

Asset Management Report

For the Year Ended December 31, 2024

Japan Hotel REIT Investment Corporation



Dear Investors,

Thank you for your support and patronage to Japan Hotel REIT Investment Corporation (JHR) and its asset management company, Japan Hotel REIT Advisors Co., Ltd.

We are pleased to announce that we have completed our 25th fiscal year, running from January 1, 2024 to December 31, 2024, and we would like to report on our financial performance and results for the period.

The hotel market proceeded firmly in 2024. Domestic and inbound leisure demand was strong throughout the fiscal year. In addition to stable domestic demand, particularly strong inbound demand was notable. The number of inbound tourists for the year was approximately 37 million, up 15.6% from 2019, the year before the COVID-19 pandemic. Of those, there was a high growth rate for travelers from European countries, the U.S. and Australia, a category that has longer stays and larger travel consumption, and this provided a welcome boost for JHR.

Operating in such a hotel market, JHR conducted a capital increase through public offering, and acquired four hotel properties, which are expected to grow significantly, for a total acquisition price of 56.2 billion yen: “OKINAWA HARBORVIEW HOTEL,” “Southern Beach Hotel & Resort OKINAWA,” “MIMARU Tokyo Shinjuku West,” and “HOTEL AMANEK Shinjuku-Kabukicho.” As a result, JHR’s portfolio amounted to 51 properties as of December 31, 2024 with an asset size based on acquisition price of 453.1 billion yen.

To achieve internal growth, JHR continued to conduct close communication with the lessees and operators of each hotel to improve revenue. As a result of incorporating domestic and inbound leisure demand with high prices by continuously conducting renovations of guest rooms to raise the accommodation unit price, carrying out effective marketing measures and practicing precise revenue management, JHR increased room sales year on year by 16.9%. Sales of the food & beverage department also increased, up 17.2% year on year, resulting in an increase in total sales of 15.7%. In addition, JHR continued such initiatives as measures to reduce operating costs, thereby achieving margin growth(Note).

As a result of these efforts, for the fiscal year ended December 2024, JHR recorded operating revenue of ¥33,481 million, ordinary income of ¥18,273 million, net income of ¥18,272 million, and dividend per unit of ¥3,937.

The hotel market in 2025 is expected to continue to show firm domestic demand and strong inbound demand. Therefore, JHR expects to continue its trend of increased growth. JHR will continue to aggressively capture demand with the aim of maximizing revenue.

Together with Japan Hotel REIT Advisors Co., Ltd., JHR is dedicated to further growth and enhancing its attractiveness by leveraging its extensive expertise and know-how cultivated to date.

We sincerely appreciate your continued support for us.

Kaname Masuda
Executive Director
Japan Hotel REIT Investment Corporation

Hiroyuki Aoki
President & CEO
Japan Hotel REIT Advisors Co., Ltd.

(Note) Sales show the sales for 28 hotels for which variable rent has been introduced.

JAPAN HOTEL REIT INVESTMENT CORPORATION

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This section (P1-P44) is the translation of the Asset Management Report for the 25th Period released on March 19, 2025 except for, if any, the update on I.6. Significant subsequent events. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

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I ASSET MANAGEMENT REPORT

Outline of Asset Management Operation

1. Operating results and financial position, etc.

Fiscal period		21st period	22nd period	23rd period	24th period	25th period
Account closing date		December 2020	December 2021	December 2022	December 2023	December 2024
Operating revenue	JPY1M	13,838	13,633	14,912	26,574	33,481
[Real estate operating revenue]	JPY1M	[10,495]	[10,374]	[14,912]	[26,574]	[33,481]
Operating expenses	JPY1M	10,662	10,673	10,616	11,560	12,701
[Real estate operating costs]	JPY1M	[8,717]	[8,830]	[8,796]	[9,466]	[10,322]
Operating income	JPY1M	3,176	2,959	4,296	15,014	20,799
Ordinary income	JPY1M	1,398	1,298	2,672	13,135	18,273
Net income (Note 1)	JPY1M	1,527	1,296	2,671	13,134	18,272
Total assets	JPY1M	400,296	394,323	396,799	429,955	498,930
[Period-on-period change]	(%)	[(3.7)]	[(1.5)]	[0.6]	[8.4]	[16.0]
Net assets	JPY1M	221,201	221,542	223,574	244,980	283,402
[Period-on-period change]	(%)	[(6.5)]	[0.2]	[0.9]	[9.6]	[15.7]
Unitholders' capital	JPY1M	186,894	187,194	187,194	199,051	232,708
Number of investment units issued and outstanding	Units	4,462,347	4,467,006	4,467,006	4,637,006	5,097,006
Net assets per unit	JPY	49,570	49,595	50,050	52,831	55,601
Net income per unit (Note 2)	JPY	342	290	598	2,909	3,755
Total dividends	JPY1M	1,829	1,634	3,046	13,980	20,066
Dividend per unit	JPY	410	366	682	3,015	3,937
[Earnings dividend per unit]	JPY	[410]	[366]	[682]	[3,015]	[3,937]
[Dividend per unit resulted from excess of earnings]	JPY	[—]	[—]	[—]	[—]	[—]
Ratio of ordinary income to total assets (Note 3)	%	0.3	0.3	0.7	3.2	3.9
Return on unitholders' equity (Note 4)	%	0.7	0.6	1.2	5.6	6.9
Ratio of net assets to total assets (Note 5)	%	55.3	56.2	56.3	57.0	56.8
[Period-on-period change]		[(1.6)]	[0.9]	[0.2]	[0.6]	[(0.2)]
Payout ratio (Note 6)	%	119.8	126.1	114.0	106.4	109.8

[Additional information]

NOI (Note 7)	JPY1M	6,547	6,366	10,963	22,344	29,014
FFO per unit (Note 8) (Note 9)	JPY	632	640	1,683	3,961	4,733
FFO multiple (Note 9) (Note 10)	Times	83.9	87.8	46.0	17.5	14.9
Debt service coverage ratio (Note 9) (Note 11)	Times	3.3	3.4	7.5	17.0	16.3
Interest-bearing debt	JPY1M	168,754	164,754	164,231	175,231	205,231
Ratio of interest-bearing debt to total assets (Note 12)	%	42.2	41.8	41.4	40.8	41.1
Number of investment properties	Properties	42	41	41	47	51
Total leasable area	m ²	741,083.02	733,995.61	733,995.61	767,700.44	832,486.39
Number of tenants at end of period (Note 13)	Tenants	121	116	110	117	118
Occupancy rate at end of period (Note 14)	%	99.9	99.8	99.8	99.8	99.9
Depreciation and amortization	JPY1M	4,761	4,804	4,787	5,083	5,617
Capital expenditures	JPY1M	1,665	3,367	4,497	4,769	6,917
Number of operating days	Days	366	365	365	365	366

(Note 1) Net income for the 21st fiscal period includes gain on sale of real estate properties (¥3,158 million) and gain on exchange of real estate properties (¥184 million). Net income for the 22nd fiscal period includes gain on sale of real estate properties (¥3,258 million).

(Note 2) Net income per unit is computed based on the weighted-average number of units outstanding during the year.

(Note 3) Ratio of ordinary income to total assets = Ordinary income / ((Total assets at the beginning of period + Total assets at the end of the period) / 2) × 100

(Note 4) Return on unitholders' equity = Net income / ((Net assets at the beginning of the period + Net assets at the end of the period) / 2) × 100

(Note 5) Ratio of net assets to total assets = Net assets at the end of the period / Total assets at the end of the period × 100

(Note 6) Payout ratio = Total dividends (excess of earnings exclusive) / Net income × 100

(Note 7) NOI = Real estate operating revenue – Real estate operating costs + Depreciation and amortization + Loss on retirement of noncurrent assets + Asset retirement obligations expenses

(Note 8) FFO per unit = (Net income + Depreciation and amortization + Loss on retirement of noncurrent assets + Asset retirement obligations expenses ± Gain/loss on sale of real estate properties – Gain on exchange of real estate properties ± Extraordinary loss or income (excluding loss on disaster)) / Number of investment units issued and outstanding

- (Note 9) For the 21st fiscal period, FFO per unit, FFO multiple and debt service coverage ratio are calculated excluding gain on sale of real estate properties (¥3,158 million), gain on exchange of real estate properties (¥184 million) and extraordinary income (¥130 million). For the 22nd fiscal period, FFO per unit, FFO multiple and debt service coverage ratio are calculated excluding gain on sale of real estate properties (¥3,258 million). For the 24th fiscal period, FFO per unit, FFO multiple and debt service coverage ratio are calculated excluding extraordinary income (¥7 million) and extraordinary loss (¥7 million). For the 25th fiscal period, FFO per unit, FFO multiple and debt service coverage ratio are calculated excluding extraordinary income (¥213 million) and extraordinary loss (¥212 million).
- (Note 10) $\text{FFO multiple} = \text{Investment unit price at the end of the period} / \text{Annualized FFO per unit}$
- (Note 11) $\text{Debt service coverage ratio} = (\text{Income before income taxes} + \text{Depreciation and amortization} + \text{Loss on retirement of noncurrent assets} + \text{Asset retirement obligations expenses} \pm \text{Gain/loss on sale of real estate properties} - \text{Gain on exchange of real estate properties} \pm \text{Extraordinary loss or income (excluding loss on disaster)} + \text{Amortization of investment corporation bond issuance costs} + \text{Amortization of investment unit issuance expenses} \pm \text{Loss or gain on derivative instruments} + \text{Interest expense} + \text{Interest expense on investment corporation bonds}) / (\text{Interest expense} + \text{Interest expense on investment corporation bonds} + \text{Total of contractual principal repayments (excluding lump-sum principal repayments)})$
- (Note 12) $\text{Ratio of interest-bearing debt to total assets} = \text{Interest-bearing debt at the end of the period} / \text{Total assets at the end of the period} \times 100$
- (Note 13) Number of tenants at the end of the period indicates the total number of tenants based on the lease contracts for respective real estate properties in trust (excluding tenants of parking lots, etc.) as of the end of each fiscal period. However, for properties with pass-through master lease contracts in which JHR receives the same amount of rents, etc. paid by end tenants as is in principle, the total number of the end tenants (excluding tenants of parking lots, etc.) is indicated.
- (Note 14) Occupancy rate at the end of the period indicates the percentage of leased area to leasable area of respective real estate properties in trust as of the end of each fiscal period.

2. Asset management operation for the fiscal year under review

(1) 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 total 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.

(2) 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 a substantial 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> Hotel operation indexes, sales and GOP (gross operating profit), 7. Reference information” on page 16.

(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.

(3) 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

(4) 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.

3. Changes in unitholders' capital, etc.

The table below indicates increases (decreases) in the number of investment units issued and outstanding and unitholders' capital of JHR in the past five years.

Date	Capital transaction	Number of units issued (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.

[Fluctuation in market price of investment units]

The highest and lowest prices (closing price) during each fiscal period of the investment units of JHR on the Tokyo Stock Exchange REIT section are as follows:

Fiscal period Account closing month	(JPY)				
	21st period December 2020	22nd period December 2021	23rd period December 2022	24th period December 2023	25th period December 2024
Highest price	82,400	71,400	81,100	85,700	85,000
Lowest price	24,700	51,600	54,400	65,400	67,100
Price at end of period	53,000	56,200	77,500	69,200	70,600

4. Dividends, etc.

In accordance with the monetary distribution policy stipulated in Article 34, paragraph 1 of JHR's Articles of Incorporation, earnings dividend for the period under review was decided to be ¥20,066,912,622, an amount excluded fractions of less than one yen of dividend per unit from ¥20,069,549,196, which was calculated by adding a reversal of reserve for temporary difference adjustment (appropriation for dividends) of ¥1,795,584,763 to unappropriated retained earnings of ¥18,273,964,433. Consequently, the dividend per unit came to ¥3,937.

Classification	21st period (From January 1, 2020 to December 31, 2020)	22nd period (From January 1, 2021 to December 31, 2021)	23rd period (From January 1, 2022 to December 31, 2022)	24th period (From January 1, 2023 to December 31, 2023)	25th period (From January 1, 2024 to December 31, 2024)
Unappropriated retained earnings	1,527,790,689	1,300,724,473	2,672,927,976	13,137,051,848	18,273,964,433
Retained earnings	3,922,801	1,171,664	2,930,982	1,863,302	2,636,574
Total cash dividends	1,829,562,270	1,634,924,196	3,046,498,092	13,980,573,090	20,066,912,622
[Dividend per unit]	[410]	[366]	[682]	[3,015]	[3,937]
Of the above, total earnings dividends	1,829,562,270	1,634,924,196	3,046,498,092	13,980,573,090	20,066,912,622
[Earnings dividend per unit]	[410]	[366]	[682]	[3,015]	[3,937]
Of the above, total return of capital contributions	–	–	–	–	–
[Return of capital contributions per unit]	[–]	[–]	[–]	[–]	[–]
Of total return of capital contributions, total distributions from allowance for temporary difference adjustment	–	–	–	–	–
[Of return of capital contributions per unit, distributions from allowance for temporary difference adjustment per unit]	[–]	[–]	[–]	[–]	[–]
Of total return of capital contributions, total distributions from the unitholders' capital for tax purpose	–	–	–	–	–
[Of return of capital contribution per unit, distributions from the unitholders' capital for tax purpose per unit]	[–]	[–]	[–]	[–]	[–]

5. Investment policies and issues to be addressed

General investment outlook

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 located, 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.

A. 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.

B. 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. and engages 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 would 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”).

6. 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).

7. Reference information

<Reference> 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.

The 28 Hotels with Variable Rent, etc.

		Fiscal year ended December 2023		Fiscal year ended December 2024	
		Actual	Comparison with previous year	Actual	Comparison with previous year
Occupancy rate	First half of the year	75.9%	20.1pt	81.1%	5.2pt
	Second half of the year	80.8%	6.6pt	85.2%	4.3pt
	Full year	78.4%	13.3pt	83.1%	4.8pt
ADR (JPY)	First half of the year	16,227	49.3%	18,014	11.0%
	Second half of the year	19,184	27.7%	20,934	9.1%
	Full year	17,764	34.0%	19,518	9.9%
RevPAR (JPY)	First half of the year	12,311	103.0%	14,601	18.6%
	Second half of the year	15,504	39.2%	17,829	15.0%
	Full year	13,920	61.4%	16,224	16.5%
Sales (JPY1M)	First half of the year	27,046	88.3%	31,388	16.1%
	Second half of the year	33,203	34.2%	38,320	15.4%
	Full year	60,249	54.1%	69,708	15.7%
GOP (JPY1M)	First half of the year	8,462	365.2%	10,954	29.4%
	Second half of the year	12,388	75.6%	14,373	16.0%
	Full year	20,849	134.9%	25,326	21.5%

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

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

Overview of JHR

1. Unitholders' capital

Account closing date	21st period (As of December 31, 2020)	22nd period (As of December 31, 2021)	23rd period (As of December 31, 2022)	24th period (As of December 31, 2023)	25th period (As of December 31, 2024)
Total number of authorized units (Units)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Number of investment units issued and outstanding (Units)	4,462,347	4,467,006	4,467,006	4,637,006	5,097,006
Unitholders' capital (JPY1M)	186,894	187,194	187,194	199,051	232,708
Number of unitholders (Persons)	35,117	31,481	27,573	26,648	30,785

2. Matters regarding investment units

Major unitholders of JHR as of December 31, 2024 were as follows:

Name	Number of units held (Units)	Percentage (Note) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	897,268	17.60
Custody Bank of Japan, Ltd. (Trust Account)	877,544	17.21
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	267,306	5.24
STATE STREET BANK AND TRUST COMPANY 505325	107,687	2.11
STATE STREET BANK AND TRUST COMPANY 505001	101,902	1.99
STICHTING PENSIOENFONDS ZORG EN WELZIJN	90,567	1.77
GOLDMAN SACHS INTERNATIONAL	82,253	1.61
STATE STREET BANK WEST CLIENT - TREATY 505234	74,221	1.45
JP MORGAN CHASE BANK 385781	71,805	1.40
STATE STREET BANK AND TRUST COMPANY 505103	69,674	1.36
Total	2,640,227	51.79

(Note) The percentage indicates the ratio of the number of units held to the number of units issued and outstanding, rounded down to the two decimal places.

3. Matters regarding officers, etc.

(1) Officers, etc. as of December 31, 2024 were as follows:

Position	Name	Major concurrent post outside JHR	Total amount of remuneration for each position during the corresponding fiscal period (JPY thousands)
Executive Director	Kaname Masuda (Note 1)	Representative Partner, Masuda & Partners Law Office	6,600
Supervisory Director	Tetsuya Mishiku (Note 1)	Representative Attorney, Mishiku & Nagamachi Law Office	3,600
Supervisory Director	Mayumi Umezawa (Note 1)	Representative of Umezawa Accountant Office	3,600
Supervisory Director	Akiko Tomiyama (Note 1)	Mimura Komatsu Law Office	3,600
Independent auditor	KPMG AZSA LLC (Note 2)	–	52,750

(Note 1) None of the Executive Directors and the Supervisory Directors own investment units of JHR in their own name or another person's name. Moreover, although the Supervisory Directors may be officers in corporations other than those listed above, there are no conflicts of interest between those corporations including those listed above and JHR.

(Note 2) Fees paid to the independent auditor include fees for comfort letter preparation in relation to the public offering, etc. (¥24,100 thousand). In addition, fees for non-audit services provided by other firms within the same network of the independent auditor are ¥13,400 thousand.

(2) Policy for decisions on dismissal or non-reappointment of independent auditor

We have a policy to determine, at a General Meeting of Unitholders, whether to dismiss the independent auditor pursuant to provisions of the Investment Trusts Act, and to determine whether or not to reappoint the independent auditor taking into comprehensive consideration the audit quality, audit fees and other various matters.

4. Matters regarding directors and officers liability insurance contract

JHR has entered into a directors and officers liability insurance agreement as follows:

Scope of the insured	Overview of contract
Executive Director and Supervisory Directors	<p>(Overview of an insured event covered by the insurance) JHR has entered into a directors and officers liability insurance contract with an insurance company, as provided in Article 116-3-1 of the Investment Trusts Act. The contract shall cover, to a certain extent, legal losses such as compensation payment for damages and dispute costs to be borne by the insured when they receive a claim for compensation of damages caused by the actions they have taken as a director of JHR.</p> <p>(Burden ratio of insurance premium) JHR bears 100% of the insurance premium.</p> <p>(Measures to ensure the appropriateness of the execution of duties by directors and officers) When the insured suffers damages by actions which they executed while recognizing that it may constitute a criminal act or violate the laws and regulations, the loss is not subject to the protection.</p>

5. Asset management company, custodian and general administrators

The asset management company, etc. as of December 31, 2024 were as follows:

Consignment classification	Name
Asset management company	Japan Hotel REIT Advisors Co., Ltd.
Custodian	Sumitomo Mitsui Trust Bank, Limited
General administrator (administration of the unitholders' registry, etc., bookkeeping, etc., tax payments, etc., organizational operations, etc., and administration of the special account management agency)	Sumitomo Mitsui Trust Bank, Limited
General administrator (administration regarding investment corporation bonds)	Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited MUFG Bank, Ltd.
General administrator (tax return preparation, etc.)	PwC Tax Japan

Status of Investment Assets

1. Composition of assets

Type of assets	Hotel type (Note 1)	Prefectural location	Name of property, etc.	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

Type of assets	Hotel Type (Note 1)	Prefectural location	Name of property, etc.	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	Full-service hotel	Tokyo	Hilton Tokyo Odaiba	63,167	14.7	62,942	12.6	
		Chiba	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
	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	18.6
	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	

(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 price (including expenses incidental to acquisition).

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

(Note 4) Washington Hotel Plaza Hakata, Nakasu was sold 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 leasehold rights in trust).

2. Major portfolio assets

An overview of the portfolio assets of JHR (51 properties in total) as of December 31, 2024 is as follows.

Property No. (Note 16)	Name of property, etc.	Book value (JPY1M) (Note 1)	Leasable area (m ²) (Note 2)	Leased area (m ²) (Note 3)	Tenant occupancy ratio (%)	Ratio of rental revenue to total rental revenue (%) (Note 4)	Major use
1	Kobe Meriken Park Oriental Hotel (Note 5)	9,874	32,663.90	32,663.90	100.0	2.9	Hotel
2	Oriental Hotel Tokyo Bay	17,872	44,833.11	44,833.11	100.0	6.4	Hotel
3	Namba Oriental Hotel	15,501	19,364.33	19,364.33	100.0	3.4	Hotel
4	Hotel Nikko Alivila (Note 6)	17,610	38,024.98	38,024.98	100.0	4.5	Hotel
5	Oriental Hotel Hiroshima	3,985	13,752.22	13,752.22	100.0	0.7	Hotel
8	The Beach Tower Okinawa (Note 7)	6,425	20,140.01	20,140.01	100.0	1.5	Hotel
9	Hakone Setsugetsuka	3,511	10,655.03	10,655.03	100.0	0.9	Hotel
10	dormy inn Kumamoto	2,168	7,701.19	7,701.19	100.0	0.8	Hotel
12	the b suidobashi	1,151	3,097.25	3,097.25	100.0	0.5	Hotel
13	dormy inn EXPRESS Asakusa	909	2,014.90	2,014.90	100.0	0.2	Hotel
14	Washington Hotel Plaza Hakata, Nakasu	2,096	5,602.04	5,602.04	100.0	0.7	Hotel
15	Washington Hotel Plaza Nara	1,743	5,271.54	5,271.54	100.0	0.4	Hotel
16	R&B Hotel Ueno-hirokoji	1,789	3,060.31	3,060.31	100.0	0.3	Hotel
18	Comfort Hotel Tokyo Higashi Nihombashi	3,371	5,765.27	5,765.27	100.0	0.9	Hotel
22	Smile Hotel Nihombashi Mitsukoshimae	2,015	3,167.82	3,167.82	100.0	0.5	Hotel
24	Toyoko Inn Hakata-guchi Ekimae	1,328	Main building: 3,581.66 Annex: 868.36	Main building: 3,581.66 Annex: 868.36	100.0	0.4	Hotel
25	Chisun Hotel Kamata	1,464	3,831.80	3,831.80	100.0	0.5	Hotel
26	Chisun Inn Kamata	772	1,499.87	1,499.87	100.0	0.3	Hotel
29	Oriental Hotel Universal City (Note 8)	7,330	15,926.83	15,926.83	100.0	5.4	Hotel
31	Hilton Tokyo Bay (Note 9)	26,015	64,928.83	64,928.83	100.0	7.4	Hotel
32	ibis Styles Kyoto Station	6,538	5,003.99	5,003.99	100.0	1.2	Hotel
33	ibis Styles Sapporo	6,278	14,992.49	14,896.40	99.4	1.6	Hotel
34	Mercure Sapporo	5,573	15,189.42	15,057.90	99.1	2.3	Hotel
35	Mercure Okinawa Naha	2,715	10,884.25	10,884.25	100.0	0.9	Hotel
37	the b ikebukuro (Note 10)	6,601	5,650.01	5,650.01	100.0	1.2	Hotel
39	the b hachioji (Note 10)	2,686	7,847.65	7,847.65	100.0	0.6	Hotel
40	the b hakata (Note 10)	2,310	3,986.09	3,986.09	100.0	0.9	Hotel
41	Hotel Francs	3,228	19,213.39	19,213.39	100.0	1.1	Hotel
42	Mercure Yokosuka (Note 11)	1,669	16,881.82	16,881.82	100.0	1.1	Hotel
43	Oriental Hotel Okinawa Resort & Spa	17,067	36,430.15	36,430.15	100.0	3.1	Hotel
44	ACTIVE-INTER CITY HIROSHIMA (Note 12)	16,967	31,181.03	30,930.22	99.2	5.0	Hotel
45	CANDEO HOTELS Ueno Koen (Note 13)	6,503	7,934.26	7,934.26	100.0	1.0	Hotel
46	Oriental Hotel Fukuoka Hakata Station	8,159	18,105.42	18,105.42	100.0	5.8	Hotel
47	Holiday Inn Osaka Namba	26,509	11,501.10	11,501.10	100.0	3.7	Hotel
48	Hotel Oriental Express Fukuoka Tenjin	5,713	8,238.75	7,492.26	90.9	2.5	Hotel
49	Hilton Nagoya (Note 14)	15,418	47,942.71	47,942.71	100.0	4.2	Hotel
50	Hilton Tokyo Narita Airport	13,248	56,817.28	56,817.28	100.0	1.9	Hotel
51	International Garden Hotel Narita	8,896	21,814.93	21,814.93	100.0	1.5	Hotel
52	Hotel Nikko Nara (Note 15)	10,065	21,011.31	21,011.31	100.0	1.6	Hotel
53	Hotel Oriental Express Osaka Shinsaibashi	2,773	2,710.55	2,710.55	100.0	0.7	Hotel
54	Hilton Tokyo Odaiba	63,109	64,907.76	64,907.76	100.0	9.0	Hotel
55	UAN kanazawa	2,042	2,866.02	2,866.02	100.0	0.4	Hotel
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	8,449	5,246.66	5,246.66	100.0	1.3	Hotel
57	La'gent Stay Sapporo Odori	10,418	9,742.83	9,742.83	100.0	1.9	Hotel
58	Oriental Hotel Kyoto Rokujo	4,589	5,464.79	5,464.79	100.0	1.1	Hotel
59	Hotel Oriental Express Fukuoka Nakasukawabata	4,633	4,614.35	4,614.35	100.0	1.2	Hotel
60	Hotel JAL City Kannai Yokohama	4,033	5,770.18	5,770.18	100.0	0.5	Hotel
61	MIMARU Tokyo Shinjuku West	10,014	4,181.68	4,181.68	100.0	0.7	Hotel
62	HOTEL AMANEK Shinjuku-Kabukicho.	9,178	4,326.65	4,326.65	100.0	0.7	Hotel
63	OKINAWA HARBORVIEW HOTEL	22,379	26,402.86	26,402.86	100.0	1.3	Hotel
64	Southern Beach Hotel & Resort OKINAWA	16,221	29,874.76	29,874.76	100.0	1.0	Hotel
	Total	450,932	832,486.39	831,261.48	99.9	99.9	

- (Note 1) Book value includes real estate in trust, machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust, and intangible assets.
- (Note 2) In principle, 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).
- (Note 3) In principle, 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 companies have concluded lease contracts with lessees, etc. under the pass-through scheme in which JHR receives the same amount of rents, etc. paid by 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. In this report, the same shall apply hereinafter.
- (Note 4) Represents the ratio of rental revenue to total real estate operating revenue for the fiscal period under review. In calculating, the figures are rounded off to one decimal place. Please note that the sum of the ratio of rental revenue to total rental revenue is 99.9% because the relevant ratios of the trademark rights for the Oriental Hotel brand, etc. are not included.
- (Note 5) Kobe Meriken Park Oriental Hotel is a building owned in the form of a compartmentalized ownership by two owners (JHR and Kobe City). The area in this table shows the portion owned exclusively by JHR (including an accessory building of 764.83 square meters).
- (Note 6) Leasable area and leased area for Hotel Nikko Alivila include an accessory building of 120.10 square meters and exclude a building of 493.50 square meters rented by JHR from Kabushiki Kaisha Okinawa Umi No Sono.
- (Note 7) Leasable area and leased area for The Beach Tower Okinawa include the floor area of a warehouse in a two-story light-gauge steel annex building (91.20 square meters).
- (Note 8) The building of Oriental Hotel Universal City is a building with compartmentalized ownership for Universal Citywalk Osaka, which comprises two hotel buildings, business facilities, commercial facilities and others, as a single building. For the leasable area and leased area of the property, the leased area under the lease contract of the hotel is indicated.
- (Note 9) The building of Hilton Tokyo Bay is co-owned with other right holders, and JHR owns co-ownership interest for 64,928.83 square meters (JHR owns 9/10 of co-ownership interest).
- (Note 10) The b ikebukuro, the b hachioji and the b hakata are properties with pass-through master lease contracts in which JHR receives the same amount of rents, etc. paid by end tenants as is in principle. In this report, the same shall apply hereinafter.
- (Note 11) The building of Mercure Yokosuka is a building with compartmentalized ownership for Bay Square Yokosuka Ichibankan, which comprises a hotel, a theater, stores, apartments, office spaces and parking lots, as a single building. For the leasable area and leased area of the property, the leased area under the lease contract of the hotel is indicated.
- (Note 12) The building of ACTIVE-INTER CITY HIROSHIMA is a building with compartmentalized ownership for ACTIVE-INTER CITY HIROSHIMA, which comprises Sheraton Grand Hiroshima Hotel, office spaces, stores, parking lots and bicycle parking lots etc., as a single building. For the leasable area and leased area of the property, the leased area under the lease contracts of the hotel, office spaces and stores are indicated.
- (Note 13) Leasable area and leased area of CANDEO HOTELS Ueno Koen indicate the total floor area described in the certificate of inspection, based on the building lease contract with the hotel lessee. Furthermore, the figure includes the floor area for the mechanical parking facilities.
- (Note 14) The building of Hilton Nagoya is a compartmentalized ownership of AMMNAT SQUARE, which consists of a hotel building (including retail space), office building and car parking space, etc., as a single building. Leasable area and leased area indicate the sum total of the leased area for the hotel building, the office building and the retail space described in the lease contracts.
- (Note 15) The building of Hotel Nikko Nara is a compartmentalized ownership of the entire building of Redeveloped Building 1 in front of JR Nara Station, which consists of hotel building, retail space and car parking space, etc. JHR's share of voting right of the building is 223/353 (approximately 63.2%).
- (Note 16) The property numbers of assets that were sold are intentionally omitted.

3. Details of property assets, etc.

(1) Details of property assets

The details of real estate properties, etc. held by JHR as of December 31, 2024 were as follows:

Property No. (Note 6)	Name of property, etc.	Location (Displayed address)	Form of ownership	Appraisal value at end of period (JPY1M) (Note 1)	Book value (JPY1M) (Note 2)	Appraisal agency (Note 3)
1	Kobe Meriken Park Oriental Hotel	5-6 Hatobacho, Chuo-ku, Kobe city, Hyogo	Beneficial interest in trust	14,800	9,874	JR
2	Oriental Hotel Tokyo Bay	8-2 Mihama 1-chome, Urayasu city, Chiba	Beneficial interest in trust	35,100	17,872	JR
3	Namba Oriental Hotel	8-17 Sennichimae 2-chome, Chuo-ku, Osaka city, Osaka	Beneficial interest in trust	33,700	15,501	JR
4	Hotel Nikko Alivila	600 Aza Gima, Yomitan-son, Nakagami-gun, Okinawa	Beneficial interest in trust	29,100	17,610	JR
5	Oriental Hotel Hiroshima	6-10 Tanakamachi, Naka-ku, Hiroshima city, Hiroshima	Beneficial interest in trust	4,330	3,985	JR
8	The Beach Tower Okinawa (Note 4)	8-6 Aza Mihama, Chatan-cho, Nakagami-gun, Okinawa	Beneficial interest in trust	10,200	6,425	JR
9	Hakone Setsugetsuka	1300 Goura, Hakone-machi, Ashigarashimo-gun, Kanagawa	Beneficial interest in trust	5,630	3,511	JR
10	dormy inn Kumamoto	3-1 Karashimacho, Chuo-ku, Kumamoto city, Kumamoto	Beneficial interest in trust	3,900	2,168	JR
12	the b suidobashi	25-27 Hongo 1-chome, Bunkyo-ku, Tokyo	Beneficial interest in trust	2,510	1,151	JR
13	dormy inn EXPRESS Asakusa	3-4 Hanakawado 1-chome, Taito-ku, Tokyo	Beneficial interest in trust	1,350	909	JM
14	Washington Hotel Plaza Hakata, Nakasu (Note 5)	8-28 Nakasu 2-chome, Hakata-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	4,610	2,096	—
15	Washington Hotel Plaza Nara	31-1 Shimosanjo-cho, Nara city, Nara	Beneficial interest in trust	2,460	1,743	JR
16	R&B Hotel Ueno-hirokoji	18-8 Ueno 1-chome, Taito-ku, Tokyo	Beneficial interest in trust	1,880	1,789	JM
18	Comfort Hotel Tokyo Higashi Nihombashi	10-11 Nihonbashi-bakurocho 1-chome, Chuo-ku, Tokyo	Beneficial interest in trust	5,910	3,371	JM
22	Smile Hotel Nihombashi Mitsukoshimae	4-14 Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo	Beneficial interest in trust	3,170	2,015	JM
24	Toyoko Inn Hakata-guchi Ekimae	Main building: 15-5 Hakataekimae 1-chome, Hakata-ku, Fukuoka city, Fukuoka Annex: 1-15 Hakataekimae 1-chome, Hakata-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	2,770	1,328	T
25	Chisun Hotel Kamata	20-11 Nishikamata 8-chome, Ota-ku, Tokyo	Beneficial interest in trust	2,090	1,464	T
26	Chisun Inn Kamata	23-13 Kamata 4-chome, Ota-ku, Tokyo	Beneficial interest in trust	1,450	772	T
29	Oriental Hotel Universal City	2-78 Shimaya 6-chome, Konohana-ku, Osaka city, Osaka	Beneficial interest in trust	22,300	7,330	R
31	Hilton Tokyo Bay	1-8 Maihama, Urayasu city, Chiba	Beneficial interest in trust	42,800	26,015	D
32	ibis Styles Kyoto Station	47 Higashikujo Kamitonoda-cho, Minami-ku, Kyoto city, Kyoto	Beneficial interest in trust	10,000	6,538	D
33	ibis Styles Sapporo	10-10 Minami 8-jo Nishi 3-chome, Chuo-ku, Sapporo city, Hokkaido	Beneficial interest in trust	11,300	6,278	JR
34	Mercure Sapporo	2-4 Minami 4-jo Nishi 2-chome, Chuo-ku, Sapporo city, Hokkaido	Beneficial interest in trust	12,400	5,573	JR
35	Mercure Okinawa Naha	3-19 Tsubogawa 3-chome, Naha city, Okinawa	Beneficial interest in trust	7,400	2,715	JR
37	the b ikebukuro	39-4 Higashi-ikebukuro 1-chome, Toshima-ku, Tokyo	Beneficial interest in trust	7,810	6,601	JR
39	the b hachioji	6-12 Myojincho 4-chome, Hachioji city, Tokyo	Beneficial interest in trust	2,740	2,686	JR
40	the b Hakata	3-9 Hakata-eki Minami 1-chome, Hakata-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	6,110	2,310	JR
41	Hotel Francs	10-2 Hibino 2-chome, Mihama-ku, Chiba city, Chiba	Beneficial interest in trust	5,160	3,228	D
42	Mercure Yokosuka	27 Honcho 3-chome, Yokosuka city, Kanagawa	Beneficial interest in trust	3,640	1,669	D

Property No. (Note 6)	Name of property, etc.	Location (Displayed address)	Form of ownership	Appraisal value at end of period (JPY1M) (Note 1)	Book value (JPY1M) (Note 2)	Appraisal agency (Note 3)
43	Oriental Hotel Okinawa Resort & Spa	1490-1 Kise, Nago city, Okinawa	Beneficial interest in trust	19,700	17,067	JR
44	ACTIVE-INTER CITY HIROSHIMA	12-1 Wakakusa-cho, Higashi-ku, Hiroshima city, Hiroshima	Beneficial interest in trust	20,500	16,967	D
45	CANDEO HOTELS Ueno Koen	2-13 Negishi 1-chome, Taito-ku, Tokyo	Beneficial interest in trust	7,630	6,503	D
46	Oriental Hotel Fukuoka Hakata Station	4-23 Hakata-eki Chuo-gai, Hakata-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	15,700	8,159	D
47	Holiday Inn Osaka Namba	5-15 Soemon-cho, Chuo-ku, Osaka city, Osaka	Beneficial interest in trust	27,300	26,509	JR
48	Hotel Oriental Express Fukuoka Tenjin	3-14 Tenjin 3-chome, Chuo-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	7,600	5,713	D
49	Hilton Nagoya	3-3 Sakae 1-chome, Naka-ku, Nagoya city, Aichi	Beneficial interest in trust	15,500	15,418	D
50	Hilton Tokyo Narita Airport	456 Kosuge, Narita city, Chiba	Beneficial interest in trust	13,200	13,248	JR
51	International Garden Hotel Narita	241-1 Yoshikura, Narita city, Chiba	Beneficial interest in trust	9,650	8,896	JR
52	Hotel Nikko Nara	8-1 Sanjyo-honmachi, Nara city, Nara	Beneficial interest in trust	9,990	10,065	D
53	Hotel Oriental Express Osaka Shinsaibashi	2-13 Minamisenba 3-chome, Chuo-ku, Osaka city, Osaka	Beneficial interest in trust	2,900	2,773	D
54	Hilton Tokyo Odaiba	9-1 Daiba 1-chome, Minato-ku, Tokyo	Beneficial interest in trust	72,700	63,109	JR
55	UAN kanazawa	6-30 Oyamacho, Kanazawa city, Ishikawa	Beneficial interest in trust	2,340	2,042	JR
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	10-2 shimbashi 4-chome, Minato-ku, Tokyo	Beneficial interest in trust	10,200	8,449	D
57	La'gent Stay Sapporo Odori	26-5 Minami 2-jo Nishi 5-chome, Chuo-ku, Sapporo city, Hokkaido	Beneficial interest in trust	11,800	10,418	JR
58	Oriental Hotel Kyoto Rokujo	181, Bokumikanabutsucho, Aburanokojidori-rokujo-agaru, Shimogyo-ku, Kyoto city, Kyoto	Beneficial interest in trust	6,650	4,589	JR
59	Hotel Oriental Express Fukuoka Nakasukawabata	6-26 Tenyamachi, Hakata-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	6,280	4,633	JR
60	Hotel JAL City Kannai Yokohama	72 Yamashitacho, naka-ku, Yokohama city, Kanagawa	Beneficial interest in trust	4,580	4,033	JR
61	MIMARU Tokyo Shinjuku West	3-11 Nishi-Shinjuku 3-chime, Shinjuku-ku, Tokyo	Beneficial interest in trust	12,800	10,014	D
62	HOTEL AMANEK Shinjuku-Kabukicho.	24-10 Kabukicho 2-chome, Shinjuku-ku, Tokyo	Beneficial interest in trust	12,900	9,178	D
63	OKINAWA HARBORVIEW HOTEL	46 Izumizaki 2-chome, Naha city, Okinawa	Beneficial interest in trust	24,200	22,379	JR
64	Southern Beach Hotel & Resort OKINAWA	6-1 Nishizakicho 1-chome, Itoman city, Okinawa	Beneficial interest in trust	20,300	16,221	JR
Total				631,040	450,932	

(Note 1) Appraisal value at the end of the period shows the value assessed at the end of the fiscal period under review in accordance with JHR's Articles of Incorporation, the Ordinance on Accounting of Investment Corporations (Cabinet Office Ordinance No. 47, 2006) and regulations set forth by The Investment Trusts Association, Japan.

(Note 2) Book value includes amounts of real estate in trust, machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust, and intangible assets.

(Note 3) The letters indicate the appraisers for the properties as follows:

JR: Japan Real Estate Institute

JM: 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 4) Due to the lack of a displayed address, "location" in the registration or registration record is shown.

(Note 5) Washington Hotel Plaza Hakata, Nakasu was sold on January 30, 2025. Appraisal value at end of period indicates the sale price.

(Note 6) The property numbers of assets that were sold are intentionally omitted.

(2) Overview of real estate leasing business, etc.

An overview of leasing business of real estate, etc. owned by JHR is as follows:

Property No. (Note 3)	Name of property, etc.	24th period (From January 1, 2023 to December 31, 2023)				25th period (From January 1, 2024 to December 31, 2024)			
		Number of tenants at end of period (Note 1)	Tenant occupancy rate at end of period (%)	Real estate operating revenue during the period (JPY 1M)	Ratio to total real estate operating revenue (%) (Note 2)	Number of tenants at end of period (Note 1)	Tenant occupancy rate at end of period (%)	Real estate operating revenue during the period (JPY 1M)	Ratio to total real estate operating revenue (%) (Note 2)
1	Kobe Meriken Park Oriental Hotel	1	100.0	689	2.6	1	100.0	982	2.9
2	Oriental Hotel Tokyo Bay	1	100.0	1,874	7.1	1	100.0	2,153	6.4
3	Namba Oriental Hotel	1	100.0	1,232	4.6	1	100.0	1,139	3.4
4	Hotel Nikko Alivila	1	100.0	1,400	5.3	1	100.0	1,504	4.5
5	Oriental Hotel Hiroshima	1	100.0	366	1.4	1	100.0	234	0.7
8	The Beach Tower Okinawa	1	100.0	511	1.9	1	100.0	511	1.5
9	Hakone Setsugetsuka	1	100.0	294	1.1	1	100.0	294	0.9
10	dormy inn Kumamoto	1	100.0	248	0.9	1	100.0	272	0.8
12	the b suidobashi	1	100.0	97	0.4	1	100.0	168	0.5
13	dormy inn EXPRESS Asakusa	1	100.0	65	0.2	1	100.0	65	0.2
14	Washington Hotel Plaza Hakata, Nakasu	1	100.0	240	0.9	1	100.0	240	0.7
15	Washington Hotel Plaza Nara	2	100.0	150	0.6	2	100.0	150	0.4
16	R&B Hotel Ueno-hirokoji	1	100.0	97	0.4	1	100.0	97	0.3
18	Comfort Hotel Tokyo Higashi Nihombashi	2	100.0	453	1.7	2	100.0	310	0.9
22	Smile Hotel Nihombashi Mitsukoshimae	1	100.0	138	0.5	1	100.0	165	0.5
24	Toyoko Inn Hakata-guchi Ekimae	1	100.0	141	0.5	1	100.0	141	0.4
25	Chisun Hotel Kamata	1	100.0	118	0.4	1	100.0	164	0.5
26	Chisun Inn Kamata	1	100.0	66	0.3	1	100.0	95	0.3
29	Oriental Hotel Universal City	1	100.0	1,623	6.1	1	100.0	1,812	5.4
31	Hilton Tokyo Bay	1	100.0	2,349	8.8	1	100.0	2,491	7.4
32	ibis Styles Kyoto Station	2	100.0	318	1.2	2	100.0	412	1.2
33	ibis Styles Sapporo	5	99.4	487	1.8	5	99.4	552	1.6
34	Mercure Sapporo	9	99.1	632	2.4	8	99.1	761	2.3
35	Mercure Okinawa Naha	1	100.0	172	0.6	1	100.0	298	0.9
37	the b ikebukuro	3	100.0	316	1.2	4	100.0	395	1.2
39	the b hachioji	10	100.0	169	0.6	8	100.0	200	0.6
40	the b hakata	2	100.0	219	0.8	2	100.0	303	0.9
41	Hotel Francs	1	100.0	300	1.1	1	100.0	358	1.1
42	Mercure Yokosuka	1	100.0	322	1.2	1	100.0	365	1.1
43	Oriental Hotel Okinawa Resort & Spa	1	100.0	641	2.4	1	100.0	1,039	3.1
44	ACTIVE-INTER CITY HIROSHIMA	35	97.3	1,539	5.8	34	99.2	1,667	5.0
45	CANDEO HOTELS Ueno Koen	1	100.0	349	1.3	1	100.0	349	1.0
46	Oriental Hotel Fukuoka Hakata Station	1	100.0	1,515	5.7	1	100.0	1,951	5.8
47	Holiday Inn Osaka Namba	1	100.0	895	3.4	1	100.0	1,248	3.7
48	Hotel Oriental Express Fukuoka Tenjin	3	90.9	590	2.2	3	90.9	838	2.5
49	Hilton Nagoya	4	100.0	1,263	4.8	4	100.0	1,394	4.2
50	Hilton Tokyo Narita Airport	1	100.0	532	2.0	1	100.0	651	1.9
51	International Garden Hotel Narita	1	100.0	477	1.8	1	100.0	491	1.5
52	Hotel Nikko Nara	1	100.0	444	1.7	1	100.0	546	1.6
53	Hotel Oriental Express Osaka Shinsaibashi	1	100.0	179	0.7	1	100.0	229	0.7
54	Hilton Tokyo Odaiba	1	100.0	2,349	8.8	1	100.0	3,005	9.0
55	UAN kanazawa	1	100.0	118	0.4	1	100.0	124	0.4
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	4	100.0	230	0.9	4	100.0	420	1.3
57	La'gent Stay Sapporo Odori	2	100.0	132	0.5	2	100.0	644	1.9
58	Oriental Hotel Kyoto Rokujo	1	100.0	94	0.4	1	100.0	365	1.1
59	Hotel Oriental Express Fukuoka Nakasukawabata	1	100.0	75	0.3	1	100.0	389	1.2
60	Hotel JAL City Kannai Yokohama	1	100.0	10	0.0	1	100.0	182	0.5
61	MIMARU Tokyo Shinjuku West	—	—	—	—	1	100.0	224	0.7
62	HOTEL AMANEK Shinjuku-Kabukicho.	—	—	—	—	1	100.0	250	0.7
63	OKINAWA HARBORVIEW HOTEL	—	—	—	—	1	100.0	440	1.3
64	Southern Beach Hotel & Resort OKINAWA	—	—	—	—	1	100.0	335	1.0
Total		117	99.8	26,541	99.9	118	99.9	33,437	99.9

(Note 1) 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 companies have concluded lease contracts with lessees, etc. under the pass-through scheme in which JHR receives the same amount of rents, etc. paid by end tenants as is in principle, the number of end tenants is indicated. For properties with sub-lease-type master lease contracts in which JHR receives predetermined rents despite fluctuations in rents from end tenants, the number of the master lease companies is indicated as tenants.

(Note 2) Represents the ratio of real estate operating revenue of each property to total real estate operating revenue. In calculating, the figures are rounded off to the first decimal place. Please note that the sum of the ratio to total real estate operating revenue are 99.9% for the 24th fiscal period and 99.9% for the 25th fiscal period because the relevant ratio of the trademark rights for the Oriental Hotel brand, etc. is not included.

(Note 3) The property numbers of assets that were sold before the previous fiscal period are intentionally omitted.

4. Details of securities assets

There are no applicable securities held by JHR as of December 31, 2024.

5. Contractual amounts and fair values of specified transactions

The contractual amounts and fair values of specified transactions as of December 31, 2024 were as follows:

Classification	Transaction	Amounts of contract, etc. (JPY1M) (Note 1)		Fair value (JPY1M) (Note 2)
			Over 1 year	
Transactions other than market transactions	Interest rate swap transactions Payable fixed rate / Receivable variable rate	110,539	92,039	1,085
Total		110,539	92,039	1,085

(Note 1) Contractual amounts, etc. of interest rate swap transactions are based on notional principal amounts, etc.

(Note 2) Fair value is based on the price, etc., provided by counterparty financial institutions.

6. Other assets

All of the beneficial interest in trust mainly invested in real estate held by JHR is included in “3. Details of property assets, etc.” presented above. There were no other major specified assets that are considered to be JHR’s main investments in the portfolio of JHR as of December 31, 2024.

7. Asset holdings by country and region

There is nothing to be reported on countries and regions other than Japan.

Capital Expenditures for Portfolio Properties

1. 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 for investment real estate properties (in trust) held by JHR. 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 (JPY 1M)	
			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.

2. Capital expenditures during the period (Note)

For investment real estate properties (in trust) held by JHR, major construction work conducted 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 floor, 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.

3. Cash reserves for the long-term repairs and maintenance plan (reserve for repairs and maintenance)

JHR accumulates cash reserves from cash flows for each fiscal period as detailed below to utilize for medium- to long-term future expenditures on large-scale repairs and maintenance projects based on long-term repairs and maintenance plans prepared for each property.

(millions of yen)

Fiscal period	21st period (From January 1, 2020 to December 31, 2020)	22nd period (From January 1, 2021 to December 31, 2021)	23rd period (From January 1, 2022 to December 31, 2022)	24th period (From January 1, 2023 to December 31, 2023)	25th period (From January 1, 2024 to December 31, 2024)
Balance at beginning of period	1,060	1,075	1,066	1,076	1,224
Provision during the period	25	1	9	148	127
Reversal during the period	10	11	—	—	—
Amount carried forward	1,075	1,066	1,076	1,224	1,351

Expenses and Liabilities

1. Details of expenses related to asset management, etc.

(thousands of yen)

Item	24th period (From January 1, 2023 to December 31, 2023)	25th period (From January 1, 2024 to December 31, 2024)
(a) Asset management fees (Note)	1,745,752	2,031,462
(b) Asset custody and administrative service fee	117,832	119,695
(c) Directors' compensation	17,700	17,400
(d) Other operating expenses	212,405	210,018
Total	2,093,690	2,378,577

(Note) For asset management fees for the 24th fiscal period, besides the above amounts, there are ¥250,326 thousand of fees for property acquisition included in the acquisition price of the relevant investment property.

For asset management fees for the 25th fiscal period, besides the above amounts, there are ¥381,396 thousand of fees for property acquisition included in the acquisition price of the relevant investment property.

2. Loans payable

The status of loans by contractual agreement and by financial institution as of December 31, 2024 were as follows:

Category	Lender	Borrowing date	Balance at beginning of period (JPY1M)	Balance at end of period (JPY1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Short-term loans payable	Kansai Mirai Bank, Limited	January 31, 2023	500	—	0.47%	January 31, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	The Hokuriku Bank, Ltd.		300	—					
	Subtotal			800	—				
	Sumitomo Mitsui Banking Corporation	March 31, 2023	5,534	—	0.46%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	SBI Shinsei Bank, Limited		4,466	—					
	Sumitomo Mitsui Trust Bank, Limited		1,120	—					
	Resona Bank, Limited		3,016	—					
	The Chiba Bank, Ltd.		432	—					
	The Minato Bank Ltd.	200	—						
	Subtotal			14,768	—				
	Sumitomo Mitsui Banking Corporation	November 20, 2024	—	1,000	0.61%	November 20, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal			—					
	Short-term loans payable – Total			15,568	1,000				
Long-term loans payable	Sumitomo Mitsui Banking Corporation	March 28, 2016	1,050	—	0.77%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		1,050	—					
	Subtotal			2,100	—				
	The Nomura Trust and Banking Co., Ltd.	March 31, 2016	1,200	—	0.77%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	The Chiba Bank, Ltd.		600	—					
	Development Bank of Japan Inc.		550	—					
	The Bank of Fukuoka, Ltd.		186	—					
	Subtotal			2,536	—				
	Sumitomo Mitsui Trust Bank, Limited	March 31, 2016	800	—	0.66%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal			800					
	Development Bank of Japan Inc.	March 31, 2016	500	—	0.57%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal			500					
	Sumitomo Mitsui Banking Corporation	September 1, 2016	2,900	2,900	0.74%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		1,700	1,700					
	SBI Shinsei Bank, Limited		1,700	1,700					
Resona Bank, Limited	1,000		1,000						
The Nomura Trust and Banking Co., Ltd.	500		500						
The Chiba Bank, Ltd.	500		500						
The Bank of Fukuoka, Ltd.	1,200		1,200						
Subtotal			9,500	9,500					

Category	Lender	Borrowing date	Balance at beginning of period (JPY1M)	Balance at end of period (JPY1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans payable	Sumitomo Mitsui Trust Bank, Limited	September 1, 2016	1,300	—	0.56%	September 30, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		1,300	—					
	MUFG Bank, Ltd.	September 1, 2016	2,000	—	0.56%	September 30, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		2,000	—					
	Development Bank of Japan Inc.	September 1, 2016	700	—	0.59%	September 30, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		700	—					
	Aozora Bank, Ltd.	September 1, 2016	500	—	0.71%	September 30, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		500	—					
	Sumitomo Mitsui Banking Corporation	August 1, 2017	1,250	1,250	0.85%	September 30, 2026	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		1,250	1,250					
	SBI Shinsei Bank, Limited		1,250	1,250					
	Resona Bank, Limited		500	500					
	Subtotal		4,250	4,250					
	Sumitomo Mitsui Trust Bank, Limited	August 1, 2017	1,000	1,000	0.73%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		1,000	1,000					
	MUFG Bank, Ltd.	August 1, 2017	700	700	0.68%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		700	700					
	Development Bank of Japan Inc.	August 1, 2017	500	500	0.75%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		500	500					
	The Bank of Fukuoka, Ltd.	August 1, 2017	500	500	0.73%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		500	500					
	Aozora Bank, Ltd.	August 1, 2017	500	500	0.73%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		500	500					
	The Nishi-Nippon City Bank, Ltd.	August 1, 2017	1,000	1,000	0.73%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		1,000	1,000					
	SBI Shinsei Bank, Limited	August 1, 2017	300	300	0.68%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		300	300					
	Sumitomo Mitsui Banking Corporation	September 19, 2017	1,200	1,200	0.65%	March 31, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		500	500					
	Sumitomo Mitsui Trust Bank, Limited		460	460					
SBI Shinsei Bank, Limited	390		390						
Subtotal			2,550	2,550					

Category	Lender	Borrowing date	Balance at beginning of period (JPY1M)	Balance at end of period (JPY1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans payable	Sumitomo Mitsui Banking Corporation	November 15, 2017	2,500	—	0.57%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	SBI Shinsei Bank, Limited		1,500	—					
	Subtotal		4,000	—					
	Sumitomo Mitsui Banking Corporation	November 15, 2017	1,500	1,500	0.65%	March 31, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	SBI Shinsei Bank, Limited		500	500					
	Development Bank of Japan Inc.		300	300					
	The Bank of Fukuoka, Ltd.		150	150					
	Subtotal	2,450	2,450						
	Sumitomo Mitsui Banking Corporation	September 28, 2018	1,700	1,700	0.95%	September 30, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,400	1,400					
	SBI Shinsei Bank, Limited		500	500					
	Mizuho Bank, Ltd.		300	300					
	Subtotal	3,900	3,900						
	The Bank of Fukuoka, Ltd.	April 8, 2019	500	—	0.38%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	The Chiba Bank, Ltd.		500	—					
	The Nishi-Nippon City Bank, Ltd.		500	—					
	Sompo Japan Insurance Inc.		1,000	—					
	Subtotal	2,500	—						
	Sumitomo Mitsui Banking Corporation	April 8, 2019	2,500	2,500	0.72%	March 31, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	SBI Shinsei Bank, Limited		1,500	1,500					
Mizuho Bank, Ltd.	1,500		1,500						
Sumitomo Mitsui Trust Bank, Limited	1,000		1,000						
Development Bank of Japan Inc.	1,000		1,000						
Subtotal	7,500	7,500							

Category	Lender	Borrowing date	Balance at beginning of period (JPY1M)	Balance at end of period (JPY1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks	
Long-term loans payable	Sumitomo Mitsui Banking Corporation	April 8, 2019	4,000	4,000	0.82%	March 31, 2028	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	SBI Shinsei Bank, Limited		3,000	3,000						
	Mizuho Bank, Ltd.		3,000	3,000						
	Sumitomo Mitsui Trust Bank, Limited		2,500	2,500						
	Resona Bank, Limited		1,000	1,000						
	The Nomura Trust and Banking Co., Ltd.		500	500						
	Development Bank of Japan Inc.		1,000	1,000						
	The Bank of Fukuoka, Ltd.		1,000	1,000						
	Aozora Bank, Ltd.		1,000	1,000						
	The Nishi-Nippon City Bank, Ltd.		1,000	1,000						
	Subtotal			18,000	18,000					
	The Chiba Bank, Ltd.	September 30, 2019	200	—	0.23%	September 30, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	The Hiroshima Bank, Ltd.		1,400	—						
	Subtotal			1,600	—					
	Sumitomo Mitsui Banking Corporation	September 30, 2019	550	550	0.68%	September 30, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	SBI Shinsei Bank, Limited		450	450						
	Mizuho Bank, Ltd.		1,400	1,400						
	Sumitomo Mitsui Trust Bank, Limited		200	200						
	Resona Bank, Limited		200	200						
	Development Bank of Japan Inc.		700	700						
	The Bank of Fukuoka, Ltd.		1,100	1,100						
	The Nomura Trust and Banking Co., Ltd.		1,000	1,000						
	Subtotal			5,600	5,600					
	Sumitomo Mitsui Banking Corporation	January 31, 2023	909	—	0.58%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	SBI Shinsei Bank, Limited		593	—						
	Sumitomo Mitsui Trust Bank, Limited		660	—						
	Resona Bank, Limited		756	—						
Aozora Bank, Ltd.	67		—							
Subtotal			2,985	—						
Mizuho Bank, Ltd.	January 31, 2023	2,526	2,526	0.82%	January 30, 2026	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed		
Subtotal		2,526	2,526							
Mizuho Bank, Ltd.	March 31, 2023	1,000	1,000	0.82%	March 31, 2026	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed		
The Hiroshima Bank, Ltd.		454	454							
Subtotal			1,454	1,454						

Category	Lender	Borrowing date	Balance at beginning of period (JPY1M)	Balance at end of period (JPY1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans payable	The Tokyo Star Bank, Limited	March 31, 2023	1,000	1,000	0.92%	March 31, 2028	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		1,000	1,000					
	Sumitomo Mitsui Banking Corporation	June 30, 2023	1,750	1,750	0.82%	June 30, 2026	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Aozora Bank, Ltd.		1,000	1,000					
	The Chiba Bank, Ltd.		500	500					
	Subtotal		3,250	3,250					
	Aozora Bank, Ltd.	September 27, 2023	100	100	0.72%	September 30, 2026	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	MUFG Bank, Ltd.		500	500					
	Kansai Mirai Bank, Limited		100	100					
	Subtotal		700	700					
	Sumitomo Mitsui Banking Corporation	September 27, 2023	1,800	1,800	0.82%	September 27, 2028	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		1,250	1,250					
	SBI Shinsei Bank, Limited		300	300					
	Sumitomo Mitsui Trust Bank, Limited		950	950					
	Resona Bank, Limited		500	500					
	Development Bank of Japan Inc.		400	400					
	Aozora Bank, Ltd.		200	200					
	The Minato Bank Ltd.		300	300					
	The Shizuoka Bank, Ltd.		100	100					
	Kansai Mirai Bank, Limited		200	200					
The Tokyo Star Bank, Limited	300		300						
Subtotal			6,300	6,300					
Sumitomo Mitsui Banking Corporation	September 29, 2023	2,095	2,095	0.72%	September 30, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
Mizuho Bank, Ltd.		1,870	1,870						
SBI Shinsei Bank, Limited		1,200	1,200						
Sumitomo Mitsui Trust Bank, Limited		1,520	1,520						
Resona Bank, Limited		1,705	1,705						
Development Bank of Japan Inc.		505	505						
Aozora Bank, Ltd.		140	140						
The Shizuoka Bank, Ltd.		240	240						
Subtotal		9,275	9,275						

Category	Lender	Borrowing date	Balance at beginning of period (JPY1M)	Balance at end of period (JPY1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks	
Long-term loans payable	Sumitomo Mitsui Banking Corporation	September 29, 2023	2,095	2,095	0.87%	September 28, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Mizuho Bank, Ltd.		2,800	2,800						
	SBI Shinsei Bank, Limited		1,209	1,209						
	Sumitomo Mitsui Trust Bank, Limited		1,525	1,525						
	Resona Bank, Limited		1,705	1,705						
	Aozora Bank, Ltd.		145	145						
	The Tokyo Star Bank, Limited		960	960						
	The Shizuoka Bank, Ltd.		248	248						
	Subtotal			10,687	10,687					
	Sumitomo Mitsui Banking Corporation	October 20, 2023	900	900	0.72%	March 31, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Subtotal			900						900
	Mizuho Bank, Ltd.	October 20, 2023	2,000	2,000	0.87%	September 28, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	The Minato Bank Ltd.		900	900						
	Subtotal			2,900	2,900					
	Development Bank of Japan Inc.	December 22, 2023	200	200	0.72%	September 29, 2028	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	MUFG Bank, Ltd.		1,000	1,000						
	Subtotal			1,200	1,200					
	Sumitomo Mitsui Banking Corporation	December 22, 2023	800	800	0.77%	September 28, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Mizuho Bank, Ltd.		700	700						
	Sumitomo Mitsui Trust Bank, Limited		800	800						
	MUFG Bank, Ltd.		500	500						
	Subtotal			2,800	2,800					
	SBI Shinsei Bank, Limited	March 29, 2024	—	3,000	0.51%	March 31, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Subtotal			—						3,000
	Sompo Japan Insurance Inc.	March 29, 2024	—	1,000	0.82%	March 31, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Subtotal			—						1,000
	Development Bank of Japan Inc.	March 29, 2024	—	1,050	0.90%	March 31, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
SBI Shinsei Bank, Limited	—		1,000							
Sumitomo Mitsui Banking Corporation	—		500							
Sumitomo Mitsui Trust Bank, Limited	—		500							
Resona Bank, Limited	—		500							
The Nishi-Nippon City Bank, Ltd.	—		500							
Subtotal			—	4,050						

Category	Lender	Borrowing date	Balance at beginning of period (JPY1M)	Balance at end of period (JPY1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans payable	Sumitomo Mitsui Banking Corporation	March 29, 2024	—	1,000	1.12%	March 30, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	SBI Shinsei Bank, Limited		—	1,000					
	Resona Bank, Limited		—	1,000					
	Sumitomo Mitsui Trust Bank, Limited		—	500					
	The Chiba Bank, Ltd.		—	500					
	Subtotal		—	4,000					
	MUFG Bank, Ltd.	March 29, 2024	—	800	1.17%	March 30, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal	—	800						
	Sumitomo Mitsui Banking Corporation	March 29, 2024	—	7,760	1.24%	March 29, 2030	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Resona Bank, Limited		—	2,272					
	Sumitomo Mitsui Trust Bank, Limited		—	1,080					
	SBI Shinsei Bank, Limited		—	1,059					
	The Chiba Bank, Ltd.		—	1,032					
	Mizuho Bank, Ltd.		—	950					
	The Bank of Fukuoka, Ltd.		—	686					
	Subtotal	—	14,839						
	Sumitomo Mitsui Banking Corporation	March 29, 2024	—	733	1.24%	March 29, 2030	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		—	500					
	SBI Shinsei Bank, Limited		—	500					
	Sumitomo Mitsui Trust Bank, Limited		—	500					
Kansai Mirai Bank, Limited	—		500						
The Hokuriku Bank, Ltd.	—		300						
The Minato Bank Ltd.	—		200						
Aozora Bank, Ltd.	—		67						
Subtotal	—	3,300							
Sumitomo Mitsui Banking Corporation	July 12, 2024	—	2,300	0.59%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
Mizuho Bank, Ltd.		—	1,700						
Resona Bank, Limited		—	1,000						
MUFG Bank, Ltd.		—	1,000						
Sumitomo Mitsui Trust Bank, Limited		—	900						
Development Bank of Japan Inc.		—	350						
SBI Shinsei Bank, Limited		—	250						
Kansai Mirai Bank, Limited		—	250						
Daiwa Next Bank, Ltd.		—	250						
Subtotal		—	8,000						

Category	Lender	Borrowing date	Balance at beginning of period (JPY1M)	Balance at end of period (JPY1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks	
Long-term loans payable	Development Bank of Japan Inc.	July 31, 2024	—	1,150	1.27%	March 30, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Bank of the Ryukyus, Limited		—	500						
	The Nishi-Nippon City Bank, Ltd.		—	300						
	Subtotal			—	1,950					
	Sumitomo Mitsui Banking Corporation	July 31, 2024	—	2,500	1.37%	March 29, 2030	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Mizuho Bank, Ltd.		—	1,000						
	Sumitomo Mitsui Trust Bank, Limited		—	800						
	Resona Bank, Limited		—	300						
	The Bank of Fukuoka, Ltd.		—	300						
	The Chiba Bank, Ltd.		—	300						
	Kansai Mirai Bank, Limited		—	250						
	Aozora Bank, Ltd.		—	200						
	The Shizuoka Bank, Ltd.		—	200						
	Subtotal			—	5,850					
	MUFG Bank, Ltd.	July 31, 2024	—	500	1.40%	March 29, 2030	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Subtotal			—						500
	Sumitomo Mitsui Banking Corporation	July 31, 2024	—	3,000	1.48%	March 31, 2031	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Mizuho Bank, Ltd.		—	3,500						
	Sumitomo Mitsui Trust Bank, Limited		—	1,600						
	Resona Bank, Limited		—	1,000						
	SBI Shinsei Bank, Limited		—	750						
	Daiwa Next Bank, Ltd.		—	750						
	Aozora Bank, Ltd.		—	600						
	The Minato Bank Ltd.		—	500						
	Kansai Mirai Bank, Limited		—	500						
	The Bank of Okinawa, Ltd.	—	500							
	Subtotal			—	12,700					
MUFG Bank, Ltd.	July 31, 2024	—	1,000	1.52%	March 31, 2031	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed		
Subtotal			—						1,000	
MUFG Bank, Ltd.	July 30, 2024	—	2,000	1.41%	March 29, 2030	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed		
Subtotal			—						2,000	
The Hiroshima Bank, Ltd.	September 30, 2024	—	1,400	1.21%	September 28, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed		
The Chiba Bank, Ltd.		—	200							
Subtotal			—						1,600	

Category	Lender	Borrowing date	Balance at beginning of period (JPY1M)	Balance at end of period (JPY1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans payable	MUFG Bank, Ltd.	September 30, 2024	—	1,300	1.50%	September 30, 2032	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		—	800					
	Development Bank of Japan Inc.		—	700					
	Aozora Bank, Ltd.		—	300					
	Subtotal			—	3,100				
	MUFG Bank, Ltd.	September 30, 2024	—	700	1.50%	September 30, 2032	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		—	500					
	Aozora Bank, Ltd.		—	200					
	Subtotal			—	1,400				
	Long-term loans payable – Total			122,763	170,331				
Total loans payable			138,331	171,331					

(Note 1) The average interest rate is a weighted average of interest rates during the period, rounded off to second decimal places. As JHR has conducted interest rate swap transactions in order to hedge against interest rate fluctuation risks, the interest rate of loans subject to such interest rate swap transactions is presented as the rate obtained by taking into account the effect of interest rate swaps, rounded off to second decimal places.

(Note 2) The funds were appropriated for acquisition of the beneficial interest of real estate in trust, etc., refinancing of borrowings and redemption of investment corporation bonds.

(Note 3) In order to list each loan payable, ¥30,000 million of the current portion of long-term loans payable in the balance sheets is included in long-term loans payable in the above table.

3. Investment corporation bonds

Status of investment corporation bonds as of December 31, 2024 was as follows:

Name	Issuance date	Balance at beginning of period (JPY1M)	Balance at end of period (JPY1M)	Interest rate (%)	Maturity date	Repayment method	Use	Remarks
Sixth unsecured investment corporation bonds	March 22, 2016	3,000	3,000	0.935	March 19, 2026	Lump-sum repayment	(Note 1)	Unsecured, unguaranteed (Note 3)
Seventh unsecured investment corporation bonds	November 29, 2016	9,000	9,000	0.600	November 27, 2026	Lump-sum repayment	(Note 1)	Unsecured, unguaranteed (Note 4)
Eighth unsecured investment corporation bonds	November 29, 2016	1,100	1,100	0.600	November 27, 2026	Lump-sum repayment	(Note 1)	Unsecured, unguaranteed (Note 3)
Ninth unsecured investment corporation bonds	November 24, 2017	1,000	—	0.530	November 22, 2024	Lump-sum repayment	(Note 1)	Unsecured, unguaranteed (Note 3)
Tenth unsecured investment corporation bonds	February 21, 2018	10,000	10,000	0.840	February 21, 2028	Lump-sum repayment	(Note 1)	Unsecured, unguaranteed (Note 4)
Eleventh unsecured investment corporation bonds	June 14, 2019	8,000	8,000	0.854	June 14, 2029	Lump-sum repayment	(Note 1)	Unsecured, unguaranteed (Note 4)
Twelfth unsecured investment corporation bonds (green bonds)	July 31, 2019	2,000	—	0.400	July 31, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed (Note 3)
Thirteenth unsecured investment corporation bonds	September 20, 2022	2,800	2,800	1.000	September 19, 2025	Lump-sum repayment	(Note 1)	Unsecured, unguaranteed (Note 3)
Total		36,900	33,900					

(Note 1) The funds were appropriated for acquisition of the beneficial interest of real estate in trust, etc., refinancing of borrowings and redemption of investment corporation bonds.

(Note 2) The funds were mainly appropriated for repayment of existing borrowings that were appropriated for capital expenditures and constructions costs which contribute to environment, including reduction of CO₂ and water consumption.

(Note 3) A special pari passu clause among specified investment corporation bonds is attached to the bonds.

(Note 4) A special pari passu clause among investment corporation bonds is attached to the bonds.

4. Short-term investment corporation bonds

Not applicable.

5. Subscription rights to new investment units

Not applicable.

Purchase and Sale during the Period

1. Purchase and sale, etc. of real estate, etc., asset-backed securities, etc. infrastructure assets, etc., and infrastructure-related assets

Asset type	Name of property, etc.	Acquisition		Sale			
		Acquisition date	Acquisition price (JPY1M) (Note)	Sale date	Sale price (JPY1M) (Note)	Book value (JPY1M)	Gain (loss) on sale (JPY1M)
Beneficial interest of real estate in trust	MIMARU Tokyo Shinjuku West	July 12, 2024	9,645	–	–	–	–
Beneficial interest of real estate in trust	HOTEL AMANEK Shinjuku-Kabukicho.	July 12, 2024	8,845	–	–	–	–
Beneficial interest of real estate in trust	OKINAWA HARBORVIEW HOTEL	July 31, 2024	21,500	–	–	–	–
Beneficial interest of real estate in trust	Southern Beach Hotel & Resort OKINAWA	July 31, 2024	16,200	–	–	–	–
Real estate	Land Adjacent to OKINAWA HARBORVIEW HOTEL	October 4, 2024	62	–	–	–	–
Total		–	56,252	–	–	–	–

(Note) Acquisition price and Sale price indicates contracted amount of the property in the purchase and sale agreement, etc. excluding related expenses (brokerage fees, taxes, etc.) incurred on the acquisition or sale of such property.

2. Purchase and sale of other assets, etc.

Assets other than real estate, etc., asset-backed securities, etc., infrastructure assets, etc. and infrastructure-related assets are mostly bank deposits and bank deposits in trust.

3. Investigation into prices, etc. of specified assets

(1) Real estate properties, etc.

Acquisition/sale	Asset type	Name of property, etc.	Acquisition/sale date	Acquisition/sale price (JPY1M) (Note 1)	Appraisal value (JPY1M) (Note 2)	Date of appraisal	Appraisal agency
Acquisition	Beneficial interest of real estate in trust	MIMARU Tokyo Shinjuku West	July 12, 2024	9,645	11,700	April 30, 2024	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Acquisition	Beneficial interest of real estate in trust	HOTEL AMANEK Shinjuku-Kabukicho.	July 12, 2024	8,845	12,800	April 30, 2024	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Acquisition	Beneficial interest of real estate in trust	OKINAWA HARBORVIEW HOTEL	July 31, 2024	21,500	24,200	April 30, 2024	Japan Real Estate Institute
Acquisition	Beneficial interest of real estate in trust	Southern Beach Hotel & Resort OKINAWA	July 31, 2024	16,200	20,300	April 30, 2024	Japan Real Estate Institute
Acquisition	Real estate	Land Adjacent to OKINAWA HARBORVIEW HOTEL	October 4, 2024	62	65	August 31, 2024	Japan Real Estate Institute

(Note 1) Acquisition price and sale price indicate contracted amount of the property in the purchase and sale agreement, etc. excluding related expenses (brokerage fees, taxes, etc.) incurred on the acquisition or sale of such property.

(Note 2) The above appraisals were evaluated by applying the “Real Estate Appraisal Standards, Chapter 3: Valuation for price of real estate for securitization.”

(2) Transaction of securities

Not applicable.

(3) Other

Name of the party that conducted the investigation

KPMG AZSA LLC

Overview of results and method of the investigation

For the period from January 1, 2024 to December 31, 2024, JHR requested an investigation of eight interest rate swap transaction. Based on Article 201-2 of the Investment Trusts Act, JHR entrusted the investigation to KPMG AZSA LLC with regard to such information as the comparable price, counterparty's name, contract amounts and transaction period, and received a report on the agreed upon procedures as a result of the investigation based on the "Practical Guidelines on the Agreed Upon Procedures for the Investigation into Prices, Etc. of Specified Assets for Investment Trusts and Investment Corporations" (Professional Practice Guidelines 4460) issued by The Japanese Institute of Certified Public Accountants.

This investigation does not constitute a part of the audit of the financial statements, nor provide any assurance or guarantee on the appropriateness of the price or the effectiveness of the internal control system.

4. Transactions with interested parties, etc. (Note 1)

(1) Transactions

(millions of yen)

Category	Price, etc. (Note 2) (Note 3)					
	Acquisition price, etc.		Sale price, etc.		Real estate operating revenue	
Total amount	56,252		-		33,481	
Breakdown of transactions with interested parties, etc.						
Hotel Management Japan Co., Ltd.	-	[-%]	-	[-%]	6,036	[18.0%]
Tokyo Humania Enterprise KK	-	[-%]	-	[-%]	3,005	[9.0%]
Hotel Centraza Co., Ltd.	-	[-%]	-	[-%]	1,951	[5.8%]
KK Osaka Sakurajima Operations	-	[-%]	-	[-%]	1,788	[5.3%]
OW Hotel Operations KK	-	[-%]	-	[-%]	1,248	[3.7%]
Kyoritsu Maintenance Co., Ltd.	-	[-%]	-	[-%]	1,141	[3.4%]
K.K. A.I.C Hiroshima Management	-	[-%]	-	[-%]	1,059	[3.2%]
KK Lagoon Resort Nago	-	[-%]	-	[-%]	1,027	[3.1%]
KK Fukuoka Tenjin Operations	-	[-%]	-	[-%]	776	[2.3%]
KK Narita Kosuge Operations	-	[-%]	-	[-%]	651	[1.9%]
KK Hotel Management	-	[-%]	-	[-%]	546	[1.6%]
KK Narita Yoshikura Operations	-	[-%]	-	[-%]	491	[1.5%]
The Hotelier Group Naha K.K.	-	[-%]	-	[-%]	440	[1.3%]
KK Fukuoka Tenyamachi Operations	-	[-%]	-	[-%]	389	[1.2%]
KK Kyoto Horikawa Operations	-	[-%]	-	[-%]	365	[1.1%]
KK Hotel Oriental Express	-	[-%]	-	[-%]	229	[0.7%]
KK Yokohama Yamashitacho Operations	-	[-%]	-	[-%]	182	[0.5%]
Undisclosed (Note 4)	16,200	[28.8%]	-	[-%]	-	[-%]
Total	16,200	[28.8%]	-	[-%]	21,333	[63.7%]

(Note 1) Interested parties, etc. are the Asset Management Company's interested parties, etc. stipulated in Article 201, paragraph 1 of the Investment Trust Act (hereinafter referred to as "Interested parties, etc."). The amounts in "(1) Transactions" above and "(2) Amounts of fees paid, etc." below include transactions with the Interested parties, etc. as well as major transactions with sponsor-related parties stipulated in the Asset Management Company's company code for transactions with sponsor-related parties, which include 1. Interested parties, etc., 2. The Asset Management Company's shareholders, 3. Companies, etc. that take a 50% or more stake in a shareholder that holds 50% or more of the shares in the Asset Management Company, 4. Companies in which a shareholder of the Asset Management Company have a 50% or more stake, 5. Companies with which the Asset Management Company has concluded an asset management agreement, a discretionary investment agreement or an investment advisory agreement, 6. Entity or persons who ceased to fall under 1. through 5. within 3 months, and 7. Entity or persons who are deemed appropriate by the compliance officer of the Asset Management Company to be treated as sponsor-related parties in light of the company code for transactions with sponsor-related parties and the purpose of these rules.

(Note 2) Acquisition price, etc. and sale price, etc. indicate contracted amounts of the property in the purchase and sale agreement, etc. excluding related expenses (brokerage fees, taxes, etc.) incurred on the acquisition or sale of such property.

(Note 3) The figures in brackets show the ratio of the relevant amount to the total amount, rounded off to one decimal place.

(Note 4) Undisclosed as consent on disclosure has not been obtained from the seller.

(2) Amount of fees paid, etc.

(thousands of yen)

Classification	Total amounts of fees paid, etc. (A)	Breakdown of transactions with interested parties, etc.		Ratio to total amount B/A (%)
		Counter party	Amount of payment (B)	
Outsourcing expenses (Note)	473,699	Hotel Management Japan Co., Ltd.	5,760	1.2
		Tokyo Humania Enterprise KK	120	0.0

(Note) Includes base fees under the property management agreement as well as outsourcing expenses related to routine maintenance and management of buildings and facilities and management contract fees, etc.

5. Transactions with the Asset Management Company in other businesses of the Asset Management Company

The Asset Management Company does not concurrently conduct any of the class 1 financial instruments transaction business, class 2 financial instruments transaction business, building lots and buildings transaction business, or real estate specified joint enterprise business, and there are no applicable transactions.

Financial information

(1) Assets, liabilities, equity, and profit and loss

For the status of assets, liabilities, equity (contribution), and profit and loss, please refer to “Balance Sheets,” “Statements of Income,” “Statements of Changes in Net Assets,” and “Notes to Financial Statements.”

(2) Changes in calculation method of depreciation

Not applicable.

(3) Changes in evaluation method of real estate, etc. and infrastructure assets, etc.

Not applicable

Status of beneficiary certificates of investment trusts set up by asset management company, etc.

Japan Hotel REIT Advisors Co., Ltd., the asset management company of JHR, has acquired JHR’s investment units as indicated below.

(1) Status of acquisition, etc.

Date	Number of units acquired (units)	Number of units disposed (units)	Number of units held (units)
Accumulated total	—	—	3,700

(2) Status of holding units, etc.

		Number of units held at end of period (units)	Total investment at end of period (JPY thousands) (Note 1)	Ratio to total units issued (%) (Note 2)	(Reference) Total number of units issued at end of period (units)
21st fiscal period	From January 1, 2020 to December 31, 2020	3,700	305,571	0.08	4,462,347
22nd fiscal period	From January 1, 2021 to December 31, 2021	3,700	305,571	0.08	4,467,006
23rd fiscal period	From January 1, 2022 to December 31, 2022	3,700	305,571	0.08	4,467,006
24th fiscal period	From January 1, 2023 to December 31, 2023	3,700	305,571	0.07	4,637,006
25th fiscal period	From January 1, 2024 to December 31, 2024	3,700	305,571	0.07	5,097,006

(Note 1) Total investment at the end of the period indicates the acquisition price.

(Note 2) Ratio to total units issued is percentage of investment units held at the end of the period to the total investment units issued at the end of the period and is rounded down to second decimal place.

Other

(1) Announcements

The following shows the summary of major conclusions, changes, etc. of the principal agreements that were approved or reported at meetings of JHR's Board of Directors during the fiscal period under review.

Approval date	Item	Summary
June 27, 2024	Conclusion of an underwriting agreement for new investment units in association with the issuance of new investment units	Due to the issuance of new investment units, general administration for offering the investment units in Japan was entrusted to SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., and Daiwa Securities Co. Ltd. Moreover, general administration for offering the investment units overseas was entrusted to SMBC Nikko Capital Markets Limited, Mizuho International plc, Daiwa Capital Markets Europe Limited and Goldman Sachs International as joint lead managers for the overseas offering.

(2) Status, etc. of corporation owning foreign real estate

Not applicable.

(3) Status, etc. of real estate owned by foreign real property holding corporations

Not applicable.

(4) Other

Unless otherwise noted, amounts and ratios in this report are rounded down and rounded off to the stated unit, respectively.

II. FINANCIAL STATEMENTS

JAPAN HOTEL REIT INVESTMENT CORPORATION

Balance Sheets

As of December 31, 2024 and 2023

	<i>Thousands of yen</i>	
	As of December 31, 2024	As of December 31, 2023
ASSETS		
Current assets:		
Cash and deposits	¥ 22,933,399	¥ 17,693,462
Cash and deposits in trust	13,095,721	10,821,626
Operating accounts receivable	6,045,486	4,850,631
Prepaid expenses	784,753	626,308
Income taxes receivable	450	38
Derivative assets (<i>Notes 6 and 19</i>)	51,924	1,499
Other current assets	77,567	56,376
Total current assets	42,989,303	34,049,942
Property and equipment, at cost (<i>Notes 18 and 20</i>):		
Machinery and equipment	1,106,862	949,797
Tools, furniture and fixtures	8,067,457	6,865,827
Construction in progress	9,116	11,434
Buildings in trust (<i>Note 15</i>)	167,775,037	152,039,254
Structures in trust	3,707,056	3,058,840
Machinery and equipment in trust	869,784	793,859
Tools, furniture and fixtures in trust	129,718	129,718
Land in trust	283,826,532	237,641,649
Construction in progress in trust	310,797	120,897
	465,802,363	401,611,278
Less: Accumulated depreciation	(46,599,609)	(41,530,102)
Net property and equipment	419,202,753	360,081,175
Intangible assets (<i>Note 20</i>):		
Software	185,267	226,128
Trademark rights	299,142	355,231
Leasehold rights in trust	27,324,752	27,324,752
Fixed-term leasehold rights in trust	4,225,172	4,360,378
Other intangible assets	3,881	4,561
Total intangible assets	32,038,215	32,271,051
Other assets:		
Security deposits	12,520	12,520
Leasehold and security deposits in trust	139,668	139,668
Long-term prepaid expenses	2,972,175	2,565,747
Derivative assets (<i>Notes 6 and 19</i>)	1,033,701	398,477
Reserve fund for repairs and maintenance	291,801	300,469
Investment unit issuance costs	184,303	40,379
Investment corporation bond issuance costs	66,343	95,957
Total other assets	4,700,514	3,553,220
Total assets	¥ 498,930,787	¥ 429,955,390

(Continued)

JAPAN HOTEL REIT INVESTMENT CORPORATION

Balance Sheets

As of December 31, 2024 and 2023

	<i>Thousands of yen</i>	
	As of December 31, 2024	As of December 31, 2023
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Operating accounts payable	¥ 1,942,107	¥ 2,506,632
Short-term loans payable (Note 7)	1,000,000	15,568,000
Current portion of investment corporation bonds (Notes 6 and 8)	2,800,000	3,000,000
Current portion of long-term loans payable (Notes 6, 7 and 19)	30,000,000	21,521,000
Accrued expenses	763,229	659,264
Income taxes payable	1,210	1,210
Consumption taxes payable	800,314	470,254
Advances received	868,275	764,638
Dividends payable	10,275	3,634
Deposits received	32,290	9,966
Derivative liabilities (Notes 6 and 19)	—	2,626
Other current liabilities	63,203	77,816
Total current liabilities	38,280,906	44,585,044
Long-term liabilities:		
Investment corporation bonds (Notes 6 and 8)	31,100,000	33,900,000
Long-term loans payable (Notes 6, 7 and 19)	140,331,000	101,242,000
Tenant leasehold and security deposits	1,040,520	1,040,520
Tenant leasehold and security deposits in trust	4,092,485	3,739,687
Derivative liabilities (Notes 6 and 19)	—	1,951
Deferred tax liabilities (Note 16)	341,537	125,832
Asset retirement obligations (Note 9)	341,696	340,051
Total long-term liabilities	177,247,240	140,390,042
Total liabilities	215,528,147	184,975,086
Net assets (Note 10):		
Unitholders' equity:		
Unitholders' capital		
Units authorized: 20,000,000 units		
Units issued and outstanding; 5,097,006 units as of December 31, 2024 and 4,637,006 units as of December 31, 2023		
Surplus:		
Capital surplus	21,746,398	21,746,398
Voluntary reserve:		
Reserve for temporary difference adjustment (Note 11)	8,754,629	9,600,013
Reserve for advanced depreciation	1,174,860	1,174,860
Total voluntary reserve	9,929,490	10,774,874
Unappropriated retained earnings	18,273,964	13,137,051
Total surplus	49,949,853	45,658,325
Total unitholders' equity	282,658,552	244,710,204
Valuation and translation adjustments:		
Deferred gains (losses) on hedges (Note 19)	744,087	270,099
Total valuation and translation adjustments	744,087	270,099
Total net assets	283,402,640	244,980,303
Total liabilities and net assets	¥ 498,930,787	¥ 429,955,390

See notes to financial statements.

JAPAN HOTEL REIT INVESTMENT CORPORATION
Statements of Income
For the years ended December 31, 2024 and 2023

	<i>Thousands of yen</i>	
	For the year ended December 31, 2024	For the year ended December 31, 2023
Operating revenue:		
Real estate operating revenue (<i>Note 12</i>)	¥ 32,389,622	¥ 25,503,799
Other real estate operating revenue (<i>Note 12</i>)	1,091,575	1,070,755
Total operating revenue	<u>33,481,197</u>	<u>26,574,555</u>
Operating expenses:		
Real estate operating costs (<i>Note 12</i>)	10,322,705	9,466,357
Asset management fee	2,031,462	1,745,752
Asset custody and administrative service fee	119,695	117,832
Directors' compensation	17,400	17,700
Other operating expenses	210,018	212,405
Total operating expenses	<u>12,701,283</u>	<u>11,560,047</u>
Operating income	20,779,914	15,014,507
Non-operating income:		
Interest income	2,941	253
Gain on forfeiture of unclaimed dividends	949	3,890
Gain on insurance claims	191	—
Interest on tax refunds	217	40
Gain on derivative instruments	532	3,298
Total non-operating income	<u>4,832</u>	<u>7,483</u>
Non-operating expenses:		
Interest expense	1,305,347	868,687
Interest expense on investment corporation bonds	278,327	282,254
Borrowing costs	838,112	681,764
Amortization of investment corporation bond issuance costs	29,613	30,844
Amortization of investment unit issuance costs	47,401	8,543
Loss on derivative instruments	—	3,135
Other	12,879	11,488
Total non-operating expenses	<u>2,511,681</u>	<u>1,886,717</u>
Ordinary income	18,273,065	13,135,273
Extraordinary income:		
Subsidy income (<i>Note 13</i>)	213,025	7,972
Total extraordinary income	<u>213,025</u>	<u>7,972</u>
Extraordinary loss:		
Loss on advanced depreciation of property and equipment (<i>Note 14</i>)	212,779	7,915
Total extraordinary loss	<u>212,779</u>	<u>7,915</u>
Income before income taxes	18,273,311	13,135,330
Income taxes (<i>Note 16</i>):		
Current	1,210	1,210
Total income taxes	<u>1,210</u>	<u>1,210</u>
Net income	<u>18,272,101</u>	<u>13,134,120</u>

See notes to financial statements.

JAPAN HOTEL REIT INVESTMENT CORPORATION
Statements of Changes in Net Assets
For the years ended December 31, 2024 and 2023

	<i>Thousands of yen</i>						
	Unitholders' equity						
	Surplus						
	Unitholders' capital	Capital surplus	Voluntary reserve			Unappropriated retained earnings	Total surplus
Reserve for temporary difference adjustment			Reserve for advanced depreciation	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
Changes of items during the year:							
Issuance of new investment units	11,857,670	—	—	—	—	—	—
Reversal of reserve for temporary difference adjustment	—	—	(376,501)	—	(376,501)	376,501	—
Dividends paid	—	—	—	—	—	(3,046,498)	(3,046,498)
Net income	—	—	—	—	—	13,134,120	13,134,120
Net changes in items other than unitholders' equity	—	—	—	—	—	—	—
Total changes in amount during the year	11,857,670	—	(376,501)	—	(376,501)	10,464,123	10,087,622
Balance, December 31, 2023	¥ 199,051,879	¥ 21,746,398	¥ 9,600,013	¥ 1,174,860	¥ 10,774,874	¥ 13,137,051	¥ 45,658,325
Changes of items during the year:							
Issuance of new investment units	33,656,820	—	—	—	—	—	—
Reversal of reserve for temporary difference adjustment	—	—	(845,384)	—	(845,384)	845,384	—
Dividends paid	—	—	—	—	—	(13,980,573)	(13,980,573)
Net income	—	—	—	—	—	18,272,101	18,272,101
Net changes in items other than unitholders' equity	—	—	—	—	—	—	—
Total changes in amount during the year	33,656,820	—	(845,384)	—	(845,384)	5,136,912	4,291,528
Balance, December 31, 2024	¥ 232,708,699	¥ 21,746,398	¥ 8,754,629	¥ 1,174,860	¥ 9,929,490	¥ 18,273,964	¥ 49,949,853

	<i>Thousands of yen</i>			
	Unitholders' equity	Valuation and translation adjustments		Total net assets
		Total unitholders' equity	Deferred gains (losses) on hedges	
	Balance, January 1, 2023	¥ 222,764,911	¥ 809,661	¥ 809,661
Changes of items during the year:				
Issuance of new investment units	11,857,670	—	—	11,857,670
Reversal of reserve for temporary difference adjustment	—	—	—	—
Dividends paid	(3,046,498)	—	—	(3,046,498)
Net income	13,134,120	—	—	13,134,120
Net changes in items other than unitholders' equity	—	(539,561)	(539,561)	(539,561)
Total changes in amount during the year	21,945,292	(539,561)	(539,561)	21,405,730
Balance, December 31, 2023	¥ 244,710,204	¥ 270,099	¥ 270,099	¥ 244,980,303
Changes of items during the year:				
Issuance of new investment units	33,656,820	—	—	33,656,820
Reversal of reserve for temporary difference adjustment	—	—	—	—
Dividends paid	(13,980,573)	—	—	(13,980,573)
Net income	18,272,101	—	—	18,272,101
Net changes in items other than unitholders' equity	—	473,988	473,988	473,988
Total changes in amount during the year	37,948,348	473,988	473,988	38,422,336
Balance, December 31, 2024	¥ 282,658,552	¥ 744,087	¥ 744,087	¥ 283,402,640

See notes to financial statements.

JAPAN HOTEL REIT INVESTMENT CORPORATION
Statements of Cash Flows
For the years ended December 31, 2024 and 2023

	<i>Thousands of yen</i>	
	For the year ended December 31, 2024	For the year ended December 31, 2023
Cash flows from operating activities:		
Income before income taxes	¥ 18,273,311	¥ 13,135,330
Depreciation and amortization	5,617,944	5,083,074
Loss on retirement of noncurrent assets	236,895	151,695
(Gain) Loss on derivative instruments	(532)	(163)
Subsidy income	(213,025)	(7,972)
Loss on advanced depreciation of property and equipment	212,779	7,915
Amortization of investment corporation bond issuance costs	29,613	30,844
Amortization of investment unit issuance costs	47,401	8,543
Interest income	(2,941)	(253)
Interest expense	1,583,675	1,150,941
Interest on tax refunds	(217)	(40)
(Increase) decrease in operating accounts receivable	(1,194,855)	(408,098)
(Increase) decrease in prepaid expenses	(158,445)	(141,829)
(Increase) decrease in long-term prepaid expenses	(406,427)	(607,615)
Increase (decrease) in operating accounts payable	(236,909)	234,581
Increase (decrease) in accrued expenses	112,480	86,183
Increase (decrease) in consumption taxes payable	330,059	71,452
Increase (decrease) in advances received	103,636	100,441
Increase (decrease) in deposits received	22,324	7,373
Other	(7,784)	31,404
Subtotal	24,348,984	18,933,808
Interest received	2,941	247
Interest paid	(1,592,184)	(1,148,257)
Interest received on tax refunds	217	40
Income taxes – refunded (paid)	(1,621)	(1,207)
Net cash provided by operating activities	22,758,337	17,784,631
Cash flows from investing activities:		
Purchase of property and equipment	(1,747,680)	(982,573)
Purchase of property and equipment in trust	(63,439,292)	(37,589,514)
Purchase of intangible assets	(75,007)	(67,279)
Payments of reserve fund for repairs and maintenance	(40,625)	(40,625)
Proceeds from tenant leasehold and security deposits in trust	363,897	230,434
Repayment of tenant leasehold and security deposits in trust	(11,098)	(110,414)
Subsidies received	213,025	7,972
Net cash used in investing activities	¥ (64,736,782)	¥ (38,551,999)

(Continued)

JAPAN HOTEL REIT INVESTMENT CORPORATION
Statements of Cash Flows
For the years ended December 31, 2024 and 2023

	<i>Thousands of yen</i>	
	For the year ended December 31, 2024	For the year ended December 31, 2023
Cash flows from financing activities:		
Proceeds from short-term loans payable	¥ 1,800,000	¥ 15,568,000
Repayments of short-term loans payable	(16,368,000)	(35,113,000)
Proceeds from long-term loans payable	69,089,000	45,977,000
Repayments of long-term loans payable	(21,521,000)	(15,432,000)
Repayments of investment corporation bond	(3,000,000)	—
Proceeds from issuance of investment units	33,465,493	11,812,912
Dividends paid	(13,973,015)	(3,045,523)
Net cash provided by (used in) financing activities	<u>49,492,477</u>	<u>19,767,389</u>
Net increase (decrease) in cash and cash equivalents	7,514,032	(999,978)
Cash and cash equivalents at beginning of year	28,515,088	29,515,066
Cash and cash equivalents at end of year (<i>Note 5</i>)	<u>¥ 36,029,120</u>	<u>¥ 28,515,088</u>

See notes to financial statements.

JAPAN HOTEL REIT INVESTMENT CORPORATION
Notes to Financial Statements
For the years ended December 31, 2024 and 2023

1. Organization and Basis of Presentation

a. Organization

Japan Hotel REIT Investment Corporation (“JHR”), formerly known as Nippon Hotel Fund Investment Corporation (the “Former NHF”), was established under the Act on Investment Trusts and Investment Corporations (the “Investment Trust Act”) on November 10, 2005 and was listed on the Real Estate Investment Trust (“REIT”) Section on the Tokyo Stock Exchange (Securities code: 8985) on June 14, 2006. JHR is externally managed by a licensed asset management company, Japan Hotel REIT Advisors Co., Ltd. (hereinafter referred to as the “Asset Management Company”).

Focusing on the importance of hotels as social infrastructure and their profitability as investment real estate properties, JHR has primarily invested in real estate related assets which are in themselves wholly or partially used as hotels or real estate equivalents of such real estate or which are backed by such real estate or real estate equivalents.

In the fiscal period ended December 31, 2012, the Former NHF, as the surviving entity, merged with Japan Hotel and Resort, Inc. (the “Former JHR”), as the dissolved entity, with an effective date of April 1, 2012 (the “Merger”). In conjunction with the Merger, the Former NHF changed its name to Japan Hotel REIT Investment Corporation.

Through the Merger, nine properties held by the Former JHR were succeeded by JHR. Since the Merger, 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 through the end of the fiscal period under review. As of the end of the fiscal period under review, JHR had a portfolio of 51 properties with a total acquisition price of ¥453,171 million, and the total number of investment units issued and outstanding stood at 5,097,006 units.

b. Basis of presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and their related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been reformatted and translated into English (with certain reclassifications and expanded descriptions) from the financial statements of JHR prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language financial statements, but not necessarily required for fair presentation, is not presented in the accompanying financial statements. JHR has not prepared consolidated financial statements, as JHR has no consolidating subsidiaries or entities.

As permitted by the regulations under the Financial Instruments and Exchange Law of Japan, the amounts are rounded down to the nearest thousands or millions. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

a. Cash and cash equivalents

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.

b. Property and equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over their estimated useful lives. The useful lives of major property and equipment components are as follows:

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

c. Intangible assets

Intangible assets are stated at cost and amortized using the straight-line method. The amortization period of major intangible assets is as follows.

Software (internal use):	5 years
Trademark rights:	10 years

Fixed-term leasehold rights in trust: 41 years (remaining contractual period at the time of acquisition)
Leasehold rights in trust are intangible assets with indefinite useful lives.

d. Investment unit issuance costs

Investment unit issuance costs are capitalized and amortized using the straight-line method over three years.

e. Investment corporation bond issuance costs

Investment corporation bond issuance costs are capitalized and amortized using the effective interest rate method over the respective term of the bond.

f. Revenue from contracts with customers

The details of main performance obligations concerning revenue generated from contracts with JHR's customers and the ordinary time to fulfil the performance obligations (ordinary time to recognize revenue) are as follows.

(1) 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 "Costs of sale of properties," which is the book value of real estate properties, etc. sold, and "Other selling expenses," which are the various expenses directly required in the sale, from "Proceeds from sale of properties," which are the sales proceeds of real estate properties, etc., is indicated as "Gain on sale of real estate properties" or "Loss on sale of real estate properties" in the statements of income. There is no gain or loss on sale of real estate properties for the fiscal year under review and the previous fiscal year.

(2) 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.

g. Taxes on property and equipment

Taxes imposed on properties such as property taxes, city planning taxes, and depreciable asset taxes are allocated to the respective reporting period and expensed as "Real estate operating costs." Cash paid for those properties related taxes to the seller of real properties 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.

h. Derivatives and hedging activities

JHR enters into certain derivative transactions in accordance with its financial policy in order to manage risks, which are defined in the Articles of Incorporation, mainly arising from adverse fluctuations in interest rates on loans payable. Derivative financial instruments are carried at fair value with changes in the unrealized gain or loss charged or credited to earnings, except for those which meet the criteria for hedge accounting in which case the unrealized gain or loss is deferred as a component of net assets.

JHR evaluates hedge effectiveness by comparing the cumulative changes in cash flow of a hedging instrument and a hedged item and assessing the ratio between the changes.

i. Beneficial interests of real estate in trust

For beneficial interests of real estate in trust, 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 relevant balance sheet and statement of income accounts.

3. Significant Accounting Estimates

Valuation of noncurrent assets

a. Amounts recorded in the financial statements

	<i>Thousands of yen</i>	
	For the year ended December 31, 2024	For the year ended December 31, 2023
Property and equipment	¥ 419,202,753	¥ 360,081,175
Intangible assets	32,038,215	32,271,051
Impairment loss	—	—

b. 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, each property owned by JHR is 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 determined 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.

4. Accounting Standards Issued but Not Yet Applied

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Overview

As part of its efforts to ensure global consistency of Japanese GAAP, the ASBJ deliberated to develop accounting standards for leases to recognize assets and liabilities for all leases held by a lessee, taking into consideration the international accounting standards. As a result, the ASBJ issued the Accounting Standard for Leases, etc. that adopts only the key provisions of IFRS 16 that is based on the single accounting model. The new standards aim to be simple and practical, and at the same time to make it unnecessary for a company that voluntarily adopts IFRS for its consolidated financial statements to adjust non-consolidated financial statements under Japanese GAAP even if IFRS 16 is applied to those financial statements.

Regarding the lessee’s accounting, consistent with IFRS 16, regardless of whether the lease is classified as a finance lease or an operating lease, a single accounting model is applied to all leases for allocating lease expenses to the depreciation associated with the right-of-use assets and the amount equivalent to the interest on the lease liabilities.

(2) Scheduled date of application

The above standards will be applied from the beginning of the fiscal period ending December 31, 2028.

(3) Impact of applying the accounting standards

The impact on the financial statements of applying the standards, etc. is currently under evaluation.

5. Cash Flow Information

Cash and cash equivalents as of December 31, 2024, and 2023 in the statements of cash flows consisted of the following:

	<i>Thousands of yen</i>	
	As of December 31, 2024	As of December 31, 2023
Cash and deposits	¥ 22,933,399	¥ 17,693,462
Cash and deposits in trust	13,095,721	10,821,626
Cash and cash equivalents	<u>¥ 36,029,120</u>	<u>¥ 28,515,088</u>

6. Financial Instruments

a. Status of financial instruments

(1) Policy for financial instruments

JHR is an investment corporation set forth in Article 2, paragraph 12 of the Investment Trust Act, managing investments mainly in specified assets as prescribed in the Investment Trust 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 customers. As for the risks, JHR is managing payment dates and balances by each customer with an aim to grasp concerns in collecting due to deterioration in their financial status and other factors at an early stage and reduce the risks.

The variable rate loans payable are exposed to risks of interest rate fluctuations. In order to mitigate interest rate risks, JHR may enter into derivative transactions, if it is judged that fixing interest payment is necessary.

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 finance section of 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 policy and resolution of JHR's board of directors.

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

b. Fair value of financial instruments

Carrying amounts of financial instruments on the balance sheets, their fair values, and the differences as of December 31, 2024 and 2023 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.

<i>Thousands of yen</i>			
As of December 31, 2024			
	Carrying amount	Fair value	Difference
(i) Current portion of investment corporation bonds	¥ 2,800,000	¥ 2,779,840	¥ (20,160)
(ii) Current portion of long-term loans payable	30,000,000	29,999,854	(145)
(iii) Investment corporation bonds	31,100,000	29,005,280	(2,094,720)
(iv) Long-term loans payable	140,331,000	140,297,827	(33,172)
Total	<u>204,231,000</u>	<u>202,082,802</u>	<u>(2,148,197)</u>
(v) Derivative transactions (*)	<u>¥ 1,085,625</u>	<u>¥ 1,085,625</u>	<u>¥ —</u>

<i>Thousands of yen</i>			
As of December 31, 2023			
	Carrying amount	Fair value	Difference
(i) Current portion of investment corporation bonds	¥ 3,000,000	¥ 2,973,700	¥ (26,300)
(ii) Current portion of long-term loans payable	21,521,000	21,521,000	—
(iii) Investment corporation bonds	33,900,000	31,371,760	(2,528,240)
(iv) Long-term loans payable	101,242,000	101,242,000	—
Total	<u>159,663,000</u>	<u>157,108,460</u>	<u>(2,554,540)</u>
(v) Derivative transactions (*)	<u>¥ 395,399</u>	<u>¥ 395,399</u>	<u>¥ —</u>

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

Notes:

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

(i) Current portion of investment corporation bonds, (iii) Investment corporation bonds
The fair value of these instruments is measured based on the market price.

(ii) Current portion of long-term loans payable, (iv) 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.

(v) Derivative transactions
The information on the fair value of derivative transactions is disclosed in Note 19.

(2) Schedule for redemption of investment corporation bonds and repayment of long-term loans payable as of December 31, 2024 and 2023.

<i>Thousands of yen</i>						
As of December 31, 2024	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	<u>¥ 32,800,000</u>	<u>¥ 25,280,000</u>	<u>¥ 32,225,000</u>	<u>¥ 36,500,000</u>	<u>¥ 32,737,000</u>	<u>¥ 44,689,000</u>

<i>Thousands of yen</i>						
As of December 31, 2023	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	<u>¥ 24,521,000</u>	<u>¥ 21,800,000</u>	<u>¥ 25,280,000</u>	<u>¥ 27,175,000</u>	<u>¥ 36,500,000</u>	<u>¥ 24,387,000</u>

7. Short-Term and Long-Term Loans Payable

Short-term and long-term loans payable as of December 31, 2024 and 2023 consisted of the following:

	Maturity date	Thousands of yen	
		As of	As of
		December 31, 2024	December 31, 2023
		Amount	
Short-term loans payable:			
0.47% Unsecured loan, payable in a lump-sum at maturity	January 31, 2024	¥ —	¥ 800,000
0.46% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	—	14,768,000
0.61% Unsecured loan, payable in a lump-sum at maturity	November 20, 2025	1,000,000	—
Sub-total		1,000,000	15,568,000
Long-term loans payable:			
0.77% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	—	2,100,000
0.77% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	—	2,536,000
0.66% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	—	800,000
0.57% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	—	500,000
0.74% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	9,500,000	9,500,000
0.56% Unsecured loan, payable in a lump-sum at maturity	September 30, 2024	—	1,300,000
0.56% Unsecured loan, payable in a lump-sum at maturity	September 30, 2024	—	2,000,000
0.59% Unsecured loan, payable in a lump-sum at maturity	September 30, 2024	—	700,000
0.71% Unsecured loan, payable in a lump-sum at maturity	September 30, 2024	—	500,000
0.85% Unsecured loan, payable in a lump-sum at maturity	September 30, 2026	4,250,000	4,250,000
0.73% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	1,000,000	1,000,000
0.68% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	700,000	700,000
0.75% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	500,000	500,000
0.73% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	500,000	500,000
0.73% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	500,000	500,000
0.73% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	1,000,000	1,000,000
0.68% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	300,000	300,000
0.65% Unsecured loan, payable in a lump-sum at maturity	March 31, 2025	2,550,000	2,550,000
0.57% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	—	4,000,000
0.65% Unsecured loan, payable in a lump-sum at maturity	March 31, 2025	2,450,000	2,450,000
0.95% Unsecured loan, payable in a lump-sum at maturity	September 30, 2027	3,900,000	3,900,000
0.38% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	—	2,500,000
0.72% Unsecured loan, payable in a lump-sum at maturity	March 31, 2027	7,500,000	7,500,000
0.82% Unsecured loan, payable in a lump-sum at maturity	March 31, 2028	18,000,000	18,000,000
0.23% Unsecured loan, payable in a lump-sum at maturity	September 30, 2024	—	1,600,000
0.68% Unsecured loan, payable in a lump-sum at maturity	September 30, 2027	5,600,000	5,600,000
0.58% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	—	2,985,000
0.82% Unsecured loan, payable in a lump-sum at maturity	January 30, 2026	2,526,000	2,526,000
0.82% Unsecured loan, payable in a lump-sum at maturity	March 31, 2026	1,454,000	1,454,000
0.92% Unsecured loan, payable in a lump-sum at maturity	March 31, 2028	1,000,000	1,000,000
0.82% Unsecured loan, payable in a lump-sum at maturity	June 30, 2026	3,250,000	3,250,000
0.72% Unsecured loan, payable in a lump-sum at maturity	September 30, 2026	700,000	700,000
0.82% Unsecured loan, payable in a lump-sum at maturity	September 27, 2028	6,300,000	6,300,000
0.72% Unsecured loan, payable in a lump-sum at maturity	September 30, 2027	9,275,000	9,275,000
0.87% Unsecured loan, payable in a lump-sum at maturity	September 28, 2029	10,687,000	10,687,000
0.72% Unsecured loan, payable in a lump-sum at maturity	March 31, 2027	900,000	900,000
0.87% Unsecured loan, payable in a lump-sum at maturity	September 28, 2029	2,900,000	2,900,000
0.72% Unsecured loan, payable in a lump-sum at maturity	September 29, 2028	1,200,000	1,200,000
0.77% Unsecured loan, payable in a lump-sum at maturity	September 28, 2029	2,800,000	2,800,000
0.51% Unsecured loan, payable in a lump-sum at maturity	March 31, 2025	3,000,000	—
0.82% Unsecured loan, payable in a lump-sum at maturity	March 31, 2027	1,000,000	—
0.90% Unsecured loan, payable in a lump-sum at maturity	March 31, 2027	4,050,000	—
1.12% Unsecured loan, payable in a lump-sum at maturity	March 30, 2029	4,000,000	—
1.17% Unsecured loan, payable in a lump-sum at maturity	March 30, 2029	800,000	—
1.24% Unsecured loan, payable in a lump-sum at maturity	March 29, 2030	14,839,000	—
1.24% Unsecured loan, payable in a lump-sum at maturity	March 29, 2030	3,300,000	—
0.59% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	8,000,000	—

	Maturity date	Thousands of yen	
		As of	As of
		December 31, 2024	December 31, 2023
		Amount	
Long-term loans payable:			
1.27% Unsecured loan, payable in a lump-sum at maturity	March 30, 2029	1,950,000	—
1.37% Unsecured loan, payable in a lump-sum at maturity	March 29, 2030	5,850,000	—
1.40% Unsecured loan, payable in a lump-sum at maturity	March 29, 2030	500,000	—
1.48% Unsecured loan, payable in a lump-sum at maturity	March 31, 2031	12,700,000	—
1.52% Unsecured loan, payable in a lump-sum at maturity	March 31, 2031	1,000,000	—
1.41% Unsecured loan, payable in a lump-sum at maturity	March 29, 2030	2,000,000	—
1.21% Unsecured loan, payable in a lump-sum at maturity	September 28, 2029	1,600,000	—
1.50% Unsecured loan, payable in a lump-sum at maturity	September 30, 2032	3,100,000	—
1.50% Unsecured loan, payable in a lump-sum at maturity	September 30, 2032	1,400,000	—
Sub-total		170,331,000	122,763,000
Total of short-term and long-term loans payable		¥ 171,331,000	¥ 138,331,000

Stated interest rate, which is a rate per annum, represents the weighted average rate during the year ended December 31, 2024, or the most recent year, based on the number of days and outstanding balance of the loans payable. The interest rate is rounded off to the nearest second decimal place. As JHR has conducted interest rate swap transactions in order to hedge against interest rate fluctuation risks, the interest rate of loans subject to such interest rate swap transactions is presented as the rate obtained by taking into account the effect of interest rate swaps (interest rate fixation), rounded off to second decimal places.

8. Investment Corporation Bonds

Investment corporation bonds as of December 31, 2024 and 2023 consisted of the following:

	Thousands of yen	
	As of	As of
	December 31, 2024	December 31, 2023
Unsecured 6th investment corporation bond at interest rate of 0.935%, due on March 19, 2026	¥ 3,000,000	¥ 3,000,000
Unsecured 7th investment corporation bond at interest rate of 0.600%, due on November 27, 2026	9,000,000	9,000,000
Unsecured 8th investment corporation bond at interest rate of 0.600%, due on November 27, 2026	1,100,000	1,100,000
Unsecured 9th investment corporation bond at interest rate of 0.530%, due on November 22, 2024	—	1,000,000
Unsecured 10th investment corporation bond at interest rate of 0.840%, due on February 21, 2028	10,000,000	10,000,000
Unsecured 11th investment corporation bond at interest rate of 0.854%, due on June 14, 2029	8,000,000	8,000,000
Unsecured 12th investment corporation bond (green bonds) at interest rate of 0.400%, due on July 31, 2024	—	2,000,000
Unsecured 13th investment corporation bond at interest rate of 1.00%, due on September 19, 2025	2,800,000	2,800,000
Total	¥ 33,900,000	¥ 36,900,000

9. Asset Retirement Obligations

a. Outline of the asset retirement obligations

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

b. Calculation method of the asset retirement obligations

JHR calculated the amount of asset retirement obligations by estimating the expected periods of use of 34 years based on the remaining useful lives of the related buildings and using the discount rates of 0.484%.

c. Changes in the total amount of the asset retirement obligations

	Thousands of yen	
	For the year ended	For the year ended
	December 31, 2024	December 31, 2023
Balance at beginning of year	¥ 340,051	¥ 338,413
Adjustment due to accretion expense	1,645	1,637
Balance at end of year	¥ 341,696	¥ 340,051

10. Net Assets

JHR maintains at least ¥50,000 thousand as the minimum net assets as required by the Investment Trust Act.

Dividends and other movements in unappropriated retained earnings related to each period that were decided after the balance sheet date are summarized as follows:

	<i>Yen</i>				
	For the year ended December 31, 2024			For the year ended December 31, 2023	
	Total	Per unit		Total	Per unit
I Unappropriated retained earnings	¥ 18,273,964,433			¥ 13,137,051,848	
II Reversal of voluntary reserve					
Reversal of reserve for temporary difference adjustment (*)	¥ 1,795,584,763	¥ 352		¥ 845,384,544	¥ 182
III Dividends	¥ 20,066,912,622	¥ 3,937		¥ 13,980,573,090	¥ 3,015
IV Retained earnings carried forward (I+II-III)	¥ 2,636,574			¥ 1,863,302	

Note:

- (*) JHR applied the transitional measures of Paragraph 3 of the Supplementary Provisions of the “Ordinance on Accounting of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015) from the fiscal period ended December 31, 2016. As a result, ¥13,127,153,216 of the dividend reserve, representing the remaining balance of the gain on negative goodwill recorded in a prior fiscal period, was transferred to the “Reserve for temporary difference adjustment” account through the appropriation of profit for the year ended December 31, 2016. Starting from the year ended December 31, 2017, JHR plans to reverse the reserve every year in an amount that shall be at least 2% of the transferred amount (¥262,543,065) but not exceeding the remaining amount of the reserve at that point in conformity with applicable rules and regulations.
- For the year ended December 31, 2024, reversal of reserve for temporary difference adjustment 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, ¥56,089,150, equivalent to amortization of trademark rights and ¥1,240,000,000, equivalent to compensation for the dilution of the dividend per unit arising from the public offering to ¥262,600,000 of the basic reversal.
- For the year ended December 31, 2023, reversal of reserve for temporary difference adjustment 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, ¥56,089,150, equivalent to amortization of trademark rights and ¥375,000,000, equivalent to compensation for the dilution of the dividend per unit arising from the public offering to ¥262,600,000 of the basic reversal.

11. Provision and Reversal of Reserve for Temporary Difference Adjustment

Changes in the balance of reserve for temporary difference adjustment during the years ended December 31, 2024 and 2023 consisted of the following (thousands of yen):

Source	Original amount	Balance as of January 1, 2024	Provision during the year	Reversal during the year	Balance as of December 31, 2024	Rationale for provision or reversal
Dividend reserve	13,127,153	9,600,013	—	845,384	8,754,629	Allocation for dividend

Source	Original amount	Balance as of January 1, 2023	Provision during the year	Reversal during the year	Balance as of December 31, 2023	Rationale for provision or reversal
Dividend reserve	13,127,153	9,976,515	—	376,501	9,600,013	Allocation for dividend

(Note) See (*) of Note 10 above for further descriptions.

12. Real Estate Operating Revenue and Costs

The components of “Real estate operating revenue” and “Real estate operating costs” for the years ended December 31, 2024 and 2023 were as follows:

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

Notes:

- (*1) Pursuant to management contracts with a certain hotel operator, JHR receives revenue in the amount equivalent to the properties' gross operating profit, or GOP, while it pays management contract fees to the operator. In the event a property's GOP for the relevant period is a negative number, then JHR is required to pay an amount equal to such negative number to the operator. Even though some of the revenue JHR receives under management contracts is variable, it recognizes such revenue as income from management contracts and not as variable rent.
- (*2) Outsourcing expenses include management contract fees of ¥154,688 thousand for the year ended December 31, 2024 and ¥129,402 thousand for the year ended December 31, 2023.

13. 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.

14. Loss on Advanced Depreciation of Property and Equipment

Loss on advanced depreciation of property and equipment represents the amount directly deducted from the acquisition cost upon receipt of subsidies, and the breakdown is as follows:

	<i>Thousands of yen</i>	
	<u>For the year ended December 31, 2024</u>	<u>For the year ended December 31, 2023</u>
Buildings in trust	¥ 212,779	¥ 7,915

15. Advanced Depreciation of Property and Equipment

The accumulated advanced depreciation of property and equipment deducted from acquisition costs due to government subsidies received as of December 31, 2024 and 2023 were as follows:

	<i>Thousands of yen</i>	
	<u>As of December 31, 2024</u>	<u>As of December 31, 2023</u>
Buildings in trust	¥ 230,645	¥ 17,865

16. Income Taxes

Significant components of deferred tax assets and liabilities as of December 31, 2024 and 2023 were as follows:

	<i>Thousands of yen</i>	
	<u>As of December 31, 2024</u>	<u>As of December 31, 2023</u>
Deferred tax assets		
Valuation difference on assets acquired by merger	¥ 1,652,444	¥ 1,660,086
Amortization of fixed-term leasehold rights	376,295	333,759
Asset retirement obligations	32,786	29,177
Amortization of trademark rights	66,171	64,701
Deferred losses on hedges	—	1,272
Subtotal deferred tax assets	2,127,698	2,088,996
Valuation allowance	(2,127,698)	(2,088,996)
Total deferred tax assets	¥ —	¥ —
Deferred tax liabilities		
Deferred gains on hedges	341,537	125,832
Total deferred tax liabilities	¥ 341,537	¥ 125,832

Reconciliation between the effective statutory tax rate and the actual effective tax rate reflected in the accompanying statements of income for the years ended December 31, 2024 and 2023 were as follows:

	<u>For the year ended December 31, 2024</u>	<u>For the year ended December 31, 2023</u>
Effective statutory tax rate	31.46%	31.46%
Deduction for dividends paid	(31.68%)	(31.89%)
Change in valuation allowance	0.22%	0.43%
Other – net	0.01%	0.01%
Actual effective tax rate	0.01%	0.01%

17. Amounts per Unit

Net income per unit for the years ended December 31, 2024 and 2023 were as follows:

	<i>Thousands of yen</i>	<i>Number of units</i>	<i>Yen</i>
	Net income	Weighted- average units	Net income per unit
<u>For the year ended December 31, 2024</u>			
Basic net income per unit - Net income attributable to common unitholders	¥ 18,272,101	4,865,133	¥ 3,755
<u>For the year ended December 31, 2023</u>			
Basic net income per unit - Net income attributable to common unitholders	¥ 13,134,120	4,514,513	¥ 2,909

Notes:

(*1) The computation of net income per unit is based on the weighted-average number of units outstanding during the year.

(*2) Diluted net income per unit is not presented since there are no potentially dilutive units for the years ended December 31, 2024 and 2023.

Net assets per unit as of December 31, 2024 and 2023 were as follows:

	<i>Yen</i>	
	As of December 31, 2024	As of December 31, 2023
Net assets per unit	¥ 55,601	¥ 52,831

18. Leases

As Lessor:

JHR leases its real estate properties to third parties under non-cancellable operating leases. Minimum rental revenue under the non-cancellable operating leases as of December 31, 2024 and 2023 were as follows:

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

19. Derivatives and Hedging Activities

a. Derivative transactions to which hedge accounting is not applied

Derivative transactions to which hedge accounting was not applied as of December 31, 2024 were as follows:

Not Applicable.

Derivative transactions to which hedge accounting was not applied as of December 31, 2023 were as follows:

As of December 31, 2023	Classification	<i>Thousands of yen</i>		
		Contract amount (*1)	Contract amount due after one year	Fair value (*2)
Interest rate swaps (fixed rate payment, variable rate receipt)	Transactions other than market transactions	¥ 1,750,000	—	¥ (532)

b. Derivative transactions to which hedge accounting is applied

Derivative transactions to which hedge accounting was applied as of December 31, 2024 and 2023 were as follows:

As of December 31, 2024	Method of hedge accounting	Hedged item	<i>Thousands of yen</i>		
			Contract amount (*1)	Contract amount due after one year	Fair value (*2)
Interest rate swaps (fixed rate payment, variable rate receipt)	Deferral method	Long-term loans payable	¥ 110,539,000	¥ 92,039,000	¥ 1,085,625

As of December 31, 2023	Method of hedge accounting	Hedged item	<i>Thousands of yen</i>		
			Contract amount (*1)	Contract amount due after one year	Fair value (*2)
Interest rate swaps (fixed rate payment, variable rate receipt)	Deferral method	Long-term loans payable	¥ 70,600,000	¥ 57,750,000	¥ 395,932

Notes:

(*1) The contract amounts of the interest rate swap are presented based on the contracted amount or notional principal amounts on the contract, etc. as of the end of the fiscal period. Also, the contract amounts of derivative transactions do not indicate market risk exposure related to derivative transactions.

(*2) The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

20. Investment and Rental Properties

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

	<i>Thousands of yen</i>			
	Carrying amount			Fair value (*2)
	January 1, 2024	Net increase (decrease) (*1)	December 31, 2024	December 31, 2024
Hotels	¥ 392,339,582	¥ 58,891,642	¥ 451,231,225	¥ 631,040,000

Notes:

(*1) Increase during 2024 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).

(*2) Fair value at end of fiscal period is the appraisal value determined by external licensed real estate appraisers. 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 sold on January 30, 2025, was valued at the sale price.

	<i>Thousands of yen</i>			
	Carrying amount			Fair value (*2)
	January 1, 2023	Net increase (decrease) (*1)	December 31, 2023	December 31, 2023
Hotels	¥ 358,478,812	¥ 33,860,769	¥ 392,339,582	¥ 525,740,000

Notes:

(*1) Increase during 2023 principally due to acquisition of UAN kanazawa (¥2,082,812 thousand), Sotetsu Fresa Inn Shimbashi-Karsumoriguchi (¥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).

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

Real estate operating revenue and costs for the years ended December 31, 2024 and 2023 related to the rental properties were as follows:

	<i>Thousands of yen</i>		
	For the year ended December 31, 2024		
	Real estate operating revenue (*)	Real estate operating costs (*)	Net real estate operating income
Hotels	¥ 33,481,197	¥ 10,322,705	¥ 23,158,492
	<i>Thousands of yen</i>		
	For the year ended December 31, 2023		
	Real estate operating revenue (*)	Real estate operating costs (*)	Net real estate operating income
Hotels	¥ 26,574,555	¥ 9,466,357	¥ 17,108,197

Note:

(*) "Real estate operating revenue" and "Real estate operating costs" are income from real estate operation (including other real estate operating revenue) and corresponding expenses (such as depreciation, property taxes, trust fees, and repairs and maintenance expenses), and are included in "Operating revenue" and "Real estate operating costs," respectively.

21. Revenue from Contracts with Customers

For the years ended December 31, 2024 and 2023

Breakdown information on revenue from contracts with customers

For the breakdown information on revenue from contracts with customers, please refer to Note 12, "Real Estate Operating Revenue and Costs."

Note that the revenues described in the Note 12 include revenues recognized under the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13). The revenues from contracts with customers mainly consists of utilities income.

22. Transactions with Related Parties

For the years ended December 31, 2024 and 2023

a. Parent Company and Major Corporate Unitholders

Not applicable.

b. Affiliates

Not applicable.

c. Sister Companies

Not applicable.

d. Directors and Major Individual Unitholders

Not applicable.

23. Segment Information

a. Segment information

The segment information has been omitted because JHR has only one segment, which is the investment and management business of hotel real estate.

b. Related information

(1) Information about products and services for the years ended December 31, 2024 and 2023

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.

(2) Information about geographical areas for the years ended December 31, 2024 and 2023

(i) Operating revenue

Information about geographical areas has been omitted because operating revenue in Japan accounted for more than 90% of total operating revenue.

(ii) Property and equipment

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.

(3) Information about major customers

<For the year ended December 31, 2024>

<u>Name of customer</u>	<u>Segment</u>	<u>Thousands of yen</u> <u>Operating revenue</u>
Hotel Management Japan Co., Ltd. (Note)	Hotel real estate investment and management	¥ 20,191,696

<For the year ended December 31, 2023>

<u>Name of customer</u>	<u>Segment</u>	<u>Thousands of yen</u> <u>Operating revenue</u>
Hotel Management Japan Co., Ltd. (Note)	Hotel real estate investment and management	¥ 15,888,054

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

24. Subsequent Events

a. 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.

b. 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.

c. New loans

JHR procured funds as follows to finance the acquisition of real estate beneficial interests in trust, as described in “b. 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).



Independent auditor's report

To the Board of Directors of Japan Hotel REIT Investment Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Japan Hotel REIT Investment Corporation (“the Company”), which comprise the balance sheets as at December 31, 2024 and 2023, the statements of income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 24 (Subsequent Events) to the financial statements, which states that the Company sold property, acquired property and conducted new borrowings. Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in the Asset Management Report, but does not include the financial statements and our auditor’s report thereon. Management is responsible for the preparation and presentation of the other information. Supervisory directors are responsible for overseeing the executive director’s performance of his duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the

financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Supervisory directors are responsible for overseeing the executive director's performance of his duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the executive director regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the executive director with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with him all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company are described in “3. Matters regarding officers, etc.” included in “Overview of JHR” of the Asset Management Report.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/Atsunori Sadahiro

Designated Engagement Partner

Certified Public Accountant

/S/Hironori Hashizume

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

April 18, 2025

Notes to the Reader of Independent Auditor’s Report:

This is a copy of the Independent Auditor’s Report and the original copies are kept separately by the Company and KPMG AZSA LLC.