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January 23, 2024

REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)
Kaname Masuda, Executive Director

Asset Management Company:

Japan Hotel REIT Advisors Co., Ltd.
Hisashi Furukawa, President & CEO

Contact:

Makoto Hanamura
Director of the Board, Managing Director
Head of Finance and Planning Division
TEL: +81-3-6422-0530

Notice Concerning Revision of Operating and Dividend Forecasts for Fiscal Year Ended December 2023 (24th Period)
and Operating and Dividend Forecasts for Fiscal Year Ending December 2024 (25th Period)

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) announces revisions to its operating and dividend forecasts for the fiscal year ended December 2023 (24th Period), released on September 11, 2023, as detailed in the “Notice Concerning Revision of Operating Forecast for the Fiscal Year Ending December 2023 (January 1, 2023 to December 31, 2023).” JHR also announces its operating and dividend forecasts for the fiscal year ending December 2024 (January 1, 2024 to December 31, 2024) as follows:

1. Revision of Operating and Dividend Forecasts for Fiscal Year Ended December 2023
(January 1, 2023 through December 31, 2023)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (excluding excess of earnings)	Dividend per unit resulting from excess of earnings
Previous forecast (A)	JPY1M 25,138	JPY1M 13,437	JPY1M 11,493	JPY1M 11,491	JPY 2,652	JPY —
Forecast this time (B)	JPY1M 26,574	JPY1M 15,014	JPY1M 13,135	JPY1M 13,133	JPY 3,014	JPY —
Variance (C) = (B) - (A)	JPY1M 1,435	JPY1M 1,577	JPY1M 1,641	JPY1M 1,641	JPY 362	JPY —
Variance ratio (D) = (C) / (A)	% 5.7	% 11.7	% 14.3	% 14.3	% 13.7	% —

(Reference) Forecast of net income per unit for the full fiscal year: JPY2,909

(Calculated based on the average number of investment units during the period (4,514,513 units))

(*1) Dividend per unit is calculated based on the number of investment units issued as of today: 4,637,006 units.

(*2) The total dividend is planned to include the reversed amount of reserve for temporary difference adjustment due to negative goodwill (JPY845 million).

(*3) For the details of the operating forecast and forecast of dividend above, please refer to <Reference Information 1> “Assumptions for revision of the operating forecast for the full fiscal year ended December 2023 (24th period).”

(*4) Amounts are rounded down to the nearest millions of yen, and percentages are rounded off to the nearest first decimal place. The same shall apply hereinafter.

<Note> This document is intended to serve to publicly announce the revision of JHR’s operating and dividend forecasts for the fiscal year ended December 2023 (24th period) and the operating and dividend forecasts for the fiscal year ending December 2024 (25th period). It should not be construed as an offer of solicitation for investment. All investment decisions should be made solely at the investors’ own discretion and risk.

2. Operating and Dividend Forecasts for Fiscal Year Ending December 2024
(January 1, 2024 through December 31, 2024)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
FY12/2024 Midterm	JPY1M 13,936	JPY1M 7,974	JPY1M 6,880	JPY1M 6,880	JPY —	JPY —
FY12/2024 Full year	JPY1M 31,288	JPY1M 18,815	JPY1M 16,713	JPY1M 16,712	JPY 3,722	JPY —

(Reference) Forecast of net income per unit for the full fiscal year: JPY3,604

(Calculated based on the average number of investment units during the period (4,637,006 units))

(*1) Dividend per unit is calculated based on the number of investment units issued as of today: 4,637,006 units.

(*2) The total dividend is planned to include the reversed amount of reserve for temporary difference adjustment due to negative goodwill (JPY549 million).

(*3) For the details of the assumptions of operating forecasts above, please refer to “<Reference Information 2> Assumptions for the operating forecast for the midterm for the fiscal year ending December 2024 (25th period) and for the full fiscal year ending December 2024 (25th period).”

(*4) Amounts are rounded down to the nearest millions of yen, and percentages are rounded off to the nearest first decimal place. The same shall apply hereinafter.

3. Rationale for Revisions of Operating and Dividend Forecasts for Fiscal Year Ended December 2023
(January 1, 2023 through December 31, 2023)

Since the operating results of each hotel through December 2023 have almost become clear, JHR revised the operating and dividend forecasts for the fiscal year ended December 2023.

The fiscal year ended December 2023 saw a marked recovery. In the second half of the year, the domestic demand remained strong, the inbound demand recovered significantly, and the number of inbound visitors to Japan reached the same level as 2019. With these increased domestic and international demands, hotel business performance continues to recover.

In the forecast for the full fiscal year ended December 2023, real estate operating revenue is expected to increase by JPY1,435 million from the previous forecast, mainly due to an increase in variable rent resulting from a recovery in hotel business performance. In addition, due to a review of various expenses related to the property and operating expenses, etc., operating expenses are expected to decrease by JPY141 million, and non-operating expenses are expected to decrease by JPY63 million due to a decrease in financing costs, etc. As a result, net income is expected to increase by JPY1,641 million from the previous forecast.

For details of the comparison with the previous forecast, please refer to “4. Highlights of Operating and Dividend Forecasts” below.

4. Highlights of Operating and Dividend Forecasts

(1) Operating and dividend forecasts for the fiscal year ended December 2023 (24th period) (current forecast) vs. Previous forecasts and factors causing variance

(Unit: millions of yen)

		FY12/2023 (24th Period)	FY12/2023 (24th Period)	Difference		Factors Causing Variance
		Previous Forecast (A)	Current Forecast (B)	(B)-(A)	% of increase/ decrease	
Properties	No. of Properties	46	47	1	—	
	Acquisition Price	392,918	396,918	4,000	1.0%	
Profit and Loss	Operating Revenue	25,138	26,574	1,435	5.7%	
	Real Estate Operating Revenue	25,138	26,574	1,435	5.7%	
	Fixed Rent <i>Composition</i>	14,641 58.2%	14,658 55.2%	17	0.1%	
	Other Income <i>Composition</i>	1,272 5.1%	1,070 4.0%	(201)	(15.8%)	Revenue from utilities (*1): -JPY193MM
	Variable Rent <i>Composition</i>	9,225 36.7%	10,844 40.8%	1,619	17.6%	The 16 HMJ Hotels (*2): +JPY853MM Three HMJ Hotels acquired in 2023 (*2): +JPY58MM The Accor Group Hotels (*3): +JPY88MM The Ishin Group Hotels (*4): +JPY67MM Other hotels and tenants: JPY+552MM
	NOI (*5) <i>NOI Yield (*5)</i>	20,684 5.3%	22,344 5.6%	1,660 0.4pt	8.0%	
	NOI after Depreciation (*5) <i>NOI Yield after Depreciation (*5)</i>	15,533 4.0%	17,108 4.3%	1,575 0.4pt	10.1%	
	Operating Income	13,437	15,014	1,577	11.7%	
	Ordinary Income	11,493	13,135	1,641	14.3%	
	Net Income	11,491	13,133	1,641	14.3%	
Dividend	Amount of Reversal from Reserve for Temporary Difference Adjustments (Negative Goodwill)	806	845	39	4.9%	Amount of reversal from reserve for temporary difference adjustments Previous forecast: 50-year amortization amount on negative goodwill: JPY262MM Loss on retirement of noncurrent assets: JPY112MM Amortization of trademark rights: JPY56MM Dilution: JPY375MM
	Total Dividends	12,297	13,975	1,678	13.7%	
	No. of Unit Issued (Unit)	4,637,006	4,637,006	—	—	Forecast this time: 50-year amortization amount on negative goodwill: JPY262MM Loss on retirement of noncurrent assets: JPY151MM Amortization of trademark rights: JPY56MM Dilution: JPY375MM
	Dividend per Unit (JPY)	2,652	3,014	362	13.7%	

(*1) Utility expenses arise from both revenue from utilities and utility expenses. Compared to the previous forecast, utility expenses decreased by JPY231 million, resulting in a positive impact of JPY38 million on the net income.

(*2) The “Five HMJ Hotels” refer to the following five hotels that JHR leases to Hotel Management Japan Co., Ltd. (hereinafter called “HMJ”). The same shall apply hereinafter.

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

The “16 HMJ Hotels” refer to the Five HMJ Hotels plus the following hotels, which JHR leases to subsidiaries of HMJ. The same shall apply hereinafter.

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

<Note> This document is intended to serve to publicly announce the revision of JHR’s operating and dividend forecasts for the fiscal year ended December 2023 (24th period) and the operating and dividend forecasts for the fiscal year ending December 2024 (25th period). It should not be construed as an offer of solicitation for investment. All investment decisions should be made solely at the investors’ own discretion and risk.

The “Three HMJ Hotels acquired in 2023” refer to the following three hotels acquired in 2023, which JHR leases to subsidiaries of HMJ. The same shall apply hereinafter.

Oriental Hotel Kyoto Rokujo
Hotel Oriental Express Fukuoka Nakasukawabata
Hotel JAL City Kannai Yokohama

The “HMJ 19 Hotels” refer to 19 hotels, consisting of the 16 HMJ Hotels plus the Three HMJ Hotels acquired in 2023. The same shall apply hereinafter.

- (*3) The “Accor Group Hotels” refer to the following five hotels: ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka. The same shall apply hereinafter.
- (*4) The “Ishin Group Hotels” refer to the following four hotels: the b suidobashi, the b ikebukuro, the b hachioji, and the b hakata. The same shall apply hereinafter.
- (*5) Each is calculated using the following formula. The same shall apply hereinafter. The same shall apply hereinafter.
- NOI (Net Operating Income) = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses
NOI yield = NOI ÷ acquisition price
NOI after depreciation = Real estate operating revenue – Real estate operating costs
NOI yield after depreciation = NOI after depreciation ÷ Acquisition price.

(2) Operating and dividend forecasts for the fiscal year ending December 2024 (25th period) vs. forecasts for the previous period and factors causing variance

(Unit: millions of yen)

	FY12/2023 (24th Period)	FY12/2024 (25th Period)	Difference		Properties acquired in 2023 (*1)	Existing Properties (*2)	Factors Causing Variance
	Current Forecast (A)	Forecast (B)	(B)-(A)	% of increase/ decrease			
Properties							
No. of Properties	47	47	—	—	—	—	
Acquisition Price	396,918	396,918	—	—	—	—	
Profit and Loss							
Operating Revenue	26,574	31,288	4,714	17.7%	—	—	
Real Estate Operating Revenue	26,574	31,288	4,714	17.7%	—	—	
Fixed Rent <i>Composition</i>	14,658 55.2%	15,132 48.4%	473	3.2%	474	(1)	Properties acquired in 2023: Three HMJ Hotels acquired in 2023: +JPY386MM Sotetsu Fresa Inn Shimbashi-Karasumoriguchi: +JPY68MM
Other Income <i>Composition</i>	1,070 4.0%	1,034 3.3%	(36)	(3.4%)	11	(47)	
Variable Rent <i>Composition</i>	10,844 40.8%	15,121 48.3%	4,277	39.4%	808	3,468	Properties acquired in 2023: Three HMJ Hotels acquired in 2023: +JPY279MM La'gent Stay Sapporo Odori: +JPY424MM Sotetsu Fresa Inn Shimbashi-Karasumoriguchi: +JPY104MM Existing Properties: The 16 HMJ Hotels: +JPY2,793MM The Accor Group Hotels: +JPY522MM The Ishin Group Hotels: +JPY101MM
NOI <i>NOI Yield</i>	22,344 5.6%	26,825 6.8%	4,481	20.1%	1,207	3,273	
NOI after Depreciation <i>NOI Yield after Depreciation</i>	17,108 4.3%	21,248 5.4%	4,140	24.2%	1,072	3,067	
Operating Income	15,014	18,815	3,800	25.3%			
Ordinary Income	13,135	16,713	3,578	27.2%			
Net Income	13,133	16,712	3,578	27.2%			
Dividend							
Amount of Reversal from Reserve for Temporary Difference Adjustments (Negative Goodwill)	845	549	(295)	(35.0%)	Amount of reversal from reserve for temporary difference adjustments FY2023: 50-year amortization amount on negative goodwill: JPY262MM Loss on retirement of noncurrent assets: JPY151MM Amortization of trademark rights: JPY56MM Dilution: JPY375MM		
Total Dividends	13,975	17,258	3,283	23.5%			
No. of Unit Issued (Unit)	4,637,006	4,637,006	—	—	FY2024: 50-year amortization amount on negative goodwill: JPY262MM Loss on retirement of noncurrent assets: JPY231MM Amortization of trademark rights: JPY56MM		
Dividend per Unit (JPY)	3,014	3,722	708	23.5%			

(*1) The “Properties acquired in 2023” refer to the following six hotels acquired in 2023. The same shall apply hereinafter.

UAN kanazawa
Sotetsu Fresa Inn Shimbashi-Karasumoriguchi
La'gent Stay Sapporo Odori
Oriental Hotel Kyoto Rokujo
Hotel Oriental Express Fukuoka Nakasukawabata
Hotel JAL City Kannai Yokohama

(*2) The “Existing Properties” refer to the 41 hotels, excluding the Properties acquired in 2023, from all 47 hotels held by JHR as of today. The same shall apply hereinafter.

(Note)

The above forecasts are based on the status of operation as of today, and the actual dividend per unit may fluctuate. The forecasts do not guarantee the dividends shown above.

* Website of Japan Hotel REIT Investment Corporation: <https://www.jhrth.co.jp/en/>

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<Reference Information 1>

Assumptions for Operating Forecasts for Full Fiscal Year Ended December 2023 (24th Period)

Item	Assumptions			
Calculation Period	• Full fiscal year ended December 2023 (24th Period): January 1, 2023 through December 31, 2023 (365 days)			
Assets under Management	• The 47 properties owned by JHR as of the end of December 2023 are assumed.			
Operating Revenue	<ul style="list-style-type: none"> Operating revenue is calculated based on the lease conditions and other effective contracts, considering the competitiveness of hotels, market environment, and other factors. If there are lease contracts with facilities other than hotels, such as commercial facilities and offices, operating revenue calculated based on the said lease contracts is included. Rents, etc., of the main hotels are calculated based on the following assumptions. 			
	(1) The 19 HMJ Hotels			
	The rents for the HMJ 19 hotels consist of fixed and variable rents. The variable rents are calculated based on the following formula:			
	Variable rent = [Hotel AGOP (*1) - Base amount] × Variable rent ratio (%)			
	However, if the AGOP is less than the base amount, the variable rent will be 0 yen.			
	(Unit: millions of yen)			
		Fixed rent	Variable rent	Total rent
	The Five HMJ Hotels	3,221	2,341	5,562
	Oriental Hotel Universal City	316	1,272	1,589
	Oriental Hotel Okinawa Resort & Spa	550	91	641
	Sheraton Grand Hiroshima Hotel (*2)	348	369	717
	Oriental Hotel Fukuoka Hakata Station	425	1,090	1,515
	Holiday Inn Osaka Namba	576	319	895
	Hotel Oriental Express Fukuoka Tenjin	135	336	471
	The Hilton Tokyo Narita Airport	444	88	532
	International Garden Hotel Narita	336	141	477
	Hotel Nikko Nara	420	24	444
Hotel Oriental Express Osaka Shinsaibashi	110	69	179	
Hilton Tokyo Odaiba	1,600	749	2,349	
Oriental Hotel Kyoto Rokujo	44	49	94	
Hotel Oriental Express Fukuoka Nakasukawabata	45	29	75	
Hotel JAL City Kannai Yokohama	3	6	10	
Total	8,576	6,980	15,556	
<p>(*1) AGOP (adjusted GOP) is calculated by subtracting certain fees and other items from GOP. GOP (gross operating profit) is the remainder after expenses incurred in hotel operation, such as personnel costs and general and administrative expenses, etc., are deducted from total sales. The same shall apply hereinafter.</p> <p>(*2) The rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA. Fixed rent and variable rent from tenants of office and commercial facilities in ACTIVE-INTER CITY HIROSHIMA are as follows.</p>				
(Unit: millions of yen)				
	Fixed rent	Variable rent	Total rent	
ACTIVE-INTER CITY HIROSHIMA (tenants of office and commercial facility)	486	12	499	

<Note> This document is intended to serve to publicly announce the revision of JHR's operating and dividend forecasts for the fiscal year ended December 2023 (24th period) and the operating and dividend forecasts for the fiscal year ending December 2024 (25th period). It should not be construed as an offer of solicitation for investment. All investment decisions should be made solely at the investors' own discretion and risk.

Item	Assumptions	
Operating Revenue	(2) Income from management contracts (*3) and variable rent from other hotels with variable rent, etc. (Unit: millions of yen)	
	Full year	
	ibis Styles Kyoto Station (*3)	272
	ibis Styles Sapporo (*3)	413
	Mercure Sapporo (*3)	470
	Mercure Okinawa Naha (*3)	172
	Mercure Yokosuka	270
	the b suidobashi	67
	the b ikebukuro	181
	the b hachioji	106
	the b hakata	152
	dormy inn Kumamoto	53
	Comfort Hotel Tokyo Higashi Nihombashi	181
	Smile Hotel Nihombashi Mitsukoshimae	4
	Chisun Hotel Kamata	118
	Chisun Inn Kamata	66
	Hilton Tokyo Bay	Undisclosed (*4)
	Hilton Nagoya	Undisclosed (*4)
	UAN kanazawa	19
	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	0
La'gent Stay Sapporo Odori	127	
Total	3,851	
	(*3) Management contract system is adopted. Management contract system refers to the operation of the hotel property owned by JHR by entrusting the operation of the hotel to the trustee and incorporating the results of the operation into JHR as income from real estate management. Each hotel's GOP amount is recognized in operating revenues as income from management contracts.	
	(*4) Undisclosed since tenants that concluded lease contracts did not agree to disclose rent revenue, etc.	
	• The following is the breakdown of variable rent and income from management contracts. (Unit: millions of yen)	
	Full year	
	The 19 HMJ Hotels	6,980
	Other hotels with variable rent, etc.	3,851
	Tenants of office and commercial facility (*5)	12
	Total	10,844
	(*5) Variable rent from tenants of office and commercial facilities in ACTIVE-INTER CITY HIROSHIMA.	

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Item	Assumptions																		
Operating Expenses	<ul style="list-style-type: none"> • With respect to real estate leasing expenses, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation. • It is assumed that JPY1,976 million will be recognized as expenses for fixed asset taxes, city planning taxes, etc. In general, property taxes and city planning taxes for the year of acquisition on acquired assets are settled with the previous owner on a pro-rata basis over a period of time, and the amount equivalent to such settlement is included in the acquisition cost. Therefore, property taxes and city planning taxes on the six properties (UAN Kanazawa, Sotetsu Fresa Inn Shimbashi-Karasumoriguchi, La'gent Stay Sapporo Odori, Oriental Hotel Kyoto Rokujo, Hotel Oriental Express Fukuoka Nakasukawabata and Hotel JAL City Kannai Yokohama) acquired by the fiscal year ended December 2023 will not be included in expenses for the relevant calculation period. • Capital expenditure is assumed to be JPY4,769 million (JPY2,738 million for Capital Expenditure I, JPY736 million for Capital Expenditure II, and JPY1,295 million for Capital Expenditure III) for the fiscal year ended December 2023. <ul style="list-style-type: none"> (*) JHR classifies capital expenditures into the following three categories. (I) Capital investment related to the renewal of equipment and facilities of buildings, which is required to maintain proper values of properties; (II) capital investment for fixtures, furniture, and equipment that are not directly related to building structure or facilities but necessary for operating hotels, and (III) strategic capital investment such as renovating guest rooms, etc. for improving the competitiveness of the hotels. • Depreciation is calculated using the straight-line method including the planned capital expenditures above, and is assumed to be JPY5,083 million. • Repair expenses for buildings are recognized as expenses in the assumed amount necessary for each operating period. Please note that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as (1) Emergency repair expenses may be necessary due to damage to buildings from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required on a regular basis. 																		
Non-operating Expenses	<ul style="list-style-type: none"> • JPY1,886 million is expected for borrowing-related costs, including interest expense, amortization for financing fees, arrangement fees, and other non-operating expenses. 																		
Interest-bearing Debt	<ul style="list-style-type: none"> • The balance of total interest-bearing debt (total of loans and investment corporation bonds) as of the end of December 2023 is assumed to be JPY175,231 million. 																		
Dividend per Unit	<ul style="list-style-type: none"> • Dividend per unit for the fiscal year ended December 2023 (24th period) is calculated based on the following assumptions. <div style="text-align: right; margin-right: 20px;">(Unit: millions of yen)</div> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Unappropriated retained earnings</td> <td style="text-align: right;">13,133</td> </tr> <tr> <td>Reversal of reserve for temporary difference adjustment (negative goodwill)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">50-year amortization amount of negative goodwill (*1)</td> <td style="text-align: right;">262</td> </tr> <tr> <td style="padding-left: 20px;">Loss on retirement of noncurrent assets (*2)</td> <td style="text-align: right;">151</td> </tr> <tr> <td style="padding-left: 20px;">Amortization of trademark rights (*3)</td> <td style="text-align: right;">56</td> </tr> <tr> <td style="padding-left: 20px;">Dilution (*4)</td> <td style="text-align: right;">375</td> </tr> <tr> <td style="border-top: 1px solid black;">Distributable amount</td> <td style="text-align: right; border-top: 1px solid black;">13,979</td> </tr> <tr> <td>Total number of investment units issued</td> <td style="text-align: right;">4,637,006 units</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">Dividend per unit</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">JPY3,014</td> </tr> </table> <ul style="list-style-type: none"> (*1) JPY262 million (hereinafter called “50-year amortization amount of negative goodwill”) is scheduled to be paid out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount for every fiscal year. (*2) The amount recognized as a loss on retirement of noncurrent assets will be appropriated by the reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on dividend per unit. (*3) The trademark rights are amortized over ten years using the straight-line method. Amortization is expected to be recognized during the current fiscal year, will be appropriated by the reserve for temporary difference adjustment (negative goodwill), and is expected to have no impact on dividend per unit. (*4) To deal with dilution of investment units due to the issuance of new investment units in the fiscal year ended December 2023, JHR plans to appropriate the reserve for temporary difference adjustment (negative goodwill) for the dividend per unit in the fiscal year ended December 2023. 	Unappropriated retained earnings	13,133	Reversal of reserve for temporary difference adjustment (negative goodwill)		50-year amortization amount of negative goodwill (*1)	262	Loss on retirement of noncurrent assets (*2)	151	Amortization of trademark rights (*3)	56	Dilution (*4)	375	Distributable amount	13,979	Total number of investment units issued	4,637,006 units	Dividend per unit	JPY3,014
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Reversal of reserve for temporary difference adjustment (negative goodwill)																			
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Item	Assumptions
Dividend per Unit	<ul style="list-style-type: none"> • Dividend per unit may fluctuate due to various causes, such as fluctuation of rent revenue resulting from the change of assets under management, hotel tenants, the hotel business environment surrounding hotel tenants, etc., unexpected repairs, and an actual number of new investment units issued. • The remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ended December 2023 (24th period) is expected to be JPY8,754 million.
Dividend per Unit Resulting from Excess of Earnings	<ul style="list-style-type: none"> • It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.
Others	<ul style="list-style-type: none"> • It is assumed that revisions in law and tax system, accounting standards, regulations of the listing, and regulations of the Investment Trusts Association, Japan, which may impact the forecast above, will not be made. • It is assumed that unexpected major incidents will not occur in the general economy, real estate market, hotel business environment, etc. • The numerical values are rounded down to the nearest millions of yen in the assumptions above.

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<Reference Information 2>

Assumptions for Operating Forecast for Midterm and Full Year for Fiscal Year Ending December 2024 (25th Period)

Item	Assumptions																																																																																																								
Calculation Period	<ul style="list-style-type: none"> • Midterm for the year ending December 2024 (25th Period): January 1, 2024 through June 30, 2024 (182 days) • Full fiscal year ending December 2024 (25th Period): January 1, 2024 through December 31, 2024 (366 days) 																																																																																																								
Assets under Management	<ul style="list-style-type: none"> • The 47 properties owned by JHR as of end of December 2023 are assumed. • It is assumed that there will be no change in assets under management (acquisition of new properties, sale of properties, etc.) by the end of the fiscal year ending December 2024 (25th period). The actual assets under management may change. 																																																																																																								
Operating Revenue	<ul style="list-style-type: none"> • Operating revenue is calculated based on the lease conditions and other effective contracts, considering the competitiveness of hotels, market environment, and other factors. If there are lease contracts with facilities other than hotels, such as commercial facilities and offices, operating revenue calculated based on the said lease contracts is included. • Rents, etc., of the main hotels are calculated based on the following assumptions. <p>(1) The 19 HMJ Hotels</p> <p>The rents for the 19 HMJ Hotels consist of fixed and variable rents. The variable rents are calculated based on the following formula: $\text{Variable rent} = [\text{Hotel AGOP} - \text{Base amount}] \times \text{Variable rent ratio} (\%)$ However, if the AGOP is less than the base amount, the variable rent will be 0 yen.</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Fixed rent</th> <th colspan="2">Variable rent</th> <th colspan="2">Total rent</th> </tr> <tr> <th>Midterm</th> <th>Full year</th> <th>Midterm</th> <th>Full year</th> <th>Midterm</th> <th>Full year</th> </tr> </thead> <tbody> <tr> <td>The Five HMJ Hotel</td> <td>1,610</td> <td>3,221</td> <td>1,180</td> <td>3,316</td> <td>2,790</td> <td>6,537</td> </tr> <tr> <td>Oriental Hotel Universal City</td> <td>158</td> <td>316</td> <td>578</td> <td>1,454</td> <td>736</td> <td>1,771</td> </tr> <tr> <td>Oriental Hotel Okinawa Resort & Spa</td> <td>274</td> <td>550</td> <td>—</td> <td>562</td> <td>274</td> <td>1,112</td> </tr> <tr> <td>Sheraton Grand Hiroshima Hotel (*1)</td> <td>174</td> <td>348</td> <td>122</td> <td>323</td> <td>296</td> <td>671</td> </tr> <tr> <td>Oriental Hotel Fukuoka Hakata Station</td> <td>212</td> <td>425</td> <td>582</td> <td>1,224</td> <td>794</td> <td>1,649</td> </tr> <tr> <td>Holiday Inn Osaka Namba</td> <td>288</td> <td>576</td> <td>307</td> <td>693</td> <td>595</td> <td>1,269</td> </tr> <tr> <td>Hotel Oriental Express Fukuoka Tenjin</td> <td>67</td> <td>135</td> <td>183</td> <td>394</td> <td>251</td> <td>529</td> </tr> <tr> <td>The Hilton Tokyo Narita Airport</td> <td>222</td> <td>444</td> <td>60</td> <td>201</td> <td>282</td> <td>645</td> </tr> <tr> <td>International Garden Hotel Narita</td> <td>168</td> <td>336</td> <td>110</td> <td>235</td> <td>278</td> <td>571</td> </tr> <tr> <td>Hotel Nikko Nara</td> <td>210</td> <td>420</td> <td>15</td> <td>117</td> <td>225</td> <td>537</td> </tr> <tr> <td>Hotel Oriental Express Osaka Shinsaibashi</td> <td>55</td> <td>110</td> <td>41</td> <td>87</td> <td>96</td> <td>197</td> </tr> <tr> <td>Hilton Tokyo Odaiba</td> <td>799</td> <td>1,600</td> <td>348</td> <td>1,075</td> <td>1,147</td> <td>2,675</td> </tr> <tr> <td>Oriental Hotel Kyoto Rokujo</td> <td>85</td> <td>171</td> <td>48</td> <td>133</td> <td>134</td> <td>304</td> </tr> </tbody> </table> 		Fixed rent		Variable rent		Total rent		Midterm	Full year	Midterm	Full year	Midterm	Full year	The Five HMJ Hotel	1,610	3,221	1,180	3,316	2,790	6,537	Oriental Hotel Universal City	158	316	578	1,454	736	1,771	Oriental Hotel Okinawa Resort & Spa	274	550	—	562	274	1,112	Sheraton Grand Hiroshima Hotel (*1)	174	348	122	323	296	671	Oriental Hotel Fukuoka Hakata Station	212	425	582	1,224	794	1,649	Holiday Inn Osaka Namba	288	576	307	693	595	1,269	Hotel Oriental Express Fukuoka Tenjin	67	135	183	394	251	529	The Hilton Tokyo Narita Airport	222	444	60	201	282	645	International Garden Hotel Narita	168	336	110	235	278	571	Hotel Nikko Nara	210	420	15	117	225	537	Hotel Oriental Express Osaka Shinsaibashi	55	110	41	87	96	197	Hilton Tokyo Odaiba	799	1,600	348	1,075	1,147	2,675	Oriental Hotel Kyoto Rokujo	85	171	48	133	134	304
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Item	Assumptions						
Operating Revenue		Fixed rent		Variable rent		Total rent	
		Midterm	Full year	Midterm	Full year	Midterm	Full year
	Hotel Oriental Express Fukuoka Nakasukawabata	87	174	68	148	155	322
	Hotel JAL City Kannai Yokohama	67	135	30	83	98	218
	Total	4,480	8,962	3,678	10,053	8,159	19,015
	(*1) The rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA. Fixed rent and variable rent from office and commercial facility tenants in ACTIVE-INTER CITY HIROSHIMA are as follows.						
		Fixed rent		Variable rent		Total rent	
		Midterm	Full year	Midterm	Full year	Midterm	Full year
	ACTIVE-INTER CITY HIROSHIMA (tenants of office and commercial facility)	244	487	6	12	250	499

(Unit: millions of yen)

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Item	Assumptions		
Operating Revenue	(2) Income from management contracts (*2) and variable rent from other hotels with variable rent, etc. (Unit: millions of yen)		
		Midterm	Full year
	ibis Styles Kyoto Station (*2)	149	315
	ibis Styles Sapporo (*2)	238	583
	Mercure Sapporo (*2)	284	652
	Mercure Okinawa Naha (*2)	111	251
	Mercure Yokosuka	152	317
	the b suidobashi	37	83
	the b ikebukuro	116	240
	the b hachioji	61	123
	the b hakata	77	162
	dormy inn Kumamoto	3	58
	Comfort Hotel Tokyo Higashi Nihombashi	37	37
	Smile Hotel Nihombashi Mitsukoshimae	25	25
	Chisun Hotel Kamata	64	129
	Chisun Inn Kamata	37	74
	Hilton Tokyo Bay	Undisclosed (*3)	Undisclosed (*3)
	Hilton Nagoya	Undisclosed (*3)	Undisclosed (*3)
	UAN kanazawa	5	19
	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	104	104
La'gent Stay Sapporo Odori	232	552	
Total	2,213	5,056	
	<p>(*2) Management contract system is adopted. Management contract system refers to the operation of the hotel property owned by JHR by entrusting the operation of the hotel to the trustee and incorporating the results of the operation into JHR as income from real estate management. Each hotel's GOP amount is recognized in operating revenues as income from management contracts.</p> <p>(*3) Undisclosed since tenants that concluded lease contracts did not agree to disclose rent revenue, etc.</p> <p>• The following is the breakdown of variable rent and income from management contracts.</p>		
	(Unit: millions of yen)		
	Midterm	Full year	
The 19 HMJ Hotels	3,678	10,053	
Other hotels with variable rent, etc.	2,213	5,056	
Tenants of office and commercial facility (*4)	6	12	
Total	5,897	15,121	
	<p>(*4) Variable rent from office and commercial facility tenants in ACTIVE-INTER CITY HIROSHIMA is shown.</p>		

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Item	Assumptions
Operating Expenses	<ul style="list-style-type: none"> • With respect to real estate leasing expenses, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation. • It is assumed that JPY2,126 million will be recognized as expenses for fixed asset taxes, city planning taxes, etc. In general, property taxes and city planning taxes for the year of acquisition on acquired assets are settled with the previous owner on a pro-rata basis over a period of time, and the amount equivalent to such settlement is included in the acquisition cost. • Capital expenditure is assumed to be JPY6,988 million (JPY3,506 million for Capital Expenditure I, JPY317 million for Capital Expenditure II, and JPY3,165 million for Capital Expenditure III). (*) JHR classifies capital expenditures into the following three categories. (I) Capital investment related to renewal of equipment and facilities of buildings, which is required to maintain proper values of properties; (II) capital investment for fixtures, furniture, and equipment that are not directly related to building structure or facilities but necessary for operating hotels, and (III) strategic capital investment such as renovating guest rooms, etc. for improving the competitiveness of the hotels. • Depreciation is calculated using the straight-line method, including the planned capital expenditures above, and is assumed to be JPY5,345 million. • Repair expenses for buildings are recognized as expenses in the assumed amount necessary for each operating period. Please note that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as (1) Emergency repair expenses may be necessary due to damage to buildings from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required on a regular basis.
Non-operating Expenses	<ul style="list-style-type: none"> • Borrowing-related costs including interest expense, amortization for financing fee, arrangement fee, and other non-operating expenses are expected to be JPY2,101 million.
Interest-bearing Debt	<ul style="list-style-type: none"> • The balance of interest-bearing debt (total of borrowings and investment corporation bonds) as of the end of December 2023 was JPY175,231 million, and it is assumed that there will be no change in the balance of interest-bearing debt through to the end of the fiscal year ending December 2024 (25th period). • It is assumed that the loan amount of JPY37,089 million, maturing by the end of the fiscal year December 2024 (25th period), will be fully refinanced. • It is assumed that JPY3,000 million of the investment corporation bonds maturing by the end of December 2024 (25th period) will be appropriated to issue the investment corporation bonds of the same amount.

<Note> This document is intended to serve to publicly announce the revision of JHR's operating and dividend forecasts for the fiscal year ended December 2023 (24th period) and the operating and dividend forecasts for the fiscal year ending December 2024 (25th period). It should not be construed as an offer of solicitation for investment. All investment decisions should be made solely at the investors' own discretion and risk.

Item	Assumptions	
Dividend per Unit	<ul style="list-style-type: none"> • Dividend per unit for the fiscal year ended December 2024 (25th period) is calculated based on the following assumptions. 	
	(Unit: millions of yen)	
	Unappropriated retained earnings	16,712
	Reversal of reserve for temporary difference adjustment (negative goodwill)	
	50-year amortization amount of negative goodwill (*1)	262
	Loss on retirement of noncurrent assets (*2)	231
	Amortization of trademark rights (*3)	56
	<hr/> Distributable amount	<hr/> 17,261
	Total number of investment units issued	4,637,006 units
	<hr/> Dividend per unit	<hr/> JPY3,722
Dividend per Unit Resulting from Excess of Earnings	<ul style="list-style-type: none"> (*1) JPY262 million (hereinafter called “50-year amortization amount of negative goodwill”) is scheduled to be paid out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount for every fiscal year. (*2) The amount recognized as a loss on retirement of noncurrent assets will be appropriated by the reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on dividend per unit. (*3) The trademark rights are amortized over ten years using the straight-line method. Amortization, which is expected to be recognized during the current fiscal year, will be appropriated by the reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on dividend per unit. 	
	<ul style="list-style-type: none"> • Dividend per unit may fluctuate due to various causes, such as fluctuation of rent revenue resulting from the change of assets under management, hotel tenants, the hotel business environment surrounding hotel tenants, etc. unexpected repairs, and an actual number of new investment units issued. • The remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 2024 (25th period) is expected to be JPY8,204 million. 	
	<ul style="list-style-type: none"> • It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed. 	
Others	<ul style="list-style-type: none"> • It is assumed that revisions in law, tax system, accounting standard, regulations of the listing, and regulations of the Investment Trusts Association, Japan that may impact the forecast above will not be made. • It is assumed that unexpected major incidents will not occur in the general economy, real estate market, hotel business environment, etc. • The numerical values are rounded down to the nearest millions of yen in the assumptions above. 	

<Note> This document is intended to serve to publicly announce the revision of JHR’s operating and dividend forecasts for the fiscal year ended December 2023 (24th period) and the operating and dividend forecasts for the fiscal year ending December 2024 (25th period). It should not be construed as an offer of solicitation for investment. All investment decisions should be made solely at the investors' own discretion and risk.

<Reference Information 3> Hotel Operation Indexes, Sales And GOP

The numeral figures are based on figures obtained from hotel lessees, etc. Please note that these figures have not been audited or undergone other procedures. No guarantee is made as to the accuracy or completeness of the figures and information.

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

<1> The 16 HMJ Hotels

		Fiscal year ended December 2023			Fiscal year ending December 2024		
		Previous forecast (first half actual)	Current forecast (first half actual)	Comparison with previous forecast	Forecast	Comparison with previous fiscal year	
Occupancy Rate	First half of the year	76.0%	76.0%	—	82.0%	6.0pt	
	Second half of the year	82.8%	81.4%	(1.4pt)	84.6%	3.2pt	
	Full year	79.4%	78.7%	(0.7pt)	83.3%	4.6pt	
ADR (JPY)	First half of the year	18,753	18,753	—	20,495	9.3%	
	Second half of the year	21,293	22,215	4.3%	24,038	8.2%	
	Full year	20,088	20,558	2.3%	22,304	8.5%	
RevPAR (JPY)	First half of the year	14,243	14,243	—	16,804	18.0%	
	Second half of the year	17,635	18,082	2.5%	20,327	12.4%	
	Full year	15,953	16,179	1.4%	18,575	14.8%	
Sales (JPY MM)		23,122	23,122	—	26,603	15.1%	
	First half of the year	Rooms Dept.	13,821	13,821	—	16,396	18.6%
		F&B Dept.	7,898	7,898	—	9,118	15.4%
		Others	1,403	1,403	—	1,089	(22.4%)
Sales (JPY MM)		27,740	28,380	2.3%	32,007	12.8%	
	Second half of the year	Rooms Dept.	17,396	17,837	2.5%	20,051	12.4%
		F&B Dept.	9,055	9,236	2.0%	10,795	16.9%
		Others	1,289	1,307	1.4%	1,161	(11.2%)
Sales (JPY MM)		50,862	51,503	1.3%	58,610	13.8%	
	Full year	Rooms Dept.	31,217	31,658	1.4%	36,447	15.1%
		F&B Dept.	16,953	17,134	1.1%	19,914	16.2%
		Others	2,692	2,711	0.7%	2,250	(17.0%)
GOP (JPY MM)	First half of the year	7,166	7,166	—	8,743	22.0%	
	Second half of the year	9,614	10,546	9.7%	12,061	14.4%	
	Full year	16,780	17,712	5.6%	20,804	17.5%	

(*1) ADR refers to average daily rate, which is calculated by dividing revenue of the rooms department (including service charges) for a certain period by the total number of rooms sold during the period. The same shall apply hereinafter.

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

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<2> The 19 HMJ Hotels

		Fiscal year ended December 2023			Fiscal year ending December 2024	
		Previous forecast (first half actual)	Current forecast (first half actual)	Comparison with previous forecast	Forecast	Comparison with previous fiscal year
Occupancy Rate	First half of the year	—	75.8%	—	82.3%	6.5pt
	Second half of the year	—	81.3%	—	84.8%	3.5pt
	Full year	—	78.6%	—	83.5%	5.0pt
ADR (JPY)	First half of the year	—	18,055	—	19,698	9.1%
	Second half of the year	—	21,286	—	22,999	8.0%
	Full year	—	19,740	—	21,383	8.3%
RevPAR (JPY)	First half of the year	—	13,685	—	16,204	18.4%
	Second half of the year	—	17,302	—	19,507	12.7%
	Full year	—	15,508	—	17,865	15.2%
Sales (JPY MM)	First half of the year	—	23,947	—	27,668	15.5%
Rooms Dept.		—	14,564	—	17,341	19.1%
F&B Dept.		—	7,972	—	9,229	15.8%
Others		—	1,411	—	1,098	(22.2%)
Sales (JPY MM)	Second half of the year	—	29,373	—	33,190	13.0%
Rooms Dept.		—	18,720	—	21,105	12.7%
F&B Dept.		—	9,335	—	10,915	16.9%
Others		—	1,317	—	1,170	(11.2%)
Sales (JPY MM)	Full year	—	53,320	—	60,858	14.1%
Rooms Dept.		—	33,284	—	38,446	15.5%
F&B Dept.		—	17,307	—	20,144	16.4%
Others		—	2,729	—	2,268	(16.9%)
GOP (JPY MM)	First half of the year	—	7,464	—	9,183	23.0%
	Second half of the year	—	10,935	—	12,577	15.0%
	Full year	—	18,399	—	21,760	18.3%

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<3> The 25 Hotels with Variable Rent, etc. (*)

		Fiscal year ended December 2023			Fiscal year ending December 2024	
		Previous forecast (first half actual)	Current forecast (first half actual)	Comparison with previous forecast	Forecast	Comparison with previous fiscal year
Occupancy Rate	First half of the year	76.0%	76.0%	—	81.7%	5.7pt
	Second half of the year	82.9%	80.9%	(2.0pt)	84.3%	3.5pt
	Full year	79.5%	78.4%	(1.0pt)	83.0%	4.6pt
ADR (JPY)	First half of the year	16,618	16,618	—	18,359	10.5%
	Second half of the year	18,771	19,729	5.1%	21,173	7.3%
	Full year	17,750	18,234	2.7%	19,796	8.6%
RevPAR (JPY)	First half of the year	12,628	12,628	—	15,006	18.8%
	Second half of the year	15,563	15,955	2.5%	17,858	11.9%
	Full year	14,107	14,305	1.4%	16,440	14.9%
Sales (JPY MM)	First half of the year	26,221	26,221	—	30,492	16.3%
Rooms Dept.		16,465	16,465	—	19,675	19.5%
F&B Dept.		8,272	8,272	—	9,649	16.6%
Others		1,484	1,484	—	1,168	(21.3%)
Sales (JPY MM)	Second half of the year	31,424	32,211	2.5%	36,285	12.7%
Rooms Dept.		20,629	21,149	2.5%	23,671	11.9%
F&B Dept.		9,426	9,679	2.7%	11,369	17.5%
Others		1,369	1,383	1.0%	1,245	(10.0%)
Sales (JPY MM)	Full year	57,645	58,432	1.4%	66,777	14.3%
Rooms Dept.		37,095	37,614	1.4%	43,347	15.2%
F&B Dept.		17,698	17,951	1.4%	21,017	17.1%
Others		2,853	2,867	0.5%	2,413	(15.8%)
GOP (JPY MM)	First half of the year	8,164	8,164	—	10,150	24.3%
	Second half of the year	10,896	11,998	10.1%	13,744	14.5%
	Full year	19,060	20,162	5.8%	23,894	18.5%

(*) The 25 Hotels with Variable Rent, etc., refer to the 25 hotels, consisting of the 16 HMJ hotels, plus the Accor Group Hotels and the Ishin Group Hotels.

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<4> The 28 Hotels with Variable Rent, etc. (*)

		Fiscal year ended December 2023			Fiscal year ending December 2024	
		Previous forecast (first half actual)	Current forecast (first half actual)	Comparison with previous forecast	Forecast	Comparison with previous fiscal year
Occupancy Rate	First half of the year	—	75.9%	—	82.0%	6.1pt
	Second half of the year	—	80.8%	—	84.6%	3.7pt
	Full year	—	78.4%	—	83.3%	4.9pt
ADR (JPY)	First half of the year	—	16,227	—	17,899	10.3%
	Second half of the year	—	19,184	—	20,578	7.3%
	Full year	—	17,764	—	19,267	8.5%
RevPAR (JPY)	First half of the year	—	12,311	—	14,670	19.2%
	Second half of the year	—	15,504	—	17,400	12.2%
	Full year	—	13,920	—	16,043	15.2%
Sales (JPY MM)	First half of the year	—	27,046	—	31,557	16.7%
Rooms Dept.		—	17,209	—	20,620	19.8%
F&B Dept.		—	8,345	—	9,759	16.9%
Others		—	1,492	—	1,177	(21.1%)
Sales (JPY MM)	Second half of the year	—	33,203	—	37,469	12.8%
Rooms Dept.		—	22,031	—	24,726	12.2%
F&B Dept.		—	9,778	—	11,488	17.5%
Others		—	1,393	—	1,254	(10.0%)
Sales (JPY MM)	Full year	—	60,249	—	69,025	14.6%
Rooms Dept.		—	39,240	—	45,346	15.6%
F&B Dept.		—	18,124	—	21,248	17.2%
Others		—	2,885	—	2,431	(15.7%)
GOP (JPY MM)	First half of the year	—	8,462	—	10,590	25.2%
	Second half of the year	—	12,388	—	14,259	15.1%
	Full year	—	20,849	—	24,850	19.2%

(*) The 28 Hotels with Variable Rent, etc., refer to the 28 hotels, consisting of the 19 HMJ Hotels plus the Accor Group Hotels and the Ishin Group Hotels.

<Note> This document is intended to serve to publicly announce the revision of JHR's operating and dividend forecasts for the fiscal year ended December 2023 (24th period) and the operating and dividend forecasts for the fiscal year ending December 2024 (25th period). It should not be construed as an offer of solicitation for investment. All investment decisions should be made solely at the investors' own discretion and risk.