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February 21, 2024

Financial Report for the Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange
 Securities code: 8985
 URL: <https://www.jhrth.co.jp/en/>
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Scheduled date to start dividend payment: March 19, 2024

Preparation of supplementary material on financial report: Yes

Schedule for presentation of financial results: Yes (Analysts and institutional investors only)

(Amounts are rounded down to the nearest million yen)

1. Status summary of operation and assets for the fiscal year ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(1) Operating results

(Percentages show changes from the previous year)

	Operating revenue		Operating income		Ordinary income		Net income	
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%
Fiscal year ended								
December 31, 2023	26,574	78.2	15,014	249.4	13,135	391.4	13,134	391.6
December 31, 2022	14,912	9.4	4,296	45.2	2,672	105.9	2,671	106.0

	Net income per unit	Return on equity (ROE)	Ordinary income to total assets	Ordinary income to operating revenue
	JPY	%	%	%
Fiscal year ended				
December 31, 2023	2,909	5.6	3.2	49.4
December 31, 2022	598	1.2	0.7	17.9

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

(2) Cash distributions

	Dividend per unit (Excess of earnings exclusive)	Total dividends (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings	Total dividends from excess of earnings	Payout ratio	Dividend to net assets
	JPY	JPY1M	JPY	JPY1M	%	%
Fiscal year ended						
December 31, 2023	3,015	13,980	—	—	106.4	5.9
December 31, 2022	682	3,046	—	—	114.0	1.4

(Note 1) The source of dividends for the fiscal year ended December 31, 2023, is calculated by adding the reversal of reserve for temporary difference adjustment (¥845 million) to unappropriated retained earnings.

(Note 2) The source of dividends for the fiscal year ended December 31, 2022, is calculated by adding the reversal of the reserve for temporary difference adjustment (¥376 million) to unappropriated retained earnings.

(Note 3) Payout ratio is calculated using the following formula, rounded off to one decimal place.

Total dividends (total dividends from excess of earnings exclusive) / Net income x 100

(3) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
Fiscal year ended	JPY1M	JPY1M	%	JPY
December 31, 2023	429,955	244,980	57.0	52,831
December 31, 2022	396,799	223,574	56.3	50,050

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

(4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	JPY1M	JPY1M	JPY1M	JPY1M
December 31, 2023	17,784	(38,551)	19,767	28,515
December 31, 2022	5,331	(3,640)	(2,172)	29,515

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

(Percentages show changes from the previous year)

	Operating revenue		Operating income		Ordinary income		Net income		Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%	JPY	JPY
Midterm	13,936	23.5	7,974	38.4	6,880	40.5	6,880	40.5	—	—
Full year	31,288	17.7	18,815	25.3	16,713	27.2	16,712	27.2	3,722	—

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2024 (full year): ¥3,604

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

(Note) The source of the dividend payment is planned to be the total amount of net income plus the reversed amount of the reserve for temporary difference adjustment (¥549 million).

* Other

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

(a) Changes in accounting policies due to revisions to accounting standards and other regulations: No Change

(b) Changes in accounting policies due to other reasons than above (a): No change

(c) Changes in accounting estimates: No change

(d) Restatement of financial statements for prior period after error corrections: No change

(2) Total number of investment units issued and outstanding

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

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

As of December 31, 2023 4,637,006 units

As of December 31, 2022 4,467,006 units

(b) Number of JHR's own investment units held at the end of the fiscal year

As of December 31, 2023 0 unit

As of December 31, 2022 0 unit

(Note) For the number of investment units serving as the basis of computation of net income per unit, please refer to "Notes on per unit information" on page 40.

* Financial reports are exempt from the audit by a certified public accountant or an auditing firm.

* Special items

Forward-looking statements presented in this financial report including operating forecasts are based on information currently available to us and on certain assumptions we deem to be reasonable. As such, actual operating and other results may differ materially from these forecasts due to a number of factors.

Moreover, this forecast is not intended to guarantee any dividend amount. For use of assumptions of operating forecast and notes, please see "1. Operating results (1) Operating results (B) Outlook for the next fiscal year" on page 6 and "Assumptions of the operating forecast for the midterm of the fiscal year ending December 31, 2024 (25th period) and the full fiscal year ending December 31, 2024 (25th period)" on page 12.

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1. Operating results

(1) Operating results

(A) Overview of the fiscal year under review

(a) Brief history and principal activities

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

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

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

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

(b) Investment performance for the fiscal year under review

Throughout the period under review (the 12-month period from January 1, 2023 to December 31, 2023), the Japanese economy exhibited a gradual recovery trend. This improvement followed the reclassification of new coronavirus infections to a category five infectious disease in May, signaling a shift towards overcoming the COVID-19 pandemic and normalizing socio-economic activities. Despite the impact of rising prices, personal consumption remained robust, contributing to the ongoing gradual recovery of the economy.

The domestic accommodation and tourism market saw no decline in demand even as the national travel subsidy program, a domestic tourism promotion program, gradually came to an end in the second half of the year, and domestic demand remained firm throughout the year. In terms of foreign visitors to Japan (hereinafter referred to as “inbound visitors”), while inbound visitors from China, which represented approximately 30% of the total in 2019 before the COVID-19 pandemic, has not fully recovered, there is an overall steady recovery led by countries and regions such as South Korea, the United States, and Singapore. Notably, in October 2023, the number of inbound visitors surpassed that of the same month in 2019 for the first time since the onset of the COVID-19 pandemic. As a result, the number of inbound visitors for the year 2023 was estimated to be 25.06 million, which represents an increase of 554.1% compared to the previous year and a decrease of 21.4% compared to 2019.

The Overnight Travel Statistics Survey indicates that the number of Japanese overnight guests in domestic accommodations for 2023, based on preliminary figures, nearly reached the pre-pandemic level, showing a 0.2% decrease compared to 2019. The number of total foreign overnight guests has returned to a 1.3% decrease compared to 2019. As a result, the total number of overnight stays at domestic accommodation facilities in 2023, based on preliminary data, amounted to 593 million, marking a 31.8% increase from the previous year and a 0.4% decrease compared to 2019.

Under such circumstances, JHR resumed the implementation of its external growth strategy, which it had approached cautiously during the COVID-19 pandemic. JHR acquired UAN Kanazawa in January 2023 and Sotetsu Fresa Inn Shimbashi-Karasumoriguchi in March 2023, using cash on hand and further acquired three properties, La'gent Stay Sapporo Odori, Oriental Hotel Kyoto Rokujo and Hotel Oriental Express Fukuoka Nakasukawabata, in September 2023 through the first public offering since the COVID-19 pandemic. In December of the same year, JHR acquired Hotel JAL City Kannai

Yokohama, entirely financed by debt. As a result, JHR acquired a total of six properties in 2023 at an acquisition price of ¥33.3 billion.

JHR acquired highly competitive hotels in the market where accommodation demand is expected to grow, thereby enhancing the quality of its portfolio.

For its internal growth, JHR maintained close communication with the lessees and operators of each hotel to improve revenue by implementing a high unit-price sales strategy, as the domestic accommodation and tourism market continues to experience a steady recovery. In addition, JHR continued its efforts to improve profitability through measures to reduce operating costs. In particular, the Hotel Management Japan Co., Ltd. (hereinafter referred to as “HMJ”) and its subsidiary (hereinafter collectively referred to as the “HMJ Group”), which are group companies of the Asset Management Company, continued to reduce costs through restructuring implemented since the beginning of the COVID-19 pandemic. At the same time, they promoted proactive measures to improve profit using strategic CAPEX (capital expenditure) and worked to improve sales through revenue management with an emphasis on ADR (Note 1).

As part of its internal growth strategy, JHR implemented strategic CAPEX to increase profits and strengthen competitiveness. During the year under review, JHR conducted guest room renovation of Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, and Oriental Hotel Okinawa Resort & Spa to increase their ADRs. Additionally, JHR comprehensively renovated the restaurants at Kobe Meriken Park Oriental Hotel and Oriental Hotel Tokyo Bay, not only upgrading the spaces to a higher quality but also refreshing the menus to raise unit prices.

In April 2023, upon the expiration of its lease contract, dormy inn Kumamoto introduced a variable rent scheme linked to GOP (Note 2) for new contracts, in addition to the same fixed rent as before. This allows JHR to enjoy upside gains as the hotel market recovers.

Under these circumstances, with regard to the performance of the hotels owned by JHR, the RevPAR (Note 4) of the 25 Hotels with Variable Rent, etc. (Note 3) for the year under review was up 65.9% from the previous year, a significant increase over the previous year. GOP was ¥20,162 million, a 127.2% increase compared to the previous year, thanks to improved profitability resulting from the recovery of the domestic accommodation and tourism market and successful cost management measures at the hotels.

For further details of sales, GOP (gross operating profit) and other operating indexes for the 25 Hotels with Variable Rent, etc., please refer to “<Reference Information 2> Hotel operation indexes, sales and GOP (Gross Operating Profit)” on page 17.

(Note 1) ADR refers to the average guest room unit sales price (Average Daily Rate), which is calculated by dividing total room sales (including service charges) for a given period by the total number of guest rooms sold for the same period. The same shall apply hereinafter.

(Note 2) GOP refers to Gross Operating Profit, which is the amount remaining after deducting expenses related to hotel operations, such as personnel costs and general administrative expenses from hotel sales. The same shall apply hereafter.

(Note 3) 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. The same shall apply hereinafter.

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

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

The 16 HMJ Hotels refer to The Five HMJ Hotels plus the following 11 hotels which JHR leases to subsidiaries of HMJ.

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

Oriental Hotel Universal City
Hotel Oriental Express Fukuoka Tenjin

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

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

(Note 4) RevPAR represents Revenue Per Available Room, which is calculated by dividing total room sales (including service charges) for a given period by the total number of guest rooms available for sale during the same period. The same shall apply hereinafter.

(c) Funding status

In the fiscal year under review, JHR borrowed ¥800 million to partially finance the acquisition of UAN Kanazawa in January 2023, and in September of the same year, borrowed ¥7,000 million in addition to ¥11,857 million financed through the public offering to fund the acquisition of three properties (La'gent Stay Sapporo Odori, Oriental Hotel Kyoto Rokujo and Hotel Oriental Express Fukuoka Nakasukawabata). In December of the same year, JHR also borrowed ¥4,000 million yen to fund the acquisition of Hotel JAL City Kannai Yokohama.

On the other hand, JHR borrowed a total of ¥49,745 million to refinance existing loans that became due for repayment in the year under review with long-term loans with a maximum maturity of 6 years. Through these refinancings, JHR sought to lengthen loan terms and diversify loan maturities.

In addition, the Kansai Mirai Bank, Limited, Ltd. and Hokuriku Bank, Ltd. were added as new lenders to JHR in January 2023, and the Tokyo Star Bank, Limited, was added in March, further strengthening the lender formation.

Consequently, as of the end of the fiscal year under review, the balance of interest-bearing debt totaled ¥175,231 million, including short-term loans payable of ¥15,568 million, current portion of long-term loans payable of ¥21,521 million, long-term loans payable of ¥101,242 million, current portion of investment corporation bonds of ¥3,000 million and investment corporation bonds of ¥33,900 million. As a result, the ratio of interest-bearing debt to total assets (Note) at the end of the fiscal year under review stood at 40.8%, and the ratio of fixed interest rate to total interest-bearing debt at the end of the fiscal year under review was at 65.9%.

(Note) $\frac{\text{Balance of interest-bearing debt at the end of period}}{\text{Total assets at the end of period}} \times 100$

JHR's issuer ratings as of the end of the fiscal year under review are as follows:

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

(d) Financial results

As a result of the abovementioned asset management, for the year under review, JHR recorded operating revenue of ¥26,574 million, operating income of ¥15,014 million, ordinary income of ¥13,135 million, and net income of ¥13,134 million.

Dividend payments amounted to ¥13,980 million. This figure represents the total of ¥13,982 million, comprising ¥13,137 million in unappropriated retained earnings for the year under review and ¥845 million from the reversal of the reserve for temporary differences (appropriation for dividends), after excluding any fractional amounts of less than one yen of dividend per unit. As a result, the dividend per unit was ¥3,015.

(B) Outlook for the next fiscal year

(a) Investment policies and issues to be addressed

Although the Japanese economy's outlook demands continued vigilance regarding the effects of fluctuations in financial and capital markets and the international situation, further economic recovery is expected due to the normalization of economic and social activities among other factors.

While concerns remain about the impact of rising prices and other factors on domestic leisure demand, the need for domestic travel remains solid in the improving employment and income environment and is expected to continue to be strong. Inbound

demand from South Korea, Taiwan, the U.S., and Hong Kong is already at or above the pre-pandemic level, and in China, where recovery has been slow, a recovery is expected, especially for individual travel. The number of inbound visitors in 2024 is expected to exceed that of 2019 to reach a record high.

JHR believes that the hotel market will overcome the impact of the COVID-19 pandemic and enter a growth phase due to steady domestic demand and strong inbound demand.

JHR aims to achieve ADR-driven RevPAR growth by proactively capturing demand in the strong accommodation market and implementing a high unit-price sales strategy. JHR will also work to increase sales in the non-rooms department as the market is recovering, through effective efforts on both infrastructure aspects such as renovation and services aspects such as service improvements. In terms of costs, JHR will continue the efficient management of each hotel by reviewing operations, etc., which has been achieved in cooperation with the lessees and operators and will strive to improve profitability by optimizing the resources in line with the recovery in demand. In particular, the HMJ Group, a strategic partner of JHR, plans to identify hotels with particularly high growth potential and renovate them through strategic CAPEX aimed at boosting sales in guest rooms and restaurants.

JHR expects that inbound accommodation demand will continue to increase over the medium to long term, driven by the significant potential for overseas travel demand globally, particularly from Asian countries experiencing rising income levels and due to Japan's sustained popularity as a travel destination. Consequently, JHR considers that the tourism and accommodation market is expected to grow.

JHR believes that the location and competitiveness of individual hotels, as well as the ability of operators (i.e., their ability to differentiate themselves from other hotels, improve profitability, including cost control, and execute to capture recovering demand), will differentiate the performance of hotels.

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

Internal growth

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

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

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

(i) Properties under variable rent contracts

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

JHR collaborates with the operators to boost hotel performance by requesting them to implement marketing strategies to attract domestic and inbound visitors considering the growth potential of their demand, measures to maintain and increase room rates, and realization of synergy effects such as cost reductions by managing multiple properties.

Meanwhile, JHR will continue to work closely with the lessees and operators of each hotel to create attractive products and provide added value by fully utilizing the characteristics of the owned properties, effective marketing measures, and expansion of sales channels in order to capture domestic and overseas demand in the future. In addition, JHR will continue its efforts for cost management and operational rationalization and promote various measures to improve hotel revenues.

In addition, JHR will accurately assess the domestic accommodation and tourism market situation and changing customer needs, and implement appropriate strategic CAPEX as needed to improve hotel revenues. The guest room renovations of Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, and Oriental Hotel Okinawa Resort & Spa that were carried out in 2023 are scheduled to continue in the next fiscal year. In addition, Namba Oriental Hotel plans to renovate the lobby floor and newly construct guest rooms, and La'gent Stay Sapporo Odori plans to partially renovate guest rooms.

(ii) Properties under fixed rent contracts

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

External growth

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

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

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

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

Finance strategy

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

With the hotel market in the midst of a full-fledged recovery, JHR aims to secure a certain fixed interest ratio, lengthen loan terms, and diversify loan maturities, while paying attention to borrowing costs. At the same time, JHR will strengthen its financial base by inviting new lenders and controlling capital expenditures appropriately. The ratio of interest-bearing debt to total assets will be maintained at or below 50% as before. In addition, JHR will further diversify its financing methods, including consideration of issuing investment corporation bonds and utilizing green finance.

Policy on handling of negative goodwill

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

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

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

Initiatives for sustainability

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

In order to put such ideas into practice, JHR, along with the Asset Management Company, has established a “Sustainability Policy” as guidance to ESG initiatives. We have promoted efforts to reduce environmental impact at properties in our portfolio based on this policy and received the Building-Housing Energy-efficiency Labeling System (BELS) evaluation for Hotel Nikko Alivila and Mercure Okinawa Naha in February 2018 as first such cases for hotel properties owned by a J-REIT (Note 1). Subsequently, UAN kanazawa acquired the BELS evaluation in February 2024, bringing the total number of BELS-evaluated properties in JHR’s portfolio to three. In September 2018, JHR became the first J-REIT specializing in hotels to be recognized by GRESB (Note 2) for its environmental awareness and sustainability initiatives. And JHR acquired “Green Star” in the GRESB Real Estate Assessment. Moreover, for the fourth consecutive year, JHR was selected as a Sector Leader of Asian Hotel Sector in the GRESB Real Estate Assessment conducted in 2023. In April 2020, Hilton Tokyo Odaiba acquired CASBEE (Comprehensive Assessment System for Built Environment Efficiency) Certification for Buildings, the first such recognition for an existing property used as hotel. In May 2021, Oriental Hotel Fukuoka Hakata Station also acquired CASBEE Certification for Buildings, the second case of such for an existing property used as hotels following Hilton Tokyo Odaiba. In addition, in December 2021, JHR defined its materiality (key issues) in terms of ESG from the dual standpoints of stakeholder expectations and impact on its business. Also, the Asset Management Company expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB), and joined the TCFD Consortium, an organization made up of Japanese companies that support the recommendations. In August 2022, it disclosed the initiatives for the four disclosure themes recommended by the TCFD, including the degree of financial impact based on climate change-related scenario analysis and issued ESG report in February 2023. In addition, it is working to sequentially clarify targets in numerical terms, such as formulating and disclosing the CO₂ reduction target by 2050 in February 2023. Going forward, JHR, together with the Asset Management Company, will continue to actively promote enhancement of its initiatives and disclosure on a variety of sustainability issues.

In January 2024, JHR formulated the Green Finance Framework as a framework for financing environmentally friendly projects. In the future, JHR will utilize the funds financed based on the framework to promote initiatives for environmental improvement.

From 2020 to May 2023, as part of its efforts to contribute to society, under the spread of COVID-19, JHR provided a total of nine hotels as accommodation and treatment facilities for patients who tested positive for COVID-19, exhibiting mild or no symptoms and did not require hospitalization. However, since July 2023, JHR has resumed normal business operations at all of its hotels.

Recognizing its social responsibility towards local communities as a J-REIT specializing in hotels, JHR will continue to proactively carry out social contribution activities capitalizing on the characteristics of the hotel sector and each hotel.

(Note 1) Investigated by the Asset Management Company based on public information.

(Note 2) GRESB, which stands for Global Real Estate Sustainability Benchmark, is an annual benchmarking assessment to measure ESG (Environmental, Social and Governance) considerations of real estate companies and funds. It evaluates initiatives for sustainability of real estate companies, REITs and real estate funds, not of individual properties. The GRESB Rating makes relative assessment based on total scores, with 5 Stars being the highest ranking.

(b) Significant subsequent events

Not applicable.

(c) Operating forecast

JHR estimates its operating forecast for the midterm of the fiscal year ending December 31, 2024 (25th period) and the full year ending December 31, 2024 (25th period) as follows. For the assumptions of the operating forecast, please refer to “Assumptions of the operating forecast for the midterm of the fiscal year ending December 31, 2024 (25th period) and the full fiscal year ending December 31, 2024 (25th period)” on page 12.

Midterm of the fiscal year ending December 31, 2024 (25th period)

Operating revenue	¥13,936 million
Operating income	¥7,974 million
Ordinary income	¥6,880 million
Net income	¥6,880 million

Full year of the fiscal year ending December 31, 2024 (25th period)

Operating revenue	¥31,288 million
Operating income	¥18,815 million
Ordinary income	¥16,713 million
Net income	¥16,712 million
Dividend per unit	¥3,722
Dividend per unit resulting from excess of earnings	¥—

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

Assumptions of the operating forecast for the midterm of the fiscal year ending December 31, 2024 (25th period) and full fiscal year ending December 31, 2024 (25th period)

Item	Assumptions																																																																																																																													
Calculation Period	<ul style="list-style-type: none"> Midterm of the fiscal 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 today are assumed. It is assumed that there will be no change (acquisition of new property or disposition of the existing properties, etc.) in assets under management through the end of the fiscal year ending December 2024 (25th period). However, changes in the actual assets under management may take place. 																																																																																																																													
Operating Revenue	<ul style="list-style-type: none"> Operating revenue is calculated based on the conditions of the lease and other effective contracts, taking into consideration 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. <ol style="list-style-type: none"> The 19 HMJ Hotels (*1) Rents for the 19 HMJ Hotels consist of fixed and variable rents, and variable rents are calculated using the following formula. Variable rent = [Hotel AGOP (*2) – Base Amount] x Variable rent ratio (%) However, if AGOP is less than the Base Amount, the variable rent will be zero. <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1"> <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 Hotels</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 (*3)</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>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> <tr> <td>Hotel Oriental Express Fukuoka Nakasukawabata</td> <td>87</td> <td>174</td> <td>68</td> <td>148</td> <td>155</td> <td>322</td> </tr> <tr> <td>Hotel JAL City Kannai Yokohama</td> <td>67</td> <td>135</td> <td>30</td> <td>83</td> <td>98</td> <td>218</td> </tr> <tr> <td style="text-align: center;">Total</td> <td>4,480</td> <td>8,962</td> <td>3,678</td> <td>10,053</td> <td>8,159</td> <td>19,015</td> </tr> </tbody> </table>		Fixed rent		Variable rent		Total rent		Midterm	Full year	Midterm	Full year	Midterm	Full year	The Five HMJ Hotels	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 (*3)	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	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	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
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<p>(*4) Management contract structure is introduced. The management contract structure involves entrusting the management of owned hotel properties to the management company and incorporating the results of the business into JHR as real estate operating revenue. The amount of GOP for each hotel is recognized as management contract revenue and as operating revenue.</p> <p>(*5) Undisclosed since tenants that concluded lease contracts did not agree to disclose rent revenue, etc.</p>																																																																					

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Operating Revenue	<ul style="list-style-type: none"> The following is the breakdown of variable rent and income from management contracts. (Unit: millions of yen) <table border="1" data-bbox="349 280 1401 499"> <thead> <tr> <th></th> <th>Midterm</th> <th>Full year</th> </tr> </thead> <tbody> <tr> <td>The 19 HMJ Hotels</td> <td>3,678</td> <td>10,053</td> </tr> <tr> <td>Other hotels with variable rent, etc.</td> <td>2,213</td> <td>5,056</td> </tr> <tr> <td>Office and commercial tenants (*6)</td> <td>6</td> <td>12</td> </tr> <tr> <td>Total</td> <td>5,897</td> <td>15,121</td> </tr> </tbody> </table> <ul style="list-style-type: none"> (*6) Variable rent for office and commercial tenants of ACTIVE-INTER CITY HIROSHIMA is shown. (*7) For details of variable rent, please refer to (a) Rent structures of hotels with variable rent, management contract or revenue-sharing rent, c. Overview of the hotel business, I. Other major assets under management, B. Assets under management, (1) Information on values of assets under management, etc. 		Midterm	Full year	The 19 HMJ Hotels	3,678	10,053	Other hotels with variable rent, etc.	2,213	5,056	Office and commercial tenants (*6)	6	12	Total	5,897	15,121
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Total	5,897	15,121														
Operating Expenses	<ul style="list-style-type: none"> With respect to real estate operating costs, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation. It is assumed that ¥2,126 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 for the fiscal year ending December 2024 (25th Period) is assumed to be ¥6,988 million (¥3,506 million for Capital Expenditure I, ¥317 million for Capital Expenditure II and ¥3,165 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 ¥5,345 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"> ¥2,101 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 interest-bearing debt (sum of loans and investment corporation bonds) as of today is ¥175,231 million and it is assumed to remain unchanged until the end of fiscal year ending December 2024 (25th Period). It is assumed that loans totaling ¥37,089 million due by the end of the fiscal year ending December 2024 (25th period) will be fully refinanced. It is assumed that investment corporation bonds of ¥3,000 million will be issued, equivalent to those maturing by the fiscal year ending December 2024 (25th period). 															

Item	Assumptions																				
Dividend per Unit	<ul style="list-style-type: none"> • Dividend per unit for the fiscal year ending December 2024 (25th period) is calculated based on the following assumptions. <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Unappropriated retained earnings</td> <td style="text-align: right;">¥16,712 million</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 million</td> </tr> <tr> <td style="padding-left: 20px;">Loss on retirement of noncurrent assets (*2)</td> <td style="text-align: right;">¥231 million</td> </tr> <tr> <td style="padding-left: 20px;">Amortization of trademark rights (*3)</td> <td style="text-align: right;">¥56 million</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Distributable amount</td> <td style="text-align: right;">¥17,261 million</td> </tr> <tr> <td>Total number of investment units issued</td> <td style="text-align: right;">4,637,006 units</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Dividend per unit</td> <td style="text-align: right;">¥3,722</td> </tr> </table> <ul style="list-style-type: none"> (*1) ¥262 million (hereinafter called “50-year amortization amount of negative goodwill”) is scheduled to be paid out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount, for every fiscal year. (*2) The amount recognized as a loss on retirement of noncurrent assets will be appropriated by 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 10 years using the straight-line method. Amortization is expected to be recognized during the current fiscal year will be appropriated by 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 transfer of assets under management, change of tenants, etc. at hotels, change in the business environment of hotel business for hotel tenants, etc., unexpected repairs, and actual number of new investment units issued, etc. • The remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 2024 (25th period) is expected to be ¥8,204 million. 	Unappropriated retained earnings	¥16,712 million	Reversal of reserve for temporary difference adjustment (negative goodwill)		50-year amortization amount of negative goodwill (*1)	¥262 million	Loss on retirement of noncurrent assets (*2)	¥231 million	Amortization of trademark rights (*3)	¥56 million	<hr/>		Distributable amount	¥17,261 million	Total number of investment units issued	4,637,006 units	<hr/>		Dividend per unit	¥3,722
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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 revision 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 and hotel business environment, etc. • The numerical values are rounded down to the nearest millions of yen in the assumptions above. 																				

<Reference Information 1> Highlights of the operating and dividend forecasts

Operating and dividend forecasts for the fiscal year ending December 31, 2024 (25th period) vs previous results 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	
	Actual (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%	1,294	3,419	
	Real Estate Operating Revenue	26,574	31,288	4,714	17.7%	1,294	3,419	
	Fixed Rent	14,658	15,132	473	3.2%	474	(1)	Properties acquired in 2023: Three HMJ Hotels acquired in 2023: +JPY386MM Sotetsu Fresa Inn Shimbashi-Karasumoriguchi: +JPY68MM
	Composition	55.2%	48.4%					
	Other Income	1,070	1,034	(36)	(3.4%)	11	(47)	
	Composition	4.0%	3.3%					
	Variable Rent	10,844	15,121	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
	Composition	40.8%	48.3%					
	NOI (*3)	22,344	26,825	4,481	20.1%	1,207	3,273	
	<i>NOI Yield (*3)</i>	5.6%	6.8%		1.1pt			
	NOI after Depreciation (*3)	17,108	21,248	4,140	24.2%	1,072	3,067	
<i>NOI Yield after Depreciation (*3)</i>	4.3%	5.4%		1.0pt				
Operating Income	15,014	18,815	3,800	25.3%				
Ordinary Income	13,135	16,713	3,577	27.2%				
Net Income	13,134	16,712	3,577	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	13,980	17,258	3,278	23.4%			
	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)	3,015	3,722	707	23.4%			

(*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.

(*3) Each is calculated using the following formula. The same shall apply hereinafter.

NOI (Net Operating Income) = Real estate operating revenue - Real estate operating costs + Depreciation and amortization + Loss on retirement of noncurrent assets + Asset retirement obligation cost.

NOI yield = NOI / acquisition price.

NOI after depreciation = Real estate operating revenue - Real estate operating costs.

NOI yield = NOI after depreciation / acquisition price.

<Reference Information 2> Hotel operation indexes, sales and GOP (Gross Operating Profit)

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

ADR (Note 1) and RevPAR (Note 2) are rounded off to the nearest yen. Sales and GOP are rounded off to the nearest million 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	
		Actual	Comparison with previous fiscal year	Forecast	Comparison with previous fiscal year
Occupancy Rate	First half of the year	76.0%	21.3pt	82.0%	6.0pt
	Second half of the year	81.4%	8.0pt	84.6%	3.2pt
	Full year	78.7%	14.6pt	83.3%	4.6pt
ADR (JPY)	First half of the year	18,753	52.6%	20,495	9.3%
	Second half of the year	22,215	29.2%	24,038	8.2%
	Full year	20,558	36.0%	22,304	8.5%
RevPAR (JPY)	First half of the year	14,243	112.1%	16,804	18.0%
	Second half of the year	18,082	43.2%	20,327	12.4%
	Full year	16,179	66.9%	18,575	14.8%
Sales (JPY MM)	First half of the year	23,122	81.8%	26,603	15.1%
Rooms Dept.		13,821	112.1%	16,396	18.6%
F&B Dept.		7,898	69.1%	9,118	15.4%
Others		1,403	(8.4%)	1,089	(22.4%)
Sales (JPY MM)	Second half of the year	28,380	28.8%	32,007	12.8%
Rooms Dept.		17,837	43.2%	20,051	12.4%
F&B Dept.		9,236	14.7%	10,795	16.9%
Others		1,307	(14.4%)	1,161	(11.2%)
Sales (JPY MM)	Full year	51,503	48.2%	58,610	13.8%
Rooms Dept.		31,658	66.9%	36,447	15.1%
F&B Dept.		17,134	34.7%	19,914	16.2%
Others		2,711	(11.4%)	2,250	(17.0%)
GOP (JPY MM)	First half of the year	7,166	366.6%	8,743	22.0%
	Second half of the year	10,546	69.5%	12,061	14.4%
	Full year	17,712	128.3%	20,804	17.5%

(Note 1) ADR refers to the average guest room unit sales price (Average Daily Rate), which is calculated by dividing total room sales (including service charges) for a given period by the total number of guest rooms sold for the same period. The same shall apply hereinafter.

(Note 2) RevPAR represents Revenue Per Available Room, which is calculated by dividing total room sales (including service charges) for a given period by the total number of guest rooms available for sale during the same period. The same shall apply hereinafter.

<2> The 19 HMJ Hotels

		Fiscal year ended December 2023		Fiscal year ending December 2024	
		Actual	Comparison with previous fiscal year	Forecast	Comparison with previous fiscal year
Occupancy Rate	First half of the year	75.8%	21.2pt	82.3%	6.5pt
	Second half of the year	81.3%	7.8pt	84.8%	3.5pt
	Full year	78.6%	14.4pt	83.5%	5.0pt
ADR (JPY)	First half of the year	18,055	46.9%	19,698	9.1%
	Second half of the year	21,286	23.8%	22,999	8.0%
	Full year	19,740	30.6%	21,383	8.3%
RevPAR (JPY)	First half of the year	13,685	103.8%	16,204	18.4%
	Second half of the year	17,302	37.1%	19,507	12.7%
	Full year	15,508	60.0%	17,865	15.2%
Sales (JPY MM)	First half of the year	23,947	88.3%	27,668	15.5%
Rooms Dept.		14,564	123.5%	17,341	19.1%
F&B Dept.		7,972	70.6%	9,229	15.8%
Others		1,411	(7.9%)	1,098	(22.2%)
Sales (JPY MM)	Second half of the year	29,373	33.3%	33,190	13.0%
Rooms Dept.		18,720	50.3%	21,105	12.7%
F&B Dept.		9,335	16.0%	10,915	16.9%
Others		1,317	(13.7%)	1,170	(11.2%)
Sales (JPY MM)	Full year	53,320	53.4%	60,858	14.1%
Rooms Dept.		33,284	75.5%	38,446	15.5%
F&B Dept.		17,307	36.0%	20,144	16.4%
Others		2,729	(10.8%)	2,268	(16.9%)
GOP (JPY MM)	First half of the year	7,464	386.0%	9,183	23.0%
	Second half of the year	10,935	75.8%	12,577	15.0%
	Full year	18,399	137.2%	21,760	18.3%

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

		Fiscal year ended December 2023		Fiscal year ending December 2024	
		Actual	Comparison with previous fiscal year	Forecast	Comparison with previous fiscal year
Occupancy Rate	First half of the year	76.0%	20.2pt	81.7%	5.7pt
	Second half of the year	80.9%	6.7pt	84.3%	3.5pt
	Full year	78.4%	13.4pt	83.0%	4.6pt
ADR (JPY)	First half of the year	16,618	52.8%	18,359	10.5%
	Second half of the year	19,729	31.4%	21,173	7.3%
	Full year	18,234	37.6%	19,796	8.6%
RevPAR (JPY)	First half of the year	12,628	108.3%	15,006	18.8%
	Second half of the year	15,955	43.2%	17,858	11.9%
	Full year	14,305	65.9%	16,440	14.9%
Sales (JPY MM)	First half of the year	26,221	82.5%	30,492	16.3%
Rooms Dept.		16,465	108.3%	19,675	19.5%
F&B Dept.		8,272	70.3%	9,649	16.6%
Others		1,484	(7.4%)	1,168	(21.3%)
Sales (JPY MM)	Second half of the year	32,211	30.2%	36,285	12.7%
Rooms Dept.		21,149	43.2%	23,671	11.9%
F&B Dept.		9,679	15.9%	11,369	17.5%
Others		1,383	(14.3%)	1,245	(10.0%)
Sales (JPY MM)	Full year	58,432	49.4%	66,777	14.3%
Rooms Dept.		37,614	65.9%	43,347	15.2%
F&B Dept.		17,951	35.9%	21,017	17.1%
Others		2,867	(10.9%)	2,413	(15.8%)
GOP (JPY MM)	First half of the year	8,164	348.8%	10,150	24.3%
	Second half of the year	11,998	70.1%	13,744	14.5%
	Full year	20,162	127.2%	23,894	18.5%

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

		Fiscal year ended December 2023		Fiscal year ending December 2024	
		Actual	Comparison with previous fiscal year	Forecast	Comparison with previous fiscal year
Occupancy Rate	First half of the year	75.9%	20.1pt	82.0%	6.1pt
	Second half of the year	80.8%	6.6pt	84.6%	3.7pt
	Full year	78.4%	13.3pt	83.3%	4.9pt
ADR (JPY)	First half of the year	16,227	49.3%	17,899	10.3%
	Second half of the year	19,184	27.7%	20,578	7.3%
	Full year	17,764	34.0%	19,267	8.5%
RevPAR (JPY)	First half of the year	12,311	103.0%	14,670	19.2%
	Second half of the year	15,504	39.2%	17,400	12.2%
	Full year	13,920	61.4%	16,043	15.2%
Sales (JPY MM)	First half of the year	27,046	88.3%	31,557	16.7%
Rooms Dept.		17,209	117.7%	20,620	19.8%
F&B Dept.		8,345	71.9%	9,759	16.9%
Others		1,492	(6.9%)	1,177	(21.1%)
Sales (JPY MM)	Second half of the year	33,203	34.2%	37,469	12.8%
Rooms Dept.		22,031	49.2%	24,726	12.2%
F&B Dept.		9,778	17.0%	11,488	17.5%
Others		1,393	(13.7%)	1,254	(10.0%)
Sales (JPY MM)	Full year	60,249	54.1%	69,025	14.6%
Rooms Dept.		39,240	73.1%	45,346	15.6%
F&B Dept.		18,124	37.2%	21,248	17.2%
Others		2,885	(10.3%)	2,431	(15.7%)
GOP (JPY MM)	First half of the year	8,462	365.2%	10,590	25.2%
	Second half of the year	12,388	75.6%	14,259	15.1%
	Full year	20,849	134.9%	24,850	19.2%

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

2. Financial statements

(1) Balance sheets

(thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	21,142,716	17,693,462
Cash and deposits in trust	8,372,349	10,821,626
Operating accounts receivable	4,442,532	4,850,631
Prepaid expenses	484,478	626,308
Income taxes receivable	41	38
Derivatives	—	1,499
Other	111,037	56,376
Total current assets	34,553,157	34,049,942
Noncurrent assets		
Property and equipment, at cost		
Machinery and equipment	804,339	949,797
Accumulated depreciation	(373,775)	(451,651)
Machinery and equipment, net	430,563	498,146
Tools, furniture and fixtures	5,911,833	6,865,827
Accumulated depreciation	(3,835,395)	(4,507,557)
Tools, furniture and fixtures, net	2,076,438	2,358,270
Construction in progress	1,155	11,434
Buildings in trust	*1 140,026,191	*1 152,039,254
Accumulated depreciation	(31,713,554)	(35,463,200)
Buildings in trust, net	108,312,636	116,576,053
Structures in trust	2,963,947	3,058,840
Accumulated depreciation	(659,914)	(730,047)
Structures in trust, net	2,304,033	2,328,793
Machinery and equipment in trust	693,008	793,859
Accumulated depreciation	(228,779)	(264,608)
Machinery and equipment in trust, net	464,228	529,250
Tools, furniture and fixtures in trust	129,718	129,718
Accumulated depreciation	(111,540)	(113,038)
Tools, furniture and fixtures in trust, net	18,178	16,680
Land in trust	212,263,515	237,641,649
Construction in progress in trust	118,127	120,897
Net property and equipment	325,988,877	360,081,175
Intangible assets		
Software	257,298	226,128
Trademark right	411,320	355,231
Leasehold rights in trust	27,324,752	27,324,752
Fixed-term leasehold rights in trust	4,495,583	4,360,378
Other	5,240	4,561
Total intangible assets	32,494,195	32,271,051
Investments and other assets		
Security deposits	12,520	12,520
Leasehold and security deposits in trust	139,668	139,668
Long-term prepaid expenses	1,958,131	2,565,747
Derivative assets	1,195,251	398,477
Reserve for repairs and maintenance	327,173	300,469
Total investments and other assets	3,632,745	3,416,883
Total noncurrent assets	362,115,817	395,769,110
Deferred assets		
Investment unit issuance costs	4,165	40,379
Investment corporation bond issuance costs	126,802	95,957
Total deferred assets	130,967	136,336
Total assets	396,799,942	429,955,390

(thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Operating accounts payable	1,943,815	2,506,632
Short-term loans payable	35,113,000	15,568,000
Current portion of investment corporation bonds payable	—	3,000,000
Current portion of long-term loans payable	15,432,000	21,521,000
Accrued expenses	570,397	659,264
Income taxes payable	1,210	1,210
Consumption taxes payable	398,802	470,254
Advances received	664,196	764,638
Dividends payable	6,473	3,634
Deposits received	2,592	9,966
Derivative liabilities	11,079	2,626
Other	21,994	77,816
Total current liabilities	54,165,561	44,585,044
Long-term liabilities		
Investment corporation bonds	36,900,000	33,900,000
Long-term loans payable	76,786,000	101,242,000
Tenant leasehold and security deposits	1,040,520	1,040,520
Tenant leasehold and security deposits in trust	3,619,666	3,739,687
Derivative liabilities	—	1,951
Deferred tax liabilities	375,207	125,832
Asset retirement obligations	338,413	340,051
Total long-term liabilities	119,059,807	140,390,042
Total liabilities	173,225,369	184,975,086
Net assets		
Unitholders' equity		
Unitholders' capital	187,194,209	199,051,879
Surplus		
Capital surplus	21,746,398	21,746,398
Voluntary reserve		
Reserve for temporary difference adjustment	*2 9,976,515	*2 9,600,013
Reserve for tax purpose reduction entry	1,174,860	1,174,860
Total voluntary reserve	11,151,375	10,774,874
Unappropriated retained earnings (undisposed loss)	2,672,927	13,137,051
Total surplus	35,570,702	45,658,325
Total unitholders' equity	222,764,911	244,710,204
Valuation and translation adjustments		
Deferred gains (losses) on hedges	809,661	270,099
Total valuation and translation adjustments	809,661	270,099
Total net assets	*3 223,574,572	*3 244,980,303
Total liabilities and net assets	396,799,942	429,955,390

(2) Statements of income

(thousands of yen)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Operating revenue		
Real estate operating revenue	*1 13,925,987	*1 25,503,799
Other real estate operating revenue	*1 986,984	*1 1,070,755
Total operating revenue	14,912,972	26,574,555
Operating Expenses		
Real estate operating costs	*1 8,796,879	*1 9,466,357
Asset management fee	1,491,325	1,745,752
Asset custody and administrative service fee	115,661	117,832
Directors' compensation	17,400	17,700
Other operating expenses	195,024	212,405
Total operating expenses	10,616,291	11,560,047
Operating income	4,296,681	15,014,507
Non-operating income		
Interest income	270	253
Gain on forfeiture of unclaimed dividends	3,533	3,890
Gain on insurance claims	2,250	—
Interest on tax refunds	—	40
Gain on derivative instruments	13,228	3,298
Other	541	—
Total non-operating income	19,824	7,483
Non-operating Expenses		
Interest expense	855,183	868,687
Interest expense on investment corporation bonds	301,631	282,254
Borrowing costs	436,444	681,764
Amortization of investment corporation bond issuance costs	32,090	30,844
Amortization of investment unit issuance costs	3,570	8,543
Loss on derivative instruments	—	3,135
Other	14,619	11,488
Total non-operating expenses	1,643,539	1,886,717
Ordinary profit	2,672,966	13,135,273
Extraordinary income		
Subsidy income	—	7,972
Total extraordinary income	—	7,972
Extraordinary loss		
Loss on tax purpose reduction entry of non-current assets	—	*2 7,915
Total extraordinary loss	—	7,915
Income before income taxes	2,672,966	13,135,330
Income taxes – current	1,210	1,210
Total income taxes	1,210	1,210
Net income	2,671,756	13,134,120
Retained earnings brought forward	1,171	2,930
Unappropriated retained earnings (undisposed loss)	2,672,927	13,137,051

(3) Statements of changes in net assets

For the year ended December 31, 2022

(thousands of yen)

	Unitholders' equity							
	Unitholders' capital	Surplus						Total unitholders' equity
		Capital surplus	Voluntary reserve			Unappropriated retained earnings (undisposed loss)	Total surplus	
			Reserve for temporary difference adjustment	Reserve for tax purpose reduction entry	Total voluntary reserve			
Balance, January 1, 2022	187,194,209	21,746,398	10,311,886	1,174,860	11,486,747	1,300,724	34,533,870	221,728,079
Changes of items during the year:								
Reversal of reserve for temporary difference adjustment			(335,371)		(335,371)	335,371	—	—
Dividends paid						(1,634,924)	(1,634,924)	(1,634,924)
Net income (loss)						2,671,756	2,671,756	2,671,756
Net changes of items other than unitholders' equity								
Total changes of items during the year	—	—	(335,371)	—	(335,371)	1,372,203	1,036,832	1,036,832
Balance, December 31, 2022	187,194,209 ^{*1}	21,746,398	9,976,515	1,174,860	11,151,375	2,672,927	35,570,702	222,764,911

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2022	(185,733)	(185,733)	221,542,346
Changes of items during the year:			
Reversal of reserve for temporary difference adjustment			—
Dividends paid			(1,634,924)
Net income (loss)			2,671,756
Net changes of items other than unitholders' equity	995,394	995,394	995,394
Total changes of items during the year	995,394	995,394	2,032,226
Balance, December 31, 2022	809,661	809,661	223,574,572

For the year ended December 31, 2023

(thousands of yen)

	Unitholders' equity							
	Unitholders' capital	Surplus						Total unitholders' equity
		Capital surplus	Voluntary reserve			Unappropriated retained earnings (undisposed loss)	Total surplus	
			Reserve for temporary difference adjustment	Reserve for tax purpose reduction entry	Total voluntary reserve			
Balance, January 1, 2023	187,194,209	21,746,398	9,976,515	1,174,860	11,151,375	2,672,927	35,570,702	222,764,911
Changes of items during the year:								
Issuance of new investment units	11,857,670							11,857,670
Reversal of reserve for temporary difference adjustment			(376,501)		(376,501)	376,501	—	—
Dividends paid						(3,046,498)	(3,046,498)	(3,046,498)
Net income (loss)						13,134,120	13,134,120	13,134,120
Net changes of items other than unitholders' equity								
Total changes of items during the year	11,857,670	—	(376,501)	—	(376,501)	10,464,123	10,087,622	21,945,292
Balance, December 31, 2023	199,051,879 ^{*1}	21,746,398	9,600,013	1,174,860	10,774,874	13,137,051	45,658,325	244,710,204

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2023	809,661	809,661	223,574,572
Changes of items during the year:			
Issuance of new investment units			11,857,670
Reversal of reserve for temporary difference adjustment			—
Dividends paid			(3,046,498)
Net income (loss)			13,134,120
Net changes of items other than unitholders' equity	(539,561)	(539,561)	(539,561)
Total changes of items during the year	(539,561)	(539,561)	21,405,730
Balance, December 31, 2023	270,099	270,099	244,980,303

(4) Statements of cash dividends

Classification	For the year ended December 31, 2022	For the year ended December 31, 2023
I. Unappropriated retained earnings	¥2,672,927,976	¥13,137,051,848
II. Reversal of voluntary reserve		
Reversal of reserve for temporary difference adjustment	*1 ¥376,501,098	*1 ¥845,384,544
III. Dividends	¥3,046,498,092	¥13,980,573,090
[Dividend per unit]	[¥682]	[¥3,015]
IV. Retained earnings carried forward	¥2,930,982	¥1,863,302
Method of calculating the amount of dividends	In accordance with the monetary distribution policy stipulated in Article 34, paragraph 1 of JHR's Articles of Incorporation, amount of dividend must exceed 90% of JHR's distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation. It was decided that ¥3,046,498,092, which excludes fractions of less than one yen of dividend per unit from ¥3,049,429,074, an amount calculated by adding a reversal of reserve for temporary difference adjustment of ¥376,501,098 to unappropriated retained earnings of ¥2,672,927,976, would all be distributed. The monetary distribution in excess of earnings stipulated in Article 34, paragraph 1 (4) of JHR's Articles of Incorporation will not be made.	In accordance with the monetary distribution policy stipulated in Article 34, paragraph 1 of JHR's Articles of Incorporation, amount of dividend must exceed 90% of JHR's distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation. It was decided that ¥13,980,573,090, which excludes fractions of less than one yen of dividend per unit from ¥13,982,436,392, an amount calculated by adding a reversal of reserve for temporary difference adjustment of ¥845,384,544 to unappropriated retained earnings of ¥13,137,051,848, would all be distributed. The monetary distribution in excess of earnings stipulated in Article 34, paragraph 1 (4) of JHR's Articles of Incorporation will not be made.

(5) Statements of cash flows

(thousands of yen)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Cash flows from operating activities		
Income before income taxes	2,672,966	13,135,330
Depreciation and amortization	4,787,822	5,083,074
Loss on retirement of noncurrent assets	57,811	151,695
Loss (profit) on derivative instruments	(13,228)	(163)
Subsidy income	—	(7,972)
Loss on tax purpose reduction entry of non-current assets	—	7,915
Amortization of investment corporation bond issuance costs	32,090	30,844
Amortization of investment unit issuance costs	3,570	8,543
Interest income	(270)	(253)
Interest expense	1,156,814	1,150,941
Interest on tax refunds	—	(40)
(Increase) decrease in operating accounts receivable	(2,692,368)	(408,098)
(Increase) decrease in prepaid expenses	761	(141,829)
(Increase) decrease in long-term prepaid expenses	233,518	(607,615)
Increase (decrease) in operating accounts payable	(9,852)	234,581
Increase (decrease) in accrued expenses	33,714	86,183
Increase (decrease) in consumption taxes payable	226,058	71,452
Increase (decrease) in advances received	5,357	100,441
Increase (decrease) in deposits received	(3,410)	7,373
Other	(811)	31,404
Subtotal	6,490,545	18,933,808
Interest received	269	247
Interest paid	(1,158,491)	(1,148,257)
Interest received on tax refunds	—	40
Income taxes - refunded (paid)	(1,210)	(1,207)
Net cash provided by (used in) operating activities	5,331,112	17,784,631
Cash flows from investing activities		
Purchase of property and equipment	(1,102,874)	(982,573)
Purchase of property and equipment in trust	(2,767,507)	(37,589,514)
Purchase of intangible assets	(48,094)	(67,279)
Payments of reserve for repairs and maintenance	(40,625)	(40,625)
Proceeds from tenant leasehold and security deposits in trust	51,124	230,434
Reimbursements of tenant leasehold and security deposits in trust	(32,161)	(110,414)
Subsidies received	—	7,972
Proceeds from release of deposit with withdrawal restrictions	(1,500,000)	—
Payment into deposit with withdrawal restrictions	1,800,000	—
Net cash provided by (used in) investing activities	(3,640,139)	(38,551,999)
Cash flows from financing activities		
Proceeds from short-term loans payable	35,536,000	15,568,000
Repayments of short-term loans payable	(24,425,000)	(35,113,000)
Proceeds from long-term loans payable	—	45,977,000
Repayments of long-term loans payable	(8,434,000)	(15,432,000)
Proceeds from issuance of investment corporation bonds	2,800,000	—
Redemption of investment corporation bonds	(6,000,000)	—
Proceeds from issuance of investment units	—	11,812,912
Investment corporation bonds issuance costs	(15,029)	—
Dividends paid	(1,634,712)	(3,045,523)
Net cash provided by (used in) financing activities	(2,172,742)	19,767,389
Net increase (decrease) in cash and cash equivalents	(481,768)	(999,978)
Cash and cash equivalents at beginning of year	29,996,835	29,515,066
Cash and cash equivalents at end of year	*1 29,515,066	*1 28,515,088

(6) Notes on going concern assumption

Not applicable.

(7) Notes on matters concerning significant accounting policies

1. Method of depreciation and amortization of noncurrent assets	<p>(1) Property and equipment (including trust accounts) Property and equipment are amortized using the straight-line method. The useful lives of major property and equipment components are as follows:</p> <table border="0"><tr><td>Machinery and equipment</td><td>2 to 17 years</td></tr><tr><td>Tools, furniture and fixtures</td><td>2 to 26 years</td></tr><tr><td>Buildings in trust</td><td>2 to 64 years</td></tr><tr><td>Structures in trust</td><td>2 to 64 years</td></tr><tr><td>Machinery and equipment in trust</td><td>3 to 32 years</td></tr><tr><td>Tools, furniture and fixtures in trust</td><td>2 to 27 years</td></tr></table> <p>(2) Intangible assets Intangible assets are amortized using the straight-line method. The amortization period of major intangible assets is as follows.</p> <table border="0"><tr><td>Software (for internal use)</td><td>5 years as internally usable years</td></tr><tr><td>Trademark right</td><td>10 years</td></tr></table> <p>Fixed-term leasehold rights in trust are amortized using the straight-line method based on remaining period (41 years) of the contract.</p> <p>(3) Long-term prepaid expenses Long-term prepaid expenses are amortized using the straight-line method.</p>	Machinery and equipment	2 to 17 years	Tools, furniture and fixtures	2 to 26 years	Buildings in trust	2 to 64 years	Structures in trust	2 to 64 years	Machinery and equipment in trust	3 to 32 years	Tools, furniture and fixtures in trust	2 to 27 years	Software (for internal use)	5 years as internally usable years	Trademark right	10 years
Machinery and equipment	2 to 17 years																
Tools, furniture and fixtures	2 to 26 years																
Buildings in trust	2 to 64 years																
Structures in trust	2 to 64 years																
Machinery and equipment in trust	3 to 32 years																
Tools, furniture and fixtures in trust	2 to 27 years																
Software (for internal use)	5 years as internally usable years																
Trademark right	10 years																
2. Accounting for deferred assets	<p>(1) Investment unit issuance costs Investment unit issuance costs are amortized using the straight-line method over three years.</p> <p>(2) Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized using the interest method over the respective term of the bond.</p>																
3. Standards for recognition of revenues and expenses	<p>(1) Revenue recognition The details of main performance obligations concerning revenue generated from contracts concluded with JHR's customers and the ordinary time to fulfil such performance obligations (ordinary time to recognize revenue) are as follows:</p> <p>(a) Sale of real estate properties For the proceeds from sale of real estate properties, JHR recognizes revenue when the purchaser who is a customer obtains control of the relevant real estate properties, etc. as a result of the seller fulfilling its delivery obligations stipulated in the transaction agreement of the real estate, etc. The amount obtained by deducting "Cost of sale of real estate properties," which is the book value of real estate properties, etc. sold, and "Other related sales expenses," which are the various expenses directly required in the sale, from "Proceeds from sale of real estate properties," which are the sales proceeds of real estate properties, etc., is indicated as "Gain on sales of real estate properties" or "Loss on sales of real estate properties" in the statements of income. There is no gain or loss on sales of real estate properties for the fiscal year under review and the previous fiscal year.</p> <p>(b) Utilities income For utilities income, JHR recognizes revenue in accordance with the supply of electricity, water, etc. to the lessee who is a customer based on the lease contracts of real estate properties, etc. and agreements incidental to it.</p> <p>(2) Treatment of property taxes and other taxes For taxes imposed on properties under management such as property taxes, city planning taxes, and depreciable asset taxes, the imposed amounts are allocated to the respective period and expensed as "Real estate operating costs." Cash paid for property taxes and city planning taxes, etc. to the transferor of real properties, etc. at acquisition is not recorded as "Real estate operating costs" but capitalized as part of the acquisition cost of the relevant property. There were no taxes capitalized in the acquisition cost of real estate properties, etc., for the previous fiscal year, while ¥46,192 thousand was capitalized for the fiscal year under review.</p>																

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

(8) Notes on significant accounting estimates

[Notes on significant accounting estimates]

Valuation of noncurrent assets

1. Amounts recorded in the financial statements

	(thousands of yen)	
	For the year ended December 31, 2022	For the year ended December 31, 2023
Property and equipment, at cost	325,988,877	360,081,175
Intangible assets	32,494,195	32,271,051
Impairment loss	—	—

2. Information on the nature of significant accounting estimates for identified items

In accordance with the accounting standard for impairment of noncurrent assets, JHR has adopted the accounting treatment to reduce the book value of noncurrent assets to a recoverable amount when the invested amount is deemed to be unrecoverable due to decline in profitability.

In adopting the accounting treatment, the respective properties owned by JHR are regarded as a single asset group, and judgment is made whether it is required to recognize impairment losses when indications of impairment are deemed to exist for the group due to a significant decline in the market value and such.

Future cash flow estimates are used to determine whether or not to recognize impairment losses. When it is determined that impairment losses should be recognized, the book value is reduced to the recoverable amount, and the reduced amount is recorded as impairment losses.

In estimating the future cash flow, the underlying rent, occupancy rate and real estate operating costs, etc. are calculated by comprehensively taking into account the market trends and transaction cases of similar properties, etc.

Each property's performance and market price may be affected by trends in the real estate leasing market and the real estate trading market. Therefore, any change in the assumptions used in the estimates may affect JHR's assets and earnings in the next fiscal year.

(9) Notes to financial statements

Disclosure of notes on “securities,” “share of (profit) loss of entities accounted for using equity method,” “related-party transactions” and “retirement benefits” is omitted because the significance of disclosure in the financial report is minimal.

[Notes to balance sheets]

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

(thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Buildings in trust	24,921	17,865

- *2. Matters concerning provision and reversal of reserve for temporary difference adjustment

As of December 31, 2022

(thousands of yen)

	Amount of initial accrual	Balance at beginning of period	Amount of provision during period	Amount of reversal during period	Balance at end of period	Grounds for provision and reversal
Dividend reserve (Note)	13,127,153	10,311,886	—	335,371	9,976,515	Allocation for dividend

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

As of December 31, 2023

(thousands of yen)

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

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

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

(thousands of yen)

	As of December 31, 2022	As of December 31, 2023
	50,000	50,000

[Notes to statements of income]

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

(thousands of yen)

	For the year ended December 31, 2022	For the year ended December 31, 2023
A. Real estate operating revenue		
Real estate operating revenue		
Fixed rent	6,279,169	14,658,973
Variable rent	7,304,059	9,516,322
Income from management contracts	342,758	1,328,502
Total	<u>13,925,987</u>	<u>25,503,799</u>
Other real estate operating revenue		
Parking lots	141,741	127,036
Other incidental revenue	69,068	70,635
Utilities	643,154	753,357
Other	133,020	119,726
Total	<u>986,984</u>	<u>1,070,755</u>
Total real estate operating revenue	<u>14,912,972</u>	<u>26,574,555</u>
B. Real estate operating costs		
Real estate operating costs		
Land lease and other rent expenses	845,567	846,977
Property taxes	1,923,806	1,976,361
Outsourcing expenses (Note)	352,400	449,885
Nonlife insurance	70,695	80,731
Depreciation and amortization	4,787,822	5,083,074
Loss on retirement of noncurrent assets	57,811	151,695
Repairs	21,378	26,032
Utilities	683,346	790,705
Trust fees	39,783	41,176
Other	14,267	19,718
Total real estate operating costs	<u>8,796,879</u>	<u>9,466,357</u>
C. Net real estate operating income (A – B)	<u>6,116,092</u>	<u>17,108,197</u>

(Note) Outsourcing expenses include management fees of ¥40,786 thousand for the year ended December 31, 2022, and ¥129,402 thousand for the year ended December 31, 2023.

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

(thousands of yen)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Buildings in trust	—	7,915

[Notes to statements of changes in net assets]

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

	For the year ended December 31, 2022	For the year ended December 31, 2023
Total number of investment units authorized	20,000,000 units	20,000,000 units
Total number of investment units issued and outstanding	4,467,006 units	4,637,006 units

[Notes to statements of cash dividends]

*1. Reserve for temporary difference adjustment

For the year ended December 31, 2022

By application of the transitional measures of Paragraph 3 of the Supplementary Provisions of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015), ¥13,127,153,216 in dividend reserve that is the remaining balance of the amount subdivided into gain on negative goodwill recorded in prior fiscal years is set aside as reserve for temporary difference adjustment on the statements of cash dividends for the year ended December 31, 2016. Starting from the fiscal year following the fiscal year in which the reserve was made, reversal of the concerned reserve amount in an amount that shall be no less than the 50-year even amortization amount (¥262,543,065) of the remaining balance of the amount when the reserve was made, is required. In this fiscal year under review, reversal of ¥376,501,098 has been decided, which is the amount calculated by adding ¥57,811,948 equivalent to loss on retirement of noncurrent assets and ¥56,089,150, equivalent to amortization of trademark right to ¥262,600,000 of the reversal.

For the year ended December 31, 2023

By application of the transitional measures of Paragraph 3 of the Supplementary Provisions of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015), ¥13,127,153,216 in dividend reserve that is the remaining balance of the amount subdivided into gain on negative goodwill recorded in prior fiscal years is set aside as reserve for temporary difference adjustment on the statements of cash dividends for the year ended December 31, 2016. Starting from the fiscal year following the fiscal year in which the reserve was made, reversal of the concerned reserve amount in an amount that shall be no less than the 50-year even amortization amount (¥262,543,065) of the remaining balance of the amount when the reserve was made, is required. In this fiscal year under review, reversal of ¥845,384,544 has been decided, which is the amount calculated by adding ¥151,695,394 equivalent to loss on retirement of noncurrent assets and ¥56,089,150, equivalent to amortization of trademark right and ¥375,000,000 equivalent to the dilution for dividend per unit arising from the public offering to ¥262,600,000 of the reversal.

[Notes to statements of cash flows]

*1. Relation of balance of cash and cash equivalents at end of year and the amount in balance sheet accounts

(thousands of yen)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Cash and deposits	21,142,716	17,693,462
Cash and deposits in trust	8,372,349	10,821,626
Cash and cash equivalents	29,515,066	28,515,088

[Notes on lease transactions]

Operating leases (as lessor)

Minimum rental revenue under non-cancellable operating leases

(thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Due within one year	1,152,214	1,331,074
Due after one year	4,054,288	3,782,292
Total	5,206,502	5,113,366

[Notes on financial instruments]

1. Matters concerning status of financial instruments

(1) Policy for financial instruments

JHR is an investment corporation set forth in Article 2, paragraph 12 of the Investment Trusts Act, managing investments mainly in specified assets as prescribed in the Investment Trusts Act. As a policy, JHR procures funds through issuance of investment units, etc. and loans from financial institutions in order to make investments in specified assets. JHR does not utilize surplus funds to invest in financial instruments except for short-term deposits and other equivalent short-term financial instruments. JHR may enter into derivative transactions in order to hedge against interest rate risk, but not for speculative trading purposes.

(2) Details of financial instruments, their risks, and risk management system

Operating accounts receivable is operating receivables and is exposed to credit risks of clients. As for the risks, JHR is managing payment dates and balances by each client with an aim to grasp concerns in collecting due to deterioration in their financial status and other factors in early stage and reduce the risks.

The floating rate loans payable are exposed to risks of interest rate fluctuations. In order to mitigate interest rate risk, JHR may enter into derivative transactions, if necessary, to fix the interest expense.

Derivative transactions are conducted principally in accordance with rules prescribed by JHR and risk management rules applied by the Asset Management Company. Derivative transactions are arranged by the section in charge of finance at the Asset Management Company by using financial institutions with high credit ratings through approval and resolution by authorized personnel and a meeting committee structure set forth in its decision-making standards and resolution of JHR's board of directors.

Loans payable are exposed to liquidity risks. The section in charge of finance at the Asset Management Company prepares and updates projections and actual cash flows on a monthly basis to manage liquidity risks and monitor compliance with restrictive covenants set forth in the loan contracts. JHR manages liquidity risks by managing the ratio of short-term and long-term loans payable considering the current financial environment through approval and resolution by authorized personnel and meeting committee structure in the Asset Management Company and resolution of JHR's board of directors.

(3) Supplementary explanation on matters concerning fair value, etc. of financial instruments

Regarding the contract amount, etc. of derivative transactions in "2. Matters concerning fair value, etc. of financial instruments" the amount itself does not indicate certain scale of market risk exposure related to derivative transactions.

2. Matters concerning fair value of financial instruments

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

For the year ended December 31, 2022

	(thousands of yen)		
	Carrying amount	Fair value	Difference
(1) Current portion of investment corporation bonds payable	—	—	—
(2) Current portion of long-term loans payable	15,432,000	15,432,000	—
(3) Investment corporation bonds	36,900,000	33,223,450	(3,676,550)
(4) Long-term loans payable	76,786,000	76,786,000	—
Total liabilities	129,118,000	125,441,450	(3,676,550)
(5) Derivative transactions (*)	1,184,172	1,184,172	—

For the year ended December 31, 2023

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

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

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

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

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

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

The carrying value is deemed to approximate the fair value since the interest rate on long-term loans payable are floating interest rates which are revised periodically to reflect market interest rates.

(5) Derivative transactions

Please refer to “Notes on derivative transactions” below.

3. Schedule for redemption of investment corporation bonds and repayment of long-term loans payable after the end of the fiscal year under review.

As of December 31, 2022

(thousands of yen)						
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	—	3,000,000	2,800,000	13,100,000	—	18,000,000
Long-term loans payable	15,432,000	18,536,000	19,000,000	4,250,000	17,000,000	18,000,000
Total	15,432,000	21,536,000	21,800,000	17,350,000	17,000,000	36,000,000

As of December 31, 2023

(thousands of yen)						
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	3,000,000	2,800,000	13,100,000	—	10,000,000	8,000,000
Long-term loans payable	21,521,000	19,000,000	12,180,000	27,175,000	26,500,000	16,387,000
Total	24,521,000	21,800,000	25,280,000	27,175,000	36,500,000	24,387,000

[Notes on derivative transactions]

1. Derivative transactions to which hedge accounting is not applied

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

As of December 31, 2022

(thousands of yen)					
Classification	Type, etc. of derivative transaction	Contract amount, etc.		Fair value	Method to measure the fair value
			Of which, due after one year		
Transactions other than market transactions	Interest rate swaps (fixed rate payment, floating rate receipt)	3,494,000	1,750,000	(696)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

As of December 31, 2023

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

2. Derivative transactions to which hedge accounting is applied

For derivative transactions in which hedge accounting is applied, the contract amounts or the principal amounts equivalent to the principal provided in the contract, etc. as of the year-end account closing dates were as follows:

As of December 31, 2022

(thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Deferral method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	78,460,000	70,600,000	1,184,868	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

As of December 31, 2023

(thousands of yen)

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

[Notes on tax-effect accounting]

1. Components of deferred tax assets and liabilities by cause

	(thousands of yen)	
	As of December 31, 2022	As of December 31, 2023
Deferred tax assets:		
Valuation difference on assets accepted through merger	1,667,655	1,660,086
Amortization of fixed-term leasehold of land	291,223	333,759
Asset retirement obligations	25,570	29,177
Amortization of trademark right	47,055	64,701
Deferred gains (losses) on hedges	2,447	1,272
Total gross deferred tax assets	2,033,953	2,088,996
Valuation allowance	(2,033,953)	(2,088,996)
Total deferred tax assets	—	—
Deferred tax liabilities		
Deferred gains (losses) on hedges	375,207	125,832
Total gross deferred tax liabilities	375,207	125,832

2. Details of major causes of material differences between the statutory tax rate and the tax rate under effective tax accounting

	As of December 31, 2022	As of December 31, 2023
Statutory tax rate	31.46%	31.46%
[Adjustments]		
Deduction for dividends paid	(33.44%)	(31.89%)
Change in valuation allowance	1.97%	0.43%
Other	0.05%	0.01%
Actual effective tax rate	0.05%	0.01%

[Notes on asset retirement obligations]

Asset retirement obligations recognized on the balance sheet

1. Outline of the subject asset retirement obligations

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

2. Calculation method of the subject asset retirement obligations

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

3. Increase and decrease of the subject asset retirement obligations

	(thousands of yen)	
	For the year ended December 31, 2022	For the year ended December 31, 2023
Balance at beginning of period	336,783	338,413
Adjustment due to passage of time	1,630	1,637
Balance at end of period	338,413	340,051

[Notes on segment and related information]

1. Segment information

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

2. Related information

For the year ended December 31, 2022

(1) Information about products and services

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

(2) Information about geographical areas

(i) Operating revenue

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

(ii) Property and equipment, at cost

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

(3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd. (Note 1)	6,862,661	Investment and management of hotel real estate
THE DAIICHI BUILDING CO., LTD.	Undisclosed (Note 2)	Investment and management of hotel real estate

(Note 1) Operating revenue includes the operating revenue from customers belonging to the same company group as said customers.

(Note 2) Undisclosed as the consent of the lessee has not been obtained.

For the year ended December 31, 2023

(1) Information about products and services

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

(2) Information about geographical areas

(i) Operating revenue

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

(ii) Property and equipment, at cost

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

(3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd. (Note)	15,888,054	Investment and management of hotel real estate

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

[Notes on rental properties, etc.]

JHR owns rental properties for hotels. The carrying amounts, changes in such balances, and fair values of such properties were as follows:

(thousands of yen)

Use		For the year ended December 31, 2022	For the year ended December 31, 2023
Hotel	Carrying amount		
	Balance at beginning of period	358,819,865	358,478,812
	Net increase (decrease) during period	(341,052)	33,860,769
	Balance at end of period	358,478,812	392,339,582
	Fair value at end of period	483,110,000	525,740,000

(Note 1) The decrease during the year ended December 31, 2022 was principally due to depreciation. Increase during the year ended December 31, 2023 principally due to acquisition of UAN kanazawa (¥2,082 million), Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (¥8,487 million), La'gent Stay Sapporo Odori (¥10,428 million), Oriental Hotel Kyoto Rokujo (¥4,620 million), Hotel Oriental Express Fukuoka Nakasukawabata (¥4,665 million) and Hotel JAL City Kannai Yokohama (¥4,046 million).

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

Real estate operating revenue and costs related to the rental properties were as follows:

(thousands of yen)

Use		For the year ended December 31, 2022	For the year ended December 31, 2023
Hotel	Amount on the statements of income		
	Real estate operating revenue	14,912,972	26,574,555
	Real estate operating costs	8,796,879	9,466,357
	Net real estate operating income	6,116,092	17,108,197

(Note) "Real estate operating revenue" and "Real estate operating costs" are income from real estate operation (including other income from real estate operation) and corresponding expenses (such as depreciation, property tax, etc., trust fees, repair expenses and others), and are included in "Real Estate operating revenue" and "Real estate operating costs," respectively.

[Notes on revenue recognition]

For the year ended December 31, 2022

Broken down information on revenue from contracts with customers.

For broken down information on revenue from contracts with customers, please see [Notes to statements of income] *1. Components of real estate operating revenue and real estate operating costs.

*1. Components of real estate operating revenue and real estate operating costs include revenue under Accounting Standard for Leasing Transactions (ASBJ Statement No. 13).

The revenue from contracts with major customers consist mainly of utilities income.

For the year ended December 31, 2023

Broken down information on revenue from contracts with customers.

For broken down information on revenue from contracts with customers, please see [Notes to statements of income] *1. Components of real estate operating revenue and real estate operating costs.

*1. Components of real estate operating revenue and real estate operating costs include revenue under Accounting Standard for Leasing Transactions (ASBJ Statement No. 13).

The revenue from contracts with major customers consist mainly of utilities income.

[Notes on per unit information]

	For the year ended December 31, 2022	For the year ended December 31, 2023
Net assets per unit (JPY)	50,050	52,831
Net income per unit (JPY)	598	2,909

(Note 1) Net income per unit is computed by dividing net income by the average number of investment units during the period.

Net income per unit after the adjustment of potentially dilutive units is not presented since there are no potentially dilutive units.

(Note 2) The basis of computation of net income per unit is as follows:

(thousands of yen)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Net income	2,671,756	13,134,120
Amount not attributable to common unitholders	—	—
Net income attributable to common investment units	2,671,756	13,134,120
Average number of investment units during period	4,467,006 units	4,514,513 units

[Notes on significant subsequent events]

Not applicable.

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

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

Date	Capital transaction	Total number of investment units issued and outstanding (Units)		Unitholders' capital (JPY1M)		Note
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
January 23, 2019	Capital increase through public offering of investment units	447,800	4,458,647	33,104	186,620	(Note 1)
February 20, 2019	Capital increase through third-party allotment of investment units	3,700	4,462,347	273	186,894	(Note 2)
March 16, 2021	Capital increase through third-party allotment of investment units	4,659	4,467,006	300	187,194	(Note 3)
September 21, 2023	Capital increase through public offering of investment units	170,000	4,637,006	11,857	199,051	(Note 4)

(Note 1) New investment units were issued through public offering with an issue price per unit of ¥76,342 (issue value of ¥73,927) in order to procure funds for the acquisition of new properties, etc.

(Note 2) New investment units were issued through third-party allotment with an issue value per unit of ¥73,927 in order to procure part of funds for the acquisition of new properties.

(Note 3) New investment units were issued through third-party allotment with an issue value per unit of ¥64,400 in order to procure part of funds for capital expenditures.

(Note 4) New investment units were issued through public offering with an issue price per unit of ¥72,030 (issue value of ¥69,751) in order to procure funds for the acquisition of new properties, etc.

3. Reference information

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

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

A. Investment status

The following outlines the investment status of JHR as of the end of the fiscal year under review.

Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2022		As of December 31, 2023			
				Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)		
Real estate in trust	Limited-service hotel	Osaka	Holiday Inn Osaka Namba	26,646	6.7	26,566	6.2		
			Namba Oriental Hotel	14,250	3.6	14,217	3.3		
			Hotel Oriental Express Osaka Shinsaibashi	2,781	0.7	2,769	0.6		
		Tokyo	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	—	—	8,469	2.0		
			the b ikebukuro	6,548	1.7	6,599	1.5		
			CANDEO HOTELS Ueno Koen	6,535	1.6	6,525	1.5		
			Comfort Hotel Tokyo Higashi Nihombashi	3,422	0.9	3,394	0.8		
			the b hachioji	2,685	0.7	2,691	0.6		
			Smile Hotel Nihombashi Mitsukoshimae	2,025	0.5	2,025	0.5		
			R&B Hotel Ueno-hirokoji	1,780	0.4	1,804	0.4		
			Chisun Hotel Kamata	1,442	0.4	1,452	0.3		
			the b suidobashi	1,155	0.3	1,140	0.3		
			dormy inn EXPRESS Asakusa	922	0.2	917	0.2		
			Chisun Inn Kamata	773	0.2	778	0.2		
		Hokkaido	La'gent Stay Sapporo Odori	—	—	10,402	2.4		
			ibis Styles Sapporo	6,366	1.6	6,299	1.5		
			Mercure Sapporo	5,614	1.4	5,563	1.3		
		Fukuoka	Hotel Oriental Express Fukuoka Tenjin	5,728	1.4	5,710	1.3		
			Hotel Oriental Express Fukuoka Nakasukawabata	—	—	4,621	1.1		
			the b hakata	2,330	0.6	2,319	0.5		
			Washington Hotel Plaza Hakata, Nakasu	2,062	0.5	2,065	0.5		
			Toyoko Inn Hakata-guchi Ekimae	1,364	0.3	1,346	0.3		
		Kyoto	ibis Styles Kyoto Station	6,580	1.7	6,556	1.5		
			Oriental Hotel Kyoto Rokujo	—	—	4,570	1.1		
		Kanagawa	Hotel JAL City Kannai Yokohama	—	—	4,027	0.9		
		Okinawa	Mercure Okinawa Naha	2,745	0.7	2,713	0.6		
		Kumamoto	dormy inn Kumamoto	2,186	0.6	2,205	0.5		
		Ishikawa	UAN kanazawa	—	—	2,056	0.5		
		Nara	Washington Hotel Plaza Nara	1,703	0.4	1,716	0.4		
		Subtotal				107,654	27.1	141,527	32.9
		Full-service hotel	Tokyo	Hilton Tokyo Odaiba	63,160	15.9	63,167	14.7	
				Chiba	Oriental Hotel Tokyo Bay	16,724	4.2	16,932	3.9
					Hilton Tokyo Narita Airport	13,038	3.3	13,003	3.0
	International Garden Hotel Narita				8,983	2.3	8,916	2.1	
	Hotel Francs				3,142	0.8	3,172	0.7	
	Hiroshima		ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 4)	17,016	4.3	16,848	3.9		
			Oriental Hotel Hiroshima	4,032	1.0	4,005	0.9		
	Aichi		Hilton Nagoya	15,560	3.9	15,527	3.6		
	Nara		Hotel Nikko Nara	10,047	2.5	9,998	2.3		
	Hyogo		Kobe Meriken Park Oriental Hotel	9,260	2.3	9,443	2.2		
	Fukuoka		Oriental Hotel Fukuoka Hakata Station	8,720	2.2	8,395	2.0		
	Kanagawa		Mercure Yokosuka	1,608	0.4	1,642	0.4		
	Subtotal				171,296	43.2	171,054	39.8	
Resort hotel	Okinawa	Hotel Nikko Alivila	17,451	4.4	17,441	4.1			
		Oriental Hotel Okinawa Resort & Spa	15,408	3.9	15,626	3.6			
		The Beach Tower Okinawa	6,418	1.6	6,413	1.5			
	Chiba	Hilton Tokyo Bay	26,097	6.6	25,993	6.0			
	Osaka	Oriental Hotel Universal City	7,302	1.8	7,192	1.7			
	Kanagawa	Hakone Setsugetsuka	3,552	0.9	3,528	0.8			
Subtotal				76,231	19.2	76,195	17.7		

Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2022		As of December 31, 2023	
				Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)
			Real estate in trust – Total	355,182	89.5	388,777	90.4
			Deposits and other assets (Note 5)	41,617	10.5	41,177	9.6
			Total assets	396,799	100.0	429,955	100.0
				Amount (JPY1M)	Ratio to total assets (%)	Amount (JPY1M)	Ratio to total assets (%)
			Total liabilities	173,225	43.7	184,975	43.0
			Total net assets	223,574	56.3	244,980	57.0

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

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

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

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

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

B. Assets under management

(A) Major issues of investment securities

Not applicable.

(B) Real estate properties under management

Not applicable.

(C) Other major assets under management

a. Summary of real estate properties (in trust) under management

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

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

Property No.	Name	Grade (Note 1)	Acquisition price (JPY1M) (Note 2)	Carrying amount at end of period (JPY1M) (Note 3)	Appraisal value at end of period (JPY1M) (Note 4)	Appraisal agency (Note 5)	Investment ratio (Acquisition price) (%) (Note 6)	Collateral (Note 7)
1	Kobe Meriken Park Oriental Hotel	Upper-middle	10,900	9,772	14,100	N	2.7	Unsecured
2	Oriental Hotel Tokyo Bay	Mid-price	19,900	17,221	31,900	N	5.0	Unsecured
3	Namba Oriental Hotel	Mid-price	15,000	14,280	31,000	N	3.8	Unsecured
4	Hotel Nikko Alivila	Luxury	18,900	17,648	28,200	N	4.8	Unsecured
5	Oriental Hotel Hiroshima	Upper-middle	4,100	4,051	4,220	N	1.0	Unsecured
8	The Beach Tower Okinawa	Mid-price	7,610	6,416	9,940	N	1.9	Unsecured
9	Hakone Setsugetsuka	Mid-price	4,070	3,534	5,390	N	1.0	Unsecured
10	dormy inn Kumamoto	Mid-price	2,334	2,205	3,390	N	0.6	Unsecured
12	the b suidobashi	Mid-price	1,120	1,149	2,330	N	0.3	Unsecured
13	dormy inn EXPRESS Asakusa	Economy	999	917	1,320	J	0.3	Unsecured
14	Washington Hotel Plaza Hakata, Nakasu	Mid-price	2,130	2,065	4,520	N	0.5	Unsecured
15	Washington Hotel Plaza Nara	Mid-price	2,050	1,717	2,440	N	0.5	Unsecured
16	R&B Hotel Ueno-hirokoji	Economy	1,720	1,804	1,830	J	0.4	Unsecured
18	Comfort Hotel Tokyo Higashi Nihombashi	Economy	3,746	3,395	5,470	J	0.9	Unsecured
22	Smile Hotel Nihombashi Mitsukoshimae	Economy	2,108	2,025	3,030	J	0.5	Unsecured
24	Toyoko Inn Hakata-guchi Ekimae	Economy	1,652	1,346	2,780	T	0.4	Unsecured
25	Chisun Hotel Kamata	Economy	1,512	1,468	2,080	T	0.4	Unsecured
26	Chisun Inn Kamata	Economy	823	781	1,430	T	0.2	Unsecured
29	Oriental Hotel Universal City	Mid-price	6,753	7,468	18,500	R	1.7	Unsecured
31	Hilton Tokyo Bay	Luxury	26,050	26,000	40,200	D	6.6	Unsecured
32	ibis Styles Kyoto Station	Mid-price	6,600	6,566	9,990	D	1.7	Unsecured
33	ibis Styles Sapporo	Mid-price	6,797	6,350	11,100	N	1.7	Unsecured
34	Mercure Sapporo	Mid-price	6,000	5,625	10,600	N	1.5	Unsecured
35	Mercure Okinawa Naha	Mid-price	3,000	2,768	7,070	N	0.8	Unsecured
37	the b ikebukuro	Mid-price	6,520	6,608	7,200	N	1.6	Unsecured
39	the b hachioji	Mid-price	2,610	2,706	2,610	N	0.7	Unsecured
40	the b hakata	Mid-price	2,300	2,328	4,520	N	0.6	Unsecured
41	Hotel Francs	Mid-price	3,105	3,174	4,130	D	0.8	Unsecured
42	Mercure Yokosuka	Mid-price	1,650	1,672	3,210	D	0.4	Unsecured
43	Oriental Hotel Okinawa Resort & Spa	Upper-middle	14,950	16,115	18,300	N	3.8	Unsecured
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Luxury	17,320	17,053	20,400	D	4.4	Unsecured
45	CANDEO HOTELS Ueno Koen	Mid-price	6,705	6,537	7,590	D	1.7	Unsecured
46	Oriental Hotel Fukuoka Hakata Station	Upper-middle	7,197	8,520	15,000	D	1.8	Unsecured
47	Holiday Inn Osaka Namba	Mid-price	27,000	26,601	26,600	N	6.8	Unsecured
48	Hotel Oriental Express Fukuoka Tenjin	Mid-price	5,248	5,765	6,650	D	1.3	Unsecured
49	Hilton Nagoya	Luxury	15,250	15,527	14,900	D	3.8	Unsecured
50	Hilton Tokyo Narita Airport	Upper-middle	13,175	13,261	12,300	N	3.3	Unsecured
51	International Garden Hotel Narita	Mid-price	9,125	9,012	9,270	N	2.3	Unsecured
52	Hotel Nikko Nara	Upper-middle	10,373	10,090	9,670	D	2.6	Unsecured
53	Hotel Oriental Express Osaka Shinsaibashi	Mid-price	2,738	2,789	2,890	D	0.7	Unsecured
54	Hilton Tokyo Odaiba	Upper-middle	62,400	63,365	68,200	N	15.7	Unsecured

Property No.	Name	Grade (Note 1)	Acquisition price (JPY1M) (Note 2)	Carrying amount at end of period (JPY1M) (Note 3)	Appraisal value at end of period (JPY1M) (Note 4)	Appraisal agency (Note 5)	Investment ratio (Acquisition price) (%) (Note 6)	Collateral (Note 7)
55	UAN kanazawa	Upper-middle	2,050	2,062	2,200	N	0.5	Unsecured
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Mid-price	8,400	8,469	10,100	D	2.1	Unsecured
57	La'gent Stay Sapporo Odori	Mid-price	10,020	10,422	10,800	N	2.5	Unsecured
58	Oriental Hotel Kyoto Rokujo	Mid-price	4,446	4,608	5,940	N	1.1	Unsecured
59	Hotel Oriental Express Fukuoka Nakasukawabata	Mid-price	4,460	4,657	6,090	N	1.1	Unsecured
60	Hotel JAL City Kannai Yokohama	Mid-price	4,000	4,047	4,340	N	1.0	Unsecured
	Total		396,918	391,984	525,740		100.0	

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

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

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

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

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

N: Nihon Fudosan Kenkyusho (Japan Real Estate Institute)

J: JLL Morii Valuation & Advisory K.K.

T: The Tanizawa Sōgō Appraisal Co., Ltd.

R: Rich Appraisal Institute Co., Ltd.

D: DAIWA REAL ESTATE APPRAISAL CO., LTD.

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

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

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

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

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

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

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

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

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

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

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

There are no major real estate properties whose total annual rents account for more than 10% of the total annual rents of the entire portfolio. “Total annual rent” is the amount of (i) the amount arrived at when monthly fixed rent (rent of the building itself only, excluding common area maintenance charges and signage and parking usage fees; not factoring in any change in rent during the fiscal year) in lease contracts at the end of the fiscal year under review is multiplied by 12, plus (ii) actual amounts of revenue-sharing rent, variable rent or income from management contracts for full year.

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

Property No.	Name	Rent type (Note 1)	Real estate operating revenue (JPY 1,000)	NOI (Note 2) (JPY 1,000)	NOI after depreciation (Note 3) (JPY 1,000)
1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	689,771	441,899	85,892
2	Oriental Hotel Tokyo Bay	Variable/Fixed	1,874,027	1,751,861	1,319,550
3	Namba Oriental Hotel	Variable/Fixed	1,232,813	1,112,264	995,718
4	Hotel Nikko Alivila	Variable/Fixed	1,400,873	1,252,062	975,202
5	Oriental Hotel Hiroshima	Variable/Fixed	366,106	321,157	235,759
8	The Beach Tower Okinawa	Fixed	511,008	467,270	352,695
9	Hakone Setsugetsuka	Fixed	294,940	269,033	173,268
10	dormy inn Kumamoto	Variable/Fixed (Note 4)	248,243	225,668	170,719
12	the b suidobashi	Variable/Fixed	97,487	85,575	57,704
13	dormy inn EXPRESS Asakusa	Fixed	65,075	55,183	42,506
14	Washington Hotel Plaza Hakata, Nakasu (Note 5)	Fixed	240,000	224,000	199,000
15	Washington Hotel Plaza Nara (Note 5)	Fixed	150,000	133,000	96,000
16	R&B Hotel Ueno-hirokoji	Fixed	97,291	82,152	62,994
18	Comfort Hotel Tokyo Higashi Nihombashi	Variable/Fixed (Note 6)	453,212	421,680	383,651
22	Smile Hotel Nihombashi Mitsukoshimae	Variable/Fixed (Note 6)	138,953	121,598	100,551
24	Toyoko Inn Hakata-guchi Ekimae	Fixed	141,039	126,853	108,858
25	Chisun Hotel Kamata	Variable	118,281	102,768	62,346
26	Chisun Inn Kamata	Variable	66,467	58,526	44,009
29	Oriental Hotel Universal City	Variable/Fixed	1,623,257	1,562,599	1,261,861
31	Hilton Tokyo Bay	Variable/Fixed (Note 6)	2,349,912	2,065,618	1,866,360
32	ibis Styles Kyoto Station	Management contract	318,464	277,262	243,174
33	ibis Styles Sapporo	Management contract	487,015	379,406	296,050
34	Mercure Sapporo	Management contract	632,629	401,490	311,200
35	Mercure Okinawa Naha	Management contract	172,694	119,581	44,757
37	the b ikebukuro	Variable/Fixed	316,613	289,385	260,856
39	the b hachioji	Variable/Fixed	169,873	145,713	105,529
40	the b hakata	Variable/Fixed	219,415	206,269	184,192
41	Hotel Francs	Fixed	300,000	239,316	187,459
42	Mercure Yokosuka	Variable	322,637	206,827	169,117
43	Oriental Hotel Okinawa Resort & Spa	Variable/Fixed	641,137	554,718	163,692
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed	1,539,440	1,015,007	776,276
45	CANDEO HOTELS Ueno Koehn	Fixed	349,971	322,882	278,648
46	Oriental Hotel Fukuoka Hakata Station	Variable/Fixed	1,515,721	1,269,063	877,671
47	Holiday Inn Osaka Namba	Variable/Fixed	895,797	844,841	724,594
48	Hotel Oriental Express Fukuoka Tenjin	Variable/Fixed	590,989	488,895	387,869
49	Hilton Nagoya	Variable	1,263,632	590,031	400,651
50	Hilton Tokyo Narita Airport	Variable/Fixed	532,370	451,597	230,832
51	International Garden Hotel Narita	Variable/Fixed	477,563	433,991	265,440
52	Hotel Nikko Nara	Variable/Fixed	444,883	396,500	244,933
53	Hotel Oriental Express Osaka Shinsaibashi	Variable/Fixed	179,436	165,072	148,084
54	Hilton Tokyo Odaiba	Variable/Fixed	2,349,222	2,005,645	1,695,940
55	UAN kanazawa (Note 7)	Variable/Fixed (Note 6)	118,301	115,228	94,978
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (Note 8)	Variable/Fixed (Note 6)	230,700	200,752	182,279
57	La'gent Stay Sapporo Odori (Note 9)	Variable	132,381	131,332	107,023
58	Oriental Hotel Kyoto Rokujo (Note 9)	Variable/Fixed	94,374	93,359	81,606
59	Hotel Oriental Express Fukuoka Nakasukawabata (Note 9)	Variable/Fixed	75,259	74,176	65,325
60	Hotel JAL City Kannai Yokohama (Note 10)	Variable/Fixed	10,463	10,373	7,837
	Total		26,541,085	22,311,135	17,130,816

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

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

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

- (Note 4) The rent type until March 31, 2023 was Fixed.
- (Note 5) For Washington Hotel Plaza Hakata, Nakasu and Washington Hotel Plaza Nara, consent on disclosure of rent in units of thousand yen has not been obtained from the lessees and numbers are thus rounded down to the nearest million yen.
- (Note 6) For Comfort Hotel Tokyo Higashi Nihombashi, Smile Hotel Nihombashi Mitsukoshimae, Hilton Tokyo Bay, UAN kanazawa and Sotetsu Fresa Inn Shimbashi-Karasumoriguchi, the rent structure is one that has set not only fixed rent but also partial rent based on a revenue-sharing rent structure.
- (Note 7) UAN kanazawa was acquired on January 31, 2023.
- (Note 8) Sotetsu Fresa Inn Shimbashi-Karasumoriguchi was acquired on March 24, 2023.
- (Note 9) La'gent Stay Sapporo Odori, Oriental Hotel Kyoto Rokujo and Hotel Oriental Express Fukuoka Nakasukawabata were acquired on September 27, 2023.
- (Note 10) Hotel JAL City Kannai Yokohama was acquired on December 22, 2023.
- (Note 11) The property numbers of assets that were transferred before the end of the previous fiscal year are intentionally omitted.

(e) Summary of risk analysis, etc. for earthquake

The following is the PML value etc. for the real estate properties (in trust) under management as of the end of the fiscal year under review.

Property No.	Name	Probable Maximum Loss (PML) ratio by earthquake risk analyses (%) (Note 1)	Existence of earthquake insurance	Provider of PML value (Note 2)
1	Kobe Meriken Park Oriental Hotel	11.6	None	P
2	Oriental Hotel Tokyo Bay	14.2	None	P
3	Namba Oriental Hotel	13.4	None	P
4	Hotel Nikko Alivila	7.3	None	P
5	Oriental Hotel Hiroshima	10.7	None	O
8	The Beach Tower Okinawa	2.7	None	S
9	Hakone Setsugetsuka	14.4	None	P
10	dormy inn Kumamoto	5.6	None	S
12	the b suidobashi	5.4	None	S
13	dormy inn EXPRESS Asakusa	4.9	None	S
14	Washington Hotel Plaza Hakata, Nakasu	8.2	None	P
15	Washington Hotel Plaza Nara	13.7	None	P
16	R&B Hotel Ueno-hirokoji	3.6	None	S
18	Comfort Hotel Tokyo Higashi Nihombashi	6.7	None	S
22	Smile Hotel Nihombashi Mitsukoshimae	7.5	None	S
24	Toyoko Inn Hakata-guchi Ekimae	Total: 3.8	None	S
25	Chisun Hotel Kamata	9.0	None	S
26	Chisun Inn Kamata	4.2	None	S
29	Oriental Hotel Universal City	8.7	None	P
31	Hilton Tokyo Bay	3.2	None	T
32	ibis Styles Kyoto Station	10.5	None	T
33	ibis Styles Sapporo	1.0	None	T
34	Mercure Sapporo	1.0	None	T
35	Mercure Okinawa Naha	0.5	None	T
37	the b ikebukuro	5.3	None	T
39	the b hachioji	4.9	None	T
40	the b hakata	3.3	None	T
41	Hotel Frances	2.5	None	T
42	Mercure Yokosuka	7.1	None	T
43	Oriental Hotel Okinawa Resort & Spa	0.7	None	T
44	ACTIVE-INTER CITY HIROSHIMA	2.0	None	T
45	CANDEO HOTELS Ueno Koen	3.1	None	T
46	Oriental Hotel Fukuoka Hakata Station	2.4	None	T
47	Holiday Inn Osaka Namba	6.5	None	T
48	Hotel Oriental Express Fukuoka Tenjin	3.3	None	T
49	Hilton Nagoya	1.7	None	T
50	Hilton Tokyo Narita Airport	2.4	None	T
51	International Garden Hotel Narita	5.2	None	T
52	Hotel Nikko Nara	7.5	None	T
53	Hotel Oriental Express Osaka Shinsaibashi	7.3	None	S
54	Hilton Tokyo Odaiba	4.3	None	T
55	UAN kanazawa	10.0	None	T
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	7.0	None	S
57	La'gent Stay Sapporo Odori	2.6	None	T
58	Oriental Hotel Kyoto Rokujo	12.2	None	T
59	Hotel Oriental Express Fukuoka Nakasukawabata	5.2	None	T
60	Hotel JAL City Kannai Yokohama	7.9	None	S

(Note 1) PML (Probable Maximum Loss) represents damage caused by a major earthquake that may occur once every 475 years (estimated probability of such earthquake to occur during the 50 years is 10%) during the expected holding period (50 years = useful life of ordinary buildings). PML is the anticipated percentage of recovery cost against the building replacement cost.

JHR will evaluate the possibility of acquiring earthquake insurance for the property if the PML of the particular property exceeds 15%. As of the end of the fiscal year under review, no property is planned to be insured by earthquake insurance.

(Note 2) Under "Provider of PML value" the letters indicate the name of provider for the properties as follows:

T: Tokio Marine dR Co., Ltd.

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

O: OBAYASHI CORPORATION

S: Sompo Risk Management, Inc.

(Note 3) The property numbers of assets that were transferred are intentionally omitted.

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

The following is the individual income statements for real estate properties (in trust) under management for the fiscal year under review (from January 1, 2023 to December 31, 2023). Figures are rounded down to the nearest thousand yen in principle, but are otherwise noted if circumstances do not allow for the figures to be stated in units of thousand yen.

Property No.	—	1	2	3	4	5
Property name	Portfolio total (Note 1)	Kobe Meriken Park Oriental Hotel	Oriental Hotel Tokyo Bay	Namba Oriental Hotel	Hotel Nikko Alivila	Oriental Hotel Hiroshima
Number of operating days	—	365	365	365	365	365
(A) Real estate operating revenue subtotal	26,541,085	689,771	1,874,027	1,232,813	1,400,873	366,106
Fixed rent	14,658,973	599,900	758,600	843,900	804,100	214,504
Variable rent	10,844,825	88,901	1,115,427	388,913	596,773	151,602
Other revenue	1,037,285	969	—	—	—	—
(B) Real estate operating costs subtotal	9,410,268	603,879	554,476	237,095	425,670	130,347
Land lease and other rent expenses	846,977	192,711	—	—	85,547	—
Property taxes	1,976,361	48,115	114,834	106,899	55,447	41,196
Outsourcing expenses	449,885	960	960	960	1,920	960
Nonlife insurance	80,731	4,543	4,885	1,972	3,617	1,382
Depreciation and amortization	5,026,984	305,348	357,125	116,107	260,863	85,102
Loss on retirement of noncurrent assets	151,695	50,658	75,185	438	15,996	295
Other costs	877,632	1,540	1,485	10,717	2,278	1,410
(C) Net real estate operating income = (A) – (B)	17,130,816	85,892	1,319,550	995,718	975,202	235,759
(Reference) Occupancy rate	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	117	1	1	1	1	1

Property No.	8	9	10	12	13	14
Property name	The Beach Tower Okinawa	Hakone Setsugetsuka	dormy inn Kumamoto	the b suidobashi	dormy inn EXPRESS Asakusa	Washington Hotel Plaza Hakata, Nakasu (Note 2)
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	511,008	294,940	248,243	97,487	65,075	240,000
Fixed rent	511,008	294,340	194,460	30,000	63,395	240,000
Variable rent	—	—	53,783	67,487	—	—
Other revenue	—	600	—	—	1,680	0
(B) Real estate operating costs subtotal	158,312	121,671	77,523	39,782	22,569	41,000
Land lease and other rent expenses	—	—	—	—	—	—
Property taxes	40,457	23,373	20,653	8,294	6,396	12,000
Outsourcing expenses	—	—	—	1,200	1,200	1,000
Nonlife insurance	2,094	1,012	722	272	167	0
Depreciation and amortization	114,575	95,765	54,948	27,870	12,677	25,000
Loss on retirement of noncurrent assets	—	—	—	—	—	—
Other costs	1,185	1,519	1,199	2,145	2,128	1,000
(C) Net real estate operating income = (A) – (B)	352,695	173,268	170,719	57,704	42,506	199,000
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	1	1	1	1	1

Property No.	15	16	18	22	24	25
Property name	Washington Hotel Plaza Nara (Note 2)	R&B Hotel Ueno-hirokoji	Comfort Hotel Tokyo Higashi Nihombashi	Smile Hotel Nihombashi Mitsukoshimae	Toyoko Inn Hakata-guchi Ekimae	Chisun Hotel Kamata
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	150,000	97,291	453,212	138,953	141,039	118,281
Fixed rent	146,000	96,504	260,321	134,400	141,039	—
Variable rent	—	—	181,685	4,553	—	118,211
Other revenue	3,000	786	11,205	—	—	70
(B) Real estate operating costs subtotal	54,000	34,296	69,560	38,401	32,180	55,935
Land lease and other rent expenses	—	—	—	—	—	—
Property taxes	11,000	13,008	28,133	13,951	11,682	12,083
Outsourcing expenses	3,000	840	1,614	1,200	1,080	1,200
Nonlife insurance	0	254	568	275	390	322
Depreciation and amortization	37,000	18,903	38,028	21,047	17,995	40,422
Loss on retirement of noncurrent assets	0	254	—	—	—	—
Other costs	1,000	1,035	1,215	1,927	1,032	1,908
(C) Net real estate operating income = (A) – (B)	96,000	62,994	383,651	100,551	108,858	62,346
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	2	1	2	1	1	1

Property No.	26	29	31	32	33	34
Property name	Chisun Inn Kamata	Oriental Hotel Universal City	Hilton Tokyo Bay	ibis Styles Kyoto Station (Note 1)	ibis Styles Sapporo (Note 1)	Mercure Sapporo (Note 1)
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	66,467	1,623,257	2,349,912	318,464	487,015	632,629
Fixed rent	—	316,666	Undisclosed (Note 3)	43,534	26,143	62,739
Variable rent	66,467	1,272,398	Undisclosed (Note 3)	272,141	413,247	470,442
Other revenue	—	34,192	Undisclosed (Note 3)	2,787	47,624	99,447
(B) Real estate operating costs subtotal	22,458	361,396	483,552	75,289	190,965	321,428
Land lease and other rent expenses	—	—	123,720	—	—	50
Property taxes	4,967	51,024	141,127	23,313	38,029	51,100
Outsourcing expenses	1,080	5,193	12,198	14,029	23,361	91,601
Nonlife insurance	133	2,851	5,467	486	1,305	1,429
Depreciation and amortization	14,516	300,265	199,258	34,087	83,356	90,289
Loss on retirement of noncurrent assets	—	472	—	—	—	—
Other costs	1,760	1,588	1,780	3,372	44,912	86,957
(C) Net real estate operating income = (A) – (B)	44,009	1,261,861	1,866,360	243,174	296,050	311,200
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	99.4%	99.1%
(Reference) Number of tenants	1	1	1	2	5	9

Property No.	35	37	39	40	41	42
Property name	Mercure Okinawa Naha (Note 1)	the b ikebukuro	the b hachioji	the b hakata	Hotel Francs	Mercure Yokosuka
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	172,694	316,613	169,873	219,415	300,000	322,637
Fixed rent	—	133,034	59,093	66,522	300,000	—
Variable rent	172,670	181,910	106,541	152,893	—	270,538
Other revenue	23	1,668	4,238	—	—	52,098
(B) Real estate operating costs subtotal	127,937	55,757	64,343	35,223	112,540	153,520
Land lease and other rent expenses	340	—	—	—	—	—
Property taxes	23,562	23,785	21,247	10,628	56,846	32,949
Outsourcing expenses	26,772	1,200	1,200	1,200	1,800	21,219
Nonlife insurance	1,143	624	733	408	1,531	2,124
Depreciation and amortization	74,824	28,528	40,183	22,077	51,066	37,710
Loss on retirement of noncurrent assets	—	—	—	—	790	—
Other costs	1,294	1,618	979	909	505	59,515
(C) Net real estate operating income = (A) – (B)	44,757	260,856	105,529	184,192	187,459	169,117
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	3	10	2	1	1

Property No.	43	44	45	46	47	48
Property name	Oriental Hotel Okinawa Resort & Spa	ACTIVE-INTER CITY HIROSHIMA	CANDEO HOTELS Ueno Koen	Oriental Hotel Fukuoka Hakata Station	Holiday Inn Osaka Namba	Hotel Oriental Express Fukuoka Tenjin
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	641,137	1,539,440	349,971	1,515,721	895,797	590,989
Fixed rent	550,000	834,256	Undisclosed (Note 3)	425,000	576,000	192,820
Variable rent	91,137	382,114	—	1,090,721	319,632	336,323
Other revenue	—	323,069	Undisclosed (Note 3)	—	165	61,845
(B) Real estate operating costs subtotal	477,445	763,163	71,323	638,050	171,202	203,120
Land lease and other rent expenses	—	—	—	222,206	—	—
Property taxes	78,759	125,958	23,475	18,807	47,080	34,464
Outsourcing expenses	2,400	102,736	1,200	3,000	1,560	11,772
Nonlife insurance	3,638	5,073	715	1,799	1,478	706
Depreciation and amortization	388,067	235,517	44,234	389,378	120,246	101,025
Loss on retirement of noncurrent assets	2,959	3,213	—	375	—	—
Other costs	1,620	290,663	1,697	2,483	837	55,151
(C) Net real estate operating income = (A) – (B)	163,692	776,276	278,648	877,671	724,594	387,869
(Reference) Occupancy rate	100.0%	97.3%	100.0%	100.0%	100.0%	90.9%
(Reference) Number of tenants	1	35	1	1	1	3

Property No.	49	50	51	52	53	54
Property name	Hilton Nagoya	Hilton Tokyo Narita Airport	International Garden Hotel Narita	Hotel Nikko Nara	Hotel Oriental Express Osaka Shinsaibashi	Hilton Tokyo Odaiba
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	1,263,632	532,370	477,563	444,883	179,436	2,349,222
Fixed rent	Undisclosed (Note 3)	444,000	336,000	420,000	110,400	1,600,000
Variable rent	Undisclosed (Note 3)	88,370	141,563	24,816	69,036	749,222
Other revenue	Undisclosed (Note 3)	—	—	67	—	—
(B) Real estate operating costs subtotal	862,981	301,538	212,123	199,950	31,352	653,281
Land lease and other rent expenses	222,401	—	—	—	—	—
Property taxes	101,799	72,292	38,201	40,347	11,492	336,490
Outsourcing expenses	88,849	2,520	2,280	2,400	2,160	120
Nonlife insurance	6,976	5,006	2,146	4,249	214	5,682
Depreciation and amortization	189,380	220,764	168,288	151,567	16,988	309,705
Loss on retirement of noncurrent assets	—	—	263	—	—	—
Other costs	253,574	954	943	1,385	497	1,282
(C) Net real estate operating income = (A) – (B)	400,651	230,832	265,440	244,933	148,084	1,695,940
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	4	1	1	1	1	1

Property No.	55	56	57	58	59	60
Property name	UAN kanazawa (Note 4)	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (Note 5)	La'gent Stay Sapporo Odori (Note 6)	Oriental Hotel Kyoto Rokujo (Note 6)	Hotel Oriental Express Fukuoka Nakasukawabata (Note 6)	Hotel JAL City Kannai Yokohama (Note 7)
Number of operating days	335	283	96	96	96	10
(A) Real estate operating revenue subtotal	118,301	230,700	132,381	94,374	75,259	10,463
Fixed rent	99,290	204,836	4,073	44,650	45,433	3,750
Variable rent	19,011	127	127,970	49,724	29,826	6,713
Other revenue	—	25,737	337	—	—	—
(B) Real estate operating costs subtotal	23,323	48,420	25,358	12,767	9,934	2,625
Land lease and other rent expenses	—	—	—	—	—	—
Property taxes	—	—	—	—	—	—
Outsourcing expenses	1,434	5,600	564	664	658	48
Nonlife insurance	279	432	299	165	139	18
Depreciation and amortization	20,250	18,473	24,309	11,752	8,850	2,535
Loss on retirement of noncurrent assets	—	—	—	—	—	—
Other costs	1,359	23,914	185	186	286	22
(C) Net real estate operating income = (A) – (B)	94,978	182,279	107,023	81,606	65,325	7,837
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	4	2	1	1	1

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

(Note 2) Consent on disclosure of rent in units of thousand yen has not been obtained from the lessee and numbers are thus rounded down to the nearest million yen.

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

(Note 4) UAN kanazawa was acquired on January 31, 2023.

(Note 5) Sotetsu Fresa Inn Shimbashi-Karasumoriguchi was acquired on March 24, 2023.

(Note 6) La'gent Stay Sapporo Odori, Oriental Hotel Kyoto Rokujo and Hotel Oriental Express Fukuoka Nakasukawabata were acquired on September 27, 2023.

(Note 7) Hotel JAL City Kannai Yokohama was acquired on December 22, 2023.

(Note 8) The property numbers of assets that were transferred before the end of the previous fiscal year are intentionally omitted.

c. Overview of the hotel business

(a) Rent structures of hotels with variable rent, management contract or revenue-sharing rent

	Property No.	Name	Rent type	Method of calculating variable rent and income from management contracts
The HMJ 19 Hotel	1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	(Total AGOP (Note 1) of The Five HMJ Hotels – base amount (¥4,120 million/year (Note 2))) x 85.0%
	2	Oriental Hotel Tokyo Bay		
	3	Namba Oriental Hotel		
	4	Hotel Nikko Alivila		
	5	Oriental Hotel Hiroshima		
	29	Oriental Hotel Universal City	Variable/Fixed	(AGOP – base amount (¥370 million/year)) x 95.0%
	43	Oriental Hotel Okinawa Resort & Spa	Variable/Fixed	(AGOP – base amount (¥655 million/year)) x 95.0%
	44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed (Note 3)	(AGOP – base amount (¥360 million/year)) x 90.0%
	46	Oriental Hotel Fukuoka Hakata Station	Variable/Fixed	(AGOP – base amount (¥442 million/year)) x 98.0%
	47	Holiday Inn Osaka Namba	Variable/Fixed	(AGOP – base amount (¥580 million/year)) x 97.0%
	48	Hotel Oriental Express Fukuoka Tenjin	Variable/Fixed	(AGOP – base amount (¥165 million/year)) x 97.0%
	50	Hilton Tokyo Narita Airport	Variable/Fixed	(AGOP – base amount (¥450 million/year)) x 93.0%
	51	International Garden Hotel Narita	Variable/Fixed	(AGOP – base amount (¥360 million/year)) x 98.0%
	52	Hotel Nikko Nara	Variable/Fixed	(AGOP – base amount (¥440 million/year)) x 95.0%
	53	Hotel Oriental Express Osaka Shinsaibashi	Variable/Fixed	(AGOP – base amount (¥128 million/year)) x 91.0%
	54	Hilton Tokyo Odaiba	Variable/Fixed	(AGOP – base amount (¥1,660 million/year)) x 98.0%
58	Oriental Hotel Kyoto Rokujo	Variable/Fixed	(AGOP – base amount (¥183 million/year)) x 93.5%	
59	Hotel Oriental Express Fukuoka Nakasukawabata	Variable/Fixed	(AGOP – base amount (¥189 million/year)) x 92.0%	
60	Hotel JAL City Kannai Yokohama	Variable/Fixed	(AGOP – base amount (¥150 million/year)) x 95.0%	
The Accor Group Hotel	32	ibis Styles Kyoto Station	Management contract (Note 4)	Amount equivalent to GOP
	33	ibis Styles Sapporo		
	34	Mercure Sapporo		
	35	Mercure Okinawa Naha		
	42	Mercure Yokosuka	Variable	Amount linked to GOP (Note 5)
The Ishin Group Hotel	12	the b suidobashi	Variable/Fixed	Amount linked to AGOP (Note 5)
	37	the b ikebukuro		
	39	the b hachioji		
	40	the b hakata		
Other hotels with variable rent or revenue-sharing rent	10	dormy inn Kumamoto	Variable/Fixed (Note 6)	(GOP – base amount (¥400 million/year)) x 40.0%
	18	Comfort Hotel Tokyo Higashi Nihombashi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	22	Smile Hotel Nihombashi Mitsukoshimae	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	25	Chisun Hotel Kamata	Variable	Amount that is the monthly GOP multiplied by 86.0% (¥0 if the amount is below ¥0.)
	26	Chisun Inn Kamata	Variable	Amount that is the monthly GOP multiplied by 86.0% (¥0 if the amount is below ¥0.)
	31	Hilton Tokyo Bay	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	49	Hilton Nagoya	Variable	Variable rents linked to hotel sales, etc. (Note 5)
	55	UAN kanazawa	Fixed + Revenue sharing	(Room sales – base amount (¥270 million/year)) x 30.0%
	56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	57	La'gent Stay Sapporo Odori	Variable	Amount linked to GOP (Note 5)

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

(Note 2) For the purpose of payments of variable rent from each hotel, etc. JHR has set individual GOP base amount for each hotel. The breakdown of the AGOP base amount of the Five HMJ Hotels (¥4,120 million/year) are as follows.

Kobe Meriken Park Oriental Hotel ¥690 million, Oriental Hotel Tokyo Bay ¥1,060 million, Namba Oriental Hotel ¥890 million, Hotel Nikko Alivila ¥1,250 million, and Oriental Hotel Hiroshima ¥230 million.

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

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

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

(Note 6) The rent type until March 31, 2023 was Fixed.

(b) Key performance indicators of the hotel business

The following tables indicate the figures related to the hotel business of the 19 HMJ Hotels for the operating period from January 1, 2023 through December 31, 2023, based on the data provided by the hotel lessees. While these Indexes of the hotels are among the indicators that show the operating status of the rooms departments, please note that they do not necessarily represent the operating revenue and the ability to bear rent, etc. of the respective hotels, as the room rates and profit margins, etc. of the respective rooms available for sale are not uniform, among other reasons. As such, the indicators are no more than the reference figures.

	Kobe Meriken Park Oriental Hotel		Oriental Hotel Tokyo Bay		Namba Oriental Hotel		Hotel Nikko Alivila		Oriental Hotel Hiroshima		The Five HMJ Hotels Total/Average	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	72.3%	—	86.0%	—	86.3%	—	72.4%	—	82.8%	—	79.9%	—
ADR (Note 1)	22,138	—	26,447	—	20,900	—	32,964	—	10,526	—	23,994	—
RevPAR (Note 2)	16,011	—	22,753	—	18,043	—	23,851	—	8,717	—	19,173	—
Total sales	4,607	100.0	6,313	100.0	2,252	100.0	5,405	100.0	1,124	100.0	19,702	100.0
Rooms department	1,888	41.0	4,244	67.2	1,699	75.5	3,456	63.9	722	64.2	12,009	61.0
Food & beverage department	2,487	54.0	1,769	28.0	85	3.8	1,584	29.3	201	17.9	6,127	31.1
Tenant department	67	1.5	189	3.0	435	19.3	3	0.1	0	0.0	694	3.5
Other departments (Note 3)	166	3.6	111	1.8	33	1.4	362	6.7	201	17.8	872	4.4
GOP	795	17.2	2,372	37.6	1,348	59.8	1,972	36.5	408	36.3	6,895	35.0

	Oriental Hotel Universal City		Oriental Hotel Okinawa Resort & Spa		Sheraton Grand Hiroshima Hotel (Note 4)		Oriental Hotel Fukuoka Hakata Station		Holiday Inn Osaka Namba		Hotel Oriental Express Hakata Tenjin	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	86.4%	—	59.8%	—	83.6%	—	86.4%	—	77.6%	—	84.7%	—
ADR (Note 1)	27,413	—	26,463	—	25,006	—	21,503	—	17,634	—	11,069	—
RevPAR (Note 2)	23,674	—	15,815	—	20,897	—	18,573	—	13,683	—	9,370	—
Total sales	3,279	100.0	3,235	100.0	3,381	100.0	2,961	100.0	1,616	100.0	924	100.0
Rooms department	2,852	87.0	2,084	64.4	1,815	53.7	1,498	50.6	1,568	97.0	900	97.4
Food & beverage department	421	12.8	821	25.4	1,488	44.0	1,172	39.6	—	—	12	1.3
Tenant department	—	—	51	1.6	—	—	240	8.1	28	1.7	—	—
Other departments (Note 3)	7	0.2	279	8.6	77	2.3	51	1.7	20	1.2	12	1.3
GOP	1,709	52.1	751	23.2	909	26.9	1,555	52.5	981	60.7	512	55.4

	Hilton Tokyo Narita Airport		International Garden Hotel Narita		Hotel Nikko Nara		Hotel Oriental Express Osaka Shinsaibashi		Hilton Tokyo Odaiba		Oriental Hotel Kyoto Rokujo	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	77.8%	—	79.2%	—	68.2%	—	86.9%	—	80.5%	—	78.4%	—
ADR (Note 1)	12,273	—	8,499	—	14,639	—	10,352	—	32,091	—	12,255	—
RevPAR (Note 2)	9,548	—	6,733	—	9,989	—	9,000	—	25,849	—	9,605	—
Total sales	2,755	100.0	1,429	100.0	2,353	100.0	409	100.0	9,458	100.0	648	100.0
Rooms department	1,910	69.3	1,138	79.6	1,203	51.1	407	99.7	4,274	45.2	582	89.8
Food & beverage department	760	27.6	280	19.6	1,133	48.2	—	—	4,918	52.0	61	9.4
Tenant department	27	1.0	4	0.3	4	0.2	—	—	75	0.8	—	—
Other departments (Note 3)	58	2.1	7	0.5	12	0.5	1	0.3	191	2.0	5	0.8
GOP	651	23.6	504	35.3	496	21.1	204	49.9	2,545	26.9	275	42.4

	Hotel Oriental Express Fukuoka Nakasukawabata		Hotel JAL City Kannai Yokohama		The 19 HMJ Hotels Total/Average (Note 5)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	78.7%	—	74.3%	—	78.6%	—
ADR (Note 1)	10,222	—	10,998	—	19,740	—
RevPAR (Note 2)	8,048	—	8,167	—	15,508	—
Total sales	577	100.0	592	100.0	53,320	100.0
Rooms department	538	93.1	507	85.6	33,284	62.4
Food & beverage department	34	5.9	78	13.1	17,307	32.5
Tenant department	—	—	—	—	1,123	2.1
Other departments (Note 3)	5	0.9	8	1.3	1,606	3.0
GOP	278	48.1	135	22.8	18,399	34.5

(Note 1) ADR refers to the average guest room unit sales price (Average Daily Rate), which is calculated by dividing total room sales (including service charges) for a given period by the total number of guest rooms sold for the same period.

Service charges are 10% for Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Oriental Hotel Hiroshima, Oriental Hotel Okinawa Resort & Spa, ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel), International Garden Hotel Narita, Hotel Nikko Nara, Oriental Hotel Fukuoka Hakata Station and Hotel JAL City Kannai Yokohama; 12% for; and 13% for Hotel Nikko Alivila, Hilton Tokyo Narita Airport and Hilton Tokyo Odaiba. Oriental Hotel Universal City, Holiday Inn Osaka Namba, Hotel Oriental Express Fukuoka Tenjin, Hotel Oriental Express Osaka Shinsaibashi, Oriental Hotel Kyoto Rokujo and Hotel Oriental Express Fukuoka Nakasukawabata do not request service charges. The same shall apply hereinafter.

(Note 2) RevPAR represents Revenue Per Available Room, which is calculated by dividing total room sales (including service charges) for a given period by the total number of guest rooms available for sale during the same period. The same shall apply hereinafter.

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

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

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

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

(2) Status of capital expenditures

(a) Planned capital expenditures (Note)

The following table shows major estimated capital expenditure items for renovation work planned as of the end of the fiscal year under review. Expenditures are expected to total ¥6,994 million, which consists of capital expenditures of ¥6,988 million and repair expenses of ¥5 million, for the next fiscal year.

Name of property, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (JPY1M)	
			Total amount	Total amount paid
Kobe Meriken Park Oriental Hotel (Kobeshi, Hyogo)	Renovation of guest rooms (10th and 11th floor)	From April 2024 to August 2024	280	—
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of prefabricated bathrooms in guest rooms	From April 2024 to August 2024	100	—
Oriental Hotel Tokyo Bay (Urayasu-shi, Chiba)	Renovation of guest rooms (7th to 10th floor)	From May 2024 to November 2024	950	—
Namba Oriental Hotel (Osaka-shi, Osaka)	Renovation of 3rd floor front desk, etc.	From August 2024 to December 2024	780	—
Namba Oriental Hotel (Osaka-shi, Osaka)	Renovation of 1st and 2nd floor	From May 2024 to December 2024	520	—
Hotel Nikko Alivila (Nakagamigun, Okinawa)	Installation of new emergency generator	From December 2023 to June 2025	752	3
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renovation of guest rooms (3rd phase)	From September 2023 to April 2024	968	—
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renewal of air-conditioning equipment in guest rooms	From September 2023 to April 2024	171	—
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Painting of exterior wall	From September 2023 to April 2024	113	—
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renewal works of piping	From September 2023 to April 2024	120	—
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Exterior construction	From January 2024 to August 2024	210	—
Hilton Tokyo Narita Airport (Narita-shi, Chiba)	Renovation of guest rooms	From November 2024 to December 2024	87	5
Hilton Tokyo Narita Airport (Narita-shi, Chiba)	Renewal of air-conditioning equipment in guest rooms	From November 2024 to December 2024	58	—
Hilton Tokyo Narita Airport (Narita-shi, Chiba)	Repair of central monitoring system	From February 2024 to December 2024	78	—
Oriental Hotel Universal City (Osaka-shi, Osaka)	Renewal of automatic fire alarm system	From January 2024 to October 2024	71	8
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of air-conditioning equipment in guest rooms	From May 2024 to August 2024	81	—
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of elevators	From November 2024 to December 2024	82	—
Total			5,423	16

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

(b) Capital expenditures during the period (Note)

Major construction work conducted by JHR during the fiscal year under review that represents capital expenditures is as follows. Capital expenditures for the fiscal year under review totaled ¥4,769 million, and repair expenses that were accounted for as expense in the fiscal year under review totaled ¥26 million. In aggregate, ¥4,796 million of construction work was carried out.

Name of property, etc. (Location)	Purpose	Period	Construction costs (JPY1M)
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of guest rooms (12th and 13th floor)	From May 2023 to August 2023	214
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of prefabricated bathroom in guest rooms	From May 2023 to August 2023	59
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of restaurant	From September 2023 to December 2023	165
Oriental Hotel Tokyo Bay (Urayasu-shi, Chiba)	Renovation of guest rooms (11th and 12th floor)	From May 2023 to September 2023	382
Oriental Hotel Tokyo Bay (Urayasu-shi, Chiba)	Renovation of restaurant	From October 2023 to October 2023	63
Hotel Nikko Alivila (Nakagamigun, Okinawa)	Repair of elevators	From July 2022 to March 2023	149
dormy inn Kumamoto (Kumamoto-shi, Kumamoto)	Repair of exterior wall	From November 2023 to December 2023	62
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of elevators	From January 2023 to February 2023	73
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Painting of exterior wall	From September 2023 to December 2023	57
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renewal of air-conditioning equipment in guest rooms	From October 2023 to December 2023	82
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renewal works of piping	From September 2023 to December 2023	60
Oriental Hotel Okinawa Resort & Spa (Nago-shi, Okinawa)	Renovation of guest rooms (2nd phase)	From September 2023 to December 2023	470
Hilton Tokyo Narita Airport (Narita-shi, Chiba)	Renewal of telephone switchboard	From March 2023 to September 2023	55
Hilton Tokyo Odaiba (Minato-ku, Tokyo)	Repair of receiving and transforming facility	From November 2023 to November 2023	114
Total			2,009

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