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February 25, 2025

Financial Report for the Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

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 file Securities Report: March 24, 2025

Scheduled date to start dividend payment: March 19, 2025

Preparation of supplementary material on financial report: Yes

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

(Amounts are rounded down to the nearest million yen)

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

(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, 2024	33,481	26.0	20,779	38.4	18,273	39.1	18,272	39.1
December 31, 2023	26,574	78.2	15,014	249.4	13,135	391.4	13,134	391.6

	Net income per unit	Return on equity (ROE)	Ordinary income to total assets	Ordinary income to operating revenue
Fiscal year ended	JPY	%	%	%
December 31, 2024	3,755	6.9	3.9	54.6
December 31, 2023	2,909	5.6	3.2	49.4

(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
Fiscal year ended	JPY	JPY1M	JPY	JPY1M	%	%
December 31, 2024	3,937	20,066	—	—	109.8	7.3
December 31, 2023	3,015	13,980	—	—	106.4	5.9

(Note 1) The source of dividends for the fiscal year ended December 31, 2024, is calculated by adding the reversal of reserve for temporary difference adjustment (¥1,795 million) to unappropriated retained earnings.

(Note 2) The source of dividends for the fiscal year ended December 31, 2023, is calculated by adding the reversal of the reserve for temporary difference adjustment (¥845 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, 2024	498,930	283,402	56.8	55,601
December 31, 2023	429,955	244,980	57.0	52,831

(Note) Net assets per unit are calculated based on the total number of investment units issued and outstanding at the end of the 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, 2024	22,758	(64,736)	49,492	36,029
December 31, 2023	17,784	(38,551)	19,767	28,515

2. Operating forecast for the fiscal year ending December 31, 2025 (January 1, 2025 – December 31, 2025)

(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	19,756	37.6	12,793	50.5	10,626	42.9	11,017	48.2	—	—
Full year	42,732	27.6	28,205	35.7	23,806	30.3	24,195	32.4	4,461	—

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2025 (full year): ¥4,747

(Calculated based on the estimate of period-average number of investment units of 5,097,006.)

(Note) The source of the dividend payment is planned to be calculated by adding the reversed amount of reserve for temporary difference adjustment (¥362 million) to the net income and subtracting the amount of reserve for tax purpose reduction entry (¥1,818 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, 2024 5,097,006 units

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

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

As of December 31, 2024 0 unit

As of December 31, 2023 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, 2025 (26th period) and the full fiscal year ending December 31, 2025 (26th period)" on page 14.

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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 eleven 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 36 properties amounting to ¥364,727 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 51 properties with a combined acquisition price of ¥453,171 million, and the total number of investment units issued and outstanding stood at 5,097,006 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, 2024 to December 31, 2024), the Japanese economy showed a gradual recovery due to factors such as an increase in capital investment and an improvement in the employment situation, although the recovery in personal consumption remained somewhat sluggish due to the impact of rising prices, among other factors.

Regarding the domestic accommodation and tourism market, with domestic accommodation demand staying strong, the estimated number of visitors (hereinafter referred to as “inbound visitors”) reached 36.86 million in 2024, representing a 46.6% year-on-year increase and a 15.6% increase compared to 2019, according to the Japan National Tourism Organization (JNTO). This was the highest number of inbound tourists ever, exceeding the previous record of 2019. Moreover, based on the preliminary figures from the Overnight Travel Statistics Survey (Japan Tourism Agency), the number of Japanese overnight guests at domestic accommodations increased by 1.6% compared to 2019, a slight increase compared to the pre-pandemic level. On the other hand, the number of foreign overnight guests increased significantly, reaching an increase of 41.3% compared to 2019, greatly exceeding the pre-pandemic level. As a result, the total number of overnight stays at domestic accommodation facilities in 2024 was 651 million, a 5.5% year-on-year increase and a 9.3% increase compared to 2019.

Against this favorable backdrop, JHR conducted a public offering in July 2024 and acquired four properties (total acquisition price of ¥56,190 million): MIMARU Tokyo Shinjuku West, HOTEL AMANEK Shinjuku-Kabukicho, OKINAWA HARBORVIEW HOTEL and Southern Beach Hotel & Resort OKINAWA. All of the acquired properties are highly competitive hotels in areas where domestic and international leisure demand is expected to grow in the medium to long term, and JHR believes that these acquisitions have improved the quality of the portfolio.

With regard to internal growth, JHR maintained close communication with the lessees and operators of each hotel to improve earnings, raising room rates by renovating guest rooms and capturing high-value leisure demand from Japan and overseas through effective marketing measures and sophisticated revenue management. At the same time, JHR continued to work on measures to reduce operating costs and other efforts to improve profitability.

In addition, as part of its internal growth strategy, JHR implemented strategic CAPEX (Capital expenditure) to improve earnings and strengthen competitiveness. During the fiscal year under review, in order to improve ADR (Note 1), JHR renovated the guest rooms of Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Oriental Hotel Okinawa Resort & Spa, and La'gent Stay Sapporo Odori, and built new guest rooms and lounges at Namba Oriental Hotel. Guest room renovations at Oriental Hotel Okinawa Resort & Spa have been carried out in stages since 2023, and renovation of all guest rooms was completed by April 2024.

Furthermore, during the fiscal period under review, JHR comprehensively renewed the management contracts and fixed-term building lease contracts for the five hotels (Note 2) operated by AAPC Japan K.K., the Japanese subsidiary of Accor Hotels. These renewals resulted in a reduction in management contract expenses and other fees, leading to an increase in hotel rents. In addition, in October 2024, in the new contract for Hotel Francs following the expiry of the lease contract, JHR introduced a variable rent linked to GOP (Note 3) in addition to the fixed rent of the same amount as before, resulting in a rental scheme with upside potential.

Under these circumstances, with regard to the performance of the hotels owned by JHR, the RevPAR (Note 5) of the 28 Hotels with Variable Rent, etc. (Note 4) for the year under review rose 16.5% year-on-year, a significant increase over the previous year. GOP was ¥25,326 million, a 21.5% increase compared to the previous year, thanks to improved revenue resulting from the growth 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 28 Hotels with Variable Rent, etc., please refer to “<Reference Information 2> Hotel operation indexes, sales and GOP (Gross Operating Profit)” on page 19.

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

(Note 3) 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 4) The 28 Hotels with Variable Rent, etc., refer to the following 28 hotels. The same shall apply hereinafter.

Kobe Meriken Park Oriental Hotel
Oriental Hotel Tokyo Bay
Namba Oriental Hotel
Hotel Nikko Alivila
Oriental Hotel Hiroshima
Oriental Hotel Universal City
Oriental Hotel Okinawa Resort & Spa
Sheraton Grand Hiroshima Hotel (main facility of ACTIVE-INTER CITY HIROSHIMA)
Oriental Hotel Fukuoka Hakata Station
Holiday Inn Osaka Namba
Hotel Oriental Express Fukuoka Tenjin
Hilton Tokyo Narita Airport
International Garden Hotel Narita
Hotel Nikko Nara
Hotel Oriental Express Osaka Shinsaibashi
Hilton Tokyo Odaiba
Oriental Hotel Kyoto Rokujo
Hotel Oriental Express Fukuoka Nakasukawabata
Hotel JAL City Kannai Yokohama
ibis Styles Kyoto Station
ibis Styles Sapporo
Mercure Sapporo
Mercure Okinawa Naha
Mercure Yokosuka
the b suidobashi
the b Ikebukuro
the b Hachioji
the b hakata

(Note 5) 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, in July 2024, JHR raised ¥33,656 million through a public offering and third-party allotment and newly borrowed ¥30,000 million to fund the acquisition of MIMARU Tokyo Shinjuku West, HOTEL AMANEK Shinjuku-Kabukicho, OKINAWA HARBORVIEW HOTEL and Southern Beach Hotel & Resort OKINAWA. For the said loan, the maximum loan period was set at approximately seven years to lengthen the loan period and diversify repayment dates, and the lender formation was further strengthened with three new lenders, Daiwa Next Bank, Ltd., the Bank of Okinawa, Ltd., and Bank of the Ryukyus, Limited.

In addition, JHR borrowed a total of ¥40,889 million to refinance existing loans that were due for repayment and investment corporation bonds that were due for redemption in the fiscal year under review, thereby we realized refinancing with long-term loans with a maximum term of eight years. Of this amount, ¥4,700 million was refinanced with green loans. Of the total funds raised, ¥58,089 million was borrowed at fixed interest rates or rates fixed through swap agreements, thereby increasing the ratio of fixed interest rate debt.

Consequently, as of the end of the fiscal year under review, the balance of interest-bearing debt totaled ¥205,231 million, including short-term loans payable of ¥1,000 million, current portion of long-term loans payable of ¥30,000 million, long-term loans payable of ¥140,331 million, current portion of investment corporation bonds of ¥2,800 million and investment corporation bonds of ¥31,100 million. As a result, the appraisal-based LTV (Note) at the end of the fiscal year under review stood at 30.2%, and the ratio of fixed interest rate to total interest-bearing debt at the end of the fiscal year under review was at 73.2%.

(Note) Appraisal-based LTV at the end of the fiscal year under review = Balance of interest-bearing debt at the end of the period/ (Total assets at the end of the period + unrealized gains and losses) x 100
Unrealized gains and losses are calculated by deducting the total book value of assets held at the end of the period from the total appraisal value at the end of the fiscal year under review as the date of appraisal. The same shall apply hereinafter.
The total asset-based LTV at the end of the fiscal year under review is 41.1%.
Total asset-based LTV at the end of the fiscal year under review = Balance of interest-bearing debt at the end of the period/Total assets at the end of the period x 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 ¥33,481 million, operating income of ¥20,779 million, ordinary income of ¥18,273 million, and net income of ¥18,272 million.

Dividend payments amounted to ¥20,066 million. This figure represents the total of ¥20,069 million, comprising ¥18,273 million in unappropriated retained earnings for the year under review and ¥1,795 million from the reversal of the reserve for temporary difference adjustment (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 ¥3,937.

(B) Outlook for the next fiscal year

(a) Investment policies and issues to be addressed

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

With regard to the domestic accommodation and tourism market, JHR believes that the growth trend will continue due to domestic accommodation demand, which is expected to remain strong, as well as robust inbound demand.

JHR is committed to proactively capturing demand in the strong accommodation market through continued effective marketing measures and precise revenue management, aims to achieve ADR-driven RevPAR growth by capitalizing on domestic and international leisure demand at high unit prices. At the same time, JHR will strive to increase sales in the non-

accommodation sector through effective efforts on both the hardware side, including renovation, and the software side, such as service improvements. In terms of costs, JHR will continue to enhance profitability by maintaining efficient operations through the review of each hotel's operation, which has been realized in collaboration with lessees and operators, and will strive to optimize resources to improve profitability. In addition, JHR plans to select hotels with particularly high growth potential and renovate them through strategic CAPEX with the aim of increasing room sales, etc.

JHR 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. Consequently, JHR considers that the tourism and accommodation market is expected to grow. JHR considers that the asset management capability of the Asset Management Company will particularly lead to the differentiation of the hotels' performance, in addition to their locations, competitiveness and their operator's capability (including the operator's ability to differentiate the hotels they operate from other hotels, improve profitability including cost management and capture demand).

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 (Note).

(Note) HMJ stands for Hotel Management Japan Co., Ltd. (hereinafter referred to as "HMJ"), which is a group company of the Asset Management Company. HMJ and its subsidiaries are collectively referred to as the "HMJ Group." The same shall apply hereinafter.

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.

Moreover, JHR will strive to improve hotel earnings by accurately grasping the conditions in the domestic accommodation and tourism market, including the changing needs of guests, and implementing strategic CAPEX as necessary. For Oriental Hotel Tokyo Bay and La'gent Stay Sapporo Odori, JHR plans to continue the renovation of guest rooms in 2025, carrying on from 2024, and will also undertake a large-scale renovation of the entire OKINAWA HARBORVIEW HOTEL, acquired in 2024, including the pool, guest rooms, and restaurants.

(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 the financial institutions with which it does business through close communication, which will strengthen the lender formation.

With the hotel market transitioning into a growth phase, JHR aims to secure a certain fixed interest ratio, lengthen loan terms, and diversify loan maturities while paying attention to borrowing costs. At the same time, JHR will strengthen its financial base by inviting new lenders and controlling capital expenditures appropriately. With regard to LTV, JHR's policy is to control leverage by market value LTV and to operate with a cap of 40% for the market value LTV. 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 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 these ideas into practice, JHR, together with the Asset Management Company, has established “Sustainability Policy” as guidance for its ESG initiatives, promoting efforts based on this policy. JHR will continue to recognize its social responsibility toward the community as a J-REIT specializing in hotels and will actively engage in social contribution activities.

■ Identification of Materiality (Key Issues) Related to ESG

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

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

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

- GRESB (Note 1) Real Estate Assessment

JHR was named “Sector Leader” in the Listed Asian Hotel Sector in the 2024 GRESB Real Estate Assessment for the fifth consecutive year.

- BELS (Note 2) Certification

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

- CASBEE (Note 3) Certification for Buildings

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

Oriental Hotel Fukuoka Hakata Station also received the CASBEE Certification for Buildings.

• DBJ Green Building Certification (Note 4)

In October 2024, Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara obtained the DBJ (Development Bank of Japan) Green Building Certification. In January 2025, Kobe Meriken Park Oriental Hotel and Oriental Hotel Tokyo Bay also obtained the DBJ Green Building Certification.

■ Initiatives for Climate Change

In November 2021, The Asset Management Company has expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB), and has joined the TCFD Consortium, an organization of Japanese companies that support the TCFD recommendations. In August 2022, JHR disclosed its efforts to address the four disclosure themes recommended by the TCFD, including the financial impact of climate change scenario analysis. JHR is also progressively clarifying its numerical targets by establishing and disclosing a CO2 reduction target by 2050 in February 2023.

■ Formulation of Green Finance Framework

In January 2024, JHR formulated the Green Finance Framework as a framework for financing environmentally friendly projects. JHR borrowed ¥3,300 million in March 2024 and ¥1,400 million in September 2024 as green loans under the framework. JHR will continue to strive to promote initiatives for environmental improvement by utilizing funds procured under the framework.

■ Initiatives in collaboration with hotel lessees, etc.

JHR collaborates with hotel lessees, etc. to engage in activities that utilize the characteristics of hotels, such as local environmental conservation activities, community culture and arts activities, and childcare support.

■ Initiatives for employees

The Asset Management Company develops a comfortable and appealing work environment and provides ongoing professional education and training opportunities so that officers and employees may feel highly motivated to improve quality and have an incentive to work over the medium to long term.

■ Support for disasters

The Asset Management Company cooperates with donations for disasters in order to assist with aid activities and recovery activities in the affected areas. In 2024, the Asset Management Company assisted with donations for the 2024 Noto Peninsula Earthquake.

■ Release of ESG Report

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

(Note 1) GRESB, which stands for Global Real Estate Sustainability Benchmark, is an annual benchmarking assessment to measure ESG (Environmental, Social and Governance) considerations of real estate companies and funds. It evaluates initiatives for the sustainability of real estate companies, REITs and real estate funds, not of individual properties. The GRESB Rating makes relative assessment based on total scores, with 5 Stars being the highest ranking.

(Note 2) BELS (Building-Housing Energy-Efficiency Labeling System) is a display system of energy conservation performance of a building set by the Ministry of Land, Infrastructure, Transport and Tourism.

(Note 3) CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a system for evaluating and rating the environmental performance of buildings. In addition to environmental considerations such as energy conservation and the use of materials and equipment with low environmental impact, it comprehensively evaluates the quality of buildings, including consideration for interior comfort and landscaping.

(Note 4) DBJ (Development Bank of Japan) Green Building Certification is a certification program established by Development Bank of Japan Inc. (DBJ) to support environmentally and socially conscious real estate management (“Green Buildings”).

(b) Significant subsequent events

(i) Sale of asset

JHR sold the following asset on January 30, 2025.

Name of sold asset	Washington Hotel Plaza Hakata, Nakasu
Asset category	Real estate beneficial interest in trust
Asset type	Hotel
Location	2-8-28, Nakasu, Hakata-ku, Fukuoka city, Fukuoka
Sale price (Note 1)	¥4,610 million
Gain on sale (forecast) (Note 2)	¥2,348 million
Closing date	January 30, 2025
Buyer	RISA Partners, Inc.

(Note 1) The sale price does not include selling expenses, settlement of property tax, city planning tax, etc., and consumption tax and local consumption tax.

(Note 2) The amount obtained by deducting the book value (forecast) and selling expenses (forecast) from the sale price is indicated.

(ii) Acquisition of asset

JHR acquired the following asset on February 21, 2025.

Name of acquired asset	Hilton Fukuoka Sea Hawk
Asset category	Real estate beneficial interest in trust
Asset type	Hotel
Location	2-2-3, Jigyohama, Chuo-ku, Fukuoka city, Fukuoka
Acquisition date	February 21, 2025
Seller	ML ESTATE Co., Ltd.
Acquisition price (Note)	¥64,350 million

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

(iii) New loans

JHR procured funds as follows to finance the acquisition of real estate beneficial interests in trust, as described in “(ii) Acquisition of asset” above.

Names of loan	Lenders	Amount of the new loan (JPY1M)	Interest rate (Note)	Borrowing date	Maturity date	Collateral / method of repayment
Term Loan 113	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited MUFG Bank, Ltd. Development Bank of Japan Inc. Aozora Bank, Ltd. The Chiba Bank, Ltd. Daiwa Next Bank, Ltd.	10,600	Base interest rate + 0.25%	February 21, 2025	March 31, 2026	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 114	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. The Chiba Bank, Ltd. The Nishi-Nippon City Bank, Ltd. Rakuten Bank, Ltd.	12,850	Base interest rate + 0.40%	February 21, 2025	March 30, 2029	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 115	MUFG Bank, Ltd.	1,600	1.57757% (fixed interest rate)	February 21, 2025	March 30, 2029	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 116	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. Aozora Bank, Ltd. The Minato Bank, Ltd. Kansai Mirai Bank, Limited Daiwa Next Bank, Ltd. The Bank of Okinawa, Ltd. The Higo Bank, Ltd.	17,100	Base interest rate + 0.50%	February 21, 2025	September 30, 2030	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 117	MUFG Bank, Ltd.	1,900	1.75354% (fixed interest rate)	February 21, 2025	September 30, 2030	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 118	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. SBI Shinsei Bank Limited Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. The Tokyo Star Bank, Limited	18,400	Base interest rate + 0.60%	February 21, 2025	September 30, 2032	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 119	MUFG Bank, Ltd.	1,900	1.95717% (fixed interest rate)	February 21, 2025	September 30, 2032	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date

(Note) The base interest rate for the calculation period of the interest to be paid on the interest payment date will be the 1-month JBA Japanese Yen TIBOR as of two business days prior to the immediately preceding interest payment date (or two business days prior to the borrowing date as to the first interest calculation period).

(c) Operating forecast

JHR estimates its operating forecast for the midterm of the fiscal year ending December 31, 2025 (26th period) and the full year ending December 31, 2025 (26th 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, 2025 (26th period) and the full fiscal year ending December 31, 2025 (26th period)” on page 14.

Midterm of the fiscal year ending December 31, 2025 (26th period)

Operating revenue	¥19,756 million
Operating income	¥12,793 million
Ordinary income	¥10,626 million
Net income	¥11,017 million

Full year of the fiscal year ending December 31, 2025 (26th period)

Operating revenue	¥42,732 million
Operating income	¥28,205 million
Ordinary income	¥23,806 million
Net income	¥24,195 million
Dividend per unit	¥4,461
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, 2025 (26th period) and full fiscal year ending December 31, 2025 (26th period)

Item	Assumptions																																																
Calculation Period	<ul style="list-style-type: none"> Midterm of the fiscal year ending December 2025 (26th Period): January 1, 2025 through June 30, 2025 (181 days) Full fiscal year ending December 2025 (26th Period): January 1, 2025 through December 31, 2025 (365 days) 																																																
Assets under Management	<ul style="list-style-type: none"> It is assumed that JHR's portfolio consists of 51 properties as of December 31, 2024, including the following acquisition and disposition (hereinafter called the "Sale"), resulting in a total of 51 properties. <p>The Acquired Asset</p> <table border="1"> <thead> <tr> <th>Acquisition date</th> <th>Name</th> </tr> </thead> <tbody> <tr> <td>February 21, 2025</td> <td>Hilton Fukuoka Sea Hawk</td> </tr> </tbody> </table> <p>The Sold Asset</p> <table border="1"> <thead> <tr> <th>Transfer date</th> <th>Name</th> </tr> </thead> <tbody> <tr> <td>January 30, 2025</td> <td>Washington Hotel Plaza Hakata, Nakasu</td> </tr> </tbody> </table> <ul style="list-style-type: none"> It is assumed that there will be no change (acquisition of new property or disposition of the existing properties, etc.) in assets under management other than the above through the end of the fiscal year ending December 2025 (26th period). However, changes in the actual assets under management may take place. 	Acquisition date	Name	February 21, 2025	Hilton Fukuoka Sea Hawk	Transfer date	Name	January 30, 2025	Washington Hotel Plaza Hakata, Nakasu																																								
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Operating Revenue	<ul style="list-style-type: none"> Gain on sale of real estate properties of ¥2,348 million, is expected to be recognized due to the Sale. 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. The variable rents, etc. of the main hotels are expected to be as follows. <p>(1) 28 Hotels with Variable Rent, etc.</p> <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Midterm</th> <th>Full year</th> </tr> </thead> <tbody> <tr> <td>The Five HMJ Hotels (*1)</td> <td>957</td> <td>3,486</td> </tr> <tr> <td>Oriental Hotel Universal City</td> <td>665</td> <td>1,622</td> </tr> <tr> <td>Oriental Hotel Okinawa Resort & Spa</td> <td>96</td> <td>932</td> </tr> <tr> <td>Sheraton Grand Hiroshima Hotel (*2)</td> <td>237</td> <td>499</td> </tr> <tr> <td>Oriental Hotel Fukuoka Hakata Station</td> <td>719</td> <td>1,534</td> </tr> <tr> <td>Holiday Inn Osaka Namba</td> <td>325</td> <td>777</td> </tr> <tr> <td>Hotel Oriental Express Fukuoka Tenjin</td> <td>290</td> <td>650</td> </tr> <tr> <td>Hilton Tokyo Narita Airport</td> <td>89</td> <td>222</td> </tr> <tr> <td>International Garden Hotel Narita</td> <td>65</td> <td>155</td> </tr> <tr> <td>Hotel Nikko Nara</td> <td>17</td> <td>122</td> </tr> <tr> <td>Hotel Oriental Express Osaka Shinsaibashi</td> <td>58</td> <td>125</td> </tr> <tr> <td>Hilton Tokyo Odaiba</td> <td>505</td> <td>1,477</td> </tr> <tr> <td>Oriental Hotel Kyoto Rokujo</td> <td>82</td> <td>197</td> </tr> <tr> <td>Hotel Oriental Express Fukuoka Nakasukawabata</td> <td>98</td> <td>229</td> </tr> <tr> <td>Hotel JAL City Kannai Yokohama</td> <td>11</td> <td>72</td> </tr> </tbody> </table>		Midterm	Full year	The Five HMJ Hotels (*1)	957	3,486	Oriental Hotel Universal City	665	1,622	Oriental Hotel Okinawa Resort & Spa	96	932	Sheraton Grand Hiroshima Hotel (*2)	237	499	Oriental Hotel Fukuoka Hakata Station	719	1,534	Holiday Inn Osaka Namba	325	777	Hotel Oriental Express Fukuoka Tenjin	290	650	Hilton Tokyo Narita Airport	89	222	International Garden Hotel Narita	65	155	Hotel Nikko Nara	17	122	Hotel Oriental Express Osaka Shinsaibashi	58	125	Hilton Tokyo Odaiba	505	1,477	Oriental Hotel Kyoto Rokujo	82	197	Hotel Oriental Express Fukuoka Nakasukawabata	98	229	Hotel JAL City Kannai Yokohama	11	72
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Item	Assumptions		
		Midterm	Full year
	ibis Styles Kyoto Station (*3)	174	368
	ibis Styles Sapporo (*3)	195	515
	Mercure Sapporo (*3)	247	629
	Mercure Okinawa Naha (*3)	143	311
	Mercure Yokosuka	166	324
	the b suidobashi	65	140
	the b ikebukuro	93	194
	the b hachioji	54	109
	the b hakata	81	186
Total	5,442	14,886	
	<p>(*1) The Five HMJ Hotels refer to the following five hotels which JHR leases to HMJ: Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima. The same shall apply hereinafter.</p> <p>(*2) Stating the rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA.</p> <p>(*3) The management contract system is adopted. The management contract system refers to the operation of the hotel property owned by JHR by entrusting the operation of the hotel to the trustee and incorporating the results of the operation into JHR as income from real estate management. Each hotel's GOP amount is recognized in operating revenues as income from management contracts.</p>		
Operating Revenue	(2) Other hotels with variable rent, etc. (Unit: millions of yen)		
		Midterm	Full year
	dormy inn Kumamoto	12	61
	Comfort Hotel Tokyo Higashi Nihombashi	38	38
	Smile Hotel Nihombashi Mitsukoshimae	31	31
	Chisun Hotel Kamata	75	157
	Chisun Inn Kamata	44	87
	Hilton Tokyo Bay	Undisclosed (*4)	Undisclosed (*4)
	Hotel Francs	95	190
	Hilton Nagoya	Undisclosed (*4)	Undisclosed (*4)
UAN kanazawa	6	22	
Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	108	108	
La'gent Stay Sapporo Odori	255	620	
MIMARU Tokyo Shinjuku West	Undisclosed (*4)	Undisclosed (*4)	
HOTEL AMANEK Shinjuku-Kabukicho.	Undisclosed (*4)	Undisclosed (*4)	
Southern Beach Hotel & Resort OKINAWA	—	106	
Total	1,374	3,430	
	<p>(*4) Undisclosed since tenants that concluded lease contracts did not agree to disclose rent revenue, etc.</p>		

Item	Assumptions																				
Operating Revenue	<p>(3) The Acquired Asset (Hilton Fukuoka Sea Hawk) The rent consists of fixed rent and variable rent, and the variable rent is calculated by the following formula. Variable rent = [Hotel AGOP (*5) – JPY2,100 million] x 95% However, if the calculated amount is below 0 yen, the variable rent will be 0 yen.</p> <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>Hilton Fukuoka Sea Hawk</td> <td>783</td> <td>1,879</td> <td>630</td> <td>1,782</td> <td>1,413</td> <td>3,661</td> </tr> </tbody> </table>		Fixed rent		Variable rent		Total rent		Midterm	Full year	Midterm	Full year	Midterm	Full year	Hilton Fukuoka Sea Hawk	783	1,879	630	1,782	1,413	3,661
			Fixed rent		Variable rent		Total rent														
		Midterm	Full year	Midterm	Full year	Midterm	Full year														
	Hilton Fukuoka Sea Hawk	783	1,879	630	1,782	1,413	3,661														
<p>(*5) AGOP (adjusted GOP) is calculated by subtracting certain fees and other items from GOP. GOP (gross operating profit) is the remainder after expenses incurred in hotel operation, such as personnel costs and general and administrative expenses, etc., are deducted from total sales. The same shall apply hereinafter.</p> <p>(*6) The annual fixed rent will be JPY2,040 million. The rent for the fiscal year ending December 2025 is an estimated amount including the rent from commercial tenants for the 314-day period from February 21, 2025 to December 31, 2025.</p>																					
<ul style="list-style-type: none"> The following is the breakdown of variable rent, etc. <p style="text-align: right;">(Unit: millions of yen)</p> <table border="1"> <thead> <tr> <th></th> <th>Midterm</th> <th>Full year</th> </tr> </thead> <tbody> <tr> <td>28 Hotels with Variable Rent, etc.</td> <td>5,442</td> <td>14,886</td> </tr> <tr> <td>Other hotels with variable rent, etc.</td> <td>1,374</td> <td>3,430</td> </tr> <tr> <td>The Acquired Asset</td> <td>630</td> <td>1,782</td> </tr> <tr> <td>Office and commercial tenants</td> <td>19</td> <td>41</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">7,466</td> <td style="text-align: center;">20,140</td> </tr> </tbody> </table>		Midterm	Full year	28 Hotels with Variable Rent, etc.	5,442	14,886	Other hotels with variable rent, etc.	1,374	3,430	The Acquired Asset	630	1,782	Office and commercial tenants	19	41	Total	7,466	20,140			
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<p>(*7) For details of variable rent, please refer to c. Rent structures of hotels with variable rent, etc., (C) Other major assets under management, B. Assets under management, (1) Information on values of assets under management, etc.</p>																					
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 ¥2,252 million will be recognized as expenses for fixed asset taxes, city planning taxes, etc. In general, property taxes and city planning taxes for the year of acquisition on acquired assets are settled with the previous owner on a pro-rata basis over a period of time, and the amount equivalent to such settlement is included in the acquisition cost. Therefore, the fixed asset tax and city planning tax, etc. of the Acquired Asset will not be recorded in the costs for the relevant calculation period. Capital expenditure for the fiscal year ending December 2025 (26th Period) is assumed to be ¥9,646 million (¥3,845 million for Capital Expenditure I, ¥766 million for Capital Expenditure II and ¥5,035 million for Capital Expenditure III.) (*8) 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 ¥6,747 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"> ¥4,398 million is expected for borrowing-related costs, including interest expense, amortization for financing fees, arrangement fees, and other non-operating expenses. 																				
Extraordinary Income	<ul style="list-style-type: none"> ¥390 million is expected as the gain on sale of the trademark rights in accordance with the disposition of the trademark rights on January 24, 2025. 																				

Item	Assumptions																				
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 ¥269,581 million and it is assumed to remain unchanged until the end of fiscal year ending December 2025 (26th Period). The amount of loans due by the end of the fiscal year ending December 2025 (26th Period) is JPY31,000 million. It is assumed that the entire amount will be refinanced, or investment corporation bonds will be issued. The amount of investment corporation bonds due by the end of the fiscal year ending December 2025 (26th Period) is ¥2,800 million. It is assumed that investment corporation bonds will be issued. 																				
Dividend per Unit	<ul style="list-style-type: none"> Dividend per unit for the fiscal year ending December 2025 (26th period) is calculated based on the following assumptions. <table border="0" data-bbox="319 515 1276 840"> <tr> <td>Unappropriated retained earnings</td> <td style="text-align: right;">¥24,195 million</td> </tr> <tr> <td>Amount of reserve for tax purpose reduction entry (*1)</td> <td style="text-align: right;">(¥1,818 million)</td> </tr> <tr> <td>Reversal of reserve for temporary difference adjustment (negative goodwill)</td> <td></td> </tr> <tr> <td> 50-year amortization amount of negative goodwill (*2)</td> <td style="text-align: right;">¥262 million</td> </tr> <tr> <td> Loss on retirement of noncurrent assets (*3)</td> <td style="text-align: right;">¥100 million</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Distributable amount</td> <td style="text-align: right;">¥22,739 million</td> </tr> <tr> <td>Total number of investment units issued</td> <td style="text-align: right;">5,097,006 units</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Dividend per unit</td> <td style="text-align: right;">¥4,461</td> </tr> </table> <ul style="list-style-type: none"> (*1) A portion of the gain on the sale of real estate properties from the Sale is planned to be allocated as a tax purpose reduction entry, utilizing the “Special Taxation Measures for the Replacement of Specified Assets” as stipulated in Article 65-7 of the Act on Special Measures Concerning Taxation, within the scope that does not violate the conduit requirements set forth in Article 67-15 of the same act. (*2) ¥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. (*3) 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. <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 2025 (26th period) is expected to be ¥ 6,596 million. 	Unappropriated retained earnings	¥24,195 million	Amount of reserve for tax purpose reduction entry (*1)	(¥1,818 million)	Reversal of reserve for temporary difference adjustment (negative goodwill)		50-year amortization amount of negative goodwill (*2)	¥262 million	Loss on retirement of noncurrent assets (*3)	¥100 million	<hr/>		Distributable amount	¥22,739 million	Total number of investment units issued	5,097,006 units	<hr/>		Dividend per unit	¥4,461
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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, 2025 (26th period) vs previous results and factors causing variance

(Unit: millions of yen)

		FY12/2024 (25th Period)	FY12/2025 (26th Period)	Difference		Existing Properties (*1)	Sold Asset (*1)	Acquired Asset (*1)	Factors Causing Variance of Existing Properties
		Actual (A)	Forecast (B)	(B)-(A)	% of increase/ decrease				
Properties	No. of Properties	51	51	—	—	—	(1)	1	
	Acquisition Price	453,171	515,391	62,220	13.7%	—	(2,130)	64,350	
Profit and Loss	Operating Revenue	33,481	42,732	9,251	27.6%	3,424	2,126	3,700	
	Real Estate Operating Revenue	33,481	40,383	6,902	20.6%	3,424	(222)	3,700	
	Fixed Rent	16,134	19,246	3,111	19.3%	1,453	(221)	1,879	The 28 Hotels with Variable Rent, etc.: +JPY76MM
	Composition	49.8%	48.9%						Properties Acquired in 2024 (*2): +JPY1,323MM
	Variable Rent	16,254	20,140	3,885	23.9%	2,103	—	1,782	The 28 Hotels with Variable Rent, etc.: +JPY1,661MM
	Composition	50.2%	51.1%						Properties Acquired in 2024: +JPY320MM
	Other Income	1,091	996	(94)	(8.7%)	(132)	(0)	38	Others: +JPY53MM
	Gain on Sale of Properties	—	2,348	2,348	—	—	2,348	—	
	NOI (*3)	29,014	35,751	6,736	23.2%	3,362	(206)	3,580	
	NOI after Depreciation (*3)	23,158	28,903	5,744	24.8%	3,112	(181)	2,813	
	Operating Income	20,779	28,205	7,425	35.7%				
Ordinary Income	18,273	23,806	5,533	30.3%					
Net Income	18,272	24,195	5,923	32.4%					
Dividend	Amount of Reversal from Reserve for Temporary Difference Adjustment (Negative Goodwill)	1,795	362	(1,432)	(79.8%)	Amount of reversal from reserve for temporary difference adjustment			
	Amount of Reserve for Tax Purpose Reduction Entry	—	(1,818)	(1,818)	—	25th Period:			
	Total Dividends	20,066	22,737	2,670	13.3%	50-year amortization amount on negative goodwill: JPY262MM			
	No. of Unit Issued (Unit)	5,097,006	5,097,006	—	—	Loss on retirement of noncurrent assets: JPY236MM			
	Dividend per Unit (JPY)	3,937	4,461	524	13.3%	Amortization of trademark rights: JPY56MM			
						Dilution: JPY1,240MM			
						26th Period:			
						50-year amortization amount on negative goodwill: JPY262MM			
						Loss on retirement of noncurrent assets: JPY100MM			

(*1) The Existing Properties refer to the 50 hotels, excluding Washington Hotel Plaza Hakata, Nakasu, which was sold on January 30, 2025 (hereinafter called the "Sold Asset"), from the total of 51 properties owned by JHR as of December 31, 2024.

The Acquired Asset refers to Hilton Fukuoka Sea Hawk, which was acquired on February 21, 2025. The same shall apply hereinafter.

(*2) The Properties acquired in 2024 refer to the following four hotels acquired in 2024. The same shall apply hereinafter.

MIMARU Tokyo Shinjuku West
HOTEL AMANEK Shinjuku-Kabukicho.
OKINAWA HARBORVIEW HOTEL
Southern Beach Hotel & Resort OKINAWA

(*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 after depreciation = Real estate operating revenue - Real estate operating costs.

<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> 28 Hotels with Variable Rent, etc.

		Fiscal year ended December 2024		Fiscal year ending December 2025	
		Actual	Comparison with previous year	Forecast	Comparison with previous year
Occupancy rate	First half of the year	81.1%	5.2pt	84.5%	3.4pt
	Second half of the year	85.2%	4.3pt	88.4%	3.2pt
	Full year	83.1%	4.8pt	86.4%	3.3pt
ADR (JPY)	First half of the year	18,014	11.0%	18,840	4.6%
	Second half of the year	20,934	9.1%	21,952	4.9%
	Full year	19,518	9.9%	20,444	4.7%
RevPAR (JPY)	First half of the year	14,601	18.6%	15,911	9.0%
	Second half of the year	17,829	15.0%	19,396	8.8%
	Full year	16,224	16.5%	17,668	8.9%
Sales (JPY1M)	First half of the year	31,388	16.1%	33,747	7.5%
Rooms Dept.		20,523	19.3%	22,267	8.5%
F&B Dept.		9,664	15.8%	10,228	5.8%
Others		1,202	(19.5%)	1,252	4.2%
Sales (JPY1M)	Second half of the year	38,320	15.4%	40,719	6.3%
Rooms Dept.		25,337	15.0%	27,595	8.9%
F&B Dept.		11,583	18.5%	11,744	1.4%
Others		1,400	0.5%	1,381	(1.4%)
Sales (JPY1M)	Full year	69,708	15.7%	74,466	6.8%
Rooms Dept.		45,860	16.9%	49,862	8.7%
F&B Dept.		21,247	17.2%	21,972	3.4%
Others		2,602	(9.8%)	2,633	1.2%
GOP (JPY1M)	First half of the year	10,954	29.4%	11,420	4.3%
	Second half of the year	14,373	16.0%	15,836	10.2%
	Full year	25,326	21.5%	27,256	7.6%

(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 Acquired Asset (Hilton Fukuoka Sea Hawk)

		Fiscal year ended December 2024		Fiscal year ending December 2025	
		Actual	Comparison with previous year	Forecast	Comparison with previous year
Occupancy rate	First half of the year	62.2%	17.1pt	67.0%	4.9pt
	Second half of the year	65.5%	7.2pt	70.5%	5.0pt
	Full year	63.8%	12.1pt	68.8%	4.9pt
ADR (JPY)	First half of the year	22,543	(6.0%)	23,313	3.4%
	Second half of the year	25,795	(2.0%)	25,934	0.5%
	Full year	24,221	(4.3%)	24,667	1.8%
RevPAR (JPY)	First half of the year	14,012	29.6%	15,623	11.5%
	Second half of the year	16,896	10.1%	18,290	8.3%
	Full year	15,462	18.1%	16,968	9.7%
Sales (JPY1M)	First half of the year	4,878	30.0%	5,121	5.0%
Rooms Dept.		2,683	30.2%	2,975	10.9%
F&B Dept.		2,012	29.9%	1,973	(1.9%)
Others		183	28.0%	173	(5.3%)
Sales (JPY1M)	Second half of the year	5,786	6.7%	6,153	6.3%
Rooms Dept.		3,270	10.1%	3,540	8.3%
F&B Dept.		2,285	0.9%	2,421	5.9%
Others		230	22.3%	192	(16.8%)
Sales (JPY1M)	Full year	10,664	16.2%	11,274	5.7%
Rooms Dept.		5,953	18.3%	6,515	9.4%
F&B Dept.		4,297	12.7%	4,394	2.3%
Others		413	24.7%	365	(11.7%)
GOP (JPY1M)	First half of the year	1,841	74.8%	1,903	3.4%
	Second half of the year	2,385	15.6%	2,508	5.2%
	Full year	4,225	35.6%	4,411	4.4%

2. Financial statements

(1) Balance sheets

(thousands of yen)

	As of December 31, 2023	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	17,693,462	22,933,399
Cash and deposits in trust	10,821,626	13,095,721
Operating accounts receivable	4,850,631	6,045,486
Prepaid expenses	626,308	784,753
Income taxes receivable	38	450
Derivatives	1,499	51,924
Other	56,376	77,567
Total current assets	34,049,942	42,989,303
Noncurrent assets		
Property and equipment, at cost		
Machinery and equipment	949,797	1,106,862
Accumulated depreciation	(451,651)	(543,513)
Machinery and equipment, net	498,146	563,348
Tools, furniture and fixtures	6,865,827	8,067,457
Accumulated depreciation	(4,507,557)	(5,224,232)
Tools, furniture and fixtures, net	2,358,270	2,843,225
Construction in progress	11,434	9,116
Buildings in trust	*1 152,039,254	*1 167,775,037
Accumulated depreciation	(35,463,200)	(39,603,644)
Buildings in trust, net	116,576,053	128,171,393
Structures in trust	3,058,840	3,707,056
Accumulated depreciation	(730,047)	(807,962)
Structures in trust, net	2,328,793	2,899,093
Machinery and equipment in trust	793,859	869,784
Accumulated depreciation	(264,608)	(305,742)
Machinery and equipment in trust, net	529,250	564,041
Tools, furniture and fixtures in trust	129,718	129,718
Accumulated depreciation	(113,038)	(114,514)
Tools, furniture and fixtures in trust, net	16,680	15,204
Land in trust	237,641,649	283,826,532
Construction in progress in trust	120,897	310,797
Net property and equipment	360,081,175	419,202,753
Intangible assets		
Software	226,128	185,267
Trademark right	355,231	299,142
Leasehold rights in trust	27,324,752	27,324,752
Fixed-term leasehold rights in trust	4,360,378	4,225,172
Other	4,561	3,881
Total intangible assets	32,271,051	32,038,215
Investments and other assets		
Security deposits	12,520	12,520
Leasehold and security deposits in trust	139,668	139,668
Long-term prepaid expenses	2,565,747	2,972,175
Derivative assets	398,477	1,033,701
Reserve for repairs and maintenance	300,469	291,801
Total investments and other assets	3,416,883	4,449,867
Total noncurrent assets	395,769,110	455,690,836
Deferred assets		
Investment unit issuance costs	40,379	184,303
Investment corporation bond issuance costs	95,957	66,343
Total deferred assets	136,336	250,647
Total assets	429,955,390	498,930,787

(thousands of yen)

	As of December 31, 2023	As of December 31, 2024
Liabilities		
Current liabilities		
Operating accounts payable	2,506,632	1,942,107
Short-term loans payable	15,568,000	1,000,000
Current portion of investment corporation bonds payable	3,000,000	2,800,000
Current portion of long-term loans payable	21,521,000	30,000,000
Accrued expenses	659,264	763,229
Income taxes payable	1,210	1,210
Consumption taxes payable	470,254	800,314
Advances received	764,638	868,275
Dividends payable	3,634	10,275
Deposits received	9,966	32,290
Derivative liabilities	2,626	—
Other	77,816	63,203
Total current liabilities	44,585,044	38,280,906
Long-term liabilities		
Investment corporation bonds	33,900,000	31,100,000
Long-term loans payable	101,242,000	140,331,000
Tenant leasehold and security deposits	1,040,520	1,040,520
Tenant leasehold and security deposits in trust	3,739,687	4,092,485
Derivative liabilities	1,951	—
Deferred tax liabilities	125,832	341,537
Asset retirement obligations	340,051	341,696
Total long-term liabilities	140,390,042	177,247,240
Total liabilities	184,975,086	215,528,147
Net assets		
Unitholders' equity		
Unitholders' capital	199,051,879	232,708,699
Surplus		
Capital surplus	21,746,398	21,746,398
Voluntary reserve		
Reserve for temporary difference adjustment	*2 9,600,013	*2 8,754,629
Reserve for tax purpose reduction entry	1,174,860	1,174,860
Total voluntary reserve	10,774,874	9,929,490
Unappropriated retained earnings (undisposed loss)	13,137,051	18,273,964
Total surplus	45,658,325	49,949,853
Total unitholders' equity	244,710,204	282,658,552
Valuation and translation adjustments		
Deferred gains (losses) on hedges	270,099	744,087
Total valuation and translation adjustments	270,099	744,087
Total net assets	*3 244,980,303	*3 283,402,640
Total liabilities and net assets	429,955,390	498,930,787

(2) Statements of income

(thousands of yen)

	For the year ended December 31, 2023	For the year ended December 31, 2024
Operating revenue		
Real estate operating revenue	* ₁ 25,503,799	* ₁ 32,389,622
Other real estate operating revenue	* ₁ 1,070,755	* ₁ 1,091,575
Total operating revenue	26,574,555	33,481,197
Operating Expenses		
Real estate operating costs	* ₁ 9,466,357	* ₁ 10,322,705
Asset management fee	1,745,752	2,031,462
Asset custody and administrative service fee	117,832	119,695
Directors' compensation	17,700	17,400
Other operating expenses	212,405	210,018
Total operating expenses	11,560,047	12,701,283
Operating income	15,014,507	20,779,914
Non-operating income		
Interest income	253	2,941
Gain on forfeiture of unclaimed dividends	3,890	949
Gain on insurance claims	—	191
Interest on tax refunds	40	217
Gain on derivative instruments	3,298	532
Total non-operating income	7,483	4,832
Non-operating Expenses		
Interest expense	868,687	1,305,347
Interest expense on investment corporation bonds	282,254	278,327
Borrowing costs	681,764	838,112
Amortization of investment corporation bond issuance costs	30,844	29,613
Amortization of investment unit issuance costs	8,543	47,401
Loss on derivative instruments	3,135	—
Other	11,488	12,879
Total non-operating expenses	1,886,717	2,511,681
Ordinary profit	13,135,273	18,273,065
Extraordinary income		
Subsidy income	7,972	* ₂ 213,025
Total extraordinary income	7,972	213,025
Extraordinary loss		
Loss on tax purpose reduction entry of non-current assets	* ₃ 7,915	* ₃ 212,779
Total extraordinary loss	7,915	212,779
Income before income taxes	13,135,330	18,273,311
Income taxes – current	1,210	1,210
Total income taxes	1,210	1,210
Net income	13,134,120	18,272,101
Retained earnings brought forward	2,930	1,863
Unappropriated retained earnings (undisposed loss)	13,137,051	18,273,964

(3) Statements of changes in net assets

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						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			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

For the year ended December 31, 2024

(thousands of yen)

	Unitholders' equity							Total unitholders' equity
	Unitholders' capital	Surplus					Total surplus	
		Capital surplus	Voluntary reserve			Unappropriated retained earnings (undisposed loss)		
			Reserve for temporary difference adjustment	Reserve for tax purpose reduction entry	Total voluntary reserve			
Balance, January 1, 2024	199,051,879	21,746,398	9,600,013	1,174,860	10,774,874	13,137,051	45,658,325	244,710,204
Changes of items during the year:								
Issuance of new investment units	33,656,820							33,656,820
Reversal of reserve for temporary difference adjustment			(845,384)		(845,384)	845,384	—	—
Dividends paid						(13,980,573)	(13,980,573)	(13,980,573)
Net income						18,272,101	18,272,101	18,272,101
Net changes of items other than unitholders' equity								
Total changes of items during the year	33,656,820	—	(845,384)	—	(845,384)	5,136,912	4,291,528	37,948,348
Balance, December 31, 2024	232,708,699 ^{*1}	21,746,398	8,754,629	1,174,860	9,929,490	18,273,964	49,949,853	282,658,552

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2024	270,099	270,099	244,980,303
Changes of items during the year:			
Issuance of new investment units			33,656,820
Reversal of reserve for temporary difference adjustment			—
Dividends paid			(13,980,573)
Net income			18,272,101
Net changes of items other than unitholders' equity	473,988	473,988	473,988
Total changes of items during the year	473,988	473,988	38,422,336
Balance, December 31, 2024	744,087	744,087	283,402,640

(4) Statements of cash dividends

Classification	For the year ended December 31, 2023	For the year ended December 31, 2024
I. Unappropriated retained earnings	¥13,137,051,848	¥18,273,964,433
II. Reversal of voluntary reserve		
Reversal of reserve for temporary difference adjustment	*1 ¥845,384,544	*1 ¥1,795,584,763
III. Dividends	¥13,980,573,090	¥20,066,912,622
[Dividend per unit]	[¥3,015]	[¥3,937]
IV. Retained earnings carried forward	¥1,863,302	¥2,636,574
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 ¥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.	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 ¥20,066,912,622, which excludes fractions of less than one yen of dividend per unit from ¥20,069,549,196, an amount calculated by adding a reversal of reserve for temporary difference adjustment of ¥1,795,584,763 to unappropriated retained earnings of ¥18,273,964,433, 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, 2023	For the year ended December 31, 2024
Cash flows from operating activities		
Income before income taxes	13,135,330	18,273,311
Depreciation and amortization	5,083,074	5,617,944
Loss on retirement of noncurrent assets	151,695	236,895
Loss (profit) on derivative instruments	(163)	(532)
Subsidy income	(7,972)	(213,025)
Loss on tax purpose reduction entry of non-current assets	7,915	212,779
Amortization of investment corporation bond issuance costs	30,844	29,613
Amortization of investment unit issuance costs	8,543	47,401
Interest income	(253)	(2,941)
Interest expense	1,150,941	1,583,675
Interest on tax refunds	(40)	(217)
(Increase) decrease in operating accounts receivable	(408,098)	(1,194,855)
(Increase) decrease in prepaid expenses	(141,829)	(158,445)
(Increase) decrease in long-term prepaid expenses	(607,615)	(406,427)
Increase (decrease) in operating accounts payable	234,581	(236,909)
Increase (decrease) in accrued expenses	86,183	112,480
Increase (decrease) in consumption taxes payable	71,452	330,059
Increase (decrease) in advances received	100,441	103,636
Increase (decrease) in deposits received	7,373	22,324
Other	31,404	(7,784)
Subtotal	18,933,808	24,348,984
Interest received	247	2,941
Interest paid	(1,148,257)	(1,592,184)
Interest received on tax refunds	40	217
Income taxes - refunded (paid)	(1,207)	(1,621)
Net cash provided by (used in) operating activities	17,784,631	22,758,337
Cash flows from investing activities		
Purchase of property and equipment	(982,573)	(1,747,680)
Purchase of property and equipment in trust	(37,589,514)	(63,439,292)
Purchase of intangible assets	(67,279)	(75,007)
Payments of reserve for repairs and maintenance	(40,625)	(40,625)
Proceeds from tenant leasehold and security deposits in trust	230,434	363,897
Reimbursements of tenant leasehold and security deposits in trust	(110,414)	(11,098)
Subsidies received	7,972	213,025
Net cash provided by (used in) investing activities	(38,551,999)	(64,736,782)
Cash flows from financing activities		
Proceeds from short-term loans payable	15,568,000	1,800,000
Repayments of short-term loans payable	(35,113,000)	(16,368,000)
Proceeds from long-term loans payable	45,977,000	69,089,000
Repayments of long-term loans payable	(15,432,000)	(21,521,000)
Redemption of investment corporation bonds	—	(3,000,000)
Proceeds from issuance of investment units	11,812,912	33,465,493
Dividends paid	(3,045,523)	(13,973,015)
Net cash provided by (used in) financing activities	19,767,389	49,492,477
Net increase (decrease) in cash and cash equivalents	(999,978)	7,514,032
Cash and cash equivalents at beginning of year	29,515,066	28,515,088
Cash and cash equivalents at end of year	*1 28,515,088	*1 36,029,120

(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. The amount of such taxes capitalized in the acquisition cost of real estate properties, etc., was ¥46,192 thousand for the year ended December 31, 2023 and ¥63,636 thousand for the year ended December 31, 2024.</p>																

4. Method of hedge accounting	(1) Method of hedge accounting Deferred hedge accounting is applied. (2) Hedging instruments and hedged items Hedging instruments Interest rate swaps Hedged items Interest rates on loans payable (3) Hedging policy JHR enters into certain derivative transactions in accordance with its financial policy in order to manage risks, which is provided in the Articles of Incorporation. (4) Method for assessing hedge effectiveness JHR evaluates hedge effectiveness by comparing the cumulative changes in cash flow of hedging instruments and the hedged items and assessing the ratio between the changes.
5. Scope of funds (cash and cash equivalents) in the 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	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. (a) Cash and deposits in trust (b) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust (c) Leasehold rights in trust; Fixed-term leasehold rights in trust; Leasehold and security deposits in trust (d) Tenant leasehold and security deposits in trust

(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, 2023	For the year ended December 31, 2024
Property and equipment, at cost	360,081,175	419,202,753
Intangible assets	32,271,051	32,038,215
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, 2023	As of December 31, 2024
Buildings in trust	17,865	230,645

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

As of December 31, 2023

(thousands of yen)

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

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

As of December 31, 2024

(thousands of yen)

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

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

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

(thousands of yen)

	As of December 31, 2023	As of December 31, 2024
	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, 2023	For the year ended December 31, 2024
A. Real estate operating revenue		
Real estate operating revenue		
Fixed rent	14,658,973	16,134,811
Variable rent	9,516,322	14,521,350
Income from management contracts	1,328,502	1,733,460
Total	25,503,799	32,389,622
Other real estate operating revenue		
Parking lots	127,036	135,624
Other incidental revenue	70,635	82,746
Utilities	753,357	743,628
Other	119,726	129,576
Total	1,070,755	1,091,575
Total real estate operating revenue	26,574,555	33,481,197
B. Real estate operating costs		
Real estate operating costs		
Land lease and other rent expenses	846,977	858,995
Property taxes	1,976,361	2,083,766
Outsourcing expenses (Note)	449,885	473,699
Nonlife insurance	80,731	105,371
Depreciation and amortization	5,083,074	5,617,944
Loss on retirement of noncurrent assets	151,695	236,895
Repairs	26,032	59,747
Utilities	790,705	779,798
Trust fees	41,176	49,596
Other	19,718	56,888
Total real estate operating costs	9,466,357	10,322,705
C. Net real estate operating income (A – B)	17,108,197	23,158,492

(Note) Outsourcing expenses include management fees of ¥129,402 thousand for the year ended December 31, 2023, and ¥154,688 thousand for the year ended December 31, 2024.

*2. Breakdown of subsidy income

For the year ended December 31, 2024

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

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

(thousands of yen)

	For the year ended December 31, 2023	For the year ended December 31, 2024
Buildings in trust	7,915	212,779

[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, 2023	For the year ended December 31, 2024
Total number of investment units authorized	20,000,000 units	20,000,000 units
Total number of investment units issued and outstanding	4,637,006 units	5,097,006 units

[Notes to statements of cash dividends]

*1. Reserve for temporary difference adjustment

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.

For the year ended December 31, 2024

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 ¥1,795,584,763 has been decided, which is the amount calculated by adding ¥236,895,613 equivalent to loss on retirement of noncurrent assets and ¥56,089,150, equivalent to amortization of trademark right and ¥1,240,000,000 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, 2023	For the year ended December 31, 2024
Cash and deposits	17,693,462	22,933,399
Cash and deposits in trust	10,821,626	13,095,721
Cash and cash equivalents	28,515,088	36,029,120

[Notes on lease transactions]

Operating leases (as lessor)

Minimum rental revenue under non-cancellable operating leases

(thousands of yen)

	As of December 31, 2023	As of December 31, 2024
Due within one year	1,331,074	1,021,632
Due after one year	3,782,292	2,855,941
Total	5,113,366	3,877,574

[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, 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	—

For the year ended December 31, 2024

(thousands of yen)			
	Carrying amount	Fair value	Difference
(1) Current portion of investment corporation bonds payable	2,800,000	2,779,840	(20,160)
(2) Current portion of long-term loans payable	30,000,000	29,999,854	(145)
(3) Investment corporation bonds	31,100,000	29,005,280	(2,094,720)
(4) Long-term loans payable	140,331,000	140,297,827	(33,172)
Total liabilities	204,231,000	202,082,802	(2,148,197)
(5) Derivative transactions (*)	1,085,625	1,085,625	—

(*) 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

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

(5) Derivative transactions

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, 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

As of December 31, 2024

(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	2,800,000	13,100,000	—	10,000,000	8,000,000	—
Long-term loans payable	30,000,000	12,180,000	32,225,000	26,500,000	24,737,000	44,689,000
Total	32,800,000	25,280,000	32,225,000	36,500,000	32,737,000	44,689,000

[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, 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.

As of December 31, 2024

Not applicable.

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, 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.

As of December 31, 2024

(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	110,539,000	92,039,000	1,085,625	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, 2023	As of December 31, 2024
Deferred tax assets:		
Valuation difference on assets accepted through merger	1,660,086	1,652,444
Amortization of fixed-term leasehold of land	333,759	376,295
Asset retirement obligations	29,177	32,786
Amortization of trademark right	64,701	66,171
Deferred gains (losses) on hedges	1,272	—
Total gross deferred tax assets	2,088,996	2,127,698
Valuation allowance	(2,088,996)	(2,127,698)
Total deferred tax assets	—	—
Deferred tax liabilities		
Deferred gains (losses) on hedges	125,832	341,537
Total gross deferred tax liabilities	125,832	341,537

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, 2023	As of December 31, 2024
Statutory tax rate	31.46%	31.46%
[Adjustments]		
Deduction for dividends paid	(31.89%)	(31.68%)
Change in valuation allowance	0.43%	0.22%
Other	0.01%	0.01%
Actual effective tax rate	0.01%	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, 2023	For the year ended December 31, 2024
Balance at beginning of period	338,413	340,051
Adjustment due to passage of time	1,637	1,645
Balance at end of period	340,051	341,696

[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, 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.

For the year ended December 31, 2024

(1) Information about products and services

Information about products and services has been omitted because operating revenue from external customers in a single product / service category accounted for more than 90% of total operating revenue on the 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)	20,191,696	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, 2023	For the year ended December 31, 2024
Hotel	Carrying amount		
	Balance at beginning of period	358,478,812	392,339,582
	Net increase (decrease) during period	33,860,769	58,891,642
	Balance at end of period	392,339,582	451,231,225
	Fair value at end of period	525,740,000	631,040,000

(Note 1) The increase during the year ended December 31, 2023 was principally due to acquisition of UAN kanazawa (¥2,082,812 thousand), Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (¥8,487,515 thousand), La'gent Stay Sapporo Odori (¥10,428,224 thousand), Oriental Hotel Kyoto Rokujo (¥4,620,065 thousand), Hotel Oriental Express Fukuoka Nakasukawabata (¥4,665,800 thousand) and Hotel JAL City Kannai Yokohama (¥4,046,273 thousand). The increase during the year ended December 31, 2024 was principally due to acquisition of MIMARU Tokyo Shinjuku West (¥10,028,560 thousand), HOTEL AMANEK Shinjuku-Kabukicho. (¥9,190,215 thousand), OKINAWA HARBORVIEW HOTEL (¥22,314,977 thousand) and Southern Beach Hotel & Resort OKINAWA (¥16,318,121 thousand).

(Note 2) Fair value at end of fiscal period is the appraisal value determined by licensed real estate appraisers from outside. Regarding the Fair value at the end of the period for the year ended December 31, 2024, the Fair value of Washington Hotel Plaza Hakata, Nakasu, which was transferred on January 30, 2025, was valued at the sale price.

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

(thousands of yen)

Use		For the year ended December 31, 2023	For the year ended December 31, 2024
Hotel	Amount on the statements of income		
	Real estate operating revenue	26,574,555	33,481,197
	Real estate operating costs	9,466,357	10,322,705
	Net real estate operating income	17,108,197	23,158,492

(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, 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.

For the year ended December 31, 2024

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, 2023	For the year ended December 31, 2024
Net assets per unit (JPY)	52,831	55,601
Net income per unit (JPY)	2,909	3,755

(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, 2023	For the year ended December 31, 2024
Net income	13,134,120	18,272,101
Amount not attributable to common unitholders	—	—
Net income attributable to common investment units	13,134,120	18,272,101
Average number of investment units during period	4,514,513 units	4,865,133 units

[Notes on significant subsequent events]

1. Sale of asset

JHR sold the following asset on January 30, 2025.

Name of sold asset	Washington Hotel Plaza Hakata, Nakasu
Asset category	Real estate beneficial interest in trust
Asset type	Hotel
Location	2-8-28, Nakasu, Hakata-ku, Fukuoka city, Fukuoka
Sale price (Note 1)	¥4,610 million
Gain on sale (forecast) (Note 2)	¥2,348 million
Closing date	January 30, 2025
Buyer	RISA Partners, Inc.

(Note 1) The sale price does not include selling expenses, settlement of property tax, city planning tax, etc., and consumption tax and local consumption tax.

(Note 2) The amount obtained by deducting the book value (forecast) and selling expenses (forecast) from the sale price is indicated.

2. Acquisition of asset

JHR acquired the following asset on February 21, 2025.

Name of acquired asset	Hilton Fukuoka Sea Hawk
Asset category	Real estate beneficial interest in trust
Asset type	Hotel
Location	2-2-3, Jigyohama, Chuo-ku, Fukuoka city, Fukuoka
Acquisition date	February 21, 2025
Seller	ML ESTATE Co., Ltd.
Acquisition price (Note)	¥64,350 million

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

3. New loans

JHR procured funds as follows to finance the acquisition of real estate beneficial interests in trust, as described in “2. Acquisition of asset” above.

Names of loan	Lenders	Amount of the new loan (JPY1M)	Interest rate (Note)	Borrowing date	Maturity date	Collateral / method of repayment
Term Loan 113	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited MUFG Bank, Ltd. Development Bank of Japan Inc. Aozora Bank, Ltd. The Chiba Bank, Ltd. Daiwa Next Bank, Ltd.	10,600	Base interest rate + 0.25%	February 21, 2025	March 31, 2026	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 114	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. The Chiba Bank, Ltd. The Nishi-Nippon City Bank, Ltd. Rakuten Bank, Ltd.	12,850	Base interest rate + 0.40%	February 21, 2025	March 30, 2029	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 115	MUFG Bank, Ltd.	1,600	1.57757% (fixed interest rate)	February 21, 2025	March 30, 2029	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 116	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. Aozora Bank, Ltd. The Minato Bank, Ltd. Kansai Mirai Bank, Limited Daiwa Next Bank, Ltd. The Bank of Okinawa, Ltd. The Higo Bank, Ltd.	17,100	Base interest rate + 0.50%	February 21, 2025	September 30, 2030	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 117	MUFG Bank, Ltd.	1,900	1.75354% (fixed interest rate)	February 21, 2025	September 30, 2030	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 118	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. SBI Shinsei Bank Limited Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. The Tokyo Star Bank, Limited	18,400	Base interest rate + 0.60%	February 21, 2025	September 30, 2032	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date
Term Loan 119	MUFG Bank, Ltd.	1,900	1.95717% (fixed interest rate)	February 21, 2025	September 30, 2032	Unsecured & Unguaranteed / Lump-sum repayment on the maturity date

(Note) The base interest rate for the calculation period of the interest to be paid on the interest payment date will be the 1-month JBA Japanese Yen TIBOR as of two business days prior to the immediately preceding interest payment date (or two business days prior to the borrowing date as to the first interest calculation period).

(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	
March 16, 2021	Capital increase through third-party allotment of investment units	4,659	4,467,006	300	187,194	(Note 1)
September 21, 2023	Capital increase through public offering of investment units	170,000	4,637,006	11,857	199,051	(Note 2)
July 3, 2024	Capital increase through public offering of investment units	451,641	5,088,647	33,045	232,097	(Note 3)
July 30, 2024	Capital increase through third-party allotment of investment units	8,359	5,097,006	611	232,708	(Note 4)

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

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

(Note 3) New investment units were issued through public offering with an issue price per unit of ¥75,558 (issue value of ¥73,167) in order to procure funds for the acquisition of new properties, etc.

(Note 4) New investment units were issued through third-party allotment with an issue value per unit of ¥73,167 in order to procure funds for allocation to part of future acquisitions of specified assets or capital expenditures to maintain or improve competitiveness of existing properties.

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, 2023		As of December 31, 2024			
				Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)		
Real estate in trust	Limited-service hotel	Tokyo	MIMARU Tokyo Shinjuku West	—	—	10,009	2.0		
			HOTEL AMANEK Shinjuku-Kabukicho.	—	—	9,178	1.8		
			Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	8,469	2.0	8,449	1.7		
			the b ikebukuro	6,599	1.5	6,593	1.3		
			CANDEO HOTELS Ueno Koen	6,525	1.5	6,493	1.3		
			Comfort Hotel Tokyo Higashi Nihombashi	3,394	0.8	3,370	0.7		
			the b hachioji	2,691	0.6	2,674	0.5		
			Smile Hotel Nihombashi Mitsukoshimae	2,025	0.5	2,015	0.4		
			R&B Hotel Ueno-hirokoji	1,804	0.4	1,789	0.4		
			Chisun Hotel Kamata	1,452	0.3	1,454	0.3		
			the b suidobashi	1,140	0.3	1,143	0.2		
			dormy inn EXPRESS Asakusa	917	0.2	908	0.2		
			Chisun Inn Kamata	778	0.2	768	0.2		
		Osaka	Holiday Inn Osaka Namba	26,566	6.2	26,469	5.3		
			Namba Oriental Hotel	14,217	3.3	15,342	3.1		
			Hotel Oriental Express Osaka Shinsaibashi	2,769	0.6	2,757	0.6		
		Hokkaido	La'gent Stay Sapporo Odori	10,402	2.4	10,357	2.1		
			ibis Styles Sapporo	6,299	1.5	6,230	1.2		
			Mercure Sapporo	5,563	1.3	5,518	1.1		
		Fukuoka	Hotel Oriental Express Fukuoka Tenjin	5,710	1.3	5,675	1.1		
			Hotel Oriental Express Fukuoka Nakasukawabata	4,621	1.1	4,599	0.9		
			the b hakata	2,319	0.5	2,302	0.5		
			Washington Hotel Plaza Hakata, Nakasu (Note 4)	2,065	0.5	2,096	0.4		
			Toyoko Inn Hakata-guchi Ekimae	1,346	0.3	1,328	0.3		
		Kyoto	ibis Styles Kyoto Station	6,556	1.5	6,532	1.3		
			Oriental Hotel Kyoto Rokujo	4,570	1.1	4,540	0.9		
		Kanagawa	Hotel JAL City Kannai Yokohama	4,027	0.9	4,008	0.8		
		Okinawa	Mercure Okinawa Naha	2,713	0.6	2,673	0.5		
		Kumamoto	dormy inn Kumamoto	2,205	0.5	2,168	0.4		
		Ishikawa	UAN kanazawa	2,056	0.5	2,037	0.4		
		Nara	Washington Hotel Plaza Nara	1,716	0.4	1,742	0.3		
		Subtotal				141,527	32.9	161,231	32.3
		Full-service hotel	Tokyo	Chiba	Hilton Tokyo Odaiba	63,167	14.7	62,942	12.6
					Oriental Hotel Tokyo Bay	16,932	3.9	17,390	3.5
					Hilton Tokyo Narita Airport	13,003	3.0	13,027	2.6
					International Garden Hotel Narita	8,916	2.1	8,824	1.8
Hotel Francs	3,172				0.7	3,226	0.6		
Okinawa	OKINAWA HARBORVIEW HOTEL		—	—	22,187	4.4			
Hiroshima	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 5)		16,848	3.9	16,742	3.4			
	Oriental Hotel Hiroshima		4,005	0.9	3,943	0.8			
Aichi	Hilton Nagoya		15,527	3.6	15,413	3.1			
Nara	Hotel Nikko Nara		9,998	2.3	9,980	2.0			
Hyogo	Kobe Meriken Park Oriental Hotel		9,443	2.2	9,535	1.9			
Fukuoka	Oriental Hotel Fukuoka Hakata Station		8,395	2.0	8,062	1.6			
Kanagawa	Mercure Yokosuka		1,642	0.4	1,639	0.3			
Subtotal				171,054	39.8	192,915	38.7		

Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2023		As of December 31, 2024	
				Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)
Real estate in trust	Resort hotel	Okinawa	Hotel Nikko Alivila	17,441	4.1	17,270	3.5
			Southern Beach Hotel & Resort OKINAWA	—	—	16,196	3.2
			Oriental Hotel Okinawa Resort & Spa	15,626	3.6	16,301	3.3
			The Beach Tower Okinawa	6,413	1.5	6,422	1.3
		Chiba	Hilton Tokyo Bay	25,993	6.0	26,010	5.2
		Osaka	Oriental Hotel Universal City	7,192	1.7	7,171	1.4
		Kanagawa	Hakone Setsugetsuka	3,528	0.8	3,505	0.7
		Subtotal			76,195	17.7	92,878
Real estate in trust – Total				388,777	90.4	447,026	89.6
Deposits and other assets (Note 6)				41,177	9.6	51,904	10.4
Total assets				429,955	100.0	498,930	100.0

	Amount (JPY1M)	Ratio to total assets (%)	Amount (JPY1M)	Ratio to total assets (%)
Total liabilities	184,975	43.0	215,528	43.2
Total net assets	244,980	57.0	283,402	56.8

(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) Washington Hotel Plaza Hakata, Nakasu was transferred on January 30, 2025. The same shall apply hereinafter.

(Note 5) ACTIVE-INTER CITY HIROSHIMA is classified in accordance with the business category of Sheraton Grand Hiroshima Hotel, its main facility.

(Note 6) 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	9,874	14,800	N	2.4	Unsecured
2	Oriental Hotel Tokyo Bay	Mid-price	19,900	17,872	35,100	N	4.4	Unsecured
3	Namba Oriental Hotel	Mid-price	15,000	15,501	33,700	N	3.3	Unsecured
4	Hotel Nikko Alivila	Luxury	18,900	17,610	29,100	N	4.2	Unsecured
5	Oriental Hotel Hiroshima	Upper-middle	4,100	3,985	4,330	N	0.9	Unsecured
8	The Beach Tower Okinawa	Mid-price	7,610	6,425	10,200	N	1.7	Unsecured
9	Hakone Setsugetsuka	Mid-price	4,070	3,511	5,630	N	0.9	Unsecured
10	dormy inn Kumamoto	Mid-price	2,334	2,168	3,900	N	0.5	Unsecured
12	the b suidobashi	Mid-price	1,120	1,151	2,510	N	0.2	Unsecured
13	dormy inn EXPRESS Asakusa	Economy	999	909	1,350	J	0.2	Unsecured
14	Washington Hotel Plaza Hakata, Nakasu (Note 8)	Mid-price	2,130	2,096	4,610	—	0.5	Unsecured
15	Washington Hotel Plaza Nara	Mid-price	2,050	1,743	2,460	N	0.5	Unsecured
16	R&B Hotel Ueno-hirokoji	Economy	1,720	1,789	1,880	J	0.4	Unsecured
18	Comfort Hotel Tokyo Higashi Nihombashi	Economy	3,746	3,371	5,910	J	0.8	Unsecured
22	Smile Hotel Nihombashi Mitsukoshimae	Economy	2,108	2,015	3,170	J	0.5	Unsecured
24	Toyoko Inn Hakata-guchi Ekimae	Economy	1,652	1,328	2,770	T	0.4	Unsecured
25	Chisun Hotel Kamata	Economy	1,512	1,464	2,090	T	0.3	Unsecured
26	Chisun Inn Kamata	Economy	823	772	1,450	T	0.2	Unsecured
29	Oriental Hotel Universal City	Mid-price	6,753	7,330	22,300	R	1.5	Unsecured
31	Hilton Tokyo Bay	Luxury	26,050	26,015	42,800	D	5.7	Unsecured
32	ibis Styles Kyoto Station	Mid-price	6,600	6,538	10,000	D	1.5	Unsecured
33	ibis Styles Sapporo	Mid-price	6,797	6,278	11,300	N	1.5	Unsecured
34	Mercure Sapporo	Mid-price	6,000	5,573	12,400	N	1.3	Unsecured
35	Mercure Okinawa Naha	Mid-price	3,000	2,715	7,400	N	0.7	Unsecured
37	the b ikebukuro	Mid-price	6,520	6,601	7,810	N	1.4	Unsecured
39	the b hachioji	Mid-price	2,610	2,686	2,740	N	0.6	Unsecured
40	the b hakata	Mid-price	2,300	2,310	6,110	N	0.5	Unsecured
41	Hotel Francs	Mid-price	3,105	3,228	5,160	D	0.7	Unsecured
42	Mercure Yokosuka	Mid-price	1,650	1,669	3,640	D	0.4	Unsecured
43	Oriental Hotel Okinawa Resort & Spa	Upper-middle	14,950	17,067	19,700	N	3.3	Unsecured
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Luxury	17,320	16,967	20,500	D	3.8	Unsecured
45	CANDEO HOTELS Ueno Koen	Mid-price	6,705	6,503	7,630	D	1.5	Unsecured
46	Oriental Hotel Fukuoka Hakata Station	Upper-middle	7,197	8,159	15,700	D	1.6	Unsecured
47	Holiday Inn Osaka Namba	Mid-price	27,000	26,509	27,300	N	6.0	Unsecured
48	Hotel Oriental Express Fukuoka Tenjin	Mid-price	5,248	5,713	7,600	D	1.2	Unsecured
49	Hilton Nagoya	Luxury	15,250	15,418	15,500	D	3.4	Unsecured
50	Hilton Tokyo Narita Airport	Upper-middle	13,175	13,248	13,200	N	2.9	Unsecured
51	International Garden Hotel Narita	Mid-price	9,125	8,896	9,650	N	2.0	Unsecured
52	Hotel Nikko Nara	Upper-middle	10,373	10,065	9,990	D	2.3	Unsecured
53	Hotel Oriental Express Osaka Shinsaibashi	Mid-price	2,738	2,773	2,900	D	0.6	Unsecured
54	Hilton Tokyo Odaiba	Upper-middle	62,400	63,109	72,700	N	13.8	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	2,042	2,340	N	0.5	Unsecured
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Mid-price	8,400	8,449	10,200	D	1.9	Unsecured
57	La'gent Stay Sapporo Odori	Mid-price	10,020	10,418	11,800	N	2.2	Unsecured
58	Oriental Hotel Kyoto Rokujo	Mid-price	4,446	4,589	6,650	N	1.0	Unsecured
59	Hotel Oriental Express Fukuoka Nakasukawabata	Mid-price	4,460	4,633	6,280	N	1.0	Unsecured
60	Hotel JAL City Kannai Yokohama	Mid-price	4,000	4,033	4,580	N	0.9	Unsecured
61	MIMARU Tokyo Shinjuku West	Upper-middle	9,645	10,014	12,800	D	2.1	Unsecured
62	HOTEL AMANEK Shinjuku-Kabukicho.	Mid-price	8,845	9,178	12,900	D	2.0	Unsecured
63	OKINAWA HARBORVIEW HOTEL	Mid-price	21,562	22,379	24,200	N	4.8	Unsecured
64	Southern Beach Hotel & Resort OKINAWA	Mid-price	16,200	16,221	20,300	N	3.6	Unsecured
	Total		453,171	450,932	631,040		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) Washington Hotel Plaza Hakata, Nakasu was transferred on January 30, 2025. Appraisal value at end of period indicates the sale price.
- (Note 9) 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 21st period December 2020	End of 22nd period December 2021	End of 23rd period December 2022	End of 24th period December 2023	End of 25th period December 2024
Total number of tenants (Note 1)	121	116	110	117	118
Total leasable area (Note 2)	741,083.02 m ²	733,995.61 m ²	733,995.61 m ²	767,700.44 m ²	832,486.39 m ²
Total leased area (Note 3)	740,146.96 m ²	732,764.69 m ²	732,251.49 m ²	765,875.99 m ²	831,261.48 m ²
Occupancy rate (Note 4)	99.9%	99.8%	99.8%	99.8%	99.9%

(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	982,765	737,108	336,062
2	Oriental Hotel Tokyo Bay	Variable/Fixed	2,153,476	2,027,142	1,521,887
3	Namba Oriental Hotel	Variable/Fixed	1,139,868	1,014,992	849,166
4	Hotel Nikko Alivila	Variable/Fixed	1,504,942	1,344,749	1,081,998
5	Oriental Hotel Hiroshima	Variable/Fixed	234,367	189,567	111,509
8	The Beach Tower Okinawa	Fixed	511,035	457,603	339,833
9	Hakone Setsugetsuka	Fixed	294,953	268,866	170,961
10	dormy inn Kumamoto	Variable/Fixed	272,008	248,960	192,676
12	the b suidobashi	Variable/Fixed	168,464	157,525	132,819
13	dormy inn EXPRESS Asakusa	Fixed	65,075	53,575	40,593
14	Washington Hotel Plaza Hakata, Nakasu (Note 4)	Fixed	240,000	223,000	196,000
15	Washington Hotel Plaza Nara (Note 4)	Fixed	150,000	132,000	94,000
16	R&B Hotel Ueno-hirokoji	Fixed	97,291	81,453	61,718
18	Comfort Hotel Tokyo Higashi Nihombashi	Variable/Fixed (Note 5)	310,275	277,499	238,055
22	Smile Hotel Nihombashi Mitsukoshimae	Variable/Fixed (Note 5)	165,787	147,535	125,868
24	Toyoko Inn Hakata-guchi Ekimae	Fixed	141,039	126,179	108,349
25	Chisun Hotel Kamata	Variable	164,270	149,651	111,023
26	Chisun Inn Kamata	Variable	95,975	88,427	75,739
29	Oriental Hotel Universal City	Variable/Fixed	1,812,109	1,750,717	1,513,977
31	Hilton Tokyo Bay	Variable/Fixed (Note 5)	2,491,986	2,207,450	2,010,273
32	ibis Styles Kyoto Station	Management contract	412,452	367,032	334,121
33	ibis Styles Sapporo	Management contract	552,351	446,732	363,186
34	Mercure Sapporo	Management contract	761,448	509,539	418,319
35	Mercure Okinawa Naha	Management contract	298,282	246,336	172,172
37	the b ikebukuro	Variable/Fixed	395,247	363,975	332,079
39	the b hachioji	Variable/Fixed	200,094	176,099	136,934
40	the b hakata	Variable/Fixed	303,434	289,503	267,241
41	Hotel Francs	Variable/Fixed (Note 6)	358,452	298,200	239,740
42	Mercure Yokosuka	Variable	365,220	248,487	208,727
43	Oriental Hotel Okinawa Resort & Spa	Variable/Fixed	1,039,622	917,753	367,380
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed	1,667,385	1,153,851	906,695
45	CANDEO HOTELS Ueno Koen	Fixed	349,971	322,516	275,974
46	Oriental Hotel Fukuoka Hakata Station	Variable/Fixed	1,951,873	1,706,100	1,323,984
47	Holiday Inn Osaka Namba	Variable/Fixed	1,248,275	1,196,568	1,071,182
48	Hotel Oriental Express Fukuoka Tenjin	Variable/Fixed	838,943	727,409	656,172
49	Hilton Nagoya	Variable	1,394,700	740,035	542,265
50	Hilton Tokyo Narita Airport	Variable/Fixed	651,192	575,051	340,185
51	International Garden Hotel Narita	Variable/Fixed	491,055	447,699	279,662
52	Hotel Nikko Nara	Variable/Fixed	546,224	489,828	336,305
53	Hotel Oriental Express Osaka Shinsaibashi	Variable/Fixed	229,823	215,071	197,939
54	Hilton Tokyo Odaiba	Variable/Fixed	3,005,582	2,631,891	2,308,811
55	UAN kanazawa	Variable/Fixed (Note 5)	124,964	116,187	95,895
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	Variable/Fixed (Note 5)	420,291	358,513	335,252
57	La'gent Stay Sapporo Odori	Variable	644,619	611,712	535,158
58	Oriental Hotel Kyoto Rokujo	Variable/Fixed	365,985	349,367	311,736
59	Hotel Oriental Express Fukuoka Nakasukawabata	Variable/Fixed	389,774	371,737	345,137
60	Hotel JAL City Kannai Yokohama	Variable/Fixed	182,440	166,448	135,063
61	MIMARU Tokyo Shinjuku West (Note 7)	Variable/Fixed	224,474	222,715	208,557
62	HOTEL AMANEK Shinjuku-Kabukicho. (Note 7)	Variable/Fixed	250,520	248,552	236,359
63	OKINAWA HARBORVIEW HOTEL (Note 8)	Variable/Fixed	440,416	437,485	340,557
64	Southern Beach Hotel & Resort OKINAWA (Note 8)	Variable/Fixed	335,261	333,286	234,474
	Total		33,437,490	28,971,270	23,170,873

- (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) $\text{NOI} = \text{Real estate operating revenue} - \text{Real estate operating costs} + \text{Depreciation} + \text{Loss on retirement of noncurrent assets} + \text{Asset retirement obligations expenses}$
- (Note 3) $\text{NOI after depreciation (net real estate operating income)} = \text{Real estate operating revenue} - \text{Real estate operating costs}$
- (Note 4) For Washington Hotel Plaza Hakata, Nakasu and Washington Hotel Plaza Nara, consent on disclosure of rent in units of thousand yen has not been obtained from the lessees and numbers are thus rounded down to the nearest million yen.
- (Note 5) 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 6) For Hotel Francs, the rent type until October 30, 2024 was Fixed.
- (Note 7) MIMARU Tokyo Shinjuku West and HOTEL AMANEK Shinjuku-Kabukicho. were acquired on July 12, 2024.
- (Note 8) OKINAWA HARBORVIEW HOTEL and Southern Beach Hotel & Resort OKINAWA were acquired on July 31, 2024.
- (Note 9) 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
61	MIMARU Tokyo Shinjuku West	4.2	None	T
62	HOTEL AMANEK Shinjuku-Kabukicho.	3.0	None	T
63	OKINAWA HARBORVIEW HOTEL	4.5	None	S
64	Southern Beach Hotel & Resort OKINAWA	10.5	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: Sampo 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, 2024 to December 31, 2024). 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	—	366	366	366	366	366
(A) Real estate operating revenue subtotal	33,437,490	982,765	2,153,476	1,139,868	1,504,942	234,367
Fixed rent	16,134,811	599,900	758,600	843,900	804,100	214,504
Variable rent	16,254,811	381,896	1,394,876	295,968	700,842	19,863
Other revenue	1,047,868	969	—	—	—	—
(B) Real estate operating costs subtotal	10,266,616	646,703	631,589	290,702	422,944	122,857
Land lease and other rent expenses	858,995	192,714	—	—	97,602	—
Property taxes	2,083,766	45,254	118,231	112,503	54,255	41,219
Outsourcing expenses	473,699	960	960	960	1,920	960
Nonlife insurance	105,371	5,407	6,233	2,502	4,593	1,610
Depreciation and amortization	5,561,855	347,091	407,422	125,418	249,933	78,010
Loss on retirement of noncurrent assets	236,895	53,955	97,832	40,408	12,816	47
Other costs	946,032	1,320	909	8,909	1,822	1,009
(C) Net real estate operating income = (A) – (B)	23,170,873	336,062	1,521,887	849,166	1,081,998	111,509
(Reference) Occupancy rate	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	118	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	366	366	366	366	366	366
(A) Real estate operating revenue subtotal	511,035	294,953	272,008	168,464	65,075	240,000
Fixed rent	511,008	294,340	194,460	30,000	63,395	240,000
Variable rent	—	—	77,548	138,464	—	—
Other revenue	27	613	—	—	1,680	0
(B) Real estate operating costs subtotal	171,201	123,991	79,332	35,645	24,481	43,000
Land lease and other rent expenses	—	—	—	—	—	—
Property taxes	41,539	23,321	21,091	8,434	6,576	12,000
Outsourcing expenses	—	—	—	1,200	1,200	1,000
Nonlife insurance	2,448	1,184	858	328	195	0
Depreciation and amortization	117,770	97,904	56,283	24,705	12,982	26,000
Loss on retirement of noncurrent assets	—	—	—	—	—	—
Other costs	9,443	1,581	1,098	976	3,527	2,000
(C) Net real estate operating income = (A) – (B)	339,833	170,961	192,676	132,819	40,593	196,000
(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	366	366	366	366	366	366
(A) Real estate operating revenue subtotal	150,000	97,291	310,275	165,787	141,039	164,270
Fixed rent	146,000	96,504	260,321	134,400	141,039	—
Variable rent	—	—	38,748	31,387	—	164,270
Other revenue	3,000	786	11,205	—	—	—
(B) Real estate operating costs subtotal	56,000	35,572	72,220	39,919	32,689	53,246
Land lease and other rent expenses	—	—	—	—	—	—
Property taxes	11,000	13,656	29,251	14,631	12,289	12,151
Outsourcing expenses	3,000	840	1,614	1,200	1,080	1,200
Nonlife insurance	0	307	674	328	456	431
Depreciation and amortization	38,000	19,735	39,265	21,667	17,830	38,627
Loss on retirement of noncurrent assets	0	—	178	—	—	—
Other costs	2,000	1,033	1,236	2,091	1,032	835
(C) Net real estate operating income = (A) – (B)	94,000	61,718	238,055	125,868	108,349	111,023
(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	366	366	366	366	366	366
(A) Real estate operating revenue subtotal	95,975	1,812,109	2,491,986	412,452	552,351	761,448
Fixed rent	—	316,666	Undisclosed (Note 3)	45,934	28,066	75,346
Variable rent	95,975	1,459,167	Undisclosed (Note 3)	366,129	480,734	588,336
Other revenue	—	36,276	Undisclosed (Note 3)	387	43,550	97,764
(B) Real estate operating costs subtotal	20,235	298,132	481,712	78,330	189,165	343,128
Land lease and other rent expenses	—	—	123,720	—	—	—
Property taxes	5,111	50,884	138,813	25,237	38,848	52,176
Outsourcing expenses	1,080	3,625	12,967	17,929	25,462	110,243
Nonlife insurance	179	3,754	7,183	683	1,586	1,678
Depreciation and amortization	12,687	236,734	197,176	32,910	83,546	91,219
Loss on retirement of noncurrent assets	—	5	—	—	—	—
Other costs	1,176	3,128	1,851	1,570	39,721	87,810
(C) Net real estate operating income = (A) – (B)	75,739	1,513,977	2,010,273	334,121	363,186	418,319
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	99.4%	99.1%
(Reference) Number of tenants	1	1	1	2	5	8

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	366	366	366	366	366	366
(A) Real estate operating revenue subtotal	298,282	395,247	200,094	303,434	358,452	365,220
Fixed rent	—	168,904	69,964	83,052	300,000	—
Variable rent	298,258	224,207	126,347	220,381	58,452	311,960
Other revenue	23	2,136	3,781	—	—	53,260
(B) Real estate operating costs subtotal	126,110	63,167	63,159	36,192	118,711	156,492
Land lease and other rent expenses	347	—	—	—	—	—
Property taxes	24,012	25,138	21,079	11,237	55,175	31,439
Outsourcing expenses	23,733	3,634	1,200	1,200	1,800	21,679
Nonlife insurance	1,403	766	869	502	1,778	2,388
Depreciation and amortization	74,120	31,895	39,164	22,261	57,250	39,759
Loss on retirement of noncurrent assets	44	—	—	—	1,208	—
Other costs	2,449	1,731	846	990	1,497	61,225
(C) Net real estate operating income = (A) – (B)	172,172	332,079	136,934	267,241	239,740	208,727
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	4	8	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	366	366	366	366	366	366
(A) Real estate operating revenue subtotal	1,039,622	1,667,385	349,971	1,951,873	1,248,275	838,943
Fixed rent	550,000	857,779	Undisclosed (Note 3)	425,000	576,000	185,614
Variable rent	477,541	496,161	—	1,526,873	672,275	587,294
Other revenue	12,081	313,444	Undisclosed (Note 3)	—	—	66,034
(B) Real estate operating costs subtotal	672,242	760,690	73,996	627,888	177,092	182,771
Land lease and other rent expenses	—	—	—	222,206	—	—
Property taxes	79,631	129,633	24,017	17,367	47,357	36,942
Outsourcing expenses	2,400	101,522	1,200	3,000	1,560	11,772
Nonlife insurance	4,432	5,828	845	2,351	1,947	902
Depreciation and amortization	520,699	246,981	46,541	380,150	125,385	71,237
Loss on retirement of noncurrent assets	29,672	174	—	319	—	—
Other costs	35,404	276,549	1,392	2,493	841	61,916
(C) Net real estate operating income = (A) – (B)	367,380	906,695	275,974	1,323,984	1,071,182	656,172
(Reference) Occupancy rate	100.0%	99.2%	100.0%	100.0%	100.0%	90.9%
(Reference) Number of tenants	1	34	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	366	366	366	366	366	366
(A) Real estate operating revenue subtotal	1,394,700	651,192	491,055	546,224	229,823	3,005,582
Fixed rent	Undisclosed (Note 3)	444,000	336,000	420,000	110,400	1,600,000
Variable rent	Undisclosed (Note 3)	207,192	155,055	126,224	119,423	1,405,582
Other revenue	Undisclosed (Note 3)	—	—	—	—	—
(B) Real estate operating costs subtotal	852,435	311,006	211,393	209,918	31,884	696,770
Land lease and other rent expenses	222,401	—	—	—	—	—
Property taxes	98,701	66,450	37,483	40,076	11,814	343,864
Outsourcing expenses	80,545	2,520	2,280	2,400	2,160	120
Nonlife insurance	8,589	6,223	2,650	4,770	281	6,873
Depreciation and amortization	197,770	234,769	168,037	153,523	17,132	323,079
Loss on retirement of noncurrent assets	—	96	—	—	—	—
Other costs	244,426	947	941	9,149	495	22,833
(C) Net real estate operating income = (A) – (B)	542,265	340,185	279,662	336,305	197,939	2,308,811
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	4	1	1	1	1	1

Property No.	55	56	57	58	59	60
Property name	UAN kanazawa	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	La'gent Stay Sapporo Odori	Oriental Hotel Kyoto Rokujo	Hotel Oriental Express Fukuoka Nakasukawabata	Hotel JAL City Kannai Yokohama
Number of operating days	366	366	366	366	366	366
(A) Real estate operating revenue subtotal	124,964	420,291	644,619	365,985	389,774	182,440
Fixed rent	108,000	273,255	15,600	171,000	174,000	135,000
Variable rent	16,964	108,178	628,300	194,985	215,774	47,440
Other revenue	—	38,857	718	—	—	—
(B) Real estate operating costs subtotal	29,068	85,038	109,461	54,249	44,637	47,377
Land lease and other rent expenses	—	—	—	—	—	—
Property taxes	5,349	18,839	29,088	13,093	13,852	12,637
Outsourcing expenses	1,560	5,310	2,160	2,160	2,520	1,800
Nonlife insurance	356	675	925	636	939	729
Depreciation and amortization	20,291	23,260	76,554	37,631	26,600	31,384
Loss on retirement of noncurrent assets	—	—	—	—	—	—
Other costs	1,511	36,953	733	728	725	825
(C) Net real estate operating income = (A) – (B)	95,895	335,252	535,158	311,736	345,137	135,063
(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

Property No.	61	62	63	64
Property name	MIMARU Tokyo Shinjuku West (Note 4)	HOTEL AMANEK Shinjuku-Kabukicho. (Note 4)	OKINAWA HARBORVIEW HOTEL (Note5)	Southern Beach Hotel & Resort OKINAWA (Note 5)
Number of operating days	173	173	154	154
(A) Real estate operating revenue subtotal	224,474	250,520	440,416	335,261
Fixed rent	Undisclosed (Note 3)	Undisclosed (Note 3)	440,416	257,651
Variable rent	Undisclosed (Note 3)	Undisclosed (Note 3)	—	76,072
Other revenue	Undisclosed (Note 3)	Undisclosed (Note 3)	—	1,537
(B) Real estate operating costs subtotal	15,917	14,160	99,858	100,787
Land lease and other rent expenses	—	—	—	3
Property taxes	—	—	—	—
Outsourcing expenses	1,004	1,090	1,000	—
Nonlife insurance	367	399	1,542	1,606
Depreciation and amortization	14,158	12,192	96,928	98,812
Loss on retirement of noncurrent assets	—	—	—	—
Other costs	387	477	388	365
(C) Net real estate operating income = (A) – (B)	208,557	236,359	340,557	234,474
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	1	1	1

(Note 1) Variable rent includes income from management contracts. For details of the management contract, please refer to “c. Rent structures of hotels with variable rent, etc.” on page 57.

(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) MIMARU Tokyo Shinjuku West and HOTEL AMANEK Shinjuku-Kabukicho. were acquired on July 12, 2024.

(Note 5) OKINAWA HARBORVIEW HOTEL and Southern Beach Hotel & Resort OKINAWA were acquired on July 31, 2024.

(Note 6) The property numbers of assets that were transferred before the end of the previous fiscal year are intentionally omitted.

c. Rent structures of hotels with variable rent, etc.

	Property No.	Name	Rent type	Method of calculating variable rent and income from management contracts
28 Hotels with Variable Rent, etc.	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%
	Other hotels with variable rent or revenue-sharing rent	32	ibis Styles Kyoto Station	Management contract (Note 4)
33		ibis Styles Sapporo		
34		Mercure Sapporo		
35		Mercure Okinawa Naha		
42		Mercure Yokosuka	Variable	
12		the b suidobashi	Variable/Fixed	Amount linked to AGOP (Note 5)
37		the b ikebukuro		
39		the b hachioji		
40		the b hakata		
10		dormy inn Kumamoto	Variable/Fixed	(GOP – base amount (¥400 million/year)) x 40.0%
18	Comfort Hotel Tokyo Higashi Nihombashi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)	
22	Smile Hotel Nihombashi Mitsukoshimae	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)	
25	Chisun Hotel Kamata	Variable	Amount that is the monthly GOP multiplied by 86.0% (¥0 if the amount is below ¥0.)	
26	Chisun Inn Kamata	Variable	Amount that is the monthly GOP multiplied by 86.0% (¥0 if the amount is below ¥0.)	
31	Hilton Tokyo Bay	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)	
41	Hotel Francs	Variable/Fixed (Note 6)	(GOP – base amount (¥350 million/year)) x 52.0%	
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)	
61	MIMARU Tokyo Shinjuku West	Variable/Fixed	Amount linked to GOP (Note 5)	
62	HOTEL AMANEK Shinjuku-Kabukicho.	Variable/Fixed	Amount linked to GOP (Note 5)	
64	Southern Beach Hotel & Resort OKINAWA	Variable/Fixed	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 October 30, 2024 was Fixed.
- (Note 7) Additionally, the rent type of OKINAWA HARBORVIEW HOTEL will change from Fixed to Variable/Fixed from August 2026 onward. The hotel's variable rent will be calculated as follows.
From August 2026 to December 2026: (AGOP – base amount (¥300 million/year)) x 95.0%
FY 2027 and after: (AGOP – base amount (¥720 million/year)) x 95.0%

(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 ¥9,650 million, which consists of capital expenditures of ¥9,646 million and repair expenses of ¥4 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 (Kobe city, Hyogo)	Renovation of heat sources	From September 2025 to December 2025	69	—
Oriental Hotel Tokyo Bay (Urayasu city, Chiba)	Renewal of hot water supply piping	From January 2025 to October 2025	67	—
Oriental Hotel Tokyo Bay (Urayasu city, Chiba)	Renovation of guest rooms (3rd to 6th floor)	From January 2025 to August 2025	900	—
Hotel Nikko Alivila (Nakagami-gun, Okinawa)	Installation of new emergency generator	From October 2023 to October 2025	445	158
Hilton Tokyo Bay (Urayasu city, Chiba)	Renewal of elevators	From January 2025 to February 2025	82	—
Hilton Tokyo Bay (Urayasu city, Chiba)	Renewal of air-conditioning equipment in guest rooms	From January 2025 to March 2025	72	—
the b Ikebukuro (Toshima-ku, Tokyo)	Renewal of absorption chiller	From May 2025 to July 2025	67	—
Hilton Tokyo Narita Airport (Narita city, Chiba)	Renovation of guest rooms	From October 2025 to December 2025	103	—
La'gent Stay Sapporo Odori (Sapporo city, Hokkaido)	Renovation of guest rooms	From April 2025 to July 2025	635	—
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Renovation of exterior wall	From January 2025 to December 2025	460	—
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Renewal of sanitary plumbing for guest rooms (1st phase)	From December 2024 to May 2025	220	—
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Renewal of sanitary plumbing for guest rooms (2nd phase)	From May 2025 to December 2025	180	—
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Renovation of heat sources	From November 2024 to February 2025	260	42
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Major renovation works for entire property	From December 2024 to December 2025	3,500	39
Total			7,060	240

(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 ¥6,917 million, and repair expenses that were accounted for as expense in the fiscal year under review totaled ¥59 million. In aggregate, ¥6,977 million of construction work was carried out.

Name of property, etc. (Location)	Purpose	Period	Construction costs (JPY1M)
Kobe Meriken Park Oriental Hotel (Kobe city, Hyogo)	Renovation of guest rooms (10th and 11th floor)	From April 2024 to September 2024	285
Kobe Meriken Park Oriental Hotel (Kobe city, Hyogo)	Renovation of prefabricated bathroom in guest rooms	From April 2024 to September 2024	100
Oriental Hotel Tokyo Bay (Urayasu city, Chiba)	Renovation of guest rooms (7th to 10th floor)	From May 2024 to November 2024	984
Namba Oriental Hotel (Osaka city, Osaka)	Renovation of 1st and 2nd floors, Renovation of 3rd floor front desk, etc.	From July 2024 to December 2024	1,307
Oriental Hotel Universal City (Osaka city, Osaka)	Renewal of automatic fire alarm system	From January 2024 to August 2024	71
Hilton Tokyo Bay (Urayasu city, Chiba)	Renewal of air-conditioning equipment in guest rooms	From May 2024 to July 2024	81
Hilton Tokyo Bay (Urayasu city, Chiba)	Renewal of elevators	From November 2024 to December 2024	82
Oriental Hotel Okinawa Resort & Spa (Nago city, Okinawa)	Renovation of guest rooms (3rd phase)	From September 2023 to April 2024	962
Oriental Hotel Okinawa Resort & Spa (Nago city, Okinawa)	Renewal of air-conditioning equipment in guest rooms	From September 2023 to April 2024	171
Oriental Hotel Okinawa Resort & Spa (Nago city, Okinawa)	Painting of exterior wall	From September 2023 to April 2024	113
Oriental Hotel Okinawa Resort & Spa (Nago city, Okinawa)	Renewal works of piping	From September 2023 to April 2024	120
Oriental Hotel Okinawa Resort & Spa (Nago city, Okinawa)	Exterior construction	From March 2024 to September 2024	253
Hilton Tokyo Narita Airport (Narita city, Chiba)	Renovation of guest rooms	From November 2024 to December 2024	92
Hilton Tokyo Narita Airport (Narita city, Chiba)	Renovation of central monitoring system	From February 2024 to December 2024	77
Total			4,702

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