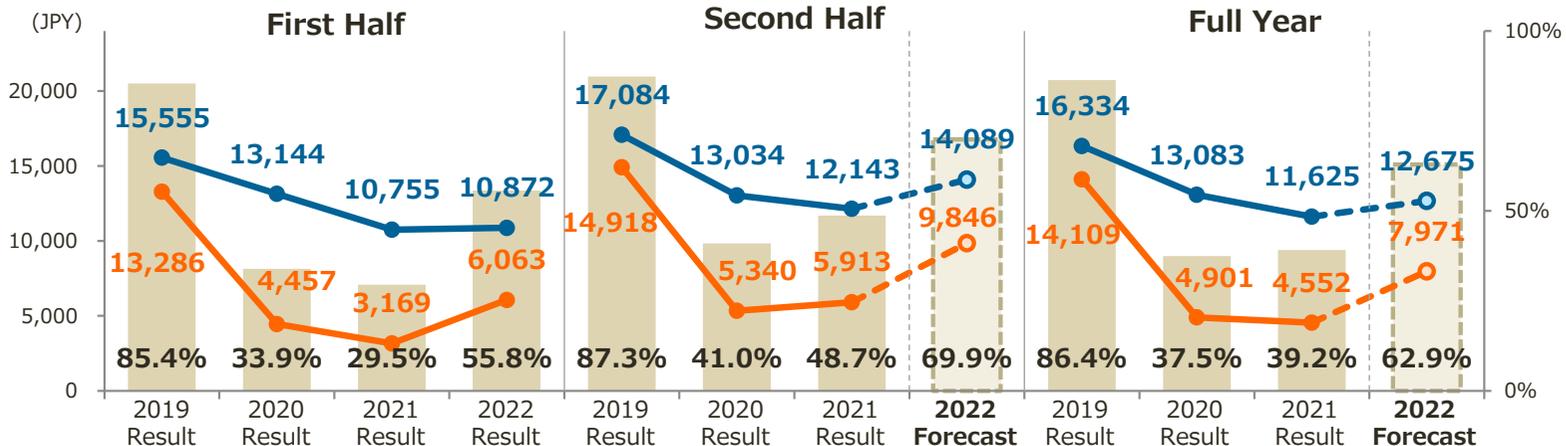
# 2. Performance of The 25 Hotels with Variable Rent, etc.

Performance and Forecast of Major Indicators

Performance and Forecast of GOP

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

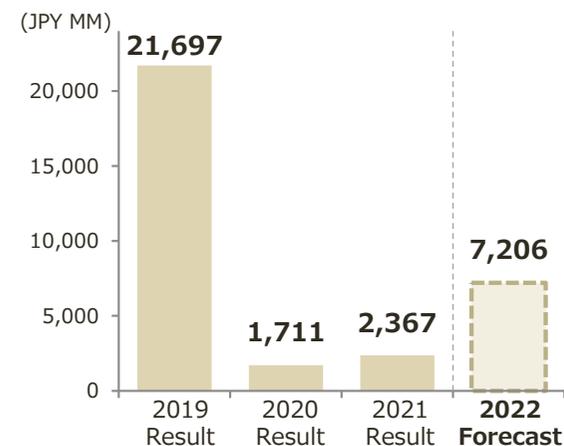
Occupancy (right axis) ADR (left axis) RevPAR (left axis)



RevPAR	vs 2019	(66.5%)	(76.2%)	(54.4%)
	vs previous year	-	(28.9%)	+91.4%

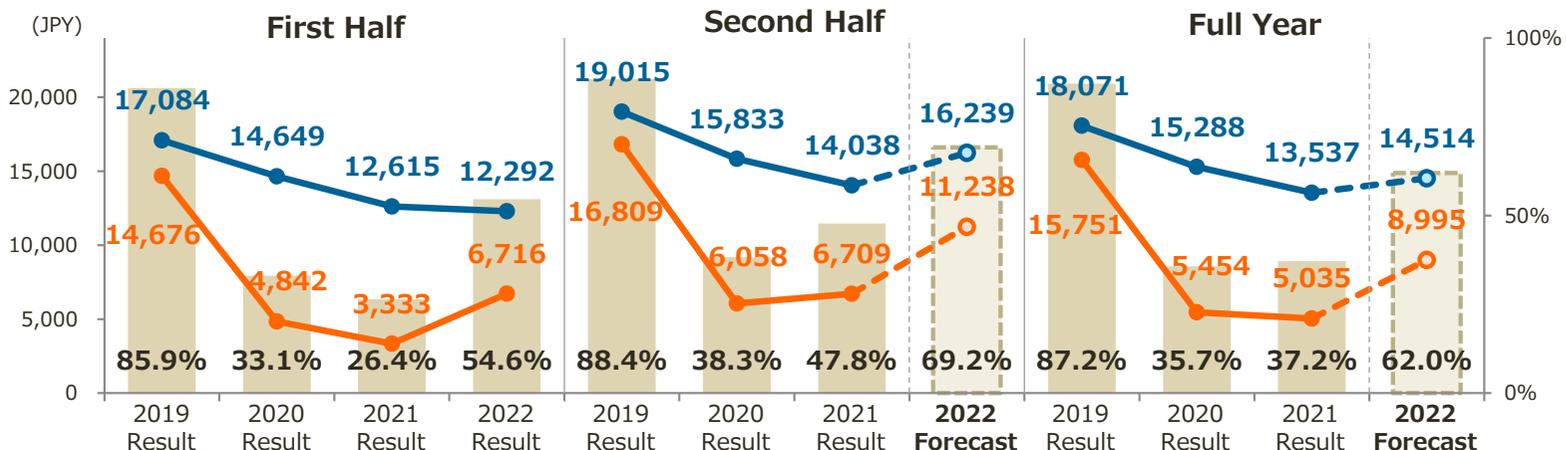
RevPAR	vs 2019	(64.2%)	(60.4%)	(34.0%)
	vs previous year	-	+10.7%	+66.5%

RevPAR	vs 2019	(65.3%)	(67.7%)	(43.5%)
	vs previous year	-	(7.1%)	+75.1%



vs 2019	(92.1%)	(89.1%)	(66.8%)
	vs previous year	-	+38.4%

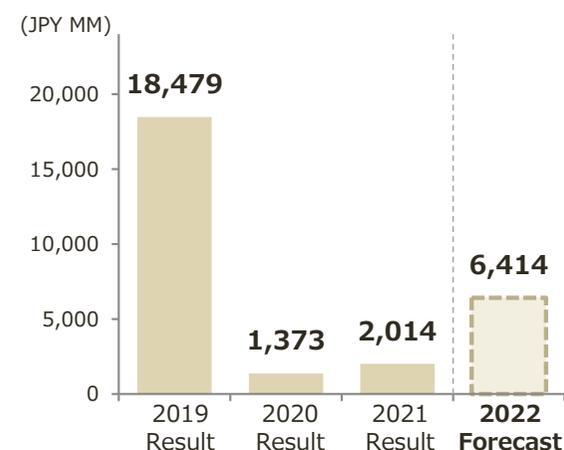
## The 16 HMJ Hotels



RevPAR	vs 2019	(67.0%)	(77.3%)	(54.2%)
	vs previous year	-	(31.2%)	+101.5%

RevPAR	vs 2019	(64.0%)	(60.1%)	(33.1%)
	vs previous year	-	+10.7%	+67.5%

RevPAR	vs 2019	(65.4%)	(68.0%)	(42.9%)
	vs previous year	-	(7.7%)	+78.7%



vs 2019	(92.6%)	(89.1%)	(65.3%)
	vs previous year	-	+46.7%

### 3. Correspondence to HMJ Group

#### Changes in Lease Contract

- ◆ Lease contracts<sup>(\*1)</sup> with HMJ Group, a strategic operator of JHR, were changed to full variable rent structure until the end of 2022
- ◆ After 2023, the previous rent scheme will be applied

<b>2020</b>	Changed to variable rent only on and after February	
<b>2021</b>	Variable rent only	
<b>2022</b>	Variable rent only	
<b>2023 Onwards</b>	Fixed Rent	Same amount as the previous lease contract (JPY8.03Bn)
	Variable Rent	Set variable rent ratio with appropriate rent burden ratio (Approx. 85.5% of GOP) <sup>(*2)</sup>

#### Actual/estimate rent and simulation of The 14 HMJ Hotels<sup>(\*3)</sup>

(Unit: JPY Bn)

		Total	Fixed Rent	Variable Rent
<b>2019 (Actual)</b>		15.26	8.03	7.23
<b>2020 (Actual)</b>		1.85	0.79	1.05
<b>2021 (Actual)</b>		2.11	–	2.11
<b>2022 (Estimate)</b>		5.01	–	5.01
<b>Rough estimate when RevPAR in 2019 is assumed<sup>(*4)</sup></b>	<b>Cost reduction measures implemented</b>	<b>15.93 (+4.3%)<sup>(*5)</sup></b>	<b>8.03</b>	<b>7.90</b>
	<b>After additional reduction measures</b>	<b>16.38 (+7.3%)<sup>(*5)</sup></b>	<b>8.03</b>	<b>8.35</b>

(\*1) Lease contracts for The 14 HMJ Hotels.

(\*2) When AGOP of each hotel exceeds AGOP base amount, the variable rent is calculated by multiplying the exceeded amount by the variable rent ratio set for each hotel.

(\*3) For actual result of 2019, the rents of Hotel Oriental Express Osaka Shinsaibashi and Hilton Tokyo Odaiba were annualized. The fixed rent of Hilton Tokyo Odaiba was calculated at JPY1.6Bn.

(\*4) The figure was calculated based on certain assumptions based on hotel performance in 2019. The figure may differ depending on the actual GOP results.

(\*5) Stating the increase rate compared with the actual result in 2019 for each estimate.

#### Cost Reduction by HMJ Group

- ◆ HMJ Group agrees to implement cost reduction measures in conjunction with lease contract changes
- ◆ JPY1.5Bn in cost reduction measures originally planned have been implemented by 2021
- ◆ Additional cost reduction of JPY0.5Bn are progressing as planned

#### Measures to Reduce Cost

<b>Personal Cost</b>	<ul style="list-style-type: none"> <li>• Streamlining, cutback and closure of unprofitable department</li> <li>• Streamlining through integration of back office and common operations</li> <li>• Introduction of smart check in</li> <li>• Streamlining by promotion of multi-task</li> <li>• Reduce work force by measures above</li> </ul>
<b>Outsourcing Cost</b>	<ul style="list-style-type: none"> <li>• Review specification of outsourced operation, integration of standard, etc.</li> <li>• Insourcing outsourced operation</li> </ul>

#### Permanent cost savings (estimated on an annually basis after market recovery)

※ Estimated based on the performance of The 14 HMJ hotels in 2019

	Personal Cost	Outsourcing Cost
<b>Until 2021 (Implemented)</b>	Approx. JPY <b>1.1</b> Bn	Approx. JPY <b>0.4</b> Bn
<b>After 2022 (in progress)</b>	Additional cost saving: Approx. JPY <b>0.5</b> Bn	

# 4. Initiatives by the HMJ Group for the Recovery Period

- ◆ In addition to implementing restructuring plans centered on cost reductions, HMJ promotes strategic measures aimed at making a significant advance during the market recovery period

## Enhancement of Customer Attraction

### Launch of "Club Oriental"

- Launch of the "Club Oriental" membership organization to actively expand promotions as a group and enhance customer attraction through its own channels

### Expand PR and Marketing activities

- Strengthen sales recovery measures ahead of competitors with strategic marketing costs
  - Aggressive promotions for each hotel and season
  - Expand media exposure, such as TV and magazines, by strengthening media relations, etc.
- Start marketing in the digital domain through SNS, etc., to appeal to younger and high digital literate customers

### Efficient sales promotion by consolidating the sales department into the headquarters

- Develop cross-promotion activities at the HMJ Group hotels by consolidating the sales functions of each hotel to the head office
- Capture more domestic demand by strengthening sales promotion for school trips, large corporate clients, and agents

## Preparation for Recovery of Inbound

### Strengthen cooperation with overseas agents

- Increase the number of customers by creating superior products and sales reinforcement of sales promotion
- Cultivate new customers through attending business meetings and other events

(\*1) The plans listed on this page are the actual achievement to the date of this document and sale of these tour packages are subject to be suspended or changed.

(\*2) "Hocanse" is a coined word combined the words "hotel" and "vacation." It means enjoying the hotel's unique services and atmosphere, such as spa, room interiors, amenities, and luxurious meals to enjoy the stay itself at hotel as vacation, not ordinarily stay at hotel.

## Measures by HMJ Group to Strengthen Brand Value

### Providing accommodation plans featuring the characteristics of the hotel

- Offering plans that reflect the appeal of location and facilities at each hotel for each season

#### ▶ Hotel Nikko Alivila

Clear SUP  
Experience:  
Elegant  
underwater  
exploration from  
above the water



Snorkeling  
experience to  
come in touch  
with the fishes  
of Okinawa



#### ▶ Hilton Tokyo Odaiba

Accommodation  
plan with  
terrace lounge  
which can have  
enough of  
panoramic view  
of Tokyo Bay



Plan to enjoy  
"Hocanse"<sup>(\*2)</sup>, a  
luxurious stay at  
heart of city in a  
terrace suite  
with a jet bath



### "Strategy of Co-Creation with Local Communities" to discover local attractions

- Provide hotel products that can contribute to local communities through utilization of tourism resources under alliance with local peoples and enterprises

#### ▶ Oriental Hotel Okinawa Resort & Spa

"Yanbaru Ranger plan: Protecting and nurture together" Let's go to the World Natural Heritage Site for "Adventure and Discovery"



#### ▶ Oriental Hotel Fukuoka Hakata Station

"Package plan with original goods of Hakata Gion Yamakasa Nishi Nagare" Experience to sprinkle water (Kioimizu) on powerfully running portable shrine (Kakiyama)



# 5. Rebranding and Other Measures

## Rebranding to HMJ Group

Name	Hotel Oriental Express Fukuoka Tenjin (former HOTEL ASCENT FUKUOKA)	Oriental Hotel Universal City (former Hotel Keihan Universal City)	Oriental Hotel Okinawa Resort & Spa (former Okinawa Marriott Resort & Spa)
Exterior/ Rebranded Date	 <p>Grand opening: June 18, 2021</p>	 <p>Pre-opening: July 1, 2021  Grand opening: December 23, 2021</p>	 <p>Rebrand opening: October 1, 2021  Grand opening: March 19, 2022</p>
Points of the Change	<ul style="list-style-type: none"> <li>The grade of the hotels has been changed from economy to mid-price</li> <li>Changed the lessee to The HMJ Group in accordance with the withdrawal of the former lessee. More efficient operations will be carried out through sharing back offices with The HMJ Group Hotels located in Fukuoka</li> <li>Changed rent structure to "fixed rent + variable rent" from "fixed rent only"</li> </ul>	<ul style="list-style-type: none"> <li>Changed the lessee to The HMJ Group in accordance with the expiration of the lease contract with the former lessee. Operation leveraging the advantages of operating multiple hotels in Osaka</li> <li>As an official hotel of USJ, expect early recovery by domestic demand</li> <li>Changed rent structure to "fixed rent + variable rent" from "fixed rent + revenue sharing"</li> </ul>	<ul style="list-style-type: none"> <li>The name was changed to Oriental Hotel Okinawa Resort &amp; Spa of The HMJ Group in line with the expiration of the franchise agreement<sup>(*1)</sup> with the Marriott group</li> <li>Gradually conducting renovation at lobby, pool, guest rooms, etc.</li> </ul>
After	<p>Lobby</p>  <p>Guest Room</p> 	<p>Entrance</p>  <p>Lobby</p> 	<p>Pool</p>  <p>Club Lounge</p> 
NOI Yield Assumption	<p>Result of 2019</p> <p><b>6.1%</b></p> <p>Market recovery period<sup>(*2)</sup></p> <p><b>8.3%</b></p>	<p>Result of 2019</p> <p><b>11.1%</b></p> <p>Market recovery period<sup>(*2)</sup></p> <p><b>18.4%</b></p>	<p>Result of 2019</p> <p><b>5.7%</b></p> <p>Market recovery period<sup>(*2)</sup></p> <p><b>9.4%</b></p>

## Others

- The Ishin Group Hotels: Changed lease contract (Change of fixed rent)<sup>(\*3)</sup> in April 2020
- Chisan Hotel Kamata (former Hotel Vista Kamata Tokyo): Changed lessee and lease contract (Variable rent connected with GOP) in January 2021

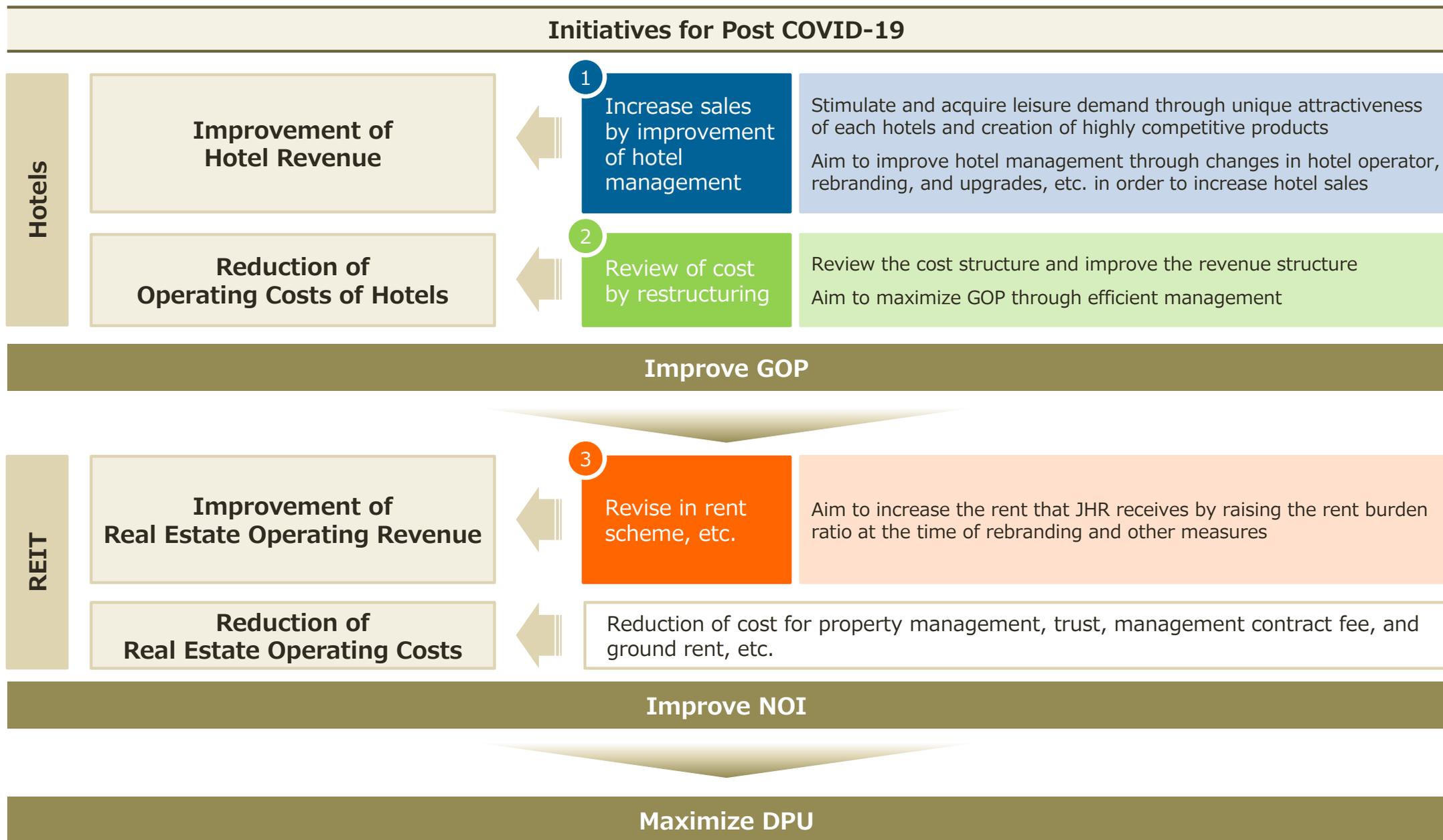
(\*1) Stating a contract between the hotel operating company and Global Hospitality Licensing S.a r.l., a franchisor of the international brand, Marriott.

(\*2) Market recovery period refers to the timing when market recover to the level that RevPAR reach the same level with the result in 2019. Yield is rough estimate calculated based on assumption of RevPAR in 2019. Numbers may change by various factors.

(\*3) Total annual fixed rent of 4 hotels are set as follows. Exempted from April to December in 2020, JPY1MM per year for 2021 and JPY214MM per year after 2022.

# 6. Active Asset Management for Post COVID-19

◆ Potential upside by active asset management

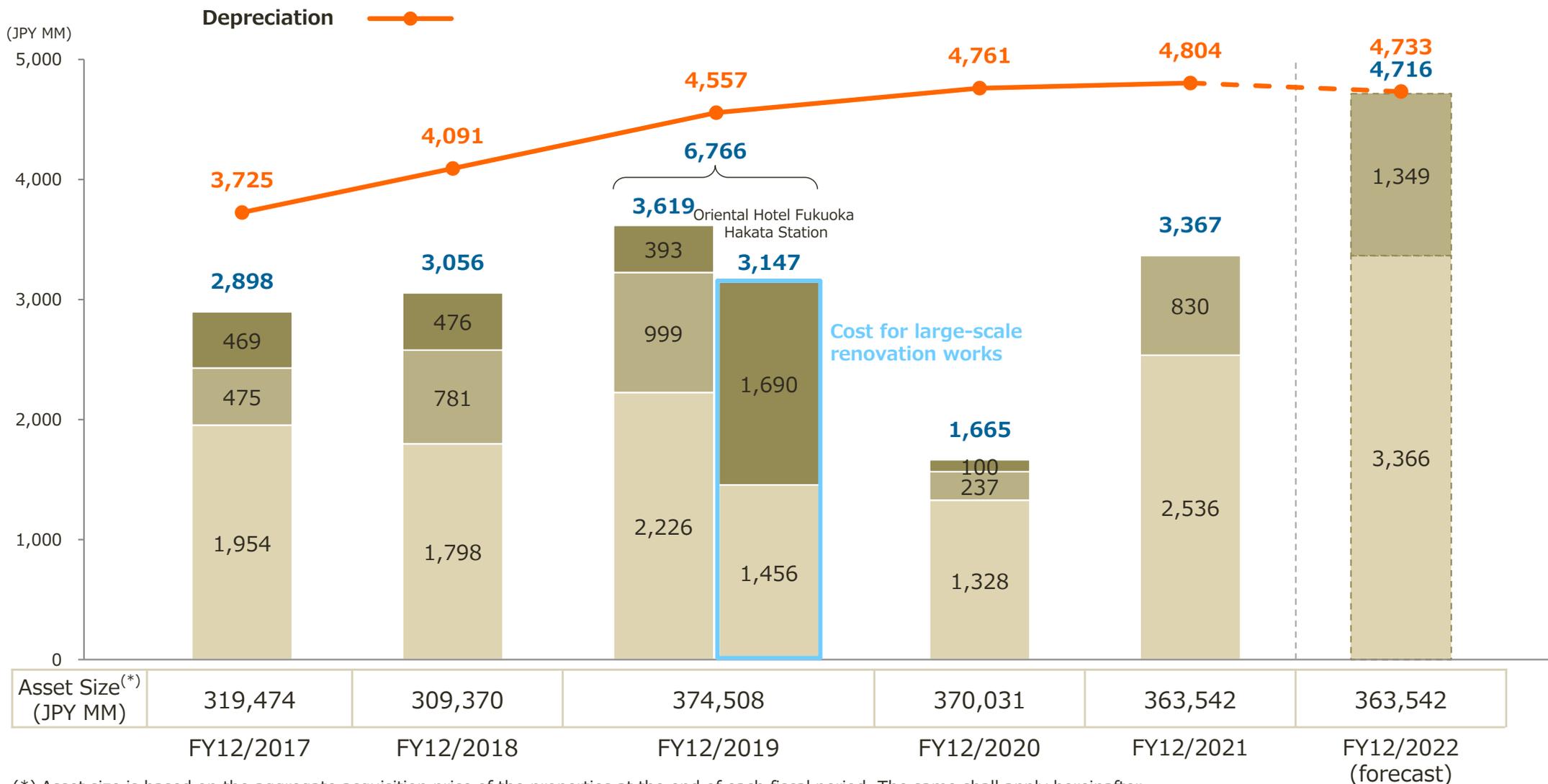


# 7. Capital Expenditure and Depreciation

## ◆ Appropriate CAPEX within depreciation

**Clarification of CAPEX**

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



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

# 8. ESG Initiatives (JHR)

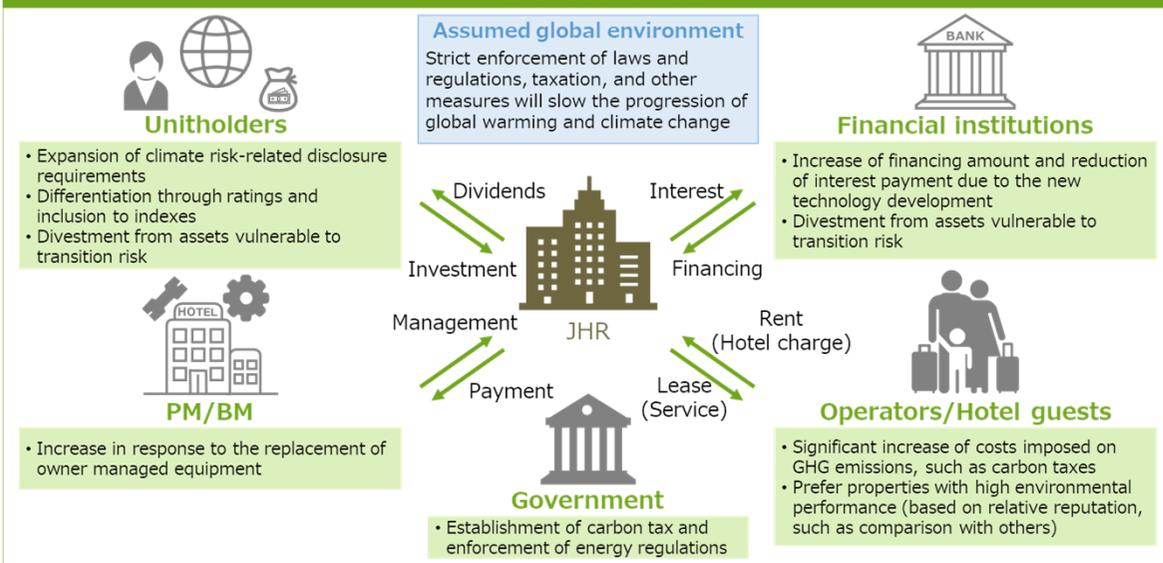
◆ JHR formulated policy on sustainability in December 2017. Aiming for medium to long term growth in harmony and coexistence with society and the environment, JHR implements initiatives to improve sustainability through appropriate responses to ESG issues

## Initiatives for Climate Change

- In November 2021, JHRA stated its expression of support for the TCFD<sup>(\*\*1)</sup> recommendations
- Disclosed Initiatives for 4 disclosure themes recommended by TCFD in August 2022

Disclosure Themes	Description
Governance	JHR has established the following governance structure including ESG Promotion Committee to address climate-related risks and opportunities
Strategy	Using future climate projections published by the IEA, IPCC <sup>(**2)</sup> , and other organizations as the main source of information, two patterns were established: 1.5°C and 4°C scenarios. Evaluated financial impacts of risks and opportunities identified for each scenario
Risk Management	The ESG Promotion Committee takes the lead in identifying and assessing climate-related risks, and discusses and decides on business strategies, including risk management and response measures. Formulate action plans based on the strategy and manage the progress of actions
Metrics and Targets	Set targets to promote energy use efficiency through low-carbon portfolio and environmental and energy conservation measures, including reductions in greenhouse gas (GHG) emissions

### 1.5°C Scenarios



## GRESB Real Estate Assessment<sup>(\*\*3)</sup>

Acquired "Green Star" for four consecutive years from 2018

- ▶ In 2021, JHR was selected for "Sector Leader" in Asian hotel sector for two consecutive years
- ▶ Acquired "4-star" in GRESB Rating



## Definition of Materiality

From the dual standpoints of stakeholders' expectations and impact on its business, JHR has defined seven items of materiality (key issues) related to ESG for JHR.

	Materiality	Related SDGs
E	1. Tackling climate change	6, 7, 11, 12, 13
	2. Reducing water consumption and waste	6, 7, 11, 12, 13
S	3. Communication with stakeholders such as local communities	3, 4, 8, 9
	4. Ensuring safety/peace of mind and promoting well-being at hotels	11, 17
	5. Creating pleasant workplaces	11, 17
G	6. Implementing thorough corporate governance	16, 17
	7. Proactive information disclosure and dialogue	16, 17

**ESG Disclosure Information on JHR Website**

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



(\*1) TCFD is an abbreviation for Task Force on Climate-Related Financial Disclosures.

(\*2) IEA is an abbreviation for International Energy Agency and IPCC is abbreviation for Intergovernmental Panel on Climate Change.

(\*3) The GRESB is an annual benchmarking program to evaluate ESG considerations of property companies and real estate funds. The GRESB Real Estate Assessment is distinguished by its comprehensive evaluation of initiatives for sustainability of property companies, REITs and real estate funds, not of individual properties. GRESB rating is a relative evaluation based on comprehensive scores and the highest being "5-star."

# 8. ESG Initiatives (Each Hotels)

◆ Conduct various ESG-conscious initiatives in the hotels owned by JHR

## Initiatives to Improve Satisfaction of Guests

### Integration and Expansion of Amenities (Amenity Base)

- Established amenity base, which is exclusive space where guest can select amenities to be used inside guest rooms by itself. Reduce unnecessary waste by use of necessary items only

(Oriental Hotel tokyo bay)



(Oriental Hotel Okinawa Resort & Spa)



### Introduction of Self Service in Luggage Storage (guest lockers)

(3 hotels including Oriental Hotel tokyo bay)

- Reduce waiting time for guests through introduction of self service on luggage storage when they check in
- Able to feel safe under "with COVID-19" environment since entrance is controlled by QR code which doesn't require contact



## Initiatives for Employees by DX

### Making business manuals into applications

- Visualized operations by introducing an application that digitizes employee manuals
- Improved efficiency of human resource training and service quality



※Screen image

## Initiatives to Contribute for Local Areas

### Promotion of Local Production and Local Consumption (Provide menu with local foods)

- Support farming in the nearby area through provision of menu with local foods in restaurants
- Expanding the hotels offering this service

(Oriental Hotel tokyo bay)



Mizore-jiru (soup) of sardine from Choshi



Acqua pazza by seafood from Chiba Prefecture



Bouillabaisse with seafood from Setouchi

(Oriental Hotel Okinawa Resort & Spa)



Island pork steak



Yushi-Dofu (tofu)

## Efforts to Prevent the Spread of COVID-19 at Each Hotel

### Accommodation of COVID-19 Patients with Mild or No Symptoms at Hotels

- Accepted in total 9 hotels

### Introduction of Automatic Check-in Machine

- Introduced in 7 hotels including Oriental Hotel tokyo bay



## **IV. Financial Conditions**

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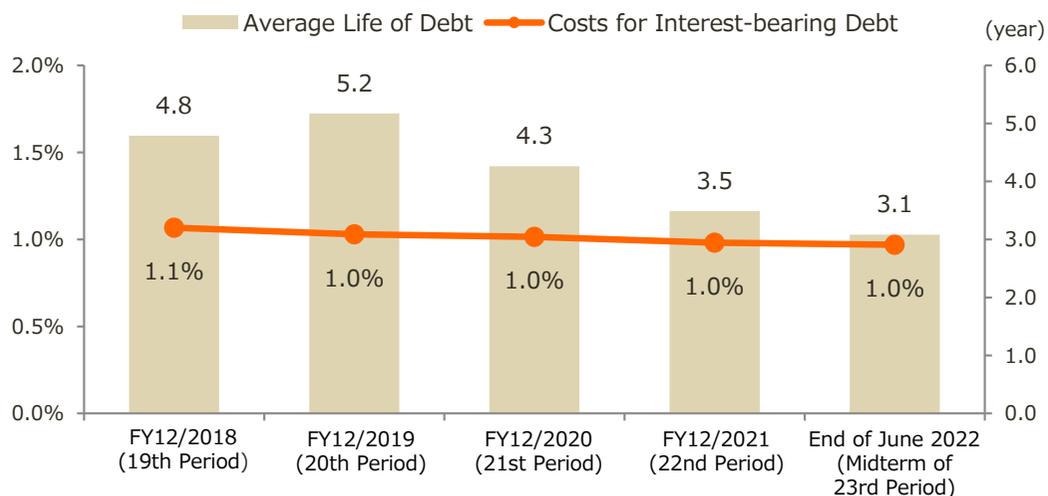
# 1. Financial Conditions (1)

## Main Financial Indicators

(as of the end of June 2022)

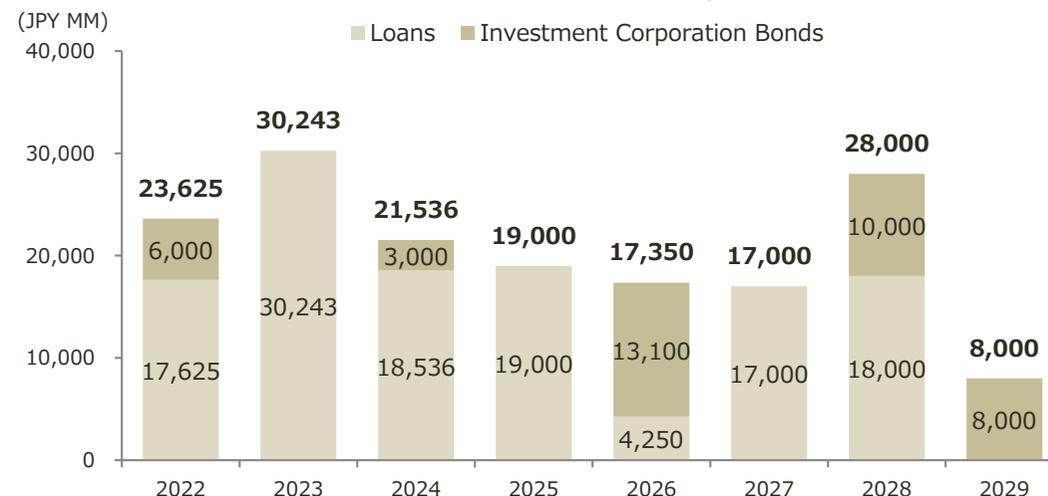
LTV (total asset base)	42.1%
Cost for interest-bearing debt <sup>(*1)</sup>	1.0%
Average life of interest-bearing debt <sup>(*2)</sup>	3.1 years
Free cash <sup>(*3)</sup>	JPY21.1Bn
Unrealized gain	JPY128.7Bn

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



## Repayment Schedule of Interest-bearing Debt

(as of the end of June 2022)



## Refinancing Result and Schedule in 2022

Repayment Date	Balance
First Half (result)	JPY15,234MM
Second Half (schedule)	JPY23,625MM (Loans: JPY17,625MM/Investment Corporation Bonds: JPY6,000MM)

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

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

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

# 1. Financial Conditions (2)

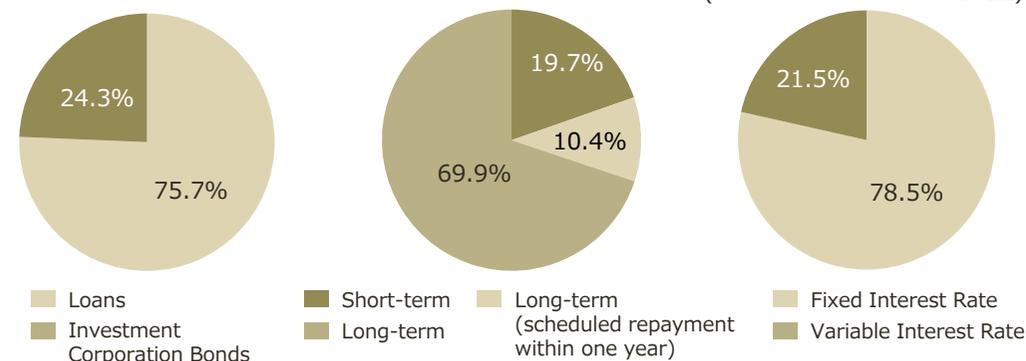
## Lender List for Interest-bearing Debt

(Unit: JPY MM)

Lenders/Bond Name	Balance (as of the end of December 2021)		Balance (as of the end of June 2022)		Variance
	Balance	%	Balance	%	
Sumitomo Mitsui Banking Corporation	32,323	19.6%	32,532	19.7%	209
Mizuho Bank, Ltd.	19,330	11.7%	19,455	11.8%	125
Shinsei Bank, Ltd.	18,558	11.3%	18,558	11.3%	-
Sumitomo Mitsui Trust Bank, Limited	13,795	8.4%	13,884	8.4%	89
Resona Bank, Limited	9,882	6.0%	9,882	6.0%	-
Development Bank of Japan Inc.	5,885	3.6%	5,885	3.6%	-
Fukuoka Bank, Ltd.	4,636	2.8%	4,636	2.8%	-
The Nomura Trust and Banking Co., Ltd.	4,548	2.8%	4,548	2.8%	-
Aozora Bank, Ltd.	3,352	2.0%	3,352	2.0%	-
The Chiba Bank, Ltd.	2,732	1.7%	2,732	1.7%	-
MUFG Bank, Ltd.	3,123	1.9%	2,700	1.6%	(423)
The Nishi-Nippon City Bank, Ltd.	2,684	1.6%	2,684	1.6%	-
Hiroshima Bank, Ltd.	1,854	1.1%	1,854	1.1%	-
Sompo Japan Insurance Inc.	1,464	0.9%	1,464	0.9%	-
The Shizuoka Bank, Ltd.	488	0.3%	488	0.3%	-
<b>Total of Bank Loans</b>	<b>124,654</b>	<b>75.7%</b>	<b>124,654</b>	<b>75.7%</b>	<b>-</b>
<b>Investment Corporation Bonds (for institutional investors)</b>					
6th Investment Corporation Bonds without Collateral	3,000	1.8%	3,000	1.8%	-
8th Investment Corporation Bonds without Collateral	1,100	0.7%	1,100	0.7%	-
9th Investment Corporation Bonds without Collateral	1,000	0.6%	1,000	0.6%	-
12th Investment Corporation Bonds without Collateral	2,000	1.2%	2,000	1.2%	-
<b>Total of Investment Corporation Bonds (for institutional investors)</b>	<b>7,100</b>	<b>4.3%</b>	<b>7,100</b>	<b>4.3%</b>	<b>-</b>
<b>Investment Corporation Bonds (for individual investors)</b>					
5th Investment Corporation Bonds without Collateral	6,000	3.6%	6,000	3.6%	-
7th Investment Corporation Bonds without Collateral	9,000	5.5%	9,000	5.5%	-
10th Investment Corporation Bonds without Collateral	10,000	6.1%	10,000	6.1%	-
11th Investment Corporation Bonds without Collateral	8,000	4.9%	8,000	4.9%	-
<b>Total of Investment Corporation Bonds (for individual investors)</b>	<b>33,000</b>	<b>20.0%</b>	<b>33,000</b>	<b>20.0%</b>	<b>-</b>
<b>Total of Investment Corporation Bonds</b>	<b>40,100</b>	<b>24.3%</b>	<b>40,100</b>	<b>24.3%</b>	<b>-</b>
<b>Total of Interest-bearing Debt</b>	<b>164,754</b>	<b>100.0%</b>	<b>164,754</b>	<b>100.0%</b>	<b>-</b>

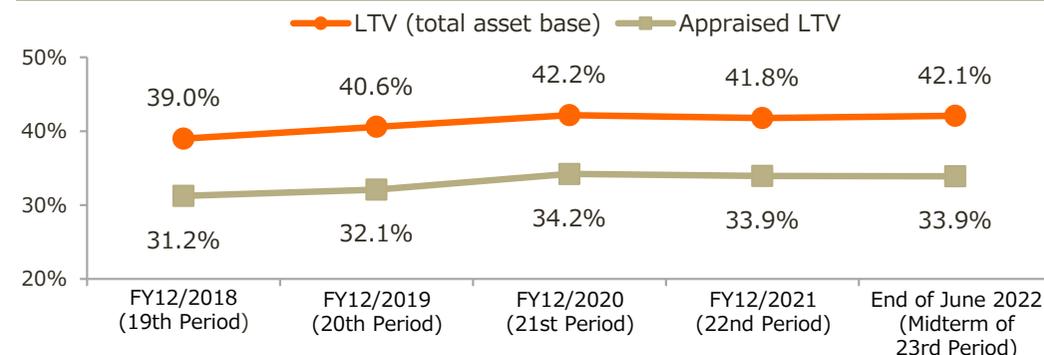
## Changes in LTV (total asset base)

(as of the end of June 2022)



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

## Changes in LTV

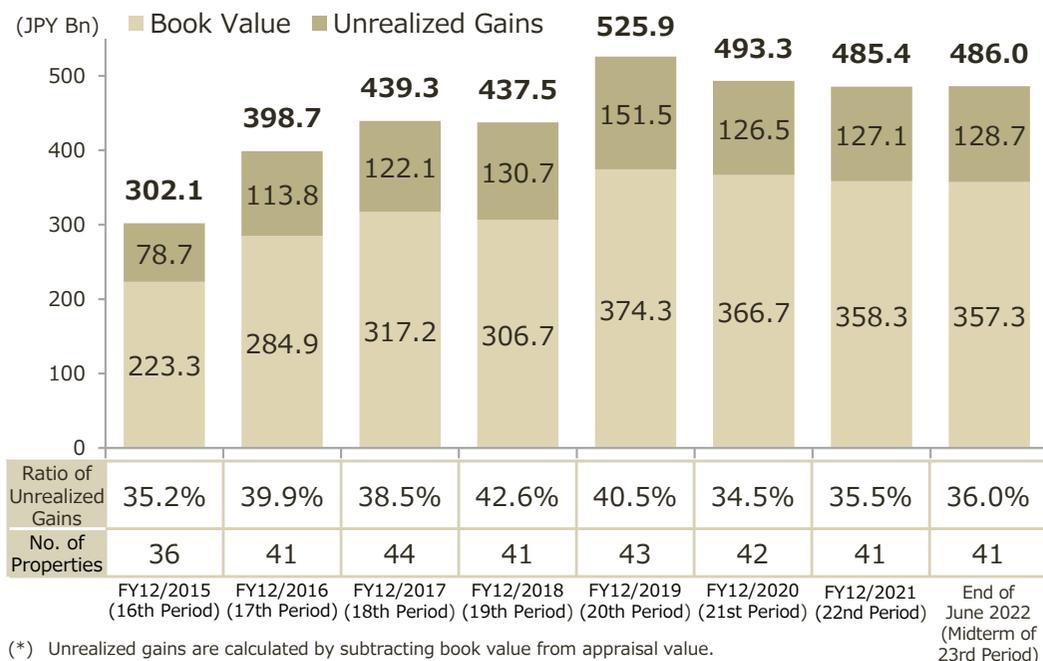


## Status of Credit Rating

Japan Credit Rating Agency, Ltd. (JCR)	<b>A+</b> (negative)
Rating and Investment Information, Inc. (R&I)	<b>A</b> (negative)

# 1. Financial Conditions (3)

## Changes in Appraisal Value (Unrealized Gains)



## Changes in Appraisal Value

(Based on 41 hotels owned by JHR at the end of June 2022)

	No. of Property (*2)	Acquisition Price (JPY MM)	Appraisal(*1)					
			Appraisal Value (JPY MM)	Variance of Appraisal Value	CAP Rate (*3)	Variance of Cap Rate (*3)	Net Cash Flow (JPY MM)	Variance of Net Cash Flow (*3)
End of June 2022	41	363,542	486,080	+0.1%	4.6%	(0.0pt)	22,121	(0.2%)
End of December 2021	41	363,542	485,480	+0.4%	4.6%	(0.0pt)	22,158	+0.0%
End of December 2020	41	362,465	483,430	(4.6%)	4.6%	+0.0pt	22,151	(2.3%)
End of December 2019	41	362,465	506,760	-	4.5%	-	22,682	-

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

(\*2) Numbers in this table are for 41 properties after exclusion of Sotetsu Fresa Inn Shimbashi-Karsumoriguchi and ibis Tokyo Shinjuku.

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

## Negative Goodwill

### <Policy for Use of Negative Goodwill>

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

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

### <Amount planned to be used in FY12/2022>

50-year amortization amount on negative goodwill :	JPY262MM
Cope with loss on retirement of noncurrent assets :	JPY13MM
Amortization of trademark rights :	JPY56MM
<b>Total amount :</b>	<b>JPY332MM</b>

<b>Estimated Balance of Negative Goodwill after the end of December 2022</b>	<b>JPY9,643MM</b>
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## **V . Market Environment**

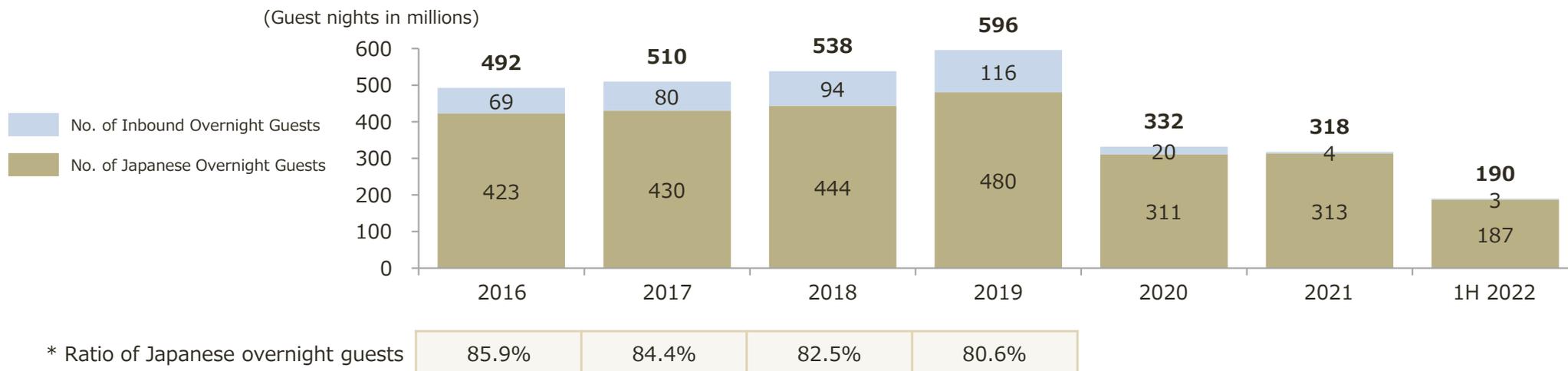
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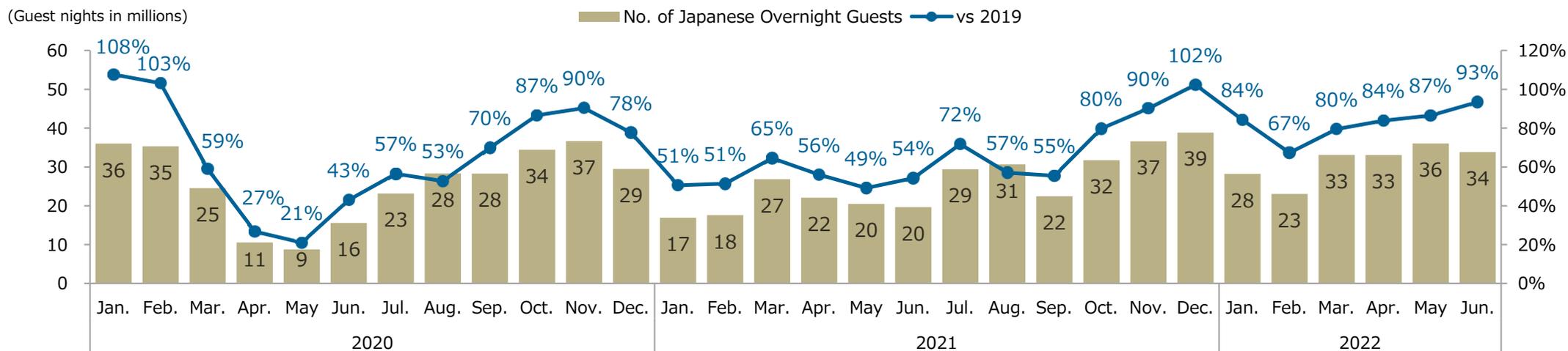
# 1. Status of Domestic Accommodation Demand

- ◆ Prior to the COVID-19 pandemic, domestic accommodation demand was generally at 80% of the total demand
- ◆ Domestic accommodation demand for June 2022 have recovered to 93% level of same month in 2019

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



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



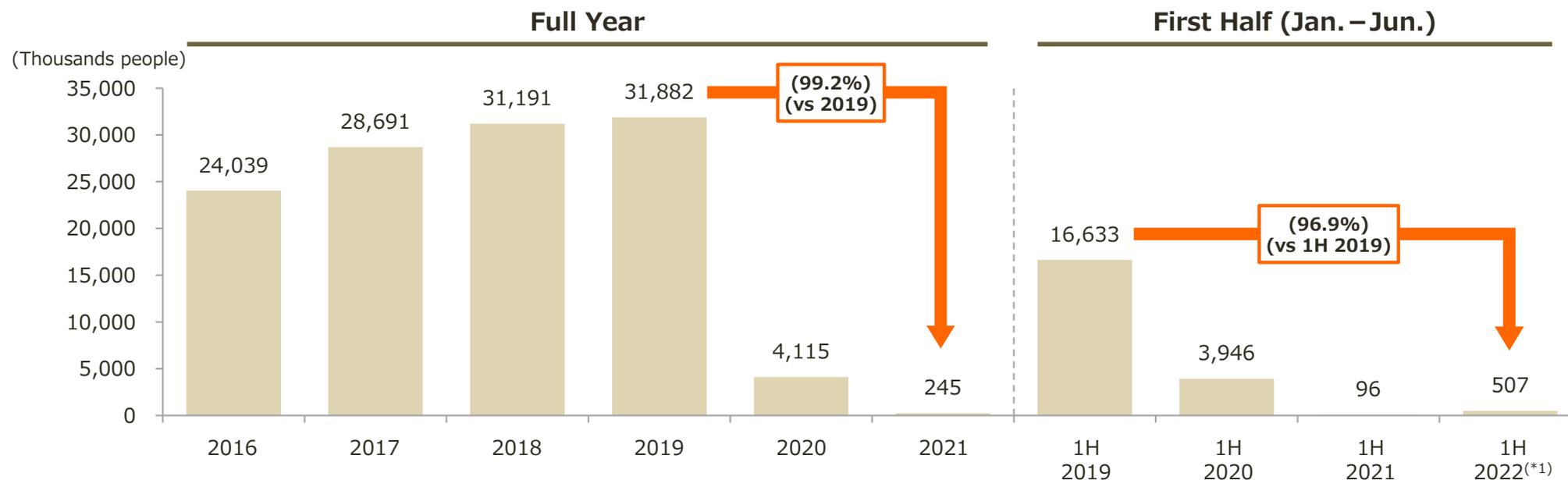
Source: Statistics of Overnight Travel by Japan Tourism Agency

(\*) Rounded off to the nearest millions of overnight guests. Numbers for January to May 2022 are second preliminary figure, numbers for June 2022 are first preliminary figure.

## 2. Status of Inbound Visitors

- ◆ Due to the impact by spread of infection by COVID-19, inbound visitors were significantly reduced. Number for the first half 2022 reduced by 96.9% from the first half 2019
- ◆ On the other hand, gradual easing of entry restriction is continuing

### Changes in Number of Inbound Visitors



### ※Trend of entry restrictions

	2021				2022			
	Mar. 12-	Aug. 16-	Nov. 26-	Dec. 1-	Mar. 1-	Mar. 14-	Apr. 10-	Jun. 1-
Maximum number of entrant per day <sup>(*)</sup> (people)	2,000	3,500	5,000	3,500	5,000	7,000	10,000	20,000
Annualized <sup>(**)</sup> (thousands people)	730	1,277	1,825	1,277	1,825	2,555	3,650	7,300

Source: Asset Management Company based on various reports by media, etc.

(\*) The numbers for January to May 2022 are provisional numbers, and the numbers for June are estimated numbers.

(\*\*) Include re-entry reentry by Japanese citizen and foreigner with qualification for stay.

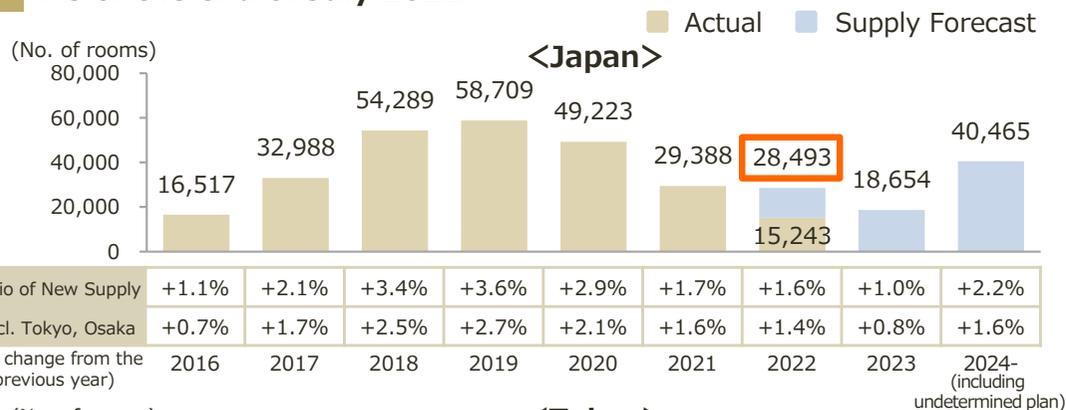
(\*\*\*) Annualized by following calculation. Maximum number of allowed per day x 365. Therefore, this number is not actual maximum number of entrant allowed for the year.

# 3. Status of New Supply of Hotels

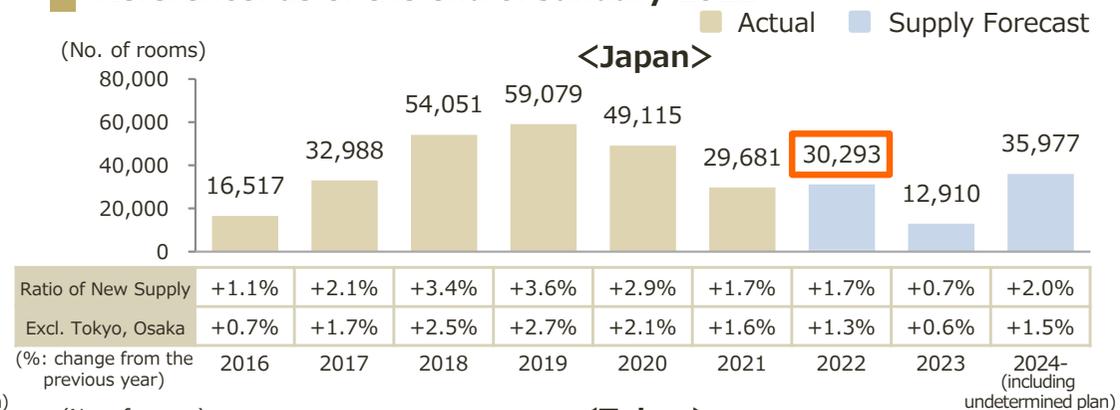
◆ New supply for 2022 is reduced around 2,000 rooms in comparison to the estimate made 6 months ago

## Supply of Rooms in Hotels/Ryokans in Japan

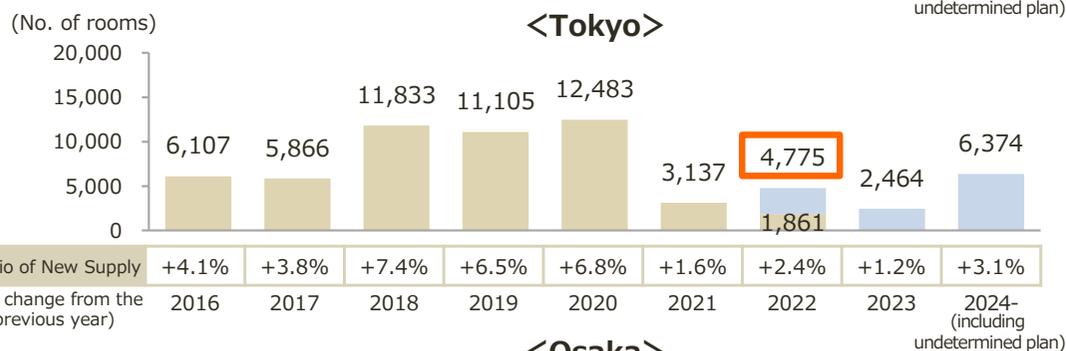
### As of the end of July 2022



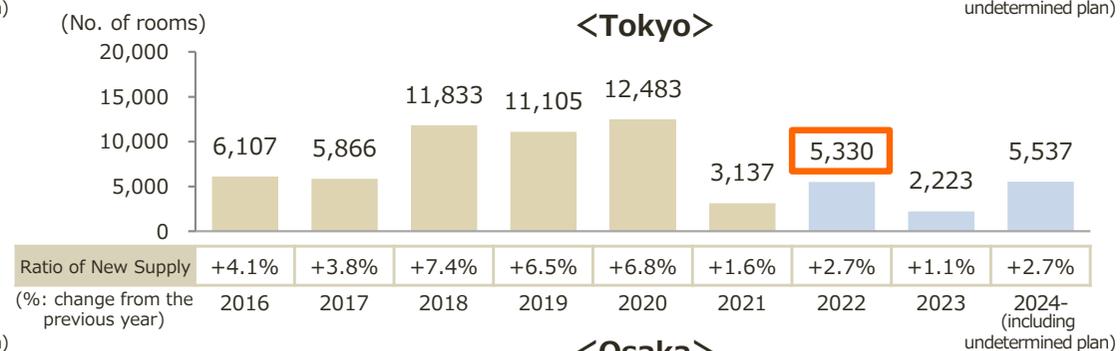
### Reference: as of the end of January 2022(\*2)



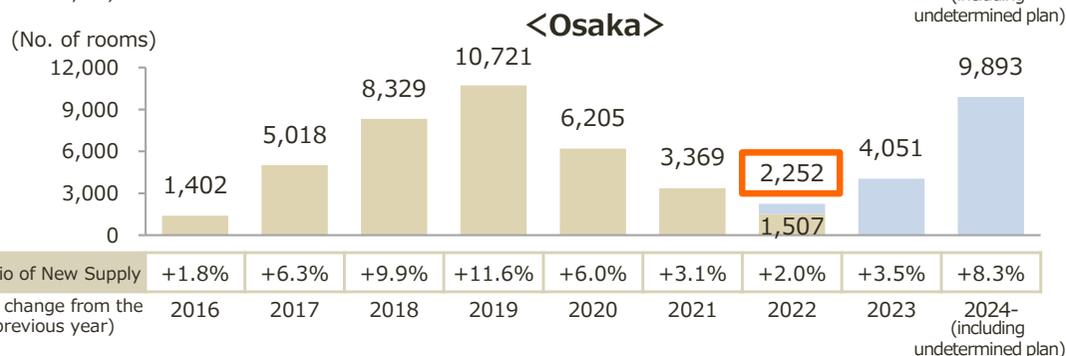
### <Tokyo>



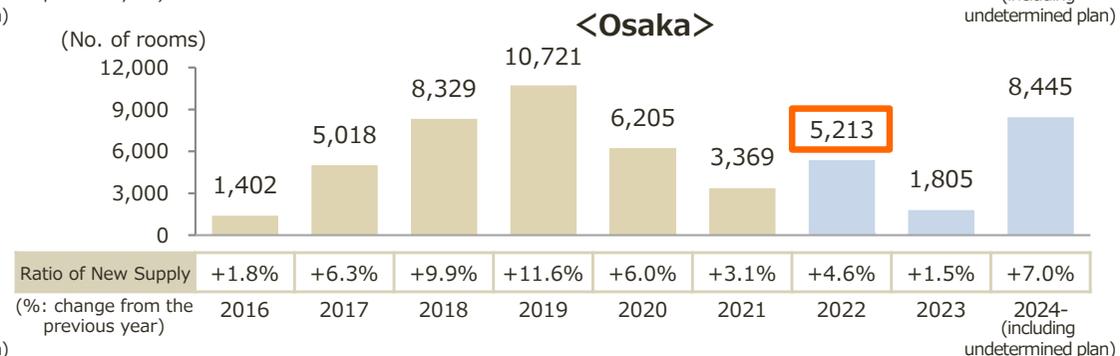
### <Tokyo>



### <Osaka>



### <Osaka>

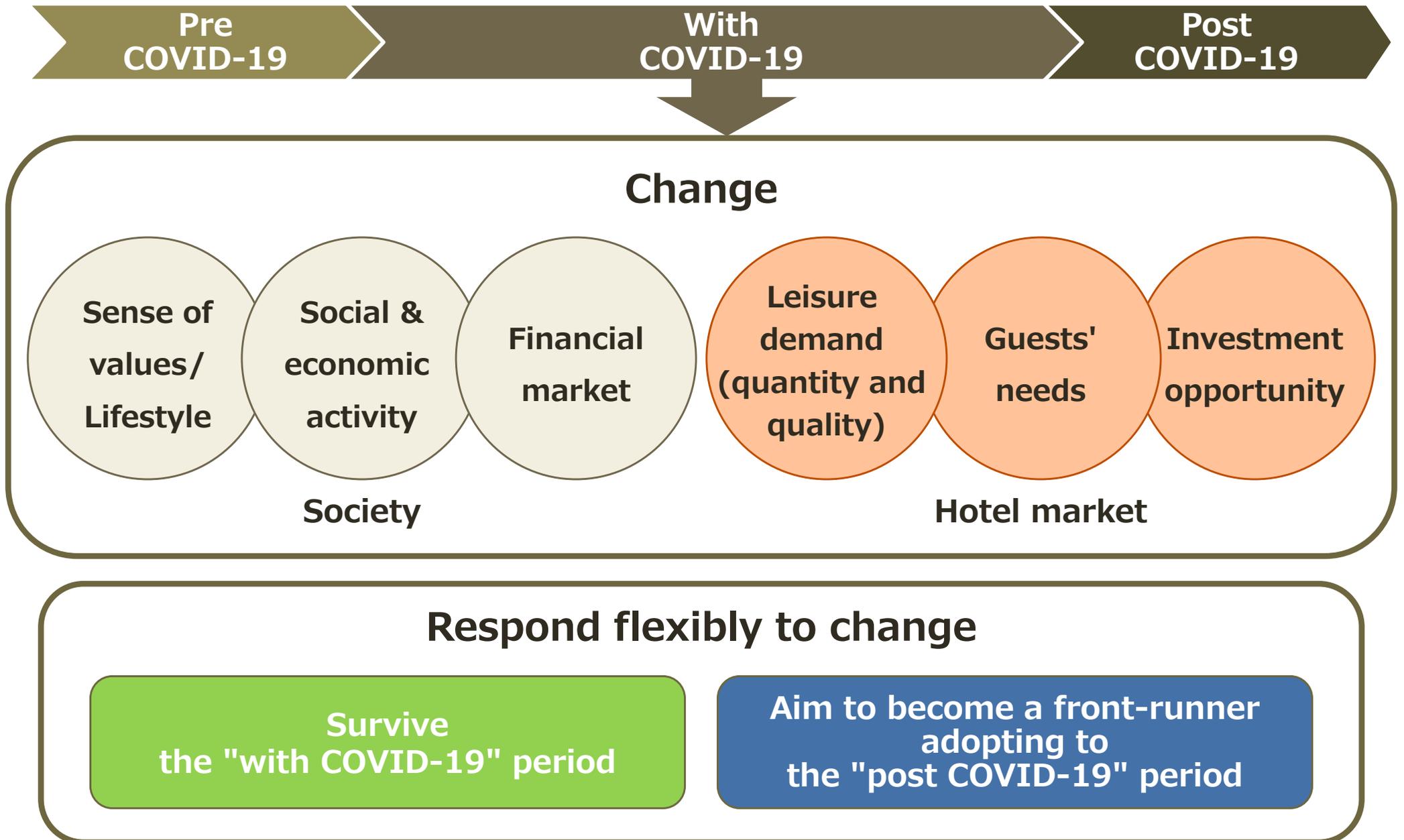


Source: Estimated by the Asset Management Company using data from "Public Health Administration Report" by Ministry of Health, Labour and Welfare (MHLW), a weekly hotel & restaurant magazine (HOTERES), and Nikkei Telecom.  
 (\*1) Ratio of new supply is the ratio of new rooms to be supplied in a year to the stock of rooms (Hotels/Ryokans) at the beginning of the year. With regard to the above data, please note that in case the number of rooms are stated as "to be determined" by hotels, the asset management company has used 180, the average number of new supply of hotel rooms, for calculation.  
 (\*2) The figures were announced in the Financial Results Briefing for the fiscal year ended December 2021.

## **VI. Takeaways**

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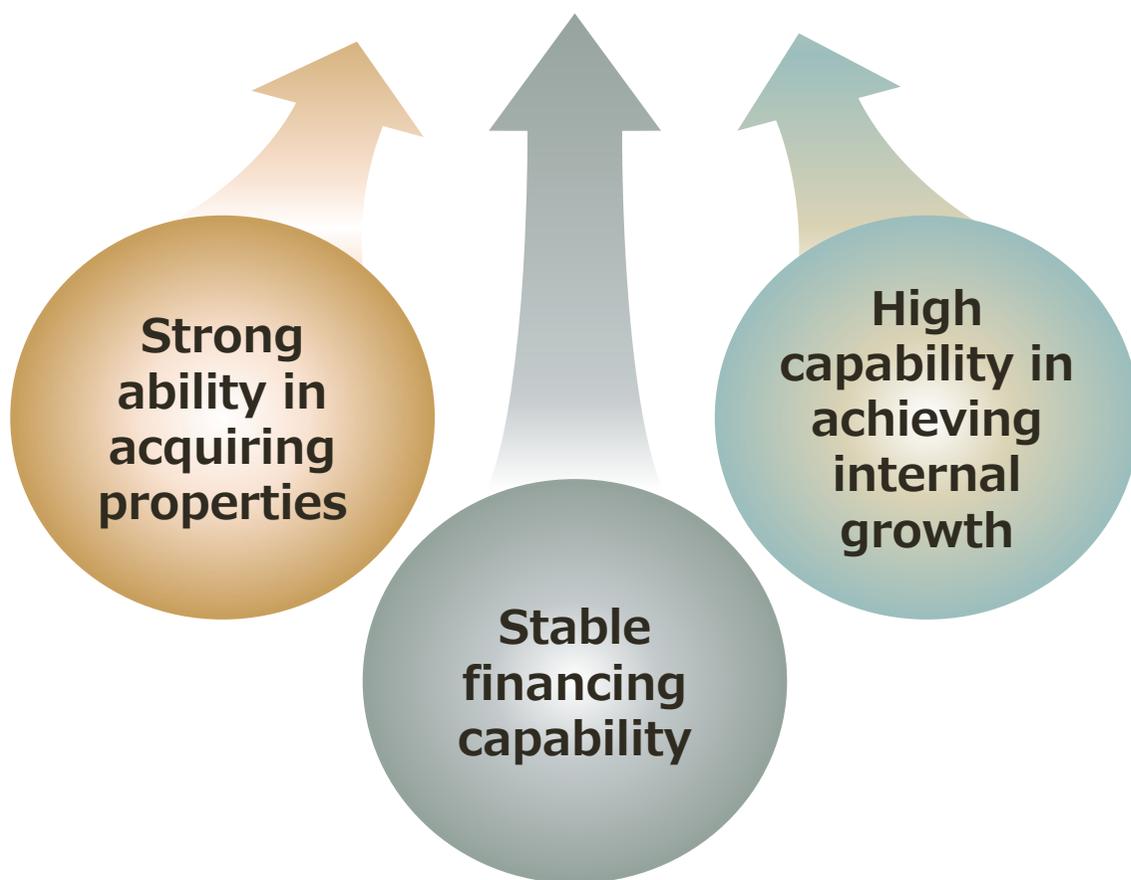


**Appendix 1**  
**JHR's Characteristics and Strategy**

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# 1. JHR's Investment Targets

## Aim to increase dividend for mid to long term



### Strong ability in acquiring properties

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

### High capability in achieving internal growth

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

### Stable financing capability

- Secure sound and stable finance
- Diversify financing methods

## 2. Simultaneous Pursuit of Stability and Upside Potential

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

### Ensure Stable Revenue

Fixed rent structure

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

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

### Pursue Upside

Management contract structure

Variable rent structure

Revenue sharing structure

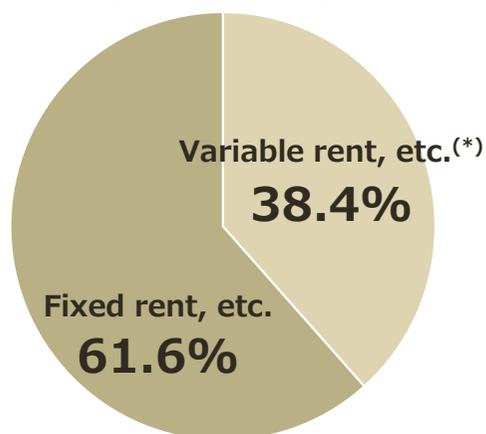
#### Active Asset Management Strategies

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

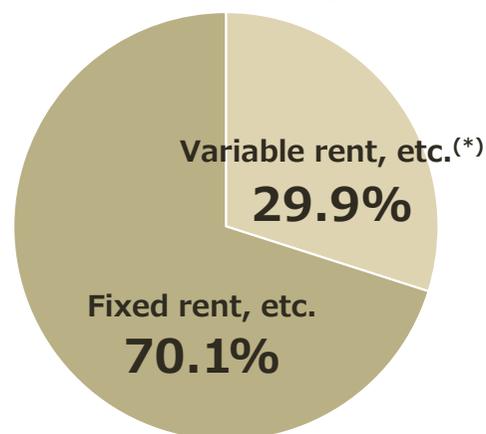
Increase in rental income, etc. through improvement in hotels' performance

### Proportion of Rental Income

2019 Results  
(annualized)



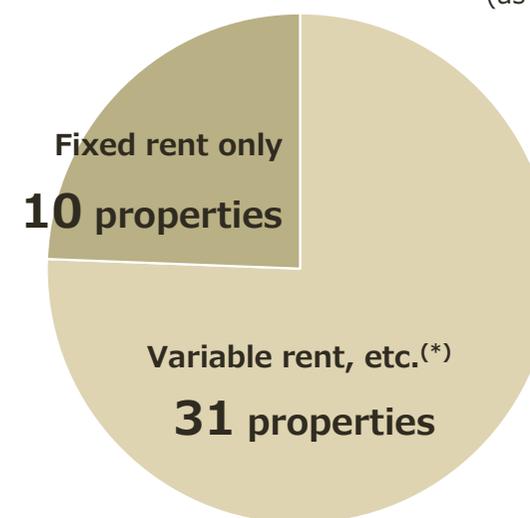
2021 Results  
(annualized)



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

### Proportion of Rent Structures

(as of August 24, 2022)



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

# 3. External Growth Strategy

## Recognition of External Environment

### Trend of the Hotel Investment Market

- Although Covid-19 has not been converged yet, signs of a recovery trend in domestic demand have gradually begun to appear as restrictions on activities have been eased. Even though the market environment remains unstable due to the possibility of re-spread of infection by mutant strains and rising prices of raw materials, hotel revenues are expected to continue its improvement, driven by the recovery of domestic leisure demand.
- As for the hotel transaction market, while many investors remain cautious about hotel investment due to the uncertainty of the hotel market, foreign funds, etc. are actively considering hotel investment with expectations of a hotel market recovery and an easing attitude to provide finance for hotel asset by financial institutions. Such conditions may lead to a gradual increase in hotel transactions.
- For medium to long term, demand for domestic and overseas accommodations are expected to recover as a result of promotion of vaccination and development of effective therapeutic drugs for COVID-19. As the market recovers, the hotel investment may be revitalized again. However, the competitiveness of hotels is becoming more evident in accordance with the hotel specifications, locations, and the abilities of hotel operators, and it is important to differentiate each hotel.

## Basic Policies

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



## Key Measures

- Emphasize the superiority of buildings and facilities (infrastructure), operations (services), and locations of hotel real estate, etc.
  - The prime investment targets are "full-service hotels" and "resort hotels" that have high barriers to entry due to operation and management know-how, capital outlay and locations
  - In the case of "limited-service hotels," the creditworthiness of the hotel lessee, the age of the building, location, guest room composition and profitability are important
  - For limited-service hotels specialized in selling single rooms, consider acquisition individually, and take the hotel specifications and the possibility of achieving the upside into account
  - Especially, proactively review the purchase of hotels that have potential for internal growth by implementing active asset management strategy or hotels that synergy effect are expected with the existing properties
- Strategic investment areas
  - Hokkaido area, Tokyo and bay area, Osaka/Kyoto area, Fukuoka area, and Okinawa area
- Investigation and planning of the internal growth strategy upon property acquisition
  - Investigate the appropriate rent level and rent structure upon renewal, etc., cost reduction possibilities, and possibilities to improve buildings and facilities
  - Particularly, if the hotel pays variable rent, etc., promote internal growth through collaboration with lessees and/or operators
- Use HMJ's efficient hotel operation platform and know-hows to improve operation, etc. to respond to new investment opportunities which never seen before (such as sales of hotels with intention to off-balance asset or sales without operators, etc.), because these were caused by the impact of COVID-19

# 4. Internal Growth Strategy

## Recognition of External Environment

### Hotel Market Environment

- The impact of COVID-19 on Japan's tourism and hotel industries is still ongoing. On the other hand, the hotel market is expected to enter a real recovery phase as demand, especially domestic demand, is showing trend of recovery and the acceptance of inbound tourists is expected to increase gradually.
- Although there are supply-demand imbalances depending on the market due to the continued supply of new hotels against the backdrop of robust hotel demand in recent years, we believe there are no changes to the medium to long term trend of expansion in the tourism market accompanying economic growth in the Asia region.
- Even under the severe market environment, hotel operators that have maintained sound management and improved their revenue structure are expected to expand aggressive strategies during the market recovery period to be more competitive.

## Basic Policies

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



## Key Measures

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

# 5. Financial Strategy

## Recognition of External Environment

### Trend of Financing Environment and Interest Rates

- Compared to the first half of 2021, the number and total amount of public offerings by J-REIT in the first half of 2022 exceeded those in the first half of 2021. Although the TSE REIT Index temporarily plunged to the 1,800-point level under headwinds such as the 6th wave of COVID-19, accelerated interest rate hikes in the U.S., Russia’s invasion of Ukraine, and high inflation, the decline was limited to -4.8% due to inflows of foreign capital and domestic buying on dips.
- Amid the prolonged impact of the COVID-19, the financial institutions maintain a supportive attitude. On the other hand, some sectors including hotels, financial institutions continuously expressed cautious stance to provide long-term loan but upward pressure on interest rates was reduced.
- Both short-term and long-term interest rates remain at low levels due to the monetary easing policy.

## Basic Policies

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



## Key Measures

- Secure the internal reserve and further strengthen the financial base by controlling capital expenditures, etc.
- Maintain good relationship with financial institutions
- Maintain LTV level at a maximum of 50% (total asset base) for the time being
- Diversify financing methods such as public offerings and issuance of investment corporation bonds
- Improve financial stability by diversifying repayment periods and fixing interest rates, etc. as necessary
- Optimize borrowing costs

# 6. Benefits Program for Unitholders

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

◆ **Eligible recipients of complimentary coupons**

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

<FY2022>

Eligible unitholders: 12,286

Valid period: One year between January 1, 2023 to December 31, 2023

◆ **Details of the benefits program**

Five complimentary coupons for accommodations and five complimentary coupons for restaurants<sup>(\*)</sup>

10% discount from the best rate for accommodation by each hotel and 10% discount for restaurants

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

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

### The 16 HMJ Hotels



Kobe Meriken Park Oriental Hotel



Oriental Hotel Tokyo Bay



Namba Oriental Hotel



Oriental Hotel Hiroshima



Hotel Nikko Alivila



Oriental Hotel Okinawa Resort & Spa



ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)



Oriental Hotel Fukuoka Hakata Station



Holiday Inn Osaka Namba



Hilton Tokyo Narita Airport



International Garden Hotel Narita



Hotel Nikko Nara



Hilton Tokyo Odaiba



Hotel Oriental Express Osaka Shinsaibashi



Oriental Hotel Universal City



Hotel Oriental Express Fukuoka Tenjin

### The Accor Group Hotels



Mercure Sapporo



ibis Styles Sapporo



Mercure Okinawa Naha



ibis Styles Kyoto Station



Mercure Yokosuka

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

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# 1. Portfolio

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

## Portfolio Summary

(as of the end of June 2022)

### Total Assets

**JPY363.5Bn**

### No. of Hotels

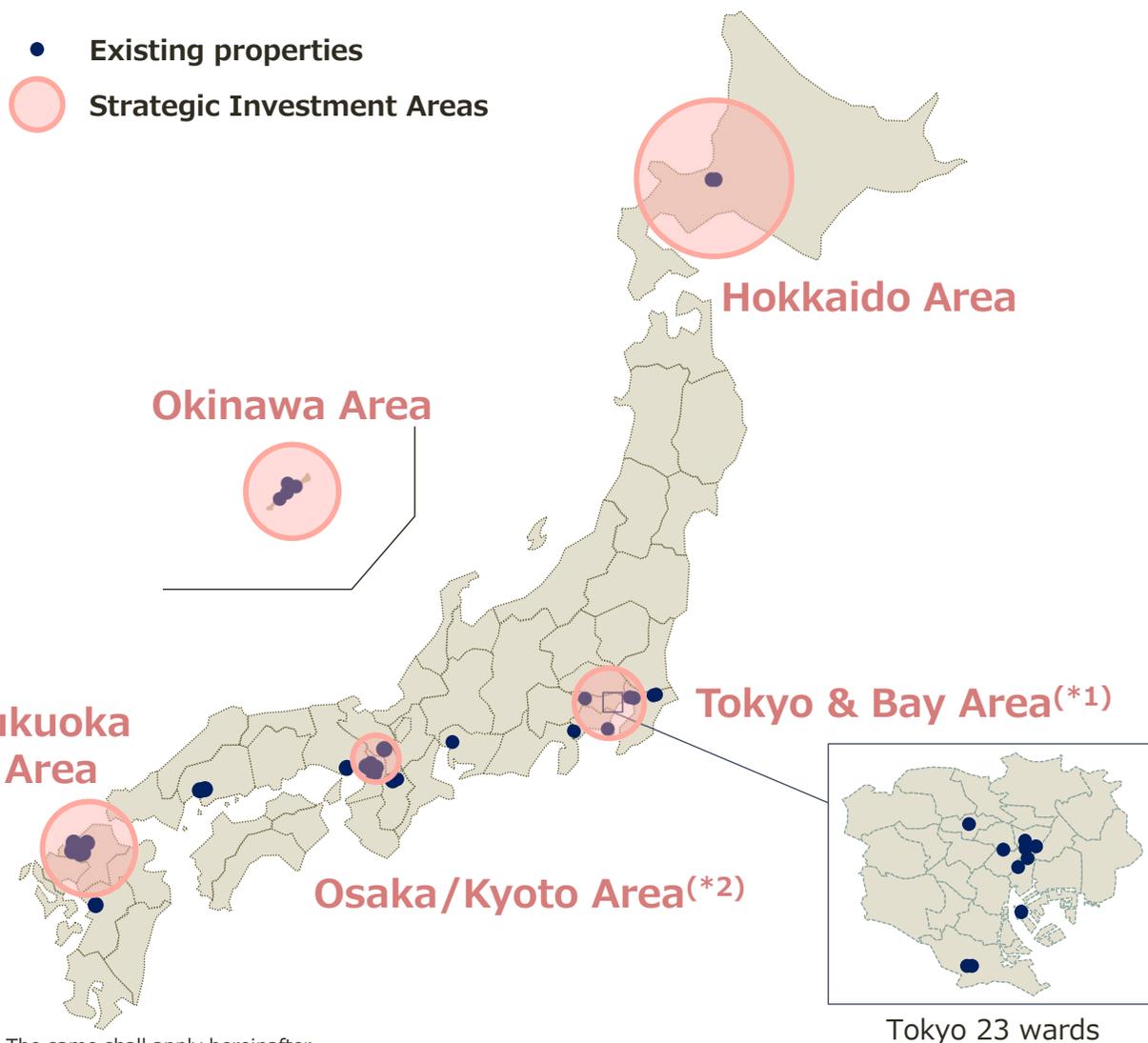
**41** Hotels

**(32 in Strategic Investment Areas)**

### No. of Guest Rooms

**11,279** Rooms

## Strategic Investment Areas and Locations of Properties



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

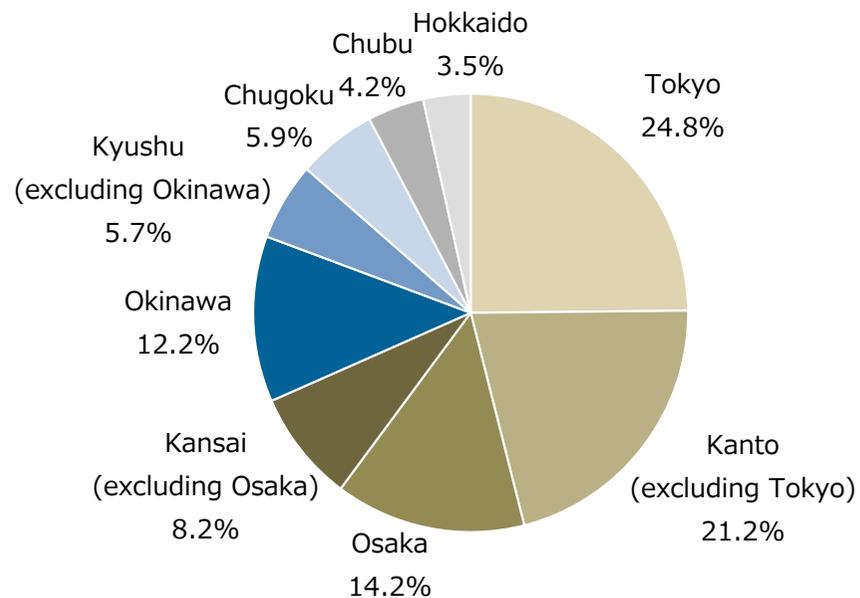
(\*2) Osaka/Kyoto Area refers to Osaka and Kyoto prefectures. The same shall apply hereinafter.

## 2. Portfolio Diversification

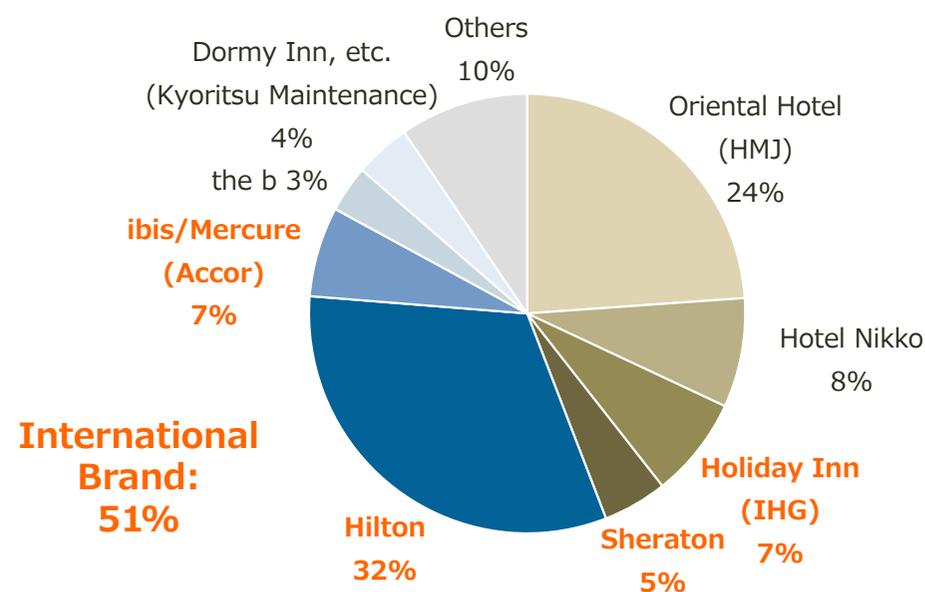
- ◆ Widely diversified and high-quality portfolio
- ◆ Appeal to inbound visitors by international brands

(as of August 24, 2022)

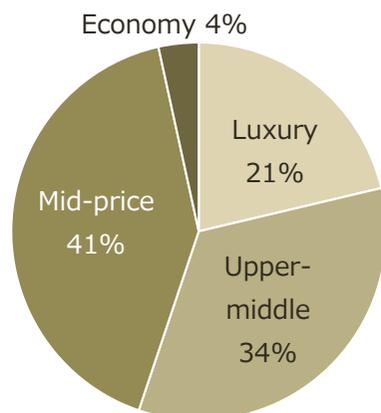
**By Area and Rent**



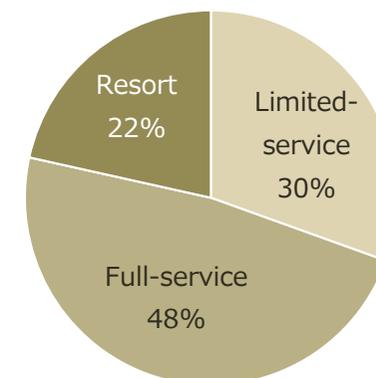
**By Hotel Brand**



**By Grade**



**By Hotel Type**

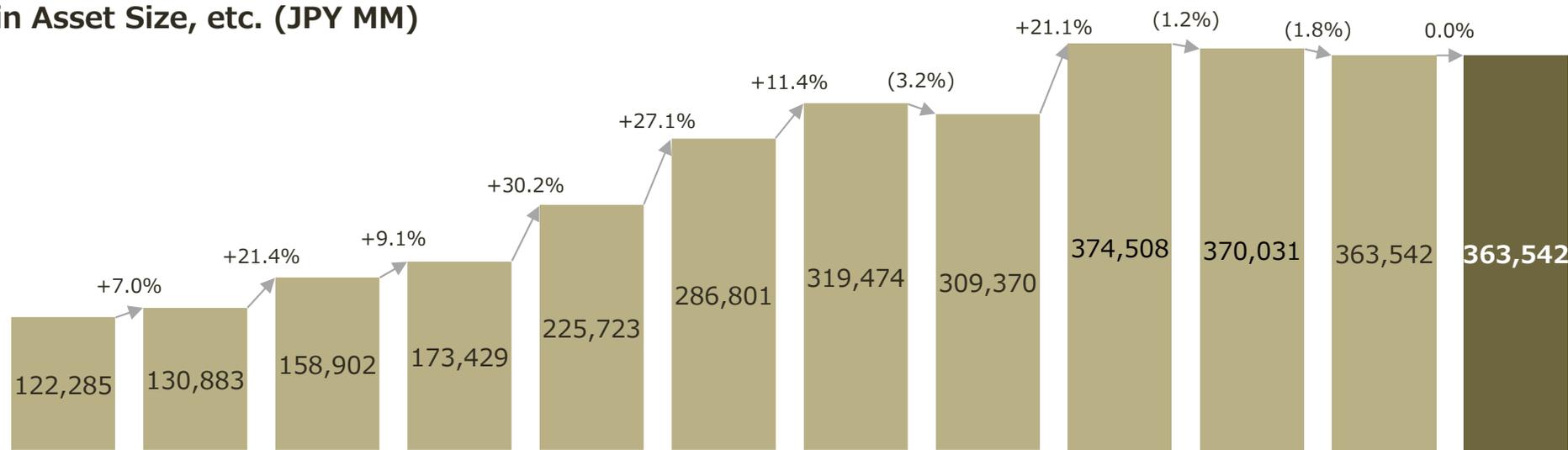


(\*) Calculated based on acquisition price.

### 3. Trend of Asset Size

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

#### Growth in Asset Size, etc. (JPY MM)



	April 2012 (merger)	FY12/2012 (13th Period)	FY12/2013 (14th Period)	FY12/2014 (15th Period)	FY12/2015 (16th Period)	FY12/2016 (17th Period)	FY12/2017 (18th Period)	FY12/2018 (19th Period)	FY12/2019 (20th Period)	FY12/2020 (21st Period)	FY12/2021 (22nd Period)	June 2022 (Midterm of 23rd Period)
<b>No. of Properties</b>	28	28	28	30	36	41	44	41	43	42	41	41
<b>No. of Acquisition</b>	–	2	2	3	9	5	3	–	2	–	1	–
<b>Acquisition Price</b>	–	JPY10.8Bn	JPY32.6Bn	JPY15.7Bn	JPY57.0Bn	JPY61.0Bn	JPY32.6Bn	–	JPY65.1Bn	–	JPY0.8Bn	–
<b>No. of Dispositions</b>	–	2	2	1	3	–	–	3	–	1	1	–
<b>Sale Price</b>	–	JPY0.8Bn	JPY2.6Bn	JPY0.7Bn	JPY4.8Bn	–	–	JPY12.1Bn	–	JPY8.0Bn	JPY11.3Bn	–
<b>Unrealized Gains<sup>(*)</sup></b>	–	JPY2.2Bn	JPY9.8Bn	JPY34.8Bn	JPY78.7Bn	JPY113.8Bn	JPY122.1Bn	JPY130.7Bn	JPY151.5Bn	JPY126.5Bn	JPY127.1Bn	JPY128.7Bn

Aim for Successive Growth

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

# 4. Rent Structures



(FY12/2022 forecast)

Rent Structure <sup>(*1)</sup>		Fixed rent	Fixed rent + Revenue sharing	Fixed rent + Variable rent	Variable rent	Management contract	Total
Type of Contract		Lease contract	Lease contract	Lease contract	Lease contract	Management contract	
Type of Rent	Fixed	○	○	○	-	-	-
	Variable	-	A certain percentage of sales exceeding the threshold	A certain percentage of hotel GOP	A certain percentage of hotel revenue or hotel GOP	Hotel GOP	-
<b>Real Estate Operating Revenue<sup>(**2)</sup>(%)</b> (forecast for FY12/2022)		JPY2,345MM (17.6%)	JPY2,386MM (17.9%)	JPY6,979MM (52.5%)	JPY1,103MM (8.3%)	JPY489MM (3.7%)	JPY13,303MM (100.0%)
<b>(breakdown)</b>	<b>Fixed Rent, etc.<sup>(**3)</sup> (%)</b>	JPY2,345MM (17.6%)	JPY2,386MM (17.9%)	JPY1,714MM (12.9%)	JPY461MM (3.5%)	JPY251MM (1.9%)	JPY7,158MM (53.8%)
	<b>Variable Rent (%)</b>	-	-	JPY5,265MM (39.6%)	JPY642MM (4.8%)	JPY237MM (1.8%)	JPY6,145MM (46.2%)
<b>Involvement in Hotel Operation</b>		Low	Low	High	High	High	-
<b>CAPEX Paid by JHR</b>		1) Renewal of building and facilities	1) Renewal of building and facilities <3) Strategic investment>	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	-
<b>No. of Properties</b>		10	3	20	4	4	41
<b>Acquisition Price (%)</b>		JPY32,375MM (8.9%)	JPY31,904MM (8.8%)	JPY257,630MM (70.9%)	JPY19,235MM (5.3%)	JPY22,397MM (6.2%)	JPY363,542MM (100.0%)
<b>Hotels</b>		The Beach Tower Okinawa Hotel Francs CANDEO HOTELS UENO-KOEN and other hotels	Hilton Tokyo Bay Smile Hotel Nihombashi Mitsukoshimae Comfort Hotel Tokyo Higashi Nihombashi	The 14 HMJ Hotels <sup>(**4)</sup> The Ishin Group Hotels Oriental Hotel Universal City Hotel Oriental Express Fukuoka Tenjin	Hilton Nagoya Mercure Yokosuka Chisun Hotel Kamata Chisun Inn Kamata	ibis Styles Kyoto Station ibis Styles Sapporo Mercure Sapporo Mercure Okinawa Naha	-

(\*1) Rent structure is categorized according to the rent contract for hotels of each asset owned by JHR.

(\*2) Revenue arise from trademark rights are excluded.

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

(\*4) During February 2020 through December 2022, The 14 HMJ Hotels adopting full variable rent structure.

# 5. Property List (1/2)

(as of the end of June 2022)

No.	Property Name	Hotel Type (*1)	Grade (*2)	No. of Guest Rooms	Location	Age (*3)	Acquisition Price (JPY MM) (*4)	Book Value (JPY MM) (*5)	Appraisal Value				Investment Ratio (*6)	Revenue from Real Estate Operation (JPY1,000) (*7)	NOI (JPY1,000) (*7)	P/L from Real Estate Operation (JPY1,000) (*7)	NOI Yield (estimate) (*8)
									22nd Period (as of December 31, 2021)		23rd Period (as of June 30, 2022)						
									Appraisal Value (JPY MM)	CAP Rate	Appraisal Value (JPY MM)	CAP Rate					
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	323	Hyogo	27.0	10,900	9,414	14,000	4.8%	14,000	4.8%	3.0%	80,218	(43,476)	(190,027)	1.3%
2	Oriental Hotel tokyo bay	Full-service	Mid-price	511	Chiba	27.2	19,900	16,964	32,200	4.4%	32,100	4.4%	5.5%	218,288	159,712	3,435	2.6%
3	Namba Oriental Hotel	Limited-service	Mid-price	258	Osaka	26.3	15,000	14,360	31,400	4.1%	31,200	4.1%	4.1%	166,768	113,861	45,354	1.7%
4	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Hiroshima	28.8	4,100	4,064	4,230	4.9%	4,200	4.9%	1.1%	295,904	274,145	232,095	11.7%
5	Hotel Nikko Alivila	Resort	Luxury	397	Okinawa	28.2	18,900	17,733	28,800	4.8%	28,900	4.8%	5.2%	47,089	(26,235)	(157,446)	3.0%
6	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	18.3	7,610	6,428	9,980	4.4%	9,960	4.4%	2.1%	255,531	234,445	178,086	6.2%
7	Hakone Setsugetsuka	Resort	Mid-price	158	Kanagawa	15.7	4,070	3,552	5,260	4.9%	5,260	4.9%	1.1%	147,469	134,928	85,980	6.6%
8	Dormy Inn Kumamoto	Limited-service	Mid-price	291	Kumamoto	14.4	2,334	2,177	2,950	5.6%	2,930	5.6%	0.6%	97,230	86,294	59,924	7.4%
9	the b suidobashi	Limited-service	Mid-price	99	Tokyo	35.8	1,120	1,173	2,280	4.1%	2,270	4.1%	0.3%	15,000	8,943	(5,343)	1.6%
10	dormy inn·global cabin Asakusa	Limited-service	Economy	75	Tokyo	25.3	999	930	1,300	4.0%	1,300	4.0%	0.3%	32,537	28,135	21,931	5.6%
11	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Fukuoka	27.3	2,130	2,050	4,530	4.4%	4,510	4.4%	0.6%	120,000	113,000	101,000	10.6%
12	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Nara	22.3	2,050	1,719	2,430	5.0%	2,430	5.0%	0.6%	75,000	66,000	48,000	6.5%
13	R&B Hotel Ueno-hirokoji	Limited-service	Economy	187	Tokyo	20.2	1,720	1,785	1,900	4.0%	1,850	4.1%	0.5%	48,654	41,501	33,094	4.8%
14	Comfort Hotel Tokyo Higashi Nihombashi	Limited-service	Economy	259	Tokyo	14.4	3,746	3,439	5,340	4.4%	5,370	4.4%	1.0%	135,763	120,780	102,172	6.4%
15	Smile Hotel Nihombashi Mitsukoshimae	Limited-service	Economy	164	Tokyo	25.3	2,108	2,020	2,930	4.1%	2,940	4.1%	0.6%	67,200	59,069	49,094	5.6%
16	Toyoko Inn Hakata-guchi Ekimae	Limited-service	Economy	257	Fukuoka	20.8	1,652	1,373	2,760	4.5%	2,760	4.5%	0.5%	70,519	63,691	54,590	7.7%
17	Oriental Hotel Universal City	Resort	Mid-price	330	Osaka	21.0	6,753	7,472	16,700	4.9%	17,700	4.8%	1.9%	178,499	151,023	38,007	4.4%
18	Chisun Inn Kamata	Limited-service	Economy	70	Tokyo	19.2	823	776	1,370	4.6%	1,370	4.6%	0.2%	3,826	310	(5,756)	0.9%
19	Chisun Hotel Kamata	Limited-service	Economy	105	Tokyo	30.4	1,512	1,453	2,020	4.8%	2,020	4.8%	0.4%	4,342	(2,784)	(18,828)	0.9%
20	Hilton Tokyo Bay	Resort	Luxury	828	Chiba	34.0	26,050	26,087	40,300	4.3%	40,400	4.3%	7.2%	990,117	849,617	754,582	6.5%
21	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kyoto	13.2	6,600	6,600	9,990	4.3%	9,990	4.3%	1.8%	23,161	(8,471)	(24,953)	0.4%
22	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	11.9	6,797	6,426	11,100	4.7%	11,100	4.7%	1.9%	34,419	(8,176)	(48,517)	1.4%
23	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	13.2	6,000	5,687	10,500	4.7%	10,500	4.7%	1.7%	65,180	(10,953)	(55,778)	1.1%
24	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	12.9	3,000	2,796	6,950	4.7%	6,940	4.7%	0.8%	4,746	(14,756)	(46,549)	(0.7%)

# 5. Property List (2/2)

(as of the end of June 2022)

No.	Property Name	Hotel Type (*1)	Grade (*2)	No. of Guest Rooms	Location	Age (*3)	Acquisition Price (JPY MM) (*4)	Book Value (JPY MM) (*5)	Appraisal Value				Investment Ratio (*6)	Revenue from Real Estate Operation (JPY1,000) (*7)	NOI (JPY1,000) (*7)	P/L from Real Estate Operation (JPY1,000) (*7)	NOI Yield (estimate) (*8)
									22nd Period (as of December 31, 2021)		23rd Period (as of June 30, 2022)						
									Appraisal Value (JPY MM)	CAP Rate	Appraisal Value (JPY MM)	CAP Rate					
25	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	40.0	6,520	6,566	7,230	4.2%	7,160	4.2%	1.8%	238,936	224,694	211,407	5.6%
26	the b hachioji	Limited-service	Mid-price	196	Tokyo	35.9	2,610	2,686	2,570	5.1%	2,560	5.1%	0.7%	33,326	21,289	3,394	1.8%
27	the b hakata	Limited-service	Mid-price	175	Fukuoka	24.8	2,300	2,351	4,340	4.3%	4,320	4.3%	0.6%	33,261	26,925	15,843	2.3%
28	Hotel Francs	Full-service	Mid-price	222	Chiba	30.9	3,105	3,121	4,040	4.7%	4,040	4.7%	0.9%	150,000	118,969	96,434	7.7%
29	Mercure Yokosuka	Full-service	Mid-price	160	Kanagawa	28.7	1,650	1,616	3,360	4.6%	3,360	4.6%	0.5%	88,136	37,164	18,645	3.8%
30	Oriental Hotel Okinawa Resort & Spa	Resort	Upper-middle	361	Okinawa	17.4	14,950	15,105	17,300	4.9%	17,800	4.9%	4.1%	-	(41,504)	(187,524)	0.9%
31	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Full-service	Luxury	238	Hiroshima	11.8	17,320	17,140	20,700	4.6%	20,700	4.6%	4.8%	472,920	263,109	155,460	3.7%
32	CANDEO HOTELS UENO-KOEN	Limited-service	Mid-price	268	Tokyo	12.5	6,705	6,560	7,440	4.0%	7,440	4.0%	1.8%	174,985	162,063	141,910	4.8%
33	Oriental Hotel Fukuoka Hakata Station	Full-service	Upper-middle	221	Fukuoka	37.0	7,197	8,977	15,200	4.6%	15,200	4.6%	2.0%	187,475	63,980	(126,690)	4.5%
34	Holiday Inn Osaka Namba	Limited-service	Mid-price	314	Osaka	13.9	27,000	26,728	26,600	4.3%	26,500	4.3%	7.4%	106,786	82,409	22,572	0.4%
35	Hotel Oriental Express Fukuoka Tenjin	Limited-service	Mid-price	263	Fukuoka	23.2	5,248	5,845	6,520	4.8%	6,620	4.7%	1.4%	136,222	93,459	49,354	3.6%
36	Hilton Nagoya	Full-service	Luxury	460	Aichi	33.3	15,250	15,530	14,800	4.2%	14,800	4.2%	4.2%	430,075	126,206	36,402	1.7%
37	Hilton Tokyo Narita Airport	Full-service	Upper-middle	548	Chiba	28.9	13,175	13,164	13,600	4.6%	13,500	4.6%	3.6%	65,290	25,132	(75,448)	0.1%
38	International Garden Hotel Narita	Full-service	Mid-price	463	Chiba	26.1	9,125	9,050	9,520	4.8%	9,520	4.8%	2.5%	111,105	89,264	11,682	1.5%
39	Hotel Nikko Nara	Full-service	Upper-middle	330	Nara	24.3	10,373	10,194	9,800	4.8%	9,870	4.8%	2.9%	8,053	(15,335)	(89,120)	1.1%
40	Hotel Oriental Express Osaka Shinsaibashi	Limited-service	Mid-price	124	Osaka	4.4	2,738	2,808	2,840	4.7%	2,890	4.7%	0.8%	-	(7,018)	(14,868)	(0.5%)
41	Hilton Tokyo Odaiba	Full-service	Upper-middle	453	Tokyo	26.5	62,400	63,377	68,400	3.7%	67,800	3.7%	17.2%	-	(164,625)	(312,450)	0.6%
<b>Total or Average</b>		-	-	<b>11,279</b>	-	<b>24.1</b>	<b>363,542</b>	<b>357,316</b>	<b>485,480</b>	-	<b>486,080</b>	-	<b>100.0%</b>	<b>5,414,765</b>	<b>3,497,576</b>	<b>1,212,069</b>	<b>2.6%</b>

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

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

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

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

(\*5) Book value as of the end of June 2022.

(\*6) Investment ratio indicate percentage of the acquisition price of each asset to the total acquisition price. Numbers beyond one decimal place is rounded off.

(\*7) Actual for six months from January to June 2022. Since the lessees did not agree to disclose numbers in units of JPY1,000 for No. 11 and 12, amounts are rounded down to the nearest JPY million.

(\*8) NOI yield (Estimate) is estimate for full year FY2022. NOI yield (estimate) of portfolio is calculated as follows: Total NOI for FY12/2022 (estimate) / total acquisition price of properties held as of the end of June 2022.

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

(as of the end of June 2022)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/ Hotel Consulting and Management Company	Lease/ MC Term	Expiration Date of Contract	Contractual Rent (*2)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2022 to 2023)			
										Timing	Condition	2022	2023		
1	Kobe Meriken Park Oriental Hotel	Fixed- lease	Fixed + Variable	Hotel Management Japan Co., Ltd.	Hotel Operator/ Hotel Consulting and Management Company	15	Dec. 2034	[2022] Hotel AGOP x 86% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid	In principle, the same rent will be applied until expiration of the contract.	Feb. 2022	Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards)	-	-		
2	Oriental Hotel tokyo bay							[2022] Hotel AGOP x 79% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid							
3	Namba Oriental Hotel							[2022] Hotel AGOP x 91% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid							
4	Oriental Hotel Hiroshima							[2022] Hotel AGOP x 89% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid							
5	Hotel Nikko Alivila							[2022] Hotel AGOP x 74% (If the AGOP is below JPY0, it will be JPY0) [2023] For The Five HMJ Hotels JPY3,221MM/ year + when Hotel AGOP exceeds JPY4,120MM, the excess x 85% is paid							
6	The Beach Tower Okinawa	Fixed- lease	Fixed	Kyoritsu Maintenance Co., Ltd.	Hotel Operator/ Hotel Consulting and Management Company	20	Jun. 2026	JPY42MM/month	The same rent will be applied until expiration of the contract.	-	-	-	-		
7	Hakone Setsugetsuka	Fixed- lease	Fixed					20	Oct. 2026	JPY24MM/month	The same rent will be applied until expiration of the contract.	-	-	-	-
8	Dormy Inn Kumamoto	Fixed- lease	Fixed					12	Mar. 2023	JPY16MM/month	Rent can be modified through mutual agreement every three years.	Apr. 2020	Same	-	To be expired (Mar.)
9	dormy inn-global cabin Asakusa	Lease	Fixed					3	Mar. 2023	JPY5MM/month	Rent can be modified through mutual agreement every three years.	Apr. 2020	Same	-	To be expired (Mar.)
10	Hakata Nakasu Washington Hotel Plaza	Lease	Fixed					Washington Hotel K.K.	Hotel Operator/ Hotel Consulting and Management Company	3	Mar. 2024	JPY20MM/month	Rent can be modified through mutual agreement.	Apr. 2021	Same
11	Nara Washington Hotel Plaza	Lease	Fixed	3	Mar. 2023	JPY11MM/month	Rent can be modified through mutual agreement.					Mar. 2020	Same	-	To be expired (Mar.)
12	R&B Hotel Ueno-hirokoji	Lease	Fixed	20	Apr. 2025	JPY8MM/month	Rent can be modified through mutual agreement.					Apr. 2011	Increased (+3.0%)	-	-
13	Comfort Hotel Tokyo Higashi Nihombashi	Fixed- lease	Fixed + Revenue sharing	Greens Co., Ltd.	Hotel Operator/ Hotel Consulting and Management Company	20	Jan. 2028	JPY21MM/month + Revenue sharing	Rent can be modified through mutual agreement every five years.	Apr. 2018	Same (Introduced revenue sharing)	-	-		
14	Smile Hotel Nihombashi Mitsukoshimae	Lease	Fixed + Revenue sharing	THE KAMOGAWA GRAND HOTEL, LTD.				3	Mar. 2023	JPY11MM/month + Revenue sharing	Rent can be modified through mutual agreement.	Mar. 2020	Same	-	To be expired (Mar.)
15	Toyoko Inn Hakata-guchi Ekimae	Lease	Fixed	Toyoko Inn Co., Ltd.				30	Sep. 2031	JPY11MM/month	No rule has been stipulated.	Oct. 2007	Increased (+9.4%)	-	-

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

(as of the end of June 2022)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/ Hotel Consulting and Management Company	Lease/ MC Term	Expiration Date of Contract	Contractual Rent (*2)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2022 to 2023)	
										Timing	Condition	2022	2023
										16	Oriental Hotel Universal City (*4)	Fixed-lease	Fixed + Variable
17	Chisun Inn Kamata	Fixed-lease	Variable	Solare Hotels & Resorts Co., Ltd.	SHR Hotels, Co., Ltd.	7	Dec. 2026	Hotel GOP x 86% (If the amount is below JPY0, it will be JPY0)	-	Jan. 2020	Same	-	-
18	Chisun Hotel Kamata (*5)	Fixed-lease	Variable			5	Dec. 2025	Hotel GOP x 86% (If the amount is below JPY0, it will be JPY0)	-	Jan. 2021	Change in lessee and Modified Structure	-	-
19	Hilton Tokyo Bay	Fixed-lease	Fixed + Revenue sharing	THE DAI-ICHI BUILDING CO., LTD.	Hilton International Company	4	Dec. 2022	JPY163MM/month + Revenue sharing	Rent can be modified through mutual agreement.	Jan. 2019	Renewed (Increased)	To be expired (Dec.)	-
20	ibis Styles Kyoto Station	-	Management contract	-	AAPC Japan K.K.	12	Dec. 2024	Amount equivalent to hotel GOP	-	-	-	-	-
21	ibis Styles Sapporo	-	Management contract			10	Dec. 2024	Amount equivalent to hotel GOP	-	-	-	-	-
22	Mercure Sapporo	-	Management contract			15	Sep. 2029	Amount equivalent to hotel GOP	-	-	-	-	-
23	Mercure Okinawa Naha	-	Management contract			10	Apr. 2024	Amount equivalent to hotel GOP	-	-	-	-	-
24	Mercure Yokosuka	Fixed-lease	Variable	AAPC Japan K.K.		5	Aug. 2024	Linked to hotel GOP	The same rent will be applied until expiration of the contract.	Aug. 2019	Renewed (Increased)	-	-
25	the b ikebukuro	Fixed-lease	Fixed + Variable	Ishin Ikebukuro Operations K.K.		9.5	Jul. 2024	[2021]JPY38MM/year + Linked to hotel AGOP [2022]JPY80MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	-
26	the b hachioji	Fixed-lease	Fixed + Variable	Ishin Hachioji Operations, Y.K.		9.5	Jul. 2024	[2021]JPY21MM/year + Linked to hotel AGOP [2022]JPY45MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	-
27	the b hakata	Fixed-lease	Fixed + Variable	Ishin Hakata Operations K.K.		9.5	Jul. 2024	[2021]JPY28MM/year + Linked to hotel AGOP [2022]JPY59MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	-
28	the b suidobashi	Fixed-lease	Fixed + Variable	Ishin Suidobashi Operations K.K.		5	Dec. 2026	[2021]JPY13MM/year + Linked to hotel AGOP [2022]JPY30MM/year + Linked to hotel AGOP	The same rent will be applied until expiration of the contract.	Oct. 2020	Fixed rent was changed (Reduction)	-	-
29	Hotel Francs	Fixed-lease	Fixed	K.K. BP		19	Oct. 2024	JPY25MM/month	The same rent will be applied until expiration of the contract.	-	-	-	-
30	Oriental Hotel Okinawa Resort & Spa (*6)	Fixed-lease	Fixed + Variable	Lagoon resort Nago Co., Ltd.		10	Dec. 2030	[2022]Hotel AGOP x 89% (If the amount is below JPY0, it will be JPY0) [2023]JPY550MM/year + when Hotel AGOP exceeds JPY655MM, the excess x 95% is paid	In principle, the same rent will be applied until expiration of the contract.	Feb. 2022	Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards)	-	-
31	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Fixed-lease	Fixed + Variable	K.K. A.I.C Hiroshima Management	Luxury Hotels International of Hong Kong Limited	11	Dec. 2026	[2022]Hotel AGOP x 93% (If the amount is below JPY0, it will be JPY0) [2023]JPY348MM/year + when Hotel AGOP exceeds JPY360MM, the excess x 90% is paid	In principle, the same rent will be applied until expiration of the contract.	Feb. 2022	Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards)	-	-

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

(as of the end of June 2022)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/ Hotel Consulting and Management Company	Lease/ MC Term	Expiration Date of Contract	Contractual Rent (*2)	Rent Modification Summary	Rent Modification Summary (After acquisition)		Rent Modification Schedule (2022 to 2023)	
										Timing	Condition	2022	2023
32	CANDEO HOTELS UENO-KOEN	Fixed-lease	Fixed	Candeco Hospitality Management, Inc.		20	Feb. 2030	Nondisclosure <sup>(*3)</sup>	Rent can be modified through mutual agreement every three years.	Jul. 2016	Nondisclosure <sup>(*3)</sup>	-	-
33	Oriental Hotel Fukuoka Hakata Station	Fixed-lease	Fixed + Variable	Hotel Centraza Co., Ltd.		15	Dec. 2034	[2022]Hotel AGOP x 97% (If the amount is below JPY0, it will be JPY0) [2023]JPY425MM/year + when Hotel AGOP exceeds JPY442MM, the excess x 98% is paid	In principle, the same rent will be applied until expiration of the contract.	Feb. 2022	Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards)	-	-
34	Holiday Inn Osaka Namba	Fixed-lease	Fixed + Variable	OW Hotel Operations KK		15	Oct. 2031	[2022]Hotel AGOP x 98% (If the amount is below JPY0, it will be JPY0) [2023]JPY576MM/year + when Hotel AGOP exceeds JPY580MM, the excess x 97% is paid	In principle, the same rent will be applied until expiration of the contract.	Feb. 2022	Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards)	-	-
35	Hotel Oriental Express Fukuoka Tenjin (*7)	Fixed-lease	Fixed + Variable	K.K Fukuoka Tenjin Operations		10.5	Dec. 2031	JPY150MM/year + when Hotel AGOP exceeds JPY165MM, the excess x 97% is paid (Fixed rent payments from June 2021 to June 2022 is waived. The starting date for calculation of variable rent is January 1, 2022.)	In principle, the same rent will be applied until expiration of the contract.	Jun. 2021	Change in lessee and Modified Structure	-	-
36	Hilton Nagoya	Lease	Variable	Nagoya Hilton Co., Ltd.	Hilton International Company	41	Dec. 2029	Nondisclosure <sup>(*3)</sup>	Rent can be modified through mutual agreement.	-	-	-	-
37	Hilton Tokyo Narita Airport	Fixed-lease	Fixed + Variable	KK NaritaKosuge Operations		20	Jun. 2037	[2022]Hotel AGOP x 95% (If the amount is below JPY0, it will be JPY0) [2023]JPY444MM/year + when Hotel AGOP exceeds JPY450MM, the excess x 93% is paid	In principle, the same rent will be applied until expiration of the contract.	Feb. 2022	Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards)	-	-
38	International Garden Hotel Narita	Fixed-lease	Fixed + Variable	KK NaritaYoshikura Operations		10	Jun. 2027	[2022]Hotel AGOP x 95% (If the amount is below JPY0, it will be JPY0) [2023]JPY336MM/year + when Hotel AGOP exceeds JPY360MM, the excess x 98% is paid	In principle, the same rent will be applied until expiration of the contract.	Feb. 2022	Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards)	-	-
39	Hotel Nikko Nara	Fixed-lease	Fixed + Variable	Hotel Management Co., Ltd.	Okura Nikko Hotel Management Co., Ltd.	10	Dec. 2030	[2022]Hotel AGOP x 95% (If the amount is below JPY0, it will be JPY0) [2023]JPY420MM/year + when Hotel AGOP exceeds JPY440MM, the excess x 95% is paid	In principle, the same rent will be applied until expiration of the contract.	Feb. 2022	Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards)	-	-
40	Hotel Oriental Express Osaka Shinsaibashi	Fixed-lease	Fixed + Variable	K.K. HOTEL ORIENTAL EXPRESS		10	Mar. 2028	[2022]Hotel AGOP x 87% (If the amount is below JPY0, it will be JPY0) [2023]JPY110.4MM/year + when Hotel AGOP exceeds JPY128MM, the excess x 91% is paid	In principle, the same rent will be applied until expiration of the contract.	Feb. 2022	Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards)	-	-
41	Hilton Tokyo Odaiba	Fixed-lease	Fixed + Variable	Tokyo Humania Enterprise Inc.		11	Dec. 2029	[2022]Hotel AGOP x 97% (If the amount is below JPY0, it will be JPY0) [2023]JPY1,600MM/year + when Hotel AGOP exceeds JPY1,660MM, the excess x 98% is paid	In principle, the same rent will be applied until expiration of the contract.	Feb. 2022	Modified Structure (variable rent only from February 2020 to December 2022) (variable rent ratio was changed for 2023 onwards)	-	-

(\*1) Rent structure is as follows:

Fixed: Fixed rent

Variable: Variable rent

Management contract: Management contract

Fixed + Variable: Property paying both fixed and variable rent

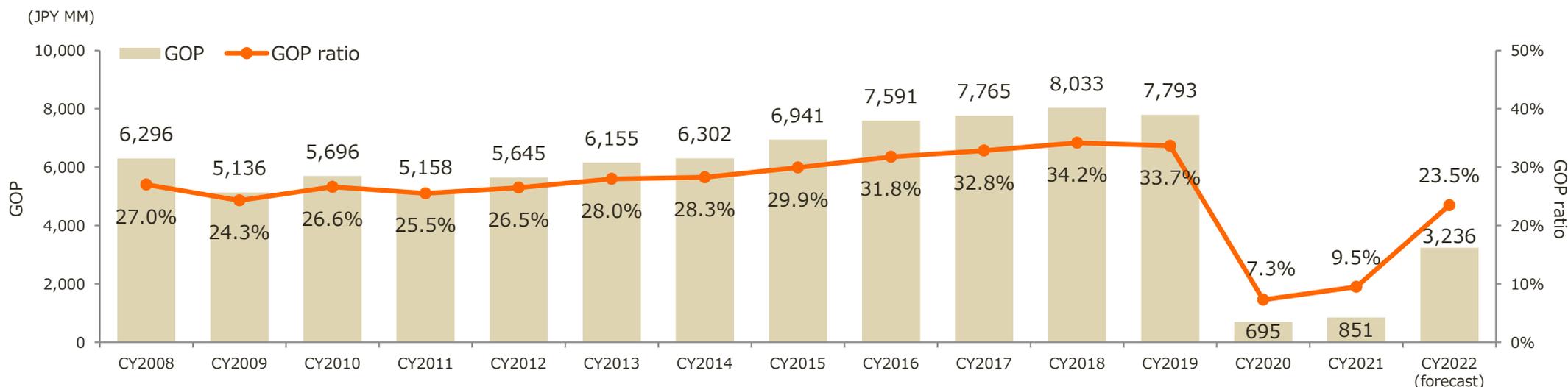
Fixed + Revenue sharing: When the sales of the hotel exceed pre-determined amount, additional rent is paid

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

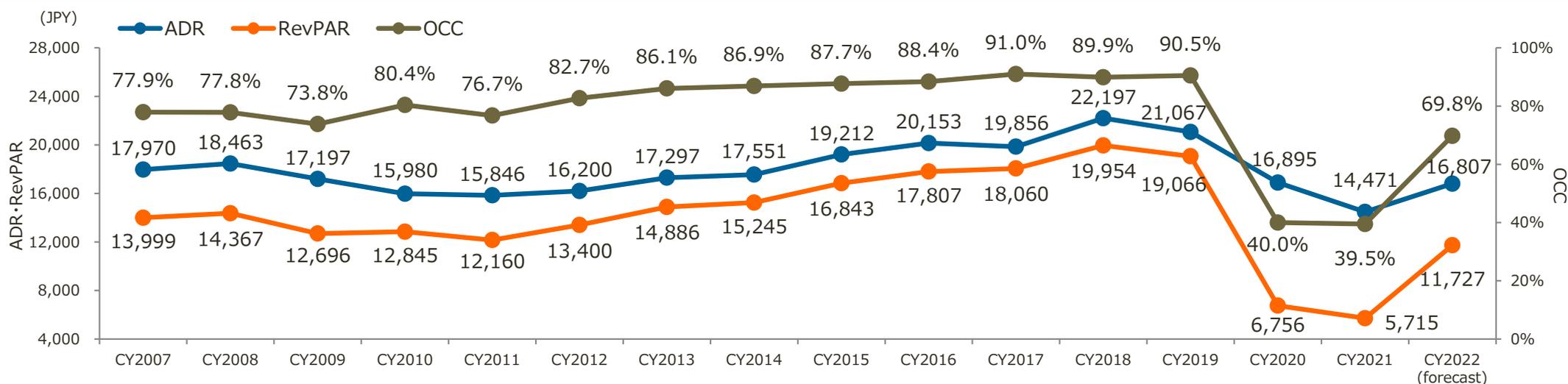
(\*3) The detailed content of the contract is not disclosed as consent on disclosure has not been obtained from the lessee.

# 7. The Five HMJ Hotels — Highlights

### Changes in GOP and GOP ratio



### Changes in KPI



(\*) Since May 2019, in order to avoid dispersion on ADR and RevPAR between hotels caused by existence of service charge, numbers are changed to include service charge.

# 8. Portfolio Map

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

## Total Assets

JPY**363.5**Bn

## No. of Hotels

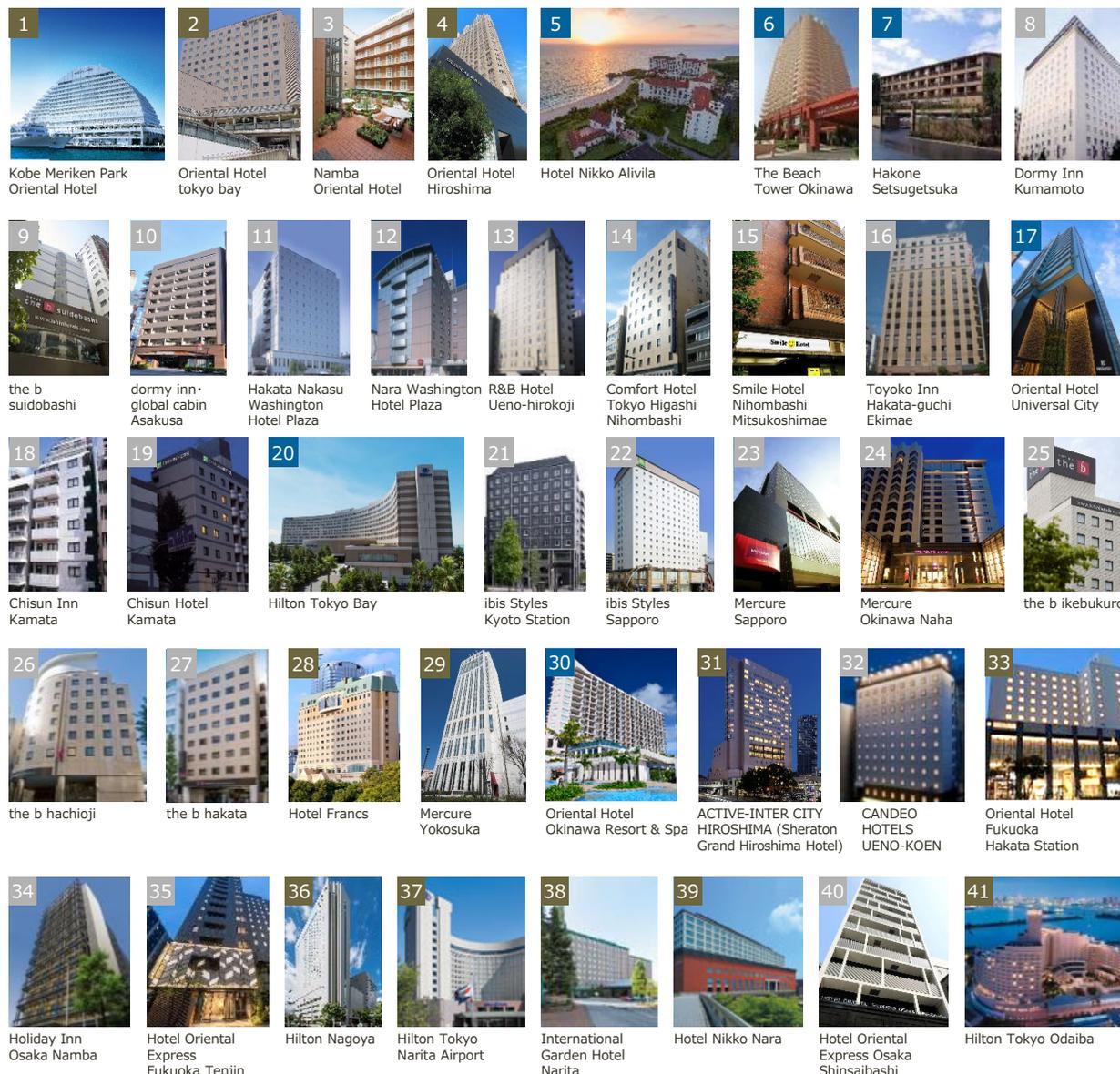
**41** Hotels

## No. of Guest Rooms

**11,279** Rooms



(as of August 24, 2022)



# 9. Balance Sheet

(Unit: JPY MM)

(as of)	FY12/2021 End of Fiscal Year December 31, 2021	FY12/2022 End of Midterm June 30, 2022	Variance	(as of)	FY12/2021 End of Fiscal Year December 31, 2021	FY12/2022 End of Midterm June 30, 2022	Variance
<b>ASSETS</b>				<b>LIABILITIES</b>			
<b>Current Assets</b>	<b>32,640</b>	<b>30,560</b>	<b>(2,080)</b>	<b>Current Liabilities</b>	<b>41,265</b>	<b>51,238</b>	<b>9,973</b>
Cash and Deposits <sup>(*1)</sup>	30,296	28,067	(2,229)	Operating Accounts Payable	1,426	682	(744)
Operating Accounts Receivables	1,750	1,941	190	Short-term Loans	24,002	32,436	8,434
Others	593	551	(41)	Current Portion of Investment Corporation Bond	6,000	6,000	—
<b>Noncurrent Assets</b>	<b>361,531</b>	<b>360,789</b>	<b>(742)</b>	Current Portion of Long-term Loans Payable	8,434	11,172	2,738
Net Property and Equipment	326,143	325,203	(940)	Accounts Payable	712	570	(141)
Buildings in Trust <sup>(*2)</sup>	111,807	110,853	(953)	Advances Received	658	355	(303)
Land in Trust	212,263	212,263	—	Others	31	22	(8)
Others <sup>(*3)</sup>	2,073	2,086	12	<b>Long-term Liabilities</b>	<b>131,516</b>	<b>120,329</b>	<b>(11,186)</b>
Intangible Assets	32,704	32,578	(125)	Investment Corporation Bonds	34,100	34,100	—
Other Assets	2,683	3,006	323	Long-term Loans Payable	92,218	81,046	(11,172)
Leasehold and Security Deposits	152	152	—	Tenant Leasehold and Security Deposits	4,654	4,672	17
Others	2,531	2,854	323	Derivative Liabilities	202	28	(174)
<b>Deferred Assets</b>	<b>151</b>	<b>133</b>	<b>(17)</b>	Others	340	482	142
				<b>TOTAL LIABILITIES</b>	<b>172,781</b>	<b>171,568</b>	<b>(1,213)</b>
				<b>NET ASSETS</b>			
				Unitholders' Capital	187,194	187,194	—
				Capital Surplus	21,746	21,746	—
				Reserve for Temporary Difference Adjustment	10,311	9,976	(335)
				Reserve for Special Advanced Depreciation	1,174	1,174	—
				Unappropriated Retained Earnings	1,300	(470)	(1,770)
				Others	(185)	293	478
				<b>TOTAL NET ASSETS</b>	<b>221,542</b>	<b>219,914</b>	<b>(1,627)</b>
<b>TOTAL ASSETS</b>	<b>394,323</b>	<b>391,483</b>	<b>(2,840)</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>394,323</b>	<b>391,483</b>	<b>(2,840)</b>

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

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

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

## **Appendix 3**

# **Investors Composition and Investment Unit Price**

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# 1. Major Unitholders and Classifications of Unitholders

## Top 10 Major Unitholders

As of the end of December 2021

Rank	Name	No. of Units	% <sup>(*)</sup>
1	The Master Trust Bank of Japan, Ltd. (Trust)	723,372	16.19
2	Custody Bank of Japan, Ltd. (Trust)	473,663	10.60
3	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	196,659	4.40
4	Custody Bank of Japan, Ltd. (Securities Investment Trust)	184,396	4.12
5	SDSS K INVESTCO LIMITED	117,567	2.63
6	ELLIOTT INTERNATIONAL LP	76,823	1.71
7	STATE STREET BANK CLIENT - TREATY 505234	71,249	1.59
8	THE BANK OF NEW YORK MELLON 140044	63,021	1.41
9	SSBTC CLIENT OMNIBUS ACCOUNT	62,547	1.40
10	JP MORGAN CHASE BANK 385781	59,668	1.33
<b>Total</b>		<b>2,028,965</b>	<b>45.42</b>

As of the end of June 2022

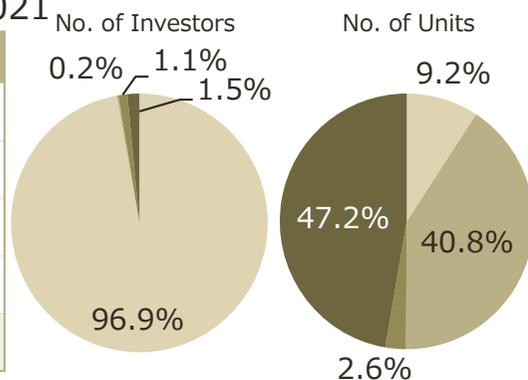
Rank	Name	No. of Units	% <sup>(*)</sup>
1	The Master Trust Bank of Japan, Ltd. (Trust)	757,896	16.96
2	Custody Bank of Japan, Ltd. (Trust)	664,123	14.86
3	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	217,540	4.86
4	SDSS K INVESTCO LIMITED	117,567	2.63
5	BNYM AS AGT/CLTS 10 PERCENT	80,713	1.80
6	STATE STREET BANK CLIENT - TREATY 505234	70,215	1.57
7	STATE STREET BANK AND TRUST COMPANY 505103	68,416	1.53
8	GOLDMAN SACHS INTERNATIONAL	64,230	1.43
9	SSBTC CLIENT OMNIBUS ACCOUNT	62,291	1.39
10	JP MORGAN CHASE BANK 385781	58,895	1.31
<b>Total</b>		<b>2,161,886</b>	<b>48.39</b>

(\*) Ownership ratio shows the total units held by each investor to the total units issued by JHR as of the end of December 2021 and the end of June 2022, respectively (rounded down to two decimal places).

## Classifications of Unitholders

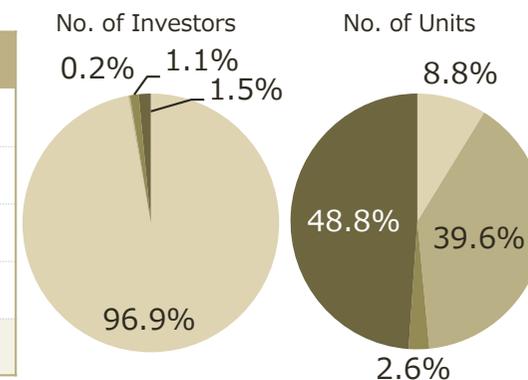
As of the end of December 2021

Owners	No. of Investors	No. of Units
Individuals & Others	30,521	414,518
Financial Institutions (Incl. Securities Firms)	86	1,825,210
Other Domestic Firms	374	117,774
Foreign Firms & Individuals	500	2,109,504
<b>Total</b>	<b>31,481</b>	<b>4,467,006</b>



As of the end of June 2022

Owners	No. of Investors	No. of Units
Individuals & Others	30,013	397,277
Financial Institutions (Incl. Securities Firms)	72	1,772,086
Other Domestic Firms	367	116,608
Foreign Firms & Individuals	491	2,181,035
<b>Total</b>	<b>30,943</b>	<b>4,467,006</b>



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

# 2. Changes in Investment Unit Price and Market Capitalization

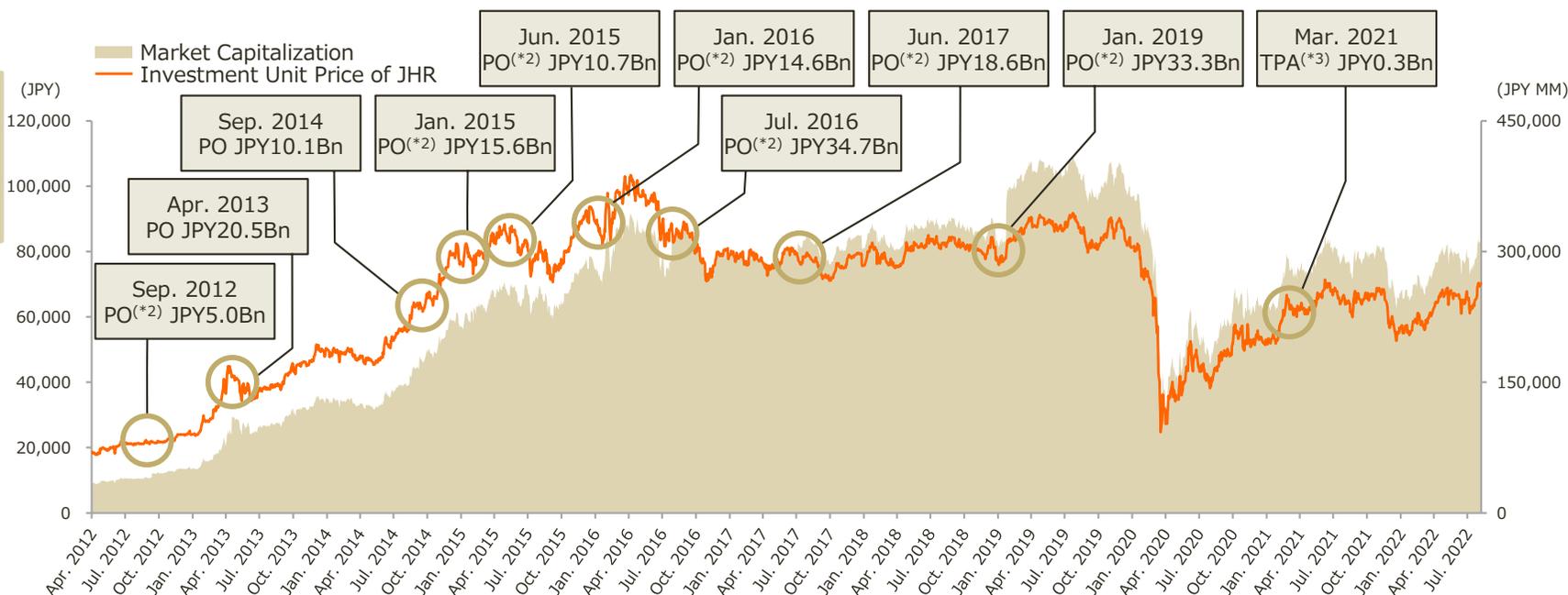
## Changes in the investment unit price and market capitalization (Based on the closing price)

**Price of the investment unit:**  
**JPY69,000**  
**Total market capitalization:**  
**JPY308.2Bn**  
 (based on the closing price of July 29, 2022)

(\*1) Price of the real estate investment securities may fall depending on the fluctuations of price of the real estate under management or profitability, etc., and investors may suffer losses. Investors may also suffer losses through the bankruptcy or deteriorated financial condition of the issuer. With reference to the risk of investment in JHR units, please see Securities Report dated March 24, 2022.

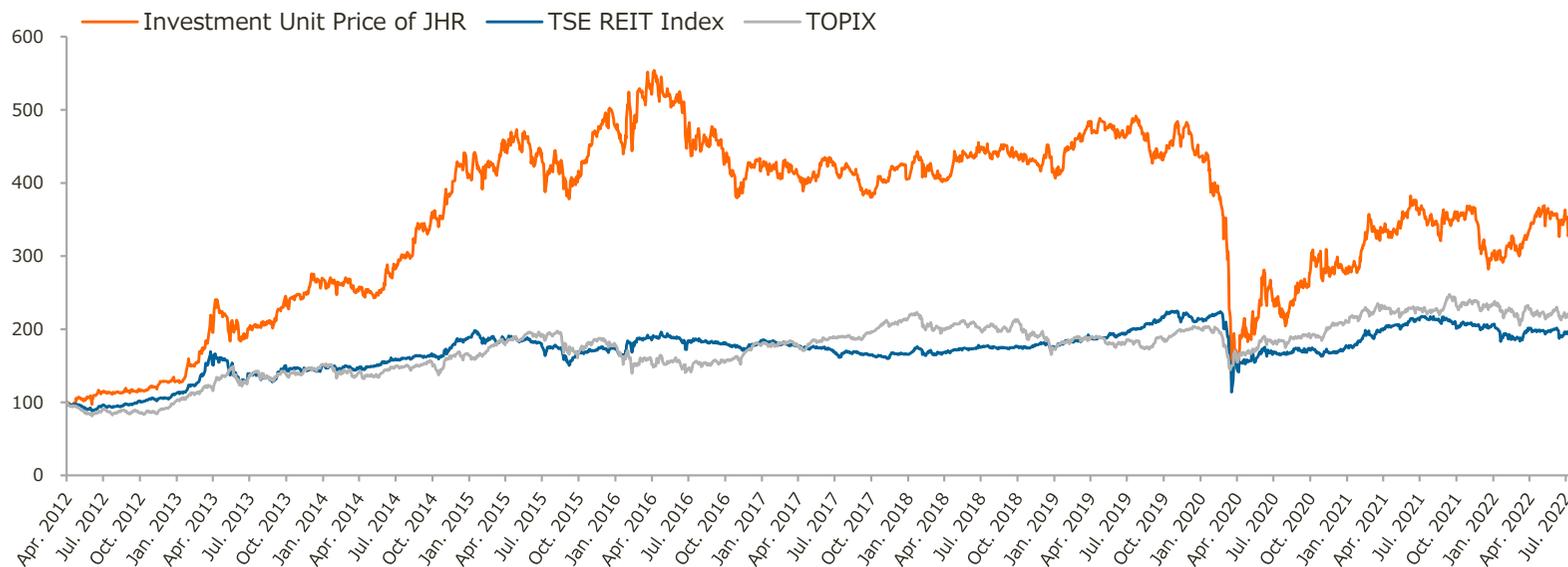
(\*2) Including OA

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



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

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



## **Appendix 4**

# **Summary of the Asset Management Company**

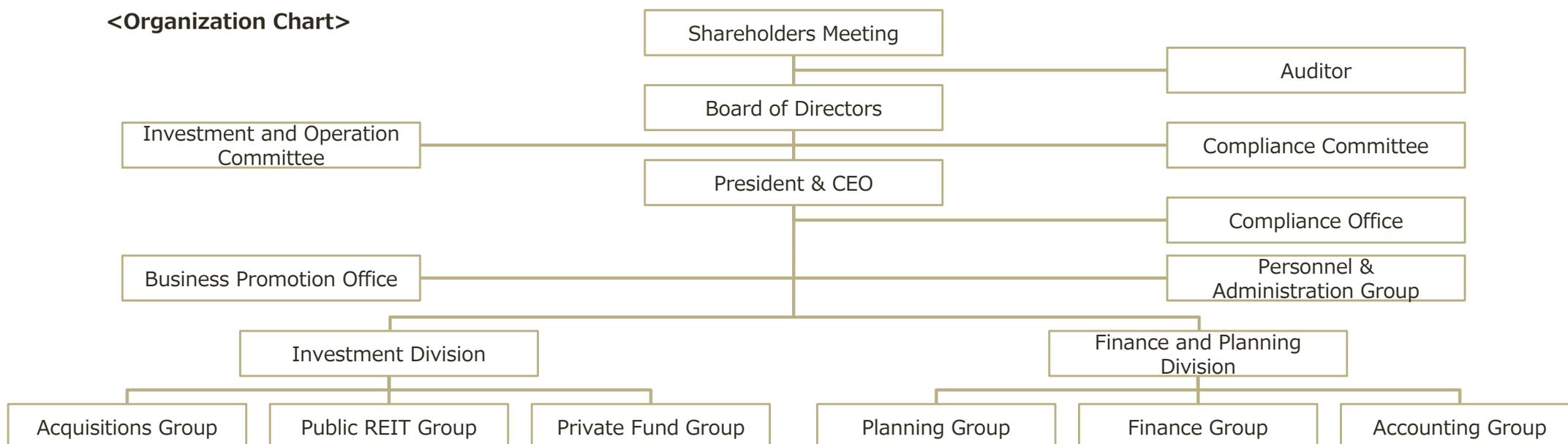
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# 1. Summary of the Asset Management Company

(as of July 1, 2022)

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

## <Organization Chart>



## 2. Features and Governance of the Asset Management Company

- ◆ Since JHR marked 10th anniversary from its rebirth in April 2022, JHRA has redefined its mission statement for next ten years while significant changes are ongoing in worldwide environment

### Mission Statement

#### Connecting hotels, people, and the future

We explore the possibility of hotels.

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

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

We connect hotels, people, and a bright future.

#### Ideas behind the new mission statement

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

### Code of Conduct

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

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

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

#### Challenge

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



#### Teamwork

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

### Advanced Expertise

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

### Ensured Independence

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

This material is prepared and provided solely for the purpose of providing information and not to offer, solicit, or do business, etc. with specific products including purchase of investment units, investment unit subscription rights, or investment corporation bonds of Japan Hotel REIT Investment Corporation ("JHR") or any other particular products. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

This material is neither a disclosure document nor an investment report required under or prepared pursuant to the Financial Instruments and Exchange Act, Act on Investment Trusts and Investment Corporations and related government ordinances, Cabinet Office regulations, listing rules by Tokyo Stock Exchange, Regulations of The Investment Trusts Association, Japan, or other related rules and regulations.

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