

Asset Management Report

For the Year Ended December 31, 2025

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 26th fiscal period, running from January 1, 2025 to December 31, 2025, and we would like to report on our financial performance and results for the period.

In the hotel market in 2025, leisure demand from both domestic and international visitors remained robust throughout the year, with inbound demand being particularly strong. The number of inbound visitors reached approximately 43 million, representing a significant increase of 33.9% compared with pre-COVID 2019, and 15.8% compared with 2024. Notably, the number of visitors from Europe, the U.S. and Australia, who tend to have longer lengths of stay and higher travel spending, grew substantially, serving as a favorable tailwind that expanded revenue opportunities for JHR.

In light of these market conditions, JHR focused on enhancing the quality of its portfolio. From January to February 2025, it sold Washington Hotel Plaza Hakata, Nakasu for approximately JPY4.6 billion, which had limited potential for rent increases due to an ordinary lease contract with fixed rent only, and acquired Hilton Fukuoka Sea Hawk, a large-scale and highly competitive property, for approximately JPY64.3 billion. The acquisition was funded through asset sales and bank borrowings.

As a result of this initiative, as of the end of December 2025, JHR owned 51 properties, with a total asset size of JPY515.3 billion based on acquisition price.

With respect to internal growth, JHR advanced guestroom renovations through the proactive implementation of strategic capital expenditures (CAPEX), with the aim of increasing ADR (Note 1). In 2025, a comprehensive renovation covering guestrooms, restaurants, and the lobby was carried out at the Okinawa Harborview Hotel, which marked its 50th anniversary since opening, further enhancing the hotel's competitiveness. In addition, as a result of the continued execution of marketing initiatives and sophisticated revenue management, accommodation revenue increased by 14.1% year on year, food and beverage revenue rose by 8.1%, and total revenue grew by 12.1%. Furthermore, supported by the effects of ongoing efforts to reduce operating costs, profit margins also improved (Note 2).

As a result, JHR recorded operating revenue of JPY45,564 million, ordinary income of JPY26,748 million and net income of JPY27,145 million, for the fiscal period under review. Accordingly, dividend per unit was set at JPY5,061. Looking ahead to 2026, we expect the growth trend to continue, supported by steady domestic demand and robust inbound demand. We will continue to proactively capture demand and strive to maximize 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 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.

(Note 2) Revenue figures are based on data from the 28 Hotels with Variable Rent, etc.

JAPAN HOTEL REIT INVESTMENT CORPORATION

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I ASSET MANAGEMENT REPORT

Outline of Asset Management Operation

1. Operating results and financial position, etc.

Fiscal period		22nd period	23rd period	24th period	25th period	26th period
Account closing month		December 2021	December 2022	December 2023	December 2024	December 2025
Operating revenue	JPY1M	13,633	14,912	26,574	33,481	45,564
[Real estate operating revenue]	JPY1M	[10,374]	[14,912]	[26,574]	[33,481]	[43,218]
Operating expenses	JPY1M	10,673	10,616	11,560	12,701	14,511
[Real estate operating costs]	JPY1M	[8,830]	[8,796]	[9,466]	[10,322]	[11,565]
Operating income	JPY1M	2,959	4,296	15,014	20,799	31,052
Ordinary income	JPY1M	1,298	2,672	13,135	18,273	26,748
Net income (Note 1)	JPY1M	1,296	2,671	13,134	18,272	27,145
Total assets	JPY1M	394,323	396,799	429,955	498,930	576,683
[Period-on-period change]	(%)	[(1.5)]	[0.6]	[8.4]	[16.0]	[15.6]
Net assets	JPY1M	221,542	223,574	244,980	283,402	293,114
[Period-on-period change]	(%)	[0.2]	[0.9]	[9.6]	[15.7]	[3.4]
Unitholders' capital	JPY1M	187,194	187,194	199,051	232,708	232,708
Number of investment units issued and outstanding	Units	4,467,006	4,467,006	4,637,006	5,097,006	5,097,006
Net assets per unit	JPY	49,595	50,050	52,831	55,601	57,507
Net income per unit (Note 2)	JPY	290	598	2,909	3,755	5,325
Total dividends	JPY1M	1,634	3,046	13,980	20,066	25,795
Dividend per unit	JPY	366	682	3,015	3,937	5,061
[Earnings dividend per unit]	JPY	[366]	[682]	[3,015]	[3,937]	[5,061]
[Dividend per unit resulted from excess of earnings]	JPY	[—]	[—]	[—]	[—]	[—]
Ratio of ordinary income to total assets (Note 3)	%	0.3	0.7	3.2	3.9	5.0
Return on unitholders' equity (Note 4)	%	0.6	1.2	5.6	6.9	9.4
Ratio of net assets to total assets (Note 5)	%	56.2	56.3	57.0	56.8	50.8
[Period-on-period change]		[0.9]	[0.2]	[0.6]	[(0.2)]	[(6.0)]
Payout ratio (Note 6)	%	126.1	114.0	106.4	109.8	95.0

[Additional information]

NOI (Note 7)	JPY1M	6,366	10,963	22,344	29,014	38,554
FFO per unit (Note 8) (Note 9)	JPY	640	1,683	3,961	4,733	6,141
FFO multiple (Note 9) (Note 10)	Times	87.8	46.0	17.5	14.9	13.3
Debt service coverage ratio (Note 9) (Note 11)	Times	3.4	7.5	17.0	16.3	11.1
Interest-bearing debt	JPY1M	164,754	164,231	175,231	205,231	269,381
Ratio of interest-bearing debt to total assets (Note 12)	%	41.8	41.4	40.8	41.1	46.7
Number of investment properties	Properties	41	41	47	51	51
Total leasable area	m ²	733,995.61	733,995.61	767,700.44	832,486.39	963,054.12
Number of tenants at end of period (Note 13)	Tenants	116	110	117	118	144
Occupancy rate at end of period (Note 14)	%	99.8	99.8	99.8	99.9	99.9
Depreciation and amortization	JPY1M	4,804	4,787	5,083	5,617	6,694
Capital expenditures	JPY1M	3,367	4,497	4,769	6,917	9,572
Number of operating days	Days	365	365	365	366	365

(Note 1) Net income for the 22nd fiscal period includes gain on sale of real estate properties (¥3,258 million). Net income for the 26th fiscal period includes gain on sale of real estate properties (¥2,346 million) and gain on sale of trademark rights (¥398 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 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). For the 26th fiscal period, FFO per unit, FFO multiple and Debt service coverage ratio are calculated excluding gain on sale of real estate properties (¥2,346 million) and extraordinary income (¥398 million).
- (Note 10) $\text{FFO multiple} = \text{Investment unit price at the end of the period} / \text{FFO per unit}$
- (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 end of 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 period 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 period 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 37 properties amounting to ¥429,077 million (acquisition price basis) in total since the Merger through the end of the fiscal period under review. As a result, JHR had a portfolio of 51 properties with a total acquisition price of ¥515,391 million, and the total number of investment units issued and outstanding stood at 5,097,006 units at the end of the fiscal period under review.

(2) Investment performance for the fiscal period under review

Throughout the period under review (the 12-month period from January 1, 2025 to December 31, 2025), the Japanese economy continued to show a gradual recovery trend against a backdrop of factors such as an increase in capital investment and an improvement in the employment situation, although it was also affected by U.S. trade policy.

Regarding the domestic accommodation and tourism market, in addition to strong domestic accommodation demand, the number of foreign visitors to Japan (hereinafter referred to as “inbound visitors”) is estimated to reach 42.68 million in 2025, representing a year-on-year increase of 15.8% according to the Japan National Tourism Organization (JNTO), marking a new record for the highest annual number of inbound visitors. Rumors of a major disaster occurring in Japan in July 2025 led to a temporary decline in inbound visitors, particularly from Hong Kong. Additionally, the Chinese government’s request in November 2025 for its citizens to refrain from traveling to Japan had some impact on inbound visitors from China starting that month. However, the strong trend of inbound demand for Japan itself remained unchanged, and an increase in the number of inbound visitors continued. Moreover, based on the preliminary figures from the Overnight Travel Statistics Survey (Japan Tourism Agency), the number of Japanese overnight guests at domestic accommodations in 2025 was 476 million (down 3.8% year-on-year), showing a steady trend, while the number of foreign overnight guests in 2025 was 177 million (up 7.8% year-on-year), exceeding the previous year’s level. As a result, the total number of overnight guests at domestic accommodation facilities in 2025 was 653 million (down 0.9% year-on-year).

Against this favorable backdrop, JHR sold the Washington Hotel Plaza Hakata, Nakasu (sale price: ¥4,610 million) in January 2025 and acquired the Hilton Fukuoka Sea Hawk (acquisition price: ¥64,350 million) in February 2025. By selling the Washington Hotel Plaza Hakata, Nakasu, which had limited potential for rent increases due to a standard lease agreement with only fixed rent, and acquiring the Hilton Fukuoka Sea Hawk, a highly competitive hotel in a region where domestic and international leisure demand is expected to grow in the medium to long term, JHR has improved the quality of its portfolio.

For internal growth, JHR has worked to increase revenue by raising average room rates through guest room renovations as well as effective marketing measures and meticulous revenue management to capture high-end domestic and overseas leisure demand, through maintaining close communication with the lessees and operators of each hotel. 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. By implementing strategic CAPEX, which involves selecting hotels with high growth potential and increasing revenue from guest rooms, restaurants, etc., JHR has worked to improve hotel revenue through renovations.

As a result of these initiatives, with regard to the performance of the hotels owned by JHR, the RevPAR (Note 2) of the 28 Hotels with Variable Rent, etc. (Note 1) for the fiscal period under review was ¥18,545 (up 14.3% year-on-year), and GOP (Note 3) was ¥29,497 million (up 16.5% year-on-year), both increasing significantly compared to the previous year.

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

(Note 3) 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.

(3) Funding status

In the fiscal period under review, JHR newly borrowed ¥64,350 million to fund the acquisition of Hilton Fukuoka Sea Hawk in February 2025. For these loans, the maximum period was set at approximately seven years, with the aim of extending the borrowing period and staggering the repayment due dates for the respective loans over that time.

Additionally, JHR borrowed a total of ¥31,000 million to refinance existing loans due for repayment in the fiscal period under review, achieving refinancing through long-term loans with maturities up to nine years. Of this amount, ¥19,400 million was refinanced with green loans. In addition, JHR issued the fourteenth unsecured investment corporation bonds (green bonds) of ¥1,800 million and the fifteenth unsecured investment corporation bonds of ¥800 million in September 2025 to allocate to the redemption of the thirteenth unsecured investment corporation bonds of ¥2,800 million that matured in September 2025, and the remaining amount was covered using cash on hand.

Of the total funds raised, ¥87,350 million was borrowed at fixed interest rates or rates fixed through swap agreements.

Consequently, as of the end of the fiscal period under review, the balance of interest-bearing debt totaled ¥269,381 million, including current portion of long-term loans payable of ¥22,780 million, long-term loans payable of ¥212,901 million, current portion of investment corporation bonds of ¥13,100 million and investment corporation bonds of ¥20,600 million. As a result, the appraisal-based LTV (Note) at the end of the fiscal period under review stood at 35.3%, and the ratio of fixed-interest debt to total interest-bearing debt at the end of the fiscal period under review was at 80.1%.

(Note) Appraisal-based LTV at the end of the fiscal period 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 period under review as the date of appraisal. The same shall apply hereinafter.
The total asset-based LTV at the end of the fiscal period under review is 46.7%.
Total asset-based LTV at the end of the fiscal period 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 period under review are as follows:

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

(4) Financial results

As a result of the abovementioned asset management, for the year under review, JHR recorded operating revenue of ¥45,564 million, operating income of ¥31,052 million, ordinary income of ¥26,748 million, and net income of ¥27,145 million. Furthermore, of the gain on sale of real estate properties, JHR decided to appropriate ¥1,818 million to a reserve for advanced depreciation and retain it internally.

With regard to dividends, it was decided that ¥25,795 million, which excluded fractions of less than one yen of dividend per unit from ¥25,798 million, an amount calculated by deducting the above-mentioned reserve for advanced depreciation of ¥1,818 million and adding a reversal of reserve for temporary difference adjustment (appropriation for dividends) of ¥468 million to unappropriated retained earnings of ¥27,147 million, would all be distributed. Consequently, the dividend per unit came to ¥5,061.

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)				
	22nd period December 2021	23rd period December 2022	24th period December 2023	25th period December 2024	26th period December 2025
Highest price	71,400	81,100	85,700	85,000	91,600
Lowest price	51,600	54,400	65,400	67,100	65,400
Price at end of period	56,200	77,500	69,200	70,600	81,800

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 ¥25,795,947,366. It is the amount reached after excluding fractions of less than one yen of dividend per unit from ¥25,798,412,479, which was calculated by deducting the reserve for advanced depreciation of ¥1,818,000,000 and adding a reversal of reserve for temporary difference adjustment (appropriation for dividends) of ¥468,716,659 to unappropriated retained earnings of ¥27,147,695,820. Consequently, the dividend per unit came to ¥5,061.

Classification	22nd period	23rd period	24th period	25th period	26th period
	(From January 1, 2021 to December 31, 2021)	(From January 1, 2022 to December 31, 2022)	(From January 1, 2023 to December 31, 2023)	(From January 1, 2024 to December 31, 2024)	(From January 1, 2025 to December 31, 2025)
Unappropriated retained earnings	1,300,724,473	2,672,927,976	13,137,051,848	18,273,964,433	27,147,695,820
Retained earnings	1,171,664	2,930,982	1,863,302	2,636,574	2,465,113
Total cash dividends	1,634,924,196	3,046,498,092	13,980,573,090	20,066,912,622	25,795,947,366
[Dividend per unit]	[366]	[682]	[3,015]	[3,937]	[5,061]
Of the above, total earnings dividends	1,634,924,196	3,046,498,092	13,980,573,090	20,066,912,622	25,795,947,366
[Earnings dividend per unit]	[366]	[682]	[3,015]	[3,937]	[5,061]
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 closely monitor factors such as continued price increases and downside risks to the economy due to U.S. trade policy, improvements in the employment and income environment, along with the effects of various government policies, are expected to support a gradual recovery.

With regard to the domestic accommodation and tourism market, domestic accommodation demand is expected to remain strong. Although inbound demand is expected to be affected by trends in China for a certain period, JHR believes that robust inbound demand continues due to the increase in inbound visitors from other countries and regions.

JHR will aim to increase sales in accommodation business by proactively capturing demand in the robust accommodation market, continuing to implement effective marketing initiatives and meticulous revenue management, and capturing domestic and international leisure demand at high average room rates. 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 operators' 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. The renovations of all guest rooms at Oriental Hotel Tokyo Bay, which began in 2023, and at La'gent Stay Sapporo Odori, which began in 2024, were completed in 2025. In addition, at OKINAWA HARBORVIEW HOTEL, a large-scale renovation of the entire hotel, including the pool, guest rooms, and restaurants, has been underway since 2025. Renovations of the guest rooms, restaurants, and other areas (excluding the pool) were completed in 2025, and the pool renovation is scheduled for completion in the first half of 2026. Furthermore, a large-scale renovation of the entire Hilton Tokyo Odaiba is planned from 2026 to 2027. Additionally, at Hilton Fukuoka Sea Hawk, acquired in 2025, renovations of guest rooms, the executive lounge, and other areas are scheduled to begin sequentially from 2026.

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 an active 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.

Amid expectations for further growth in the hotel market, JHR will continue to pay attention to borrowing costs while aiming to maintain a certain ratio of fixed interest rate debt, extend loan maturities, and stagger repayment deadlines. At the same time, JHR will strengthen its financial base by inviting new lenders and appropriately controlling capital expenditures. Regarding LTV, JHR's policy is to control leverage by appraisal-based LTV and to operate with a cap of 40% for the appraisal-based LTV in principle. 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 period 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 Management Association of Japan (formerly 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 period 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 achieved a “3 Stars” in the 2025 GRESB Real Estate Assessment and received a “Green Star” for the eighth 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 January 2025, Kobe Meriken Park Oriental Hotel and Oriental Hotel Tokyo Bay obtained the DBJ Green Building Certification; in August 2025, Oriental Hotel Okinawa Resort & Spa, Hotel Oriental Express Fukuoka Tenjin, and MIMARU Tokyo Shinjuku West obtained the certification; and in December 2025, Hilton Tokyo Bay and Hilton Fukuoka Sea Hawk obtained the certification. With these acquisitions, the number of JHR hotels that have acquired this certification has increased to 10.

■ 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. Under the framework, JHR borrowed ¥4,400 million in March 2025, ¥14,000 million in September 2025, and ¥1,000 million in November 2025 as green loans, and issued ¥1,800 million as green bonds in September 2025. 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.

■ Release of ESG Report

Since March 2023, JHR has been publishing an ESG report annually.

- (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) Acquisition of asset

JHR acquired the following asset on March 13, 2026.

Name of acquired asset	HYATT REGENCY TOKYO
Asset category	Real estate beneficial interest in trust and movable assets associated with the hotel
Asset type	Hotel
Location	2-7-2, Nishi-Shinjuku, Shinjuku-ku, Tokyo
Acquisition date	March 13, 2026
Seller	GK Midtown Tokyo
Acquisition price (Note)	¥126,000 million

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

(2) New loans

JHR conducted new borrowings as follows, in order to partly fund the acquisition of HYATT REGENCY TOKYO as described above in “(1) Acquisition of asset.”

Names of loan	Lenders	Amount of the new loan (JPY1M)	Interest rate (Note)	Borrowing date	Maturity date	Collateral / method of repayment
Term Loan 127	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. SBI Shinsei Bank, Limited Development Bank of Japan Inc. The Chiba Bank, Ltd.	22,000	Base interest rate + 0.250%	March 13, 2026	March 15, 2027	Unsecured and unguaranteed / Lump-sum repayment on the maturity date
Term Loan 128	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. SBI Shinsei Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. Daiwa Next Bank, Ltd.	8,000	Base interest rate + 0.275%	March 13, 2026	March 31, 2028	Unsecured and unguaranteed / Lump-sum repayment on the maturity date
Term Loan 129	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. SBI Shinsei Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. Daiwa Next Bank, Ltd. Kansai Mirai Bank, Limited	10,000	Base interest rate + 0.350%	March 13, 2026	March 29, 2030	Unsecured and unguaranteed / Lump-sum repayment on the maturity date
Term Loan 130	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. SBI Shinsei Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. The Chiba Bank, Ltd. Daiwa Next Bank, Ltd. Kansai Mirai Bank, Limited	25,000	Base interest rate + 0.400%	March 13, 2026	March 31, 2031	Unsecured and unguaranteed / Lump-sum repayment on the maturity date

(Note) The base interest rate to be applied to the calculation period of the interest to be paid on the interest payment date will be JBA Japanese Yen TIBOR for one month 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). However, as to Term Loan 127, the base interest rate to be applied will be JBA Japanese Yen TIBOR for twelve months as of two business days prior to the borrowing date.

(3) Issuance of new investment units

JHR resolved to issue new investment units at the Board of Directors meetings held on February 25, 2026 and March 3, 2026, as outlined below, and payment for the new investment units through domestic public offering and overseas offering was completed on March 9, 2026. With regard to the issuance of new investment units through third-party allotment that was also resolved in the same Board of Directors meetings, the allottee notified JHR that it would not subscribe in whole the planned number of units to be issued. Accordingly, the issuance of new investment units through third-party allotment was cancelled.

(i) Issuance of new investment units (domestic public offering and overseas offering)

Number of investment units issued:	807,000 units
Of which, domestic public offering:	493,911 units
Of which, overseas offering:	313,089 units
Offering price:	¥79,086 per unit
Total offering price:	¥63,822,402,000
Paid-in amount (issue value):	¥76,584 per unit
Total paid-in amount (total issue value):	¥61,803,288,000
Payment date:	March 9, 2026

(ii) Use of the proceeds

The proceeds of ¥61,803,288,000 were allocated to partially fund the acquisition of HYATT REGENCY TOKYO as described in “(1) Acquisition of asset” above.

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 2024		Fiscal year ended December 2025	
		Actual	Comparison with previous year	Actual	Comparison with previous year
Occupancy rate	First half of the year	81.1%	5.2pt	85.2%	4.1pt
	Second half of the year	85.2%	4.3pt	87.8%	2.6pt
	Full year	83.1%	4.8pt	86.5%	3.4pt
ADR (JPY)	First half of the year	18,014	11.0%	20,062	11.4%
	Second half of the year	20,934	9.1%	22,755	8.7%
	Full year	19,518	9.9%	21,440	9.8%
RevPAR (JPY)	First half of the year	14,601	18.6%	17,087	17.0%
	Second half of the year	17,829	15.0%	19,978	12.1%
	Full year	16,224	16.5%	18,545	14.3%
Sales (JPY1M)	First half of the year	31,388	16.1%	36,187	15.3%
	Second half of the year	38,320	15.4%	41,927	9.4%
	Full year	69,708	15.7%	78,114	12.1%
GOP (JPY1M)	First half of the year	10,954	29.4%	12,922	18.0%
	Second half of the year	14,373	16.0%	16,575	15.3%
	Full year	25,326	21.5%	29,497	16.5%

(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	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)	26th period (As of December 31, 2025)
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)	4,467,006	4,467,006	4,637,006	5,097,006	5,097,006
Unitholders' capital (JPY1M)	187,194	187,194	199,051	232,708	232,708
Number of unitholders (Persons)	31,481	27,573	26,648	30,785	40,602

2. Matters regarding investment units

Major unitholders of JHR as of December 31, 2025 were as follows:

Name	Number of units held (Units)	Percentage (Note) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	921,516	18.07
Custody Bank of Japan, Ltd. (Trust Account)	866,985	17.00
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	271,564	5.32
JPMorgan Securities Japan Co., Ltd.	102,250	2.00
BNYM AS AGT/CLTS 10 PERCENT	98,730	1.93
Meiji Yasuda Life Insurance Company	81,387	1.59
STATE STREET BANK AND TRUST COMPANY 505001	78,747	1.54
JP MORGAN CHASE BANK 385781	75,273	1.47
STATE STREET BANK AND TRUST COMPANY 505103	65,221	1.27
Shikoku Railway Company	56,989	1.11
Total	2,618,662	51.37

(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, 2025 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	Akiko Tomiyama (Note 1)	Mimura Komatsu Law Office	3,600
Supervisory Director	Shinsuke Matsumoto (Note 1,2)	Nakamura & Tsunoda & Matsumoto Law Office	600
Supervisory Director	Emiko Suzuki (Note 1,2)	Representative of Emiko Suzuki Accountant Office	600
Independent auditor	KPMG AZSA LLC (Note 3)	–	31,850

(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) Based on the resolution at the 13th General Meeting of Unitholders of JHR held on November 26, 2025, Shinsuke Matsumoto and Emiko Suzuki newly took office as Supervisory Director of JHR as of the same date. Tetsuya Mishiku and Mayumi Umezawa, former Supervisory Director, resigned at the conclusion of the 13th General Meeting of Unitholders held on November 26, 2025. Their total compensation for the business tenure was each ¥3,300 thousand.

(Note 3) Fees paid to the independent auditor include fees for comfort letter preparation in relation with issuance of investment corporation bonds, etc. (¥2,100 thousand). In addition, fees for non-audit services provided by other firms within the same network of the independent auditor are ¥15,800 thousand.

(Note 4) In case the number of Executive Directors does not meet the requirement stipulated by laws and regulations, Hiroyuki Aoki, Director of the Asset Management Company, was newly appointed as Substitute Executive Director, based on the resolution made at the 13th General Meeting of Unitholders of JHR held on November 26, 2025.

(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, 2025 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, 2024		As of December 31, 2025		
				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	Fukuoka	Hilton Fukuoka Sea Hawk	—	—	64,493	11.2	
			Oriental Hotel Fukuoka Hakata Station	8,062	1.6	7,761	1.3	
		Tokyo	Hilton Tokyo Odaiba	62,942	12.6	62,821	10.9	
		Chiba	Oriental Hotel Tokyo Bay	17,390	3.5	17,691	3.1	
			Hilton Tokyo Narita Airport	13,027	2.6	12,978	2.3	
			International Garden Hotel Narita	8,824	1.8	8,682	1.5	
			Hotel Francs	3,226	0.6	3,266	0.6	
		Okinawa	OKINAWA HARBORVIEW HOTEL	22,187	4.4	25,737	4.5	
		Hiroshima	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 4)	16,742	3.4	16,659	2.9	
			Oriental Hotel Hiroshima	3,943	0.8	3,906	0.7	
		Aichi	Hilton Nagoya	15,413	3.1	15,341	2.7	
		Nara	Hotel Nikko Nara	9,980	2.0	9,912	1.7	
		Hyogo	Kobe Meriken Park Oriental Hotel	9,535	1.9	9,466	1.6	
	Kanagawa	Mercure Yokosuka	1,639	0.3	1,663	0.3		
	Subtotal				192,915	38.7	260,383	45.2
	Real estate in trust	Limited-service hotel	Tokyo	MIMARU Tokyo Shinjuku West	10,009	2.0	9,982	1.7
				HOTEL AMANEK Shinjuku-Kabukicho.	9,178	1.8	9,154	1.6
				Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	8,449	1.7	8,435	1.5
				the b ikebukuro	6,593	1.3	6,648	1.2
				CANDEO HOTELS Ueno Koen	6,493	1.3	6,497	1.1
				Comfort Hotel Tokyo Higashi Nihombashi	3,370	0.7	3,399	0.6
				the b hachioji	2,674	0.5	2,653	0.5
				Smile Hotel Nihombashi Mitsukoshimae	2,015	0.4	2,005	0.3
Washington R&B Hotel Ueno-hirokoji (Note 5)				1,789	0.4	1,770	0.3	
Chisun Hotel Kamata				1,454	0.3	1,437	0.2	
the b suidobashi				1,143	0.2	1,148	0.2	
dormy inn EXPRESS Asakusa				908	0.2	915	0.2	
Chisun Inn Keikyu Kamata(Note 6)				768	0.2	757	0.1	
Osaka			Holiday Inn Osaka Namba	26,469	5.3	26,374	4.6	
			Namba Oriental Hotel	15,342	3.1	15,284	2.7	
			Hotel Oriental Express Osaka Shinsaibashi	2,757	0.6	2,746	0.5	
Hokkaido			La'gent Stay Sapporo Odori	10,357	2.1	10,753	1.9	
			ibis Styles Sapporo	6,230	1.2	6,163	1.1	
			Mercure Sapporo	5,518	1.1	5,460	0.9	
Fukuoka			Hotel Oriental Express Fukuoka Tenjin	5,675	1.1	5,677	1.0	
			Hotel Oriental Express Fukuoka Nakasukawabata	4,599	0.9	4,581	0.8	
			the b hakata	2,302	0.5	2,304	0.4	
			Washington Hotel Plaza Hakata, Nakasu (Note 7)	2,096	0.4	—	—	
	Toyoko Inn Hakata-guchi Ekimae	1,328	0.3	1,310	0.2			
Kyoto	ibis Styles Kyoto Station	6,532	1.3	6,511	1.1			
	Oriental Hotel Kyoto Rokujo	4,540	0.9	4,506	0.8			

Type of assets	Hotel Type (Note 1)	Prefectural location	Name of property, etc.	As of December 31, 2024		As of December 31, 2025		
				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	Kanagawa	Hotel JAL City Kannai Yokohama	4,008	0.8	3,983	0.7	
		Okinawa	Mercure Okinawa Naha	2,673	0.5	2,655	0.5	
		Kumamoto	dormy inn Kumamoto	2,168	0.4	2,121	0.4	
		Ishikawa	UAN kanazawa	2,037	0.4	2,017	0.3	
		Nara	Washington Hotel Plaza Nara	1,742	0.3	1,709	0.3	
	Subtotal				161,231	32.3	158,969	27.6
	Resort hotel	Okinawa		Hotel Nikko Alivila	17,270	3.5	17,568	3.0
				Southern Beach Hotel & Resort OKINAWA	16,196	3.2	16,076	2.8
				Oriental Hotel Okinawa Resort & Spa	16,301	3.3	16,059	2.8
				The Beach Tower Okinawa	6,422	1.3	6,359	1.1
		Chiba	Hilton Tokyo Bay	26,010	5.2	26,022	4.5	
		Osaka	Oriental Hotel Universal City	7,171	1.4	7,087	1.2	
		Kanagawa	Hakone Setsugetsuka	3,505	0.7	3,416	0.6	
	Subtotal				92,878	18.6	92,589	16.1
	Real estate in trust – Total				447,026	89.6	511,942	88.8
Deposits and other assets (Note 8)				51,904	10.4	64,740	11.2	
Total assets				498,930	100.0	576,683	100.0	

(Note 1) Hotels are categorized as full-service hotels, limited-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) ACTIVE-INTER CITY HIROSHIMA is classified in accordance with the business category of Sheraton Grand Hiroshima Hotel, its main facility.

(Note 5) R&B Hotel Ueno-hirokoji changed its name to Washington R&B Hotel Ueno-hirokoji as of April 1, 2025. The same shall apply hereinafter.

(Note 6) Chisun Inn Kamata changed its name to Chisun Inn Keikyu Kamata as of July 1, 2025. The same shall apply hereinafter.

(Note 7) Washington Hotel Plaza Hakata, Nakasu was sold on January 30, 2025.

(Note 8) 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, 2025 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)	9,723	32,663.90	32,663.90	100.0	2.9	Hotel
2	Oriental Hotel Tokyo Bay	18,307	44,833.11	44,833.11	100.0	5.2	Hotel
3	Namba Oriental Hotel	15,430	19,364.33	19,364.33	100.0	3.8	Hotel
4	Hotel Nikko Alivila (Note 6)	17,795	38,024.98	38,024.98	100.0	3.9	Hotel
5	Oriental Hotel Hiroshima	3,958	13,752.22	13,752.22	100.0	0.6	Hotel
8	The Beach Tower Okinawa (Note 7)	6,361	20,140.01	20,140.01	100.0	1.2	Hotel
9	Hakone Setsugetsuka	3,421	10,655.03	10,655.03	100.0	0.7	Hotel
10	dormy inn Kumamoto	2,121	7,701.19	7,701.19	100.0	0.7	Hotel
12	the b suidobashi	1,155	3,097.25	3,097.25	100.0	0.4	Hotel
13	dormy inn EXPRESS Asakusa	915	2,014.90	2,014.90	100.0	0.2	Hotel
15	Washington Hotel Plaza Nara	1,710	5,271.54	5,271.54	100.0	0.3	Hotel
16	Washington R&B Hotel Ueno-hirokoji	1,770	3,060.31	3,060.31	100.0	0.2	Hotel
18	Comfort Hotel Tokyo Higashi Nihombashi	3,404	5,765.27	5,765.27	100.0	0.8	Hotel
22	Smile Hotel Nihombashi Mitsukoshimae	2,005	3,167.82	3,167.82	100.0	0.4	Hotel
24	Toyoko Inn Hakata-guchi Ekimae	1,310	Main building: 3,581.66 Annex: 868.36	Main building: 3,581.66 Annex: 868.36	100.0	0.3	Hotel
25	Chisun Hotel Kamata	1,440	3,831.80	3,831.80	100.0	0.4	Hotel
26	Chisun Inn Keikyū Kamata	760	1,499.87	1,499.87	100.0	0.2	Hotel
29	Oriental Hotel Universal City (Note 8)	7,216	15,926.83	15,926.83	100.0	4.5	Hotel
31	Hilton Tokyo Bay (Note 9)	26,025	64,928.83	64,928.83	100.0	5.9	Hotel
32	ibis Styles Kyoto Station	6,519	5,003.99	5,003.99	100.0	1.1	Hotel
33	ibis Styles Sapporo	6,211	14,992.49	14,896.40	99.4	1.5	Hotel
34	Mercure Sapporo	5,514	15,189.42	15,160.82	99.8	2.1	Hotel
35	Mercure Okinawa Naha	2,703	10,884.25	10,884.25	100.0	0.9	Hotel
37	the b ikebukuro (Note 10)	6,667	5,650.01	5,650.01	100.0	1.0	Hotel
39	the b hachioji (Note 10)	2,662	7,847.65	7,847.65	100.0	0.5	Hotel
40	the b hakata (Note 10)	2,318	3,986.09	3,986.09	100.0	0.8	Hotel
41	Hotel Francs	3,268	19,213.39	19,213.39	100.0	1.1	Hotel
42	Mercure Yokosuka (Note 11)	1,711	16,881.82	16,881.82	100.0	1.0	Hotel
43	Oriental Hotel Okinawa Resort & Spa	16,663	36,430.15	36,430.15	100.0	3.9	Hotel
44	ACTIVE-INTER CITY HIROSHIMA (Note 12)	16,881	31,181.03	31,130.58	99.8	4.3	Hotel
45	CANDEO HOTELS Ueno Koen (Note 13)	6,506	7,934.26	7,934.26	100.0	0.8	Hotel
46	Oriental Hotel Fukuoka Hakata Station	7,847	18,105.42	18,105.42	100.0	4.9	Hotel
47	Holiday Inn Osaka Namba	26,420	11,501.10	11,501.10	100.0	3.5	Hotel
48	Hotel Oriental Express Fukuoka Tenjin	5,729	8,238.75	7,916.69	96.1	2.3	Hotel
49	Hilton Nagoya (Note 14)	15,341	47,942.71	47,942.71	100.0	3.6	Hotel
50	Hilton Tokyo Narita Airport	13,193	56,817.28	56,817.28	100.0	1.7	Hotel
51	International Garden Hotel Narita	8,774	21,814.93	21,814.93	100.0	1.2	Hotel
52	Hotel Nikko Nara (Note 15)	10,018	21,011.31	21,011.31	100.0	1.3	Hotel
53	Hotel Oriental Express Osaka Shinsaibashi	2,757	2,710.55	2,710.55	100.0	0.6	Hotel
54	Hilton Tokyo Odaiba	63,023	64,907.76	64,907.76	100.0	7.6	Hotel
55	UAN kanazawa	2,022	2,866.02	2,866.02	100.0	0.3	Hotel
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	8,435	5,246.66	5,246.66	100.0	1.1	Hotel
57	La'gent Stay Sapporo Odori	10,956	9,742.83	9,742.83	100.0	1.6	Hotel
58	Oriental Hotel Kyoto Rokujo	4,550	5,464.79	5,464.79	100.0	1.0	Hotel
59	Hotel Oriental Express Fukuoka Nakasukawabata	4,614	4,614.35	4,614.35	100.0	1.2	Hotel
60	Hotel JAL City Kannai Yokohama	4,006	5,770.18	5,770.18	100.0	0.5	Hotel
61	MIMARU Tokyo Shinjuku West	9,982	4,181.68	4,181.68	100.0	1.4	Hotel
62	HOTEL AMANEK Shinjuku-Kabukicho.	9,154	4,326.65	4,326.65	100.0	1.3	Hotel
63	OKINAWA HARBORVIEW HOTEL	26,346	26,402.86	26,402.86	100.0	2.4	Hotel
64	Southern Beach Hotel & Resort OKINAWA	16,228	29,874.76	29,874.76	100.0	1.8	Hotel
65	Hilton Fukuoka Sea Hawk	64,642	136,169.77	136,169.77	100.0	8.8	Hotel
	Total	516,511	963,054.12	962,556.92	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 Washington Hotel Plaza Hakata, Nakasu that was sold in the 26th fiscal period 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), an office building and car parking space, etc., as a single building. Leasable area and leased area indicate the 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 a 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, 2025 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	14,600	9,723	JR
2	Oriental Hotel Tokyo Bay	8-2 Mihama 1-chome, Urayasu city, Chiba	Beneficial interest in trust	35,100	18,307	JR
3	Namba Oriental Hotel	8-17 Sennichimae 2-chome, Chuo-ku, Osaka city, Osaka	Beneficial interest in trust	33,700	15,430	JR
4	Hotel Nikko Alivila	600 Aza Gima, Yomitan-son, Nakagami-gun, Okinawa	Beneficial interest in trust	29,200	17,795	JR
5	Oriental Hotel Hiroshima	6-10 Tanakamachi, Naka-ku, Hiroshima city, Hiroshima	Beneficial interest in trust	4,290	3,958	JR
8	The Beach Tower Okinawa (Note 4)	8-6 Aza Mihama, Chatan-cho, Nakagami-gun, Okinawa	Beneficial interest in trust	10,400	6,361	JR
9	Hakone Setsugetsuka	1300 Goura, Hakone-machi, Ashigarashimo-gun, Kanagawa	Beneficial interest in trust	5,630	3,421	JR
10	dormy inn Kumamoto	3-1 Karashimacho, Chuo-ku, Kumamoto city, Kumamoto	Beneficial interest in trust	5,570	2,121	JR
12	the b suidobashi	25-27 Hongo 1-chome, Bunkyo-ku, Tokyo	Beneficial interest in trust	2,530	1,155	JR
13	dormy inn EXPRESS Asakusa	3-4 Hanakawado 1-chome, Taito-ku, Tokyo	Beneficial interest in trust	1,300	915	JM
15	Washington Hotel Plaza Nara	31-1 Shimosanjo-cho, Nara city, Nara	Beneficial interest in trust	2,450	1,710	JR
16	Washington R&B Hotel Ueno-hirokoji	18-8 Ueno 1-chome, Taito-ku, Tokyo	Beneficial interest in trust	1,880	1,770	JM
18	Comfort Hotel Tokyo Higashi Nihombashi	10-11 Nihonbashi-bakurocho 1-chome, Chuo-ku, Tokyo	Beneficial interest in trust	5,910	3,404	JM
22	Smile Hotel Nihombashi Mitsukoshimae	4-14 Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo	Beneficial interest in trust	3,170	2,005	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	2,780	1,310	T
25	Chisun Hotel Kamata	20-11 Nishikamata 8-chome, Ota-ku, Tokyo	Beneficial interest in trust	2,130	1,440	T
26	Chisun Inn Keikyu Kamata	23-13 Kamata 4-chome, Ota-ku, Tokyo	Beneficial interest in trust	1,460	760	T
29	Oriental Hotel Universal City	2-78 Shimaya 6-chome, Konohana-ku, Osaka city, Osaka	Beneficial interest in trust	22,300	7,216	R
31	Hilton Tokyo Bay	1-8 Maihama, Urayasu city, Chiba	Beneficial interest in trust	42,800	26,025	D
32	ibis Styles Kyoto Station	47 Higashikujo Kamitonoda-cho, Minami-ku, Kyoto city, Kyoto	Beneficial interest in trust	10,000	6,519	D
33	ibis Styles Sapporo	10-10 Minami 8-jo Nishi 3-chome, Chuo-ku, Sapporo city, Hokkaido	Beneficial interest in trust	11,300	6,211	JR
34	Mercure Sapporo	2-4 Minami 4-jo Nishi 2-chome, Chuo-ku, Sapporo city, Hokkaido	Beneficial interest in trust	12,400	5,514	JR
35	Mercure Okinawa Naha	3-19 Tsubogawa 3-chome, Naha city, Okinawa	Beneficial interest in trust	7,440	2,703	JR
37	the b ikebukuro	39-4 Higashi-ikebukuro 1-chome, Toshima-ku, Tokyo	Beneficial interest in trust	7,990	6,667	JR
39	the b hachioji	6-12 Myojincho 4-chome, Hachioji city, Tokyo	Beneficial interest in trust	2,740	2,662	JR
40	the b hakata	3-9 Hakata-eki Minami 1-chome, Hakata-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	6,180	2,318	JR
41	Hotel Francs	10-2 Hibino 2-chome, Mihama-ku, Chiba city, Chiba	Beneficial interest in trust	6,690	3,268	D
42	Mercure Yokosuka	27 Honcho 3-chome, Yokosuka city, Kanagawa	Beneficial interest in trust	3,640	1,711	D
43	Oriental Hotel Okinawa Resort & Spa	1490-1 Kise, Nago city, Okinawa	Beneficial interest in trust	19,700	16,663	JR

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)
44	ACTIVE-INTER CITY HIROSHIMA	12-1 Wakakusa-cho, Higashi-ku, Hiroshima city, Hiroshima	Beneficial interest in trust	20,600	16,881	D
45	CANDEO HOTELS Ueno Koen	2-13 Negishi 1-chome, Taito-ku, Tokyo	Beneficial interest in trust	7,420	6,506	D
46	Oriental Hotel Fukuoka Hakata Station	4-23 Hakata-eki Chuo-gai, Hakata-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	16,000	7,847	D
47	Holiday Inn Osaka Namba	5-15 Soemon-cho, Chuo-ku, Osaka city, Osaka	Beneficial interest in trust	27,300	26,420	JR
48	Hotel Oriental Express Fukuoka Tenjin	3-14 Tenjin 3-chome, Chuo-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	7,820	5,729	D
49	Hilton Nagoya	3-3 Sakae 1-chome, Naka-ku, Nagoya city, Aichi	Beneficial interest in trust	15,500	15,341	D
50	Hilton Tokyo Narita Airport	456 Kosuge, Narita city, Chiba	Beneficial interest in trust	13,200	13,193	JR
51	International Garden Hotel Narita	241-1 Yoshikura, Narita city, Chiba	Beneficial interest in trust	9,650	8,774	JR
52	Hotel Nikko Nara	8-1 Sanjyo-honmachi, Nara city, Nara	Beneficial interest in trust	10,000	10,018	D
53	Hotel Oriental Express Osaka Shinsaibashi	2-13 Minamisenba 3-chome, Chuo-ku, Osaka city, Osaka	Beneficial interest in trust	2,900	2,757	D
54	Hilton Tokyo Odaiba	9-1 Daiba 1-chome, Minato-ku, Tokyo	Beneficial interest in trust	72,700	63,023	JR
55	UAN kanazawa	6-30 Oyamacho, Kanazawa city, Ishikawa	Beneficial interest in trust	2,340	2,022	JR
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	10-2 shimbashi 4-chome, Minato-ku, Tokyo	Beneficial interest in trust	10,300	8,435	D
57	La'gent Stay Sapporo Odori	26-5 Minami 2-jo Nishi 5-chome, Sapporo city, Hokkaido	Beneficial interest in trust	11,800	10,956	JR
58	Oriental Hotel Kyoto Rokujo	181, Bokumikanabutsucho, Aburanokojidori-rokujo-agaru, Shimogyo-ku, Kyoto city, Kyoto	Beneficial interest in trust	6,650	4,550	JR
59	Hotel Oriental Express Fukuoka Nakasukawabata	6-26 Tenyamachi, Hakata-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	6,280	4,614	JR
60	Hotel JAL City Kannai Yokohama	72 Yamashitacho, naka-ku, Yokohama city, Kanagawa	Beneficial interest in trust	4,590	4,006	JR
61	MIMARU Tokyo Shinjuku West	3-11 Nishi-Shinjuku 3-chime, Shinjuku-ku, Tokyo	Beneficial interest in trust	14,200	9,982	D
62	HOTEL AMANEK Shinjuku-Kabukicho.	24-10 Kabukicho 2-chome, Shinjuku-ku, Tokyo	Beneficial interest in trust	12,900	9,154	D
63	OKINAWA HARBORVIEW HOTEL	46 Izumizaki 2-chome, Naha city, Okinawa	Beneficial interest in trust	24,200	26,346	JR
64	Southern Beach Hotel & Resort OKINAWA	6-1 Nishizakicho 1-chome, Itoman city, Okinawa	Beneficial interest in trust	20,300	16,228	JR
65	Hilton Fukuoka Sea Hawk	2-2-3 Jigyohama, Chuo-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	71,700	64,642	D
Total				703,630	516,511	

(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 Management Association of Japan (formerly 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) 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.	25th period (From January 1, 2024 to December 31, 2024)				26th period (From January 1, 2025 to December 31, 2025)			
		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	982	2.9	1	100.0	1,238	2.9
2	Oriental Hotel Tokyo Bay	1	100.0	2,153	6.4	1	100.0	2,244	5.2
3	Namba Oriental Hotel	1	100.0	1,139	3.4	1	100.0	1,646	3.8
4	Hotel Nikko Alivila	1	100.0	1,504	4.5	1	100.0	1,673	3.9
5	Oriental Hotel Hiroshima	1	100.0	234	0.7	1	100.0	269	0.6
8	The Beach Tower Okinawa	1	100.0	511	1.5	1	100.0	511	1.2
9	Hakone Setsugetsuka	1	100.0	294	0.9	1	100.0	294	0.7
10	dormy inn Kumamoto	1	100.0	272	0.8	1	100.0	286	0.7
12	the b suidobashi	1	100.0	168	0.5	1	100.0	186	0.4
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	0.7	—	—	18	0.0
15	Washington Hotel Plaza Nara	2	100.0	150	0.4	2	100.0	151	0.3
16	Washington R&B Hotel Ueno-hirokoji	1	100.0	97	0.3	1	100.0	97	0.2
18	Comfort Hotel Tokyo Higashi Nihombashi	2	100.0	310	0.9	2	100.0	358	0.8
22	Smile Hotel Nihombashi Mitsukoshimae	1	100.0	165	0.5	1	100.0	178	0.4
24	Toyoko Inn Hakata-guchi Ekimae	1	100.0	141	0.4	1	100.0	141	0.3
25	Chisun Hotel Kamata	1	100.0	164	0.5	1	100.0	182	0.4
26	Chisun Inn Keikyū Kamata	1	100.0	95	0.3	1	100.0	106	0.2
29	Oriental Hotel Universal City	1	100.0	1,812	5.4	1	100.0	1,926	4.5
31	Hilton Tokyo Bay	1	100.0	2,491	7.4	1	100.0	2,565	5.9
32	ibis Styles Kyoto Station	2	100.0	412	1.2	2	100.0	477	1.1
33	ibis Styles Sapporo	5	99.4	552	1.6	5	99.4	663	1.5
34	Mercure Sapporo	8	99.1	761	2.3	10	99.8	920	2.1
35	Mercure Okinawa Naha	1	100.0	298	0.9	1	100.0	402	0.9
37	the b ikebukuro	4	100.0	395	1.2	4	100.0	448	1.0
39	the b hachioji	8	100.0	200	0.6	10	100.0	213	0.5
40	the b hakata	2	100.0	303	0.9	2	100.0	361	0.8
41	Hotel Francs	1	100.0	358	1.1	1	100.0	485	1.1
42	Mercure Yokosuka	1	100.0	365	1.1	1	100.0	447	1.0
43	Oriental Hotel Okinawa Resort & Spa	1	100.0	1,039	3.1	1	100.0	1,686	3.9
44	ACTIVE-INTER CITY HIROSHIMA	34	99.2	1,667	5.0	35	99.8	1,843	4.3
45	CANDEO HOTELS Ueno Koen	1	100.0	349	1.0	1	100.0	349	0.8
46	Oriental Hotel Fukuoka Hakata Station	1	100.0	1,951	5.8	1	100.0	2,096	4.9
47	Holiday Inn Osaka Namba	1	100.0	1,248	3.7	1	100.0	1,498	3.5
48	Hotel Oriental Express Fukuoka Tenjin	3	90.9	838	2.5	4	96.1	1,004	2.3
49	Hilton Nagoya	4	100.0	1,394	4.2	3	100.0	1,537	3.6
50	Hilton Tokyo Narita Airport	1	100.0	651	1.9	1	100.0	727	1.7
51	International Garden Hotel Narita	1	100.0	491	1.5	1	100.0	522	1.2
52	Hotel Nikko Nara	1	100.0	546	1.6	1	100.0	563	1.3
53	Hotel Oriental Express Osaka Shinsaibashi	1	100.0	229	0.7	1	100.0	274	0.6
54	Hilton Tokyo Odaiba	1	100.0	3,005	9.0	1	100.0	3,285	7.6
55	UAN kanazawa	1	100.0	124	0.4	1	100.0	130	0.3
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	4	100.0	420	1.3	4	100.0	468	1.1
57	La'gent Stay Sapporo Odori	2	100.0	644	1.9	2	100.0	695	1.6
58	Oriental Hotel Kyoto Rokujo	1	100.0	365	1.1	1	100.0	422	1.0
59	Hotel Oriental Express Fukuoka Nakasukawabata	1	100.0	389	1.2	1	100.0	517	1.2
60	Hotel JAL City Kannai Yokohama	1	100.0	182	0.5	1	100.0	226	0.5
61	MIMARU Tokyo Shinjuku West	1	100.0	224	0.7	1	100.0	591	1.4
62	HOTEL AMANEK Shinjuku-Kabukicho.	1	100.0	250	0.7	1	100.0	572	1.3
63	OKINAWA HARBORVIEW HOTEL	1	100.0	440	1.3	1	100.0	1,050	2.4
64	Southern Beach Hotel & Resort OKINAWA	1	100.0	335	1.0	1	100.0	772	1.8
65	Hilton Fukuoka Sea Hawk	—	—	—	—	22	100.0	3,809	8.8
	Total	118	99.9	33,437	99.9	144	99.9	43,211	100.0

(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 25th fiscal period because the relevant ratio of the trademark rights for the Oriental Hotel brand, etc. is not included. The sum of the ratio to total real estate operating revenue are 100.0% for the 26th fiscal period because JHR sold the trademark rights for the Oriental Hotel brand, etc. during the 26th fiscal period and the real estate operating revenue arising therefrom is immaterial.

(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, 2025.

5. Contractual amounts and fair values of specified transactions

The contractual amounts and fair values of specified transactions as of December 31, 2025 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 Pay fixed / Receive floating	171,389	167,139	4,992
Total		171,389	167,139	4,992

(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, 2025.

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 period under review. Expenditures are expected to total ¥12,915 million, which consists of capital expenditures of ¥12,907 million and repair expenses of ¥7 million, for the next fiscal period.

Name of property, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (JPY 1M)	
			Total amount	Total amount paid
Hotel Nikko Alivila (Nakagami-gun, Okinawa)	Renewal of elevators	From September 2025 to May 2026	240	—
Chisun Hotel Kamata (Ohta-ku, Tokyo)	Renovation of car parking garage	From October 2026 to November 2026	62	—
Hilton Tokyo Bay (Urayasu city, Chiba)	Renewal of electrical transmission and distribution system	From January 2026 to January 2026	216	—
Hilton Tokyo Bay (Urayasu city, Chiba)	Renewal of elevators	From October 2026 to November 2026	90	—
Mercure Sapporo (Sapporo city, Hokkaido)	Renewal of air-conditioning equipment in common area (3rd and 4th floors)	From May 2026 to June 2026	60	—
Hotel Francs (Chiba city, Chiba)	Renovation of hot water supply system	From February 2026 to March 2026	83	—
Mercure Yokosuka (Yokosuka city, Kanagawa)	Renewal of self-controlled air conditioning equipment	From October 2025 to February 2026	75	—
Oriental Hotel Fukuoka Hakata Station (Fukuoka city, Fukuoka)	Renovation of rooftop bar	From May 2026 to September 2026	80	—
Hilton Tokyo Narita Airport (Narita city, Chiba)	Repair of central monitoring system, etc.	From January 2026 to November 2026	85	—
Hilton Tokyo Narita Airport (Narita city, Chiba)	Renovation of guest rooms	From July 2026 to November 2026	106	—
Hilton Tokyo Odaiba (Minato-ku, Tokyo)	Renovation of electrical transmission and distribution system	From February 2026 to February 2026	116	—
Hilton Tokyo Odaiba (Minato-ku, Tokyo)	Renewal of air-conditioning facilities	From December 2025 to February 2026	136	—
Hilton Tokyo Odaiba (Minato-ku, Tokyo)	Interior renovation works	From February 2026 to December 2026	3,350	—
Hilton Tokyo Odaiba (Minato-ku, Tokyo)	Major renovation works for entire property	From February 2026 to December 2026	3,085	—
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Exterior construction and renovation of pool	From September 2025 to May 2026	643	12
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Renovation of exterior wall (2nd phase)	From February 2026 to September 2026	175	—
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Renovation of plumbing and piping	From February 2026 to March 2026	95	—
Hilton Fukuoka Sea Hawk (Fukuoka city, Fukuoka)	Renovation of guestrooms and executive lounge	From June 2026 to September 2026	600	—
HYATT REGENCY TOKYO (Shinjuku-ku, Tokyo)	Installment of LED lighting equipment in hotel common area	From May 2026 to November 2026	60	—
Total			9,359	12

(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)

Major construction work conducted by JHR during the fiscal period under review that represents capital expenditures is as follows. Capital expenditures for the fiscal period under review totaled ¥9,572 million, and repair expenses that were accounted for as expense in the fiscal period under review totaled ¥14 million. In aggregate, ¥9,587 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 heat sources	From August 2025 to October 2025	69
Oriental Hotel Tokyo Bay (Urayasu city, Chiba)	Renovation of guest rooms (3rd, 4th, 11th and 12th floors)	From January 2025 to March 2025	401
Oriental Hotel Tokyo Bay (Urayasu city, Chiba)	Renovation of guest rooms (5th and 6th floors)	From May 2025 to July 2025	499
Oriental Hotel Tokyo Bay (Urayasu city, Chiba)	Renewal of hot water supply piping	From January 2025 to November 2025	67
Hotel Nikko Alivila (Nakagami-gun, Okinawa)	Installation of new emergency generator	From October 2023 to October 2025	417
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 hot/cold water generators	From May 2025 to August 2025	67
Hilton Tokyo Narita Airport (Narita city, Chiba)	Renovation of guest rooms	From November 2025 to December 2025	98
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)	Renewal of sanitary plumbing for guest rooms (1st phase)	From December 2024 to June 2025	220
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Renovation of heat sources	From October 2024 to March 2025	260
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Renovation of exterior wall (1st phase, south annex)	From January 2025 to May 2025	99
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Renovation of exterior wall (1st phase, main building)	From January 2025 to December 2025	360
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Renewal of sanitary plumbing for guest rooms (2nd phase)	From June 2025 to November 2025	180
OKINAWA HARBORVIEW HOTEL (Naha city, Okinawa)	Major renovation works for entire property	From December 2024 to December 2025	3,203
Southern Beach Hotel & Resort OKINAWA (Itoman city, Okinawa)	Renovation accompanied with change of lessee	From July 2025 to December 2025	153
Other capital expenditures			2,686
Total			9,572

(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	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)	26th period (From January 1, 2025 to December 31, 2025)
Balance at beginning of period	1,075	1,066	1,076	1,224	1,351
Provision during the period	1	9	148	127	344
Reversal during the period	11	—	—	—	9
Amount carried forward	1,066	1,076	1,224	1,351	1,686

Expenses and Liabilities

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

(thousands of yen)

Item	25th period (From January 1, 2024 to December 31, 2024)	26th period (From January 1, 2025 to December 31, 2025)
(a) Asset management fees (Note)	2,031,462	2,501,217
(b) Asset custody and administrative service fee	119,695	142,609
(c) Directors' compensation	17,400	18,000
(d) Other operating expenses	210,018	284,131
Total	2,378,577	2,945,958

(Note) 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.
For asset management fees for the 26th fiscal period, besides the above amounts, there are ¥482,625 thousand of fees for property acquisition included in the acquisition price of the relevant investment property and there are ¥24,800 thousand of fees deducted from the gain on sale of real estate properties and the gain on sale of trademark rights.

2. Loans payable

The status of loans by contractual agreement and by financial institution as of December 31, 2025 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	Sumitomo Mitsui Banking Corporation	November 20, 2024	1,000	—	0.84%	November 20, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		1,000	—					
	Short-term loans payable – Total		1,000	—					
Long-term loans payable	Sumitomo Mitsui Banking Corporation	September 1, 2016	2,900	—	0.74%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		1,700	—					
	SBI Shinsei Bank, Limited		1,700	—					
	Resona Bank, Limited		1,000	—					
	The Nomura Trust and Banking Co., Ltd.		500	—					
	The Chiba Bank, Ltd.		500	—					
	The Bank of Fukuoka, Ltd.		1,200	—					
	Subtotal		9,500	—					
	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	—	0.73%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		1,000	—					
	MUFG Bank, Ltd.	August 1, 2017	700	—	0.68%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		700	—					
	Development Bank of Japan Inc.	August 1, 2017	500	—	0.75%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		500	—					
	The Bank of Fukuoka, Ltd.	August 1, 2017	500	—	0.73%	September 30, 2025	Lump-sum Repayment	(Note 2)	Unsecured, Unguaranteed
	Subtotal		500	—					
	Aozora Bank, Ltd.	August 1, 2017	500	—	0.73%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, Unguaranteed
	Subtotal		500	—					
	The Nishi-Nippon City Bank, Ltd.	August 1, 2017	1,000	—	0.73%	September 30, 2025	Lump-sum Repayment	(Note 2)	Unsecured, Unguaranteed
	Subtotal		1,000	—					
	SBI Shinsei Bank, Limited	August 1, 2017	300	—	0.68%	September 30, 2025	Lump-sum Repayment	(Note 2)	Unsecured, Unguaranteed
	Subtotal		300	—					
Sumitomo Mitsui Banking Corporation	September 19, 2017	1,200	—	0.65%	March 31, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
Mizuho Bank, Ltd.		500	—						
Sumitomo Mitsui Trust Bank, Limited		460	—						
SBI Shinsei Bank, Limited		390	—						
Subtotal		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	1,500	—	0.65%	March 31, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	SBI Shinsei Bank, Limited		500	—						
	Development Bank of Japan Inc.		300	—						
	The Bank of Fukuoka, Ltd.		150	—						
	Subtotal			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					
	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					
	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
	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						

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	Mizuho Bank, Ltd.	January 31, 2023	2,526	2,526	1.19%	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	1.19%	March 31, 2026	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed						
	The Hiroshima Bank, Ltd.		454	454											
	Subtotal		1,454	1,454											
	The Tokyo Star Bank, Limited	March 31, 2023	1,000	1,000	1.29%	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	1.19%	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	1.09%	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	1.19%	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	1.09%	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	1.24%	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	1.09%	March 31, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		900	900					
	Mizuho Bank, Ltd.	October 20, 2023	2,000	2,000	1.24%	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	1.09%	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	1.14%	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	—	0.78%	March 31, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		3,000	—					
	Sompo Japan Insurance Inc.	March 29, 2024	1,000	1,000	0.82%	March 31, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		1,000	1,000					
	Development Bank of Japan Inc.	March 29, 2024	1,050	1,050	0.90%	March 31, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
SBI Shinsei Bank, Limited	1,000		1,000						
Sumitomo Mitsui Banking Corporation	500		500						
Sumitomo Mitsui Trust Bank, Limited	500		500						
Resona Bank, Limited	500		500						
The Nishi-Nippon City Bank, Ltd.	500		500						
Subtotal		4,050	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	1,000	1.12%	March 30, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	SBI Shinsei Bank, Limited		1,000	1,000						
	Resona Bank, Limited		1,000	1,000						
	Sumitomo Mitsui Trust Bank, Limited		500	500						
	The Chiba Bank, Ltd.		500	500						
	Subtotal			4,000	4,000					
	MUFG Bank, Ltd.	March 29, 2024	800	800	1.17%	March 30, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Subtotal			800						800
	Sumitomo Mitsui Banking Corporation	March 29, 2024	7,760	7,760	1.24%	March 29, 2030	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Resona Bank, Limited		2,272	2,272						
	Sumitomo Mitsui Trust Bank, Limited		1,080	1,080						
	SBI Shinsei Bank, Limited		1,059	1,059						
	The Chiba Bank, Ltd.		1,032	1,032						
	Mizuho Bank, Ltd.		950	950						
	The Bank of Fukuoka, Ltd.		686	686						
	Subtotal			14,839	14,839					
	Sumitomo Mitsui Banking Corporation	March 29, 2024	733	733	1.24%	March 29, 2030	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Mizuho Bank, Ltd.		500	500						
	SBI Shinsei Bank, Limited		500	500						
	Sumitomo Mitsui Trust Bank, Limited		500	500						
	Kansai Mirai Bank, Limited		500	500						
	The Hokuriku Bank, Ltd.		300	300						
	The Minato Bank Ltd.		200	200						
	Aozora Bank, Ltd.		67	67						
	Subtotal			3,300	3,300					
	Sumitomo Mitsui Banking Corporation	July 12, 2024	2,300	—	0.84%	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	1,150	1.27%	March 30, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Bank of the Ryukyus, Limited		500	500						
	The Nishi-Nippon City Bank, Ltd.		300	300						
	Subtotal			1,950	1,950					
	Sumitomo Mitsui Banking Corporation	July 31, 2024	2,500	2,500	1.37%	March 29, 2030	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Mizuho Bank, Ltd.		1,000	1,000						
	Sumitomo Mitsui Trust Bank, Limited		800	800						
	Resona Bank, Limited		300	300						
	The Bank of Fukuoka, Ltd.		300	300						
	The Chiba Bank, Ltd.		300	300						
	Kansai Mirai Bank, Limited		250	250						
	Aozora Bank, Ltd.		200	200						
	The Shizuoka Bank, Ltd.		200	200						
	Subtotal			5,850						5,850
	MUFG Bank, Ltd.	July 31, 2024	500	500	1.40%	March 29, 2030	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Subtotal			500						500
	Sumitomo Mitsui Banking Corporation	July 31, 2024	3,000	3,000	1.48%	March 31, 2031	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Mizuho Bank, Ltd.		3,500	3,500						
	Sumitomo Mitsui Trust Bank, Limited		1,600	1,600						
	Resona Bank, Limited		1,000	1,000						
	SBI Shinsei Bank, Limited		750	750						
	Daiwa Next Bank, Ltd.		750	750						
	Aozora Bank, Ltd.		600	600						
	The Minato Bank Ltd.		500	500						
	Kansai Mirai Bank, Limited		500	500						
	The Bank of Okinawa, Ltd.		500	500						
	Subtotal			12,700	12,700					
MUFG Bank, Ltd.	July 31, 2024	1,000	1,000	1.52%	March 31, 2031	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed		
Subtotal			1,000						1,000	
MUFG Bank, Ltd.	July 30, 2024	2,000	2,000	1.41%	March 29, 2030	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed		
Subtotal			2,000						2,000	
The Hiroshima Bank, Ltd.	September 30, 2024	1,400	1,400	1.21%	September 28, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed		
The Chiba Bank, Ltd.		200	200							
Subtotal			1,600						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	1,300	1.50%	September 30, 2032	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		800	800					
	Development Bank of Japan Inc.		700	700					
	Aozora Bank, Ltd.		300	300					
	Subtotal			3,100	3,100				
	MUFG Bank, Ltd.	September 30, 2024	700	700	1.50%	September 30, 2032	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	Aozora Bank, Ltd.		200	200					
	Subtotal			1,400	1,400				
	Sumitomo Mitsui Banking Corporation	February 21, 2025	—	2,900	0.86%	March 31, 2026	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		—	3,150					
	Sumitomo Mitsui Trust Bank, Limited		—	1,300					
	Resona Bank, Limited		—	600					
	MUFG Bank, Ltd.		—	900					
	Development Bank of Japan Inc.		—	400					
	Aozora Bank, Ltd.		—	900					
	The Chiba Bank, Ltd.		—	250					
	Daiwa Next Bank, Ltd.		—	200					
	Subtotal			—	10,600				
	Sumitomo Mitsui Banking Corporation	February 21, 2025	—	4,600	1.57%	March 30, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
Mizuho Bank, Ltd.	—		2,300						
Sumitomo Mitsui Trust Bank, Limited	—		2,300						
Resona Bank, Limited	—		1,100						
Development Bank of Japan Inc.	—		700						
The Chiba Bank, Ltd.	—		250						
The Nishi-Nippon City Bank, Ltd.	—		600						
Rakuten Bank, Ltd.	—	1,000							
Subtotal			—	12,850					
MUFG Bank, Ltd.	February 21, 2025	—	1,600	1.58%	March 30, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
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	Sumitomo Mitsui Banking Corporation	February 21, 2025	—	5,400	1.73%	September 30, 2030	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		—	3,000					
	Sumitomo Mitsui Trust Bank, Limited		—	2,700					
	Resona Bank, Limited		—	1,400					
	Development Bank of Japan Inc.		—	900					
	Aozora Bank, Ltd.		—	600					
	The Minato Bank Ltd.		—	500					
	Kansai Mirai Bank, Limited		—	800					
	Daiwa Next Bank, Ltd.		—	800					
	The Bank of Okinawa, Ltd.		—	500					
	The Higo Bank, Ltd.		—	500					
	Subtotal		—	17,100					
	MUFG Bank, Ltd.	February 21, 2025	—	1,900	1.75%	September 30, 2030	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		—	1,900					
	Sumitomo Mitsui Banking Corporation	February 21, 2025	—	5,100	1.91%	September 30, 2032	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		—	6,000					
	SBI Shinsei Bank, Limited		—	500					
	Sumitomo Mitsui Trust Bank, Limited		—	2,700					
	Resona Bank, Limited		—	1,400					
	Development Bank of Japan Inc.		—	900					
	The Tokyo Star Bank, Limited		—	1,800					
	Subtotal		—	18,400					
	MUFG Bank, Ltd.	February 21, 2025	—	1,900	1.96%	September 30, 2032	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		—	1,900					
	Sumitomo Mitsui Banking Corporation	March 31, 2025	—	1,190	1.69%	March 31, 2028	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		—	220					
	Sumitomo Mitsui Trust Bank, Limited		—	200					
	SBI Shinsei Bank, Limited		—	1,710					
Development Bank of Japan Inc.	—		130						
The Bank of Fukuoka, Ltd.	—		150						
Subtotal		—	3,600						
Sumitomo Mitsui Banking Corporation	March 31, 2025	—	1,510	2.26%	March 31, 2034	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
Mizuho Bank, Ltd.		—	280						
Sumitomo Mitsui Trust Bank, Limited		—	260						
SBI Shinsei Bank, Limited		—	2,180						
Development Bank of Japan Inc.		—	170						
Subtotal		—	4,400						

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 30, 2025	—	1,600	1.61%	September 29, 2028	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Mizuho Bank, Ltd.		—	1,100						
	Sumitomo Mitsui Trust Bank, Limited		—	600						
	SBI Shinsei Bank, Limited		—	700						
	Resona Bank, Limited		—	600						
	MUFG Bank, Ltd.		—	500						
	The Bank of Fukuoka, Ltd.		—	500						
	The Chiba Bank, Ltd.		—	300						
	The Nishi-Nippon City Bank, Ltd.		—	600						
	Daiwa Next Bank, Ltd.		—	250						
	The Senshu Ikeda Bank, Ltd.		—	250						
	Subtotal			—	7,000					
	Sumitomo Mitsui Banking Corporation	September 30, 2025	—	1,800	1.95%	September 30, 2031	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Mizuho Bank, Ltd.		—	1,200						
	Sumitomo Mitsui Trust Bank, Limited		—	700						
	SBI Shinsei Bank, Limited		—	800						
	Resona Bank, Limited		—	700						
	MUFG Bank, Ltd.		—	600						
	Development Bank of Japan Inc.		—	450						
	Aozora Bank, Ltd.		—	500						
	The Bank of Fukuoka, Ltd.		—	600						
	The Nishi-Nippon City Bank, Ltd.		—	400						
	Kansai Mirai Bank, Limited		—	250						
	Subtotal			—	8,000					
	Sumitomo Mitsui Banking Corporation	September 30, 2025	—	1,800	2.31%	September 29, 2034	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Mizuho Bank, Ltd.		—	1,100						
	Sumitomo Mitsui Trust Bank, Limited		—	600						
	SBI Shinsei Bank, Limited		—	750						
	Resona Bank, Limited		—	700						
	MUFG Bank, Ltd.		—	600						
	Development Bank of Japan Inc.		—	400						
	The Bank of Fukuoka, Ltd.		—	600						
	The Chiba Bank, Ltd.		—	200						
The Senshu Ikeda Bank, Ltd.	—		250							
Subtotal			—	7,000						

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	MUFG Bank, Ltd.	November 20, 2025	—	1,000	1.98%	September 30, 2031	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		—	1,000					
	Long-term loans payable – Total			170,331	235,681				
Total loans payable			171,331	235,681					

(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, ¥22,780 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, 2025 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)
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)
Thirteenth unsecured investment corporation bonds	September 20, 2022	2,800	—	1.000	September 19, 2025	Lump-sum repayment	(Note 1)	Unsecured, unguaranteed (Note 3)
fourteenth unsecured investment corporation bonds (green bonds)	September 11, 2025	—	1,800	2.052	September 10, 2032	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed (Note 3)
Fifteenth unsecured investment corporation bonds	September 11, 2025	—	800	1.783	September 11, 2030	Lump-sum repayment	(Note 1)	Unsecured, unguaranteed (Note 3)
Total		33,900	33,700					

(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	Washington Hotel Plaza Hakata, Nakasu	–	–	January 30, 2025	4,610	2,094	2,346
Beneficial interest of real estate in trust	Hilton Fukuoka Sea Hawk	February 21, 2025	64,350	–	–	–	–
Total		–	64,350	–	4,610	2,094	2,346

(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.

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)
Trademark rights	Trademark rights for the Oriental Hotel brand, etc.	–	–	January 24, 2025	700	294	398
Total		–	–	–	700	294	398

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

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
Sale	Beneficial interest of real estate in trust	Washington Hotel Plaza Hakata, Nakasu	January 30, 2025	4,610	4,610	June 30, 2024	Japan Real Estate Institute
Acquisition	Beneficial interest of real estate in trust	Hilton Fukuoka Sea Hawk	February 21, 2025	64,350	71,700	November 30, 2024	DAIWA REAL ESTATE APPRAISAL CO., LTD.

(Note 1) Acquisition/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, 2025 to December 31, 2025, JHR requested an investigation of nine interest rate swap transactions. 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	64,350		5,310		43,218	
Breakdown of transactions with interested parties, etc.						
Hotel Management Japan Co., Ltd.	–	[–%]	700	[13.2%]	7,075	[16.4%]
Hawks Town Corporation	–	[–%]	–	[–%]	3,606	[8.3%]
Tokyo Humania Enterprise KK	–	[–%]	–	[–%]	3,285	[7.6%]
Hotel Centraza Co., Ltd.	–	[–%]	–	[–%]	2,096	[4.9%]
KK Osaka Sakurajima Operations	–	[–%]	–	[–%]	1,902	[4.4%]
KK Lagoon Resort Nago	–	[–%]	–	[–%]	1,686	[3.9%]
OW Hotel Operations KK	–	[–%]	–	[–%]	1,498	[3.5%]
K.K. A.I.C Hiroshima Management	–	[–%]	–	[–%]	1,191	[2.8%]
Kyoritsu Maintenance Co., Ltd.	–	[–%]	–	[–%]	1,156	[2.7%]
The Hotelier Group Naha K.K.	–	[–%]	–	[–%]	1,050	[2.4%]
KK Fukuoka Tenjin Operations	–	[–%]	–	[–%]	927	[2.1%]
KK Narita Kosuge Operations	–	[–%]	–	[–%]	727	[1.7%]
KK Hotel Management	–	[–%]	–	[–%]	563	[1.3%]
KK Narita Yoshikura Operations	–	[–%]	–	[–%]	522	[1.2%]
KK Fukuoka Tenyamachi Operations	–	[–%]	–	[–%]	517	[1.2%]
KK Kyoto Horikawa Operations	–	[–%]	–	[–%]	422	[1.0%]
KK Hotel Oriental Express	–	[–%]	–	[–%]	274	[0.6%]
KK Yokohama Yamashitacho Operations	–	[–%]	–	[–%]	226	[0.5%]
KK Okinawa Itoman Operations	–	[–%]	–	[–%]	25	[0.1%]
Total	–	[–%]	700	[13.2%]	28,757	[66.5%]

(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.

(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)	470,084	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

Although the Asset Management Company engages in the building lots and buildings transaction business, there are no applicable transactions falling under such business. In addition, the Asset Management Company does not engage in Type I financial instruments business, Type II financial instruments business, or real estate specified joint enterprise business as a concurrent 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)
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
26th fiscal period	From January 1, 2025 to December 31, 2025	3,700	305,571	0.07	5,097,006

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

(Note 2) Ratio to total units issued is the 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
March 24, 2025	Shelf registration and comprehensive resolution on the issuance of investment corporation bonds and entrustment of accompanying administration	A resolution was made to register the issuance of investment corporation bonds for the issuance period between May 9, 2025 and May 8, 2027 with the total issuance amount being 100 billion yen or less. At the same time, a comprehensive resolution was made to authorize the issuance of investment corporation bonds up to 30 billion yen in total, and the decision-making on matters regarding the issuance of investment corporation bonds, including the administration related to issuance and entrustment of operations, was delegated to the Executive Director.

The 13th General Meeting of Unitholders of JHR was held on November 26, 2025. The major items approved at the General Meeting of Unitholders are summarized below.

Agenda	Summary
Partial amendments to the Articles of Incorporation	JHR has partially amended its Articles of Incorporation due to the following reasons: <ul style="list-style-type: none">• to set an upper limit on the number of Executive Directors and Supervisory Directors• to revise the maximum amount of remuneration for the accounting auditor in line with the expansion of JHR's asset scale• to add Shinkin Banks and Credit Associations to JHR's investment targets, so that JHR may make investments in accordance with the Shinkin Bank Act and the Small and Medium-Sized Enterprise Cooperatives Act• to clarify that the term "profits", as defined in Article 34 of the Articles of Incorporation, has the same meaning as defined under the Act on Investment Trusts and Investment Corporations and the Ordinance on Accounting of Investment Corporations, in light of amendments to such laws and regulations
Election of one Executive Director	Kaname Masuda was again elected as Executive Director. His term of office commences on November 26, 2025 and continues until the end of the general meeting of unitholders which will be held within 30 days from the day immediately following the day on which two years have passed since his election and at which a vote will be held on the election of Executive Director(s).
Election of three Supervisory Directors	Akiko Toyama, Shinsuke Matsumoto and Emiko Suzuki were elected as Supervisory Directors. The term of office of the elected Supervisory Directors commences on November 26, 2025 and continues until the end of the general meeting of unitholders which will be held within 30 days from the day immediately following the day on which two years have passed since their election and at which a vote will be held on the election of Supervisory Directors.
Election of one Substitute Executive Director	Hiroyuki Aoki, Director of the Asset Management Company, was newly elected as Substitute Executive Director.

(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, 2025 and 2024

	<i>Thousands of yen</i>	
	As of December 31, 2025	As of December 31, 2024
ASSETS		
Current assets:		
Cash and deposits	¥ 26,388,683	¥ 22,933,399
Cash and deposits in trust	15,592,444	13,095,721
Operating accounts receivable	7,970,249	6,045,486
Prepaid expenses	982,882	784,753
Income taxes receivable	11,481	450
Derivative assets (<i>Notes 6 and 20</i>)	23,866	51,924
Other current assets	25,189	77,567
Total current assets	50,994,797	42,989,303
Property and equipment, at cost (<i>Notes 19 and 21</i>):		
Machinery and equipment	1,387,952	1,106,862
Tools, furniture and fixtures	9,404,302	8,067,457
Construction in progress	—	9,116
Buildings in trust (<i>Note 16</i>)	191,150,641	167,775,037
Structures in trust	3,805,070	3,707,056
Machinery and equipment in trust	884,751	869,784
Tools, furniture and fixtures in trust	129,718	129,718
Land in trust	330,376,769	283,826,532
Construction in progress in trust	134,439	310,797
	537,273,647	465,802,363
Less: Accumulated depreciation	(52,367,846)	(46,599,609)
Net property and equipment	484,905,800	419,202,753
Intangible assets (<i>Note 21</i>):		
Software	194,446	185,267
Trademark rights	—	299,142
Leasehold rights in trust	27,324,752	27,324,752
Fixed-term leasehold rights in trust	4,089,967	4,225,172
Other intangible assets	3,201	3,881
Total intangible assets	31,612,367	32,038,215
Other assets:		
Security deposits	12,520	12,520
Leasehold and security deposits in trust	139,668	139,668
Long-term prepaid expenses	3,636,487	2,972,175
Derivative assets (<i>Notes 6 and 20</i>)	4,968,392	1,033,701
Reserve fund for repairs and maintenance	249,298	291,801
Investment unit issuance costs	105,609	184,303
Investment corporation bond issuance costs	58,610	66,343
Total other assets	9,170,588	4,700,514
Total assets	¥ 576,683,553	¥ 498,930,787

(Continued)

JAPAN HOTEL REIT INVESTMENT CORPORATION

Balance Sheets

As of December 31, 2025 and 2024

	<i>Thousands of yen</i>	
	As of December 31, 2025	As of December 31, 2024
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Operating accounts payable	¥ 4,010,343	¥ 1,942,107
Short-term loans payable (<i>Note 7</i>)	—	1,000,000
Current portion of investment corporation bonds (<i>Notes 6 and 8</i>)	13,100,000	2,800,000
Current portion of long-term loans payable (<i>Notes 6, 7 and 20</i>)	22,780,000	30,000,000
Accrued expenses	879,670	763,229
Income taxes payable	1,210	1,210
Consumption taxes payable	1,065,969	800,314
Advances received	857,060	868,275
Dividends payable	12,953	10,275
Deposits received	2,688	32,290
Other current liabilities	198,217	63,203
Total current liabilities	42,908,112	38,280,906
Long-term liabilities:		
Investment corporation bonds (<i>Notes 6 and 8</i>)	20,600,000	31,100,000
Long-term loans payable (<i>Notes 6, 7 and 20</i>)	212,901,000	140,331,000
Tenant leasehold and security deposits	1,040,520	1,040,520
Tenant leasehold and security deposits in trust	4,161,611	4,092,485
Deferred tax liabilities (<i>Note 17</i>)	1,614,286	341,537
Asset retirement obligations (<i>Note 9</i>)	343,350	341,696
Total long-term liabilities	240,660,769	177,247,240
Total liabilities	283,568,881	215,528,147
Net assets (<i>Note 10</i>):		
Unitholders' equity:		
Unitholders' capital		
Units authorized: 20,000,000 units		
Units issued and outstanding; 5,097,006 units as of December 31, 2025 and 5,097,006 units as of December 31, 2024		
Surplus:		
Capital surplus	21,746,398	21,746,398
Voluntary reserve:		
Reserve for temporary difference adjustment (<i>Note 11</i>)	6,959,044	8,754,629
Reserve for advanced depreciation	1,174,860	1,174,860
Total voluntary reserve	8,133,905	9,929,490
Unappropriated retained earnings	27,147,695	18,273,964
Total surplus	57,027,999	49,949,853
Total unitholders' equity	289,736,699	282,658,552
Valuation and translation adjustments:		
Deferred gains (losses) on hedges (<i>Note 20</i>)	3,377,972	744,087
Total valuation and translation adjustments	3,377,972	744,087
Total net assets	293,114,671	283,402,640
Total liabilities and net assets	¥ 576,683,553	¥ 498,930,787

See notes to financial statements.

JAPAN HOTEL REIT INVESTMENT CORPORATION
Statements of Income
For the years ended December 31, 2025 and 2024

	<i>Thousands of yen</i>	
	For the year ended December 31, 2025	For the year ended December 31, 2024
Operating revenue:		
Real estate operating revenue (<i>Note 12</i>)	¥ 42,074,300	¥ 32,389,622
Other real estate operating revenue (<i>Note 12</i>)	1,143,969	1,091,575
Gain on sale of real estate properties (<i>Note 13</i>)	2,346,230	—
Total operating revenue	45,564,500	33,481,197
Operating expenses:		
Real estate operating costs (<i>Note 12</i>)	11,565,998	10,322,705
Asset management fee	2,501,217	2,031,462
Asset custody and administrative service fee	142,609	119,695
Directors' compensation	18,000	17,400
Other operating expenses	284,131	210,018
Total operating expenses	14,511,956	12,701,283
Operating income	31,052,543	20,779,914
Non-operating income:		
Interest income	82,638	2,941
Gain on forfeiture of unclaimed dividends	1,135	949
Gain on insurance claims	—	191
Interest on tax refunds	87	217
Gain on derivative instruments	—	532
Total non-operating income	83,860	4,832
Non-operating expenses:		
Interest expense	2,841,609	1,305,347
Interest expense on investment corporation bonds	276,840	278,327
Borrowing costs	1,153,408	838,112
Amortization of investment corporation bond issuance costs	26,369	29,613
Amortization of investment unit issuance costs	78,694	47,401
Other	11,464	12,879
Total non-operating expenses	4,388,387	2,511,681
Ordinary income	26,748,017	18,273,065
Extraordinary income:		
Subsidy income(<i>Note 14</i>)	—	213,025
Gain on sale of trademark rights	398,251	—
Total extraordinary income	398,251	213,025
Extraordinary loss:		
Loss on advanced depreciation of property and equipment (<i>Note 15</i>)	—	212,779
Total extraordinary loss	—	212,779
Income before income taxes	27,146,269	18,273,311
Income taxes (<i>Note 17</i>):		
Current	1,210	1,210
Total income taxes	1,210	1,210
Net income	27,145,059	18,272,101

See notes to financial statements.

JAPAN HOTEL REIT INVESTMENT CORPORATION
Statements of Changes in Net Assets
For the years ended December 31, 2025 and 2024

	Thousands of yen						
	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, 2024	¥ 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
Changes of items during the year:							
Reversal of reserve for temporary difference adjustment	—	—	(1,795,584)	—	(1,795,584)	1,795,584	—
Dividends paid	—	—	—	—	—	(20,066,912)	(20,066,912)
Net income	—	—	—	—	—	27,145,059	27,145,059
Net changes in items other than unitholders' equity	—	—	—	—	—	—	—
Total changes in amount during the year	—	—	(1,795,584)	—	(1,795,584)	8,873,731	7,078,146
Balance, December 31, 2025	¥ 232,708,699	¥ 21,746,398	¥ 6,959,044	¥ 1,174,860	¥ 8,133,905	¥ 27,147,695	¥ 57,027,999

	Thousands of yen			
	Unitholders' equity	Valuation and translation adjustments		
		Total unitholders' equity	Deferred gains (losses) on hedges	Total valuation and translation adjustments
	Balance, January 1, 2024	¥ 244,710,204	¥ 270,099	¥ 270,099
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
Changes of items during the year:				
Reversal of reserve for temporary difference adjustment	—	—	—	—
Dividends paid	(20,066,912)	—	—	(20,066,912)
Net income	27,145,059	—	—	27,145,059
Net changes in items other than unitholders' equity	—	2,633,884	2,633,884	2,633,884
Total changes in amount during the year	7,078,146	2,633,884	2,633,884	9,712,031
Balance, December 31, 2025	¥ 289,736,699	¥ 3,377,972	¥ 3,377,972	¥ 293,114,671

See notes to financial statements.

JAPAN HOTEL REIT INVESTMENT CORPORATION
Statements of Cash Flows
For the years ended December 31, 2025 and 2024

	<i>Thousands of yen</i>	
	For the year ended December 31, 2025	For the year ended December 31, 2024
Cash flows from operating activities:		
Income before income taxes	¥ 27,146,269	¥ 18,273,311
Depreciation and amortization	6,694,710	5,617,944
Loss on retirement of noncurrent assets	206,116	236,895
(Gain) Loss on derivative instruments	—	(532)
Subsidy income	—	(213,025)
Loss on advanced depreciation of property and equipment	—	212,779
Amortization of investment corporation bond issuance costs	26,369	29,613
Amortization of investment unit issuance costs	78,694	47,401
Decrease of property and equipment due to sale	195	—
Decrease of property and equipment in trust due to sale	2,094,231	—
Interest income	(82,638)	(2,941)
Interest expense	3,118,450	1,583,675
Interest on tax refunds	(87)	(217)
Gain on sale of trademark rights	(398,251)	—
(Increase) decrease in operating accounts receivable	(1,924,762)	(1,194,855)
(Increase) decrease in prepaid expenses	(198,128)	(158,445)
(Increase) decrease in long-term prepaid expenses	(664,311)	(406,427)
Increase (decrease) in operating accounts payable	237,851	(236,909)
Increase (decrease) in accrued expenses	100,447	112,480
Increase (decrease) in consumption taxes payable	265,655	330,059
Increase (decrease) in advances received	(11,215)	103,636
Increase (decrease) in deposits received	(29,602)	22,324
Other	132,313	(7,784)
Subtotal	36,792,307	24,348,984
Interest received	74,994	2,941
Interest paid	(3,102,456)	(1,592,184)
Interest received on tax refunds	87	217
Income taxes – refunded (paid)	(12,241)	(1,621)
Net cash provided by operating activities	33,752,690	22,758,337
Cash flows from investing activities:		
Purchase of property and equipment	(1,460,458)	(1,747,680)
Purchase of property and equipment in trust	(71,109,494)	(63,439,292)
Purchase of intangible assets	(33,806)	(75,007)
Proceeds from sale of intangible assets	692,720	—
Payments of reserve fund for repairs and maintenance	(40,625)	(40,625)
Proceeds from tenant leasehold and security deposits in trust	282,218	363,897
Repayment of tenant leasehold and security deposits in trust	(199,144)	(11,098)
Subsidies received	—	213,025
Net cash used in investing activities	¥ (71,868,590)	¥ (64,736,782)

(Continued)

JAPAN HOTEL REIT INVESTMENT CORPORATION
Statements of Cash Flows
For the years ended December 31, 2025 and 2024

	<i>Thousands of yen</i>	
	For the year ended December 31, 2025	For the year ended December 31, 2024
Cash flows from financing activities:		
Proceeds from short-term loans payable	¥ —	¥ 1,800,000
Repayments of short-term loans payable	(1,000,000)	(16,368,000)
Proceeds from long-term loans payable	95,350,000	69,089,000
Repayments of long-term loans payable	(30,000,000)	(21,521,000)
Proceeds from issuance of investment corporation bonds	2,600,000	—
Repayments of investment corporation bond	(2,800,000)	(3,000,000)
Payments of investment corporation bond issuance costs	(18,636)	—
Proceeds from issuance of investment units	—	33,465,493
Dividends paid	(20,063,456)	(13,973,015)
Net cash provided by (used in) financing activities	<u>44,067,907</u>	<u>49,492,477</u>
Net increase (decrease) in cash and cash equivalents	5,952,007	7,514,032
Cash and cash equivalents at beginning of year	36,029,120	28,515,088
Cash and cash equivalents at end of year (<i>Note 5</i>)	<u>¥ 41,981,128</u>	<u>¥ 36,029,120</u>

See notes to financial statements.

JAPAN HOTEL REIT INVESTMENT CORPORATION
Notes to Financial Statements
For the years ended December 31, 2025 and 2024

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 37 properties amounting to ¥429,077 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 ¥515,391 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 property, etc. as a result of the seller fulfilling its delivery obligation 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 is the various expenses directly required for the sale, from "Proceeds from sale of properties," which is 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 period ended December 31, 2024.

(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 property-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 ¥63,636 thousand for the year ended December 31, 2024 and ¥294,794 thousand for the year ended December 31, 2025.

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, 2025	For the year ended December 31, 2024
Property and equipment	¥ 484,905,800	¥ 419,202,753
Intangible assets	31,612,367	32,038,215
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, real estate operating costs, etc., are determined by comprehensively taking into account the market trends, 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 period.

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

5. Cash Flow Information

Cash and cash equivalents as of December 31, 2025, and 2024 in the statements of cash flows consisted of the following:

	<i>Thousands of yen</i>	
	As of December 31, 2025	As of December 31, 2024
Cash and deposits	¥ 26,388,683	¥ 22,933,399
Cash and deposits in trust	15,592,444	13,095,721
Cash and cash equivalents	<u>¥ 41,981,128</u>	<u>¥ 36,029,120</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, 2025 and 2024 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, 2025			
	Carrying amount	Fair value	Difference
(i) Current portion of investment corporation bonds	¥ 13,100,000	¥ 12,999,497	¥ (100,503)
(ii) Current portion of long-term loans payable	22,780,000	22,780,000	—
(iii) Investment corporation bonds	20,600,000	19,910,398	(689,602)
(iv) Long-term loans payable	212,901,000	212,631,125	(269,874)
Total liabilities	<u>269,381,000</u>	<u>268,321,020</u>	<u>(1,059,979)</u>
(v) Derivative transactions (*)	<u>¥ 4,992,259</u>	<u>¥ 4,992,259</u>	<u>¥ —</u>

<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 liabilities	<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>

(*) 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 20.

(2) Schedule for redemption of investment corporation bonds and repayment of long-term loans payable as of December 31, 2025 and 2024.

<i>Thousands of yen</i>						
As of December 31, 2025	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	¥ 13,100,000	¥ —	¥ 10,000,000	¥ 8,000,000	¥ 800,000	¥ 1,800,000
Long-term loans payable	22,780,000	32,225,000	37,100,000	39,187,000	45,489,000	58,900,000
Total	<u>¥ 35,880,000</u>	<u>¥ 32,225,000</u>	<u>¥ 47,100,000</u>	<u>¥ 47,187,000</u>	<u>¥ 46,289,000</u>	<u>¥ 60,700,000</u>

<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>

7. Short-Term and Long-Term Loans Payable

Short-term and long-term loans payable as of December 31, 2025 and 2024 consisted of the following:

	Maturity date	Thousands of yen			
		As of	As of		
		December 31, 2025	December 31, 2024		
		Amount			
Short-term loans payable:					
0.84% Unsecured loan, payable in a lump-sum at maturity	November 20, 2025	¥	—	¥	1,000,000
Sub-total			—		1,000,000
Long-term loans payable:					
0.74% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025		—		9,500,000
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
0.68% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025		—		700,000
0.75% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025		—		500,000
0.73% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025		—		500,000
0.73% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025		—		500,000
0.73% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025		—		1,000,000
0.68% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025		—		300,000
0.65% Unsecured loan, payable in a lump-sum at maturity	March 31, 2025		—		2,550,000
0.65% Unsecured loan, payable in a lump-sum at maturity	March 31, 2025		—		2,450,000
0.95% Unsecured loan, payable in a lump-sum at maturity	September 30, 2027		3,900,000		3,900,000
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
0.68% Unsecured loan, payable in a lump-sum at maturity	September 30, 2027		5,600,000		5,600,000
1.19% Unsecured loan, payable in a lump-sum at maturity	January 30, 2026		2,526,000		2,526,000
1.19% Unsecured loan, payable in a lump-sum at maturity	March 31, 2026		1,454,000		1,454,000
1.29% Unsecured loan, payable in a lump-sum at maturity	March 31, 2028		1,000,000		1,000,000
1.19% Unsecured loan, payable in a lump-sum at maturity	June 30, 2026		3,250,000		3,250,000
1.09% Unsecured loan, payable in a lump-sum at maturity	September 30, 2026		700,000		700,000
1.19% Unsecured loan, payable in a lump-sum at maturity	September 27, 2028		6,300,000		6,300,000
1.09% Unsecured loan, payable in a lump-sum at maturity	September 30, 2027		9,275,000		9,275,000
1.24% Unsecured loan, payable in a lump-sum at maturity	September 28, 2029		10,687,000		10,687,000
1.09% Unsecured loan, payable in a lump-sum at maturity	March 31, 2027		900,000		900,000
1.24% Unsecured loan, payable in a lump-sum at maturity	September 28, 2029		2,900,000		2,900,000
1.09% Unsecured loan, payable in a lump-sum at maturity	September 29, 2028		1,200,000		1,200,000
1.14% Unsecured loan, payable in a lump-sum at maturity	September 28, 2029		2,800,000		2,800,000
0.78% 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		1,000,000
0.90% Unsecured loan, payable in a lump-sum at maturity	March 31, 2027		4,050,000		4,050,000
1.12% Unsecured loan, payable in a lump-sum at maturity	March 30, 2029		4,000,000		4,000,000
1.17% Unsecured loan, payable in a lump-sum at maturity	March 30, 2029		800,000		800,000
1.24% Unsecured loan, payable in a lump-sum at maturity	March 29, 2030		14,839,000		14,839,000
1.24% Unsecured loan, payable in a lump-sum at maturity	March 29, 2030		3,300,000		3,300,000
0.84% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025		—		8,000,000
1.27% Unsecured loan, payable in a lump-sum at maturity	March 30, 2029		1,950,000		1,950,000
1.37% Unsecured loan, payable in a lump-sum at maturity	March 29, 2030		5,850,000		5,850,000
1.40% Unsecured loan, payable in a lump-sum at maturity	March 29, 2030		500,000		500,000
1.48% Unsecured loan, payable in a lump-sum at maturity	March 31, 2031		12,700,000		12,700,000
1.52% Unsecured loan, payable in a lump-sum at maturity	March 31, 2031		1,000,000		1,000,000
1.41% Unsecured loan, payable in a lump-sum at maturity	March 29, 2030		2,000,000		2,000,000
1.21% Unsecured loan, payable in a lump-sum at maturity	September 28, 2029		1,600,000		1,600,000
1.50% Unsecured loan, payable in a lump-sum at maturity	September 30, 2032		3,100,000		3,100,000
1.50% Unsecured loan, payable in a lump-sum at maturity	September 30, 2032		1,400,000		1,400,000
0.86% Unsecured loan, payable in a lump-sum at maturity	March 31, 2026		10,600,000		—
1.57% Unsecured loan, payable in a lump-sum at maturity	March 30, 2029		12,850,000		—
1.58% Unsecured loan, payable in a lump-sum at maturity	March 30, 2029		1,600,000		—
1.73% Unsecured loan, payable in a lump-sum at maturity	September 30, 2030		17,100,000		—
1.75% Unsecured loan, payable in a lump-sum at maturity	September 30, 2030		1,900,000		—
1.91% Unsecured loan, payable in a lump-sum at maturity	September 30, 2032		18,400,000		—
1.96% Unsecured loan, payable in a lump-sum at maturity	September 30, 2032		1,900,000		—
1.69% Unsecured loan, payable in a lump-sum at maturity	March 31, 2028		3,600,000		—
2.26% Unsecured loan, payable in a lump-sum at maturity	March 31, 2034		4,400,000		—
1.61% Unsecured loan, payable in a lump-sum at maturity	September 29, 2028		7,000,000		—
1.95% Unsecured loan, payable in a lump-sum at maturity	September 30, 2031		8,000,000		—
2.31% Unsecured loan, payable in a lump-sum at maturity	September 29, 2034		7,000,000		—

	Maturity date	Thousands of yen	
		As of	As of
		December 31, 2025	December 31, 2024
		Amount	
Long-term loans payable:			
1.98% Unsecured loan, payable in a lump-sum at maturity	September 30, 2031	1,000,000	—
Sub-total		235,681,000	170,331,000
Total of short-term and long-term loans payable		¥ 235,681,000	¥ 171,331,000

The stated interest rate, which is a rate per annum, represents the weighted average rate during the year ended December 31, 2025, 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, 2025 and 2024 consisted of the following:

	Thousands of yen	
	As of	As of
	December 31, 2025	December 31, 2024
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 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 13th investment corporation bond at interest rate of 1.000%, due on September 19, 2025	—	2,800,000
Unsecured 14th investment corporation bond (green bonds) at interest rate of 2.052%, due on September 10, 2032	1,800,000	—
Unsecured 15th investment corporation bond at interest rate of 1.783%, due on September 11, 2030	800,000	—
Total	¥ 33,700,000	¥ 33,900,000

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, 2025	December 31, 2024
Balance at beginning of year	¥ 341,696	¥ 340,051
Adjustment due to accretion expense	1,653	1,645
Balance at end of year	¥ 343,350	¥ 341,696

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, 2025		For the year ended December 31, 2024	
	Total	Per unit	Total	Per unit
I Unappropriated retained earnings	¥ 27,147,695,820		¥ 18,273,964,433	
II Reversal of voluntary reserve				
Reversal of reserve for temporary difference adjustment (*)	¥ 468,716,659	¥ 91	¥ 1,795,584,763	¥ 352
III Dividends	¥ 25,795,947,366	¥ 5,061	¥ 20,066,912,622	¥ 3,937
IV Provision of voluntary reserve				
Reserve for advanced depreciation	¥ 1,818,000,000	¥ 356	—	—
V Retained earnings carried forward (I+II-III-IV)	¥ 2,465,113		¥ 2,636,574	

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, 2025, reversal of reserve for temporary difference adjustment of ¥468,716,659 has been decided. This is the amount calculated by adding ¥206,116,659, equivalent to loss on retirement of noncurrent assets, to ¥262,600,000 of the reversal.

For the year ended December 31, 2024, reversal of reserve for temporary difference adjustment of ¥1,795,584,763 has been decided. This 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.

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, 2025 and 2024 consisted of the following (thousands of yen):

Source	Original amount	Balance as of January 1, 2025	Provision during the year	Reversal during the year	Balance as of December 31, 2025	Rationale for provision or reversal
Dividend reserve	13,127,153	8,754,629	—	1,795,584	6,959,044	Allocation for dividend

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

(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, 2025 and 2024 were as follows:

	<i>Thousands of yen</i>	
	For the year ended December 31, 2025	For the year ended December 31, 2024
Operating revenue:		
Real estate operating revenue:		
Fixed rent	¥ 19,293,647	¥ 16,134,811
Variable rent	20,632,007	14,521,350
Income from management contract (*1)	2,148,645	1,733,460
Sub-total	<u>42,074,300</u>	<u>32,389,622</u>
Other real estate operating revenue:		
Parking lots	150,407	135,624
Other incidental revenue	45,441	82,746
Utilities	799,709	743,628
Other	148,411	129,576
Sub-total	<u>1,143,969</u>	<u>1,091,575</u>
Total operating revenue	<u>43,218,269</u>	<u>33,481,197</u>
Real estate operating costs:		
Land lease and other rent expenses	859,000	858,995
Property taxes	2,250,736	2,083,766
Outsourcing expenses (*2)	470,084	473,699
Nonlife insurance	169,514	105,371
Depreciation and amortization	6,694,710	5,617,944
Loss on retirement of noncurrent assets	206,116	236,895
Repairs	14,693	59,747
Utilities	825,874	779,798
Trust fees	48,475	49,596
Other	26,792	56,888
Total real estate operating costs	<u>11,565,998</u>	<u>10,322,705</u>
Net real estate operating income	<u>¥ 31,652,271</u>	<u>¥ 23,158,492</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 ¥130,401 thousand for the year ended December 31, 2025 and ¥154,688 thousand for the year ended December 31, 2024.

13. Gain on Sale of Real Estate Properties

The components of “Gain on sale of real estate properties” for the years ended December 31, 2025 and 2024 were as follows:

	<i>Thousands of yen</i>	
	For the year ended December 31, 2025	For the year ended December 31, 2024
Washington Hotel Plaza Hakata, Nakasu		—
Proceeds from sale of properties	¥ 4,610,000	¥ —
Costs of sale of properties	2,094,427	—
Other selling expenses	169,342	—
Gain on sale of real estate properties	<u>¥ 2,346,230</u>	<u>¥ —</u>

14. Details of subsidy income

For the year ended December 31, 2025
Not applicable.

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.

15. 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, 2025</u>	<u>For the year ended December 31, 2024</u>
Buildings in trust	¥ —	¥ 212,779

16. 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, 2025 and 2024 were as follows:

	<i>Thousands of yen</i>	
	<u>As of December 31, 2025</u>	<u>As of December 31, 2024</u>
Buildings in trust	¥ 230,645	¥ 230,645

17. Income Taxes

Significant components of deferred tax assets and liabilities as of December 31, 2025 and 2024 were as follows:

	<i>Thousands of yen</i>	
	<u>As of December 31, 2025</u>	<u>As of December 31, 2024</u>
Deferred tax assets		
Valuation difference on assets acquired by merger	¥ 1,586,845	¥ 1,652,444
Amortization of fixed-term leasehold rights	418,831	376,295
Asset retirement obligations	36,398	32,786
Amortization of trademark rights	—	66,171
Subtotal deferred tax assets	2,042,074	2,127,698
Valuation allowance	(2,042,074)	(2,127,698)
Total deferred tax assets	¥ —	¥ —
Deferred tax liabilities		
Deferred gains on hedges	1,614,286	341,537
Total deferred tax liabilities	¥ 1,614,286	¥ 341,537

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, 2025 and 2024 were as follows:

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
Effective statutory tax rate	31.46%	31.46%
Deduction for dividends paid	(29.04%)	(31.68%)
Reserve for advanced depreciation	(2.11%)	—
Change in valuation allowance	(0.32%)	0.22%
Other – net	0.00%	0.01%
Actual effective tax rate	0.00%	0.01%

Amendment on deferred tax assets and liabilities resulting from change in income tax rates

On March 31, 2025, “the Act for Partial Amendment of the Income Tax Act. etc. (Act No. 13, 2025)” were enacted in the Diet session. As a result of the amendment, “Defense Special Corporate Tax” will be levied from the fiscal period

beginning on or after April 1, 2026. Consequently, the statutory tax rate used in calculation of deferred tax assets and liabilities on temporary differences that are expected to reverse from the fiscal period beginning on or after January 1, 2027 has been changed from 31.46% to 32.34%. The effect of this change of the statutory tax rate is immaterial.

18. Amounts per Unit

Net income per unit for the years ended December 31, 2025 and 2024 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, 2025</u>			
Basic net income per unit - Net income attributable to common unitholders	¥ 27,145,059	5,097,006	¥ 5,325
<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

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, 2025 and 2024.

Net assets per unit as of December 31, 2025 and 2024 were as follows:

	<i>Yen</i>	
	As of December 31, 2025	As of December 31, 2024
Net assets per unit	¥ 57,507	¥ 55,601

19. 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, 2025 and 2024 were as follows:

	<i>Thousands of yen</i>	
	As of December 31, 2025	As of December 31, 2024
Due within one year	¥ 693,654	¥ 1,021,632
Due after one year	2,389,301	2,855,941
Total	¥ 3,082,955	¥ 3,877,574

20. 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, 2025 and 2024 were as follows:

Not applicable.

b. Derivative transactions to which hedge accounting is applied

Derivative transactions to which hedge accounting was applied as of December 31, 2025 and 2024 were as follows:

			<i>Thousands of yen</i>		
<u>As of December 31, 2025</u>	<u>Method of hedge accounting</u>	<u>Hedged item</u>	<u>Contract amount (*1)</u>	<u>Contract amount due after one year</u>	<u>Fair value (*2)</u>
Interest rate swaps (fixed rate payment, variable rate receipt)	Deferral method	Long-term loans payable	¥ 171,389,000	¥ 167,139,000	¥ 4,992,259

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

Notes:

(*1) The contract amounts of the interest rate swap are presented based on the contracted amounts 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.

21. 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, 2025	Net increase (decrease) (*1)	December 31, 2025	December 31, 2025
Hotels	¥ 451,231,225	¥ 65,280,048	¥ 516,511,273	¥ 703,630,000

Notes:

(*1) Increase during 2025 was principally due to acquisition of Hilton Fukuoka Sea Hawk (¥65,186,395 thousand), and the decrease was principally due to disposition of Washington Hotel Plaza Hakata, Nakasu (¥2,094,427 thousand), and depreciation.

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

	<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 was principally due to acquisition of MIMARU Tokyo Shinjuku West (¥10,028,560 thousand), HOTEL AMANEK Shinjuku-Kabukicho (¥9,190,215 thousand), OKINAWA HARBORVIEW HOTEL (¥22,314,977 thousand) and Southern Beach Hotel & Resort OKINAWA (¥16,318,121 thousand).

(*2) Fair value at end of the 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.

Real estate operating revenue and costs for the years ended December 31, 2025 and 2024 related to the rental properties were as follows:

	<i>Thousands of yen</i>		
	For the year ended December 31, 2025		
	Real estate operating revenue (*)	Real estate operating costs (*)	Net real estate operating income
Hotels	¥ 43,218,269	¥ 11,565,998	¥ 31,652,271

	<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

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.

22. Revenue from Contracts with Customers

For the years ended December 31, 2025 and 2024

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 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.

23. Transactions with Related Parties

For the years ended December 31, 2025 and 2024

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.

24. 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, 2025 and 2024

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, 2025 and 2024

(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, 2025>

<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	¥ 27,601,111

<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

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

25. Subsequent Events

a. Acquisition of asset

JHR acquired the following asset on March 13, 2026.

Name of acquired asset	HYATT REGENCY TOKYO
Asset category	Real estate beneficial interest in trust and movable assets associated with the hotel
Asset type	Hotel
Location	2-7-2, Nishi-Shinjuku, Shinjuku-ku, Tokyo
Acquisition date	March 13, 2026
Seller	GK Midtown Tokyo
Acquisition price (Note)	¥126,000 million

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

b. New loans

JHR conducted new borrowings as follows, in order to partly fund the acquisition of HYATT REGENCY TOKYO as described above in “a. Acquisition of asset.”

Names of loan	Lenders	Amount of the new loan (JPY1M)	Interest rate (Note)	Borrowing date	Maturity date	Collateral / method of repayment
Term Loan 127	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. SBI Shinsei Bank, Limited Development Bank of Japan Inc. The Chiba Bank, Ltd.	22,000	Base interest rate + 0.250%	March 13, 2026	March 15, 2027	Unsecured and unguaranteed / Lump-sum repayment on the maturity date
Term Loan 128	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. SBI Shinsei Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. Daiwa Next Bank, Ltd.	8,000	Base interest rate + 0.275%	March 13, 2026	March 31, 2028	Unsecured and unguaranteed / Lump-sum repayment on the maturity date
Term Loan 129	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. SBI Shinsei Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. Daiwa Next Bank, Ltd. Kansai Mirai Bank, Limited	10,000	Base interest rate + 0.350%	March 13, 2026	March 29, 2030	Unsecured and unguaranteed / Lump-sum repayment on the maturity date
Term Loan 130	Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. SBI Shinsei Bank, Limited Resona Bank, Limited Development Bank of Japan Inc. The Chiba Bank, Ltd. Daiwa Next Bank, Ltd. Kansai Mirai Bank, Limited	25,000	Base interest rate + 0.400%	March 13, 2026	March 31, 2031	Unsecured and unguaranteed / Lump-sum repayment on the maturity date

(Note) The base interest rate to be applied to the calculation period of the interest to be paid on the interest payment date will be JBA Japanese Yen TIBOR for one month 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). However, as to Term Loan 127, the base interest rate to be applied will be JBA Japanese Yen TIBOR for twelve months as of two business days prior to the borrowing date.

c. Issuance of new investment units

JHR resolved to issue new investment units at the Board of Directors meetings held on February 25, 2026 and March 3, 2026, as outlined below, and payment for the new investment units through domestic public offering and overseas offering was completed on March 9, 2026. With regard to the issuance of new investment units through third-party allotment that was also resolved in the same Board of Directors meetings, the allottee notified JHR that it would not subscribe in whole the planned number of units to be issued. Accordingly, the issuance of new investment units through third-party allotment was cancelled.

(i) Issuance of new investment units (domestic public offering and overseas offering)

Number of investment units issued:	807,000 units
Of which, domestic public offering:	493,911 units
Of which, overseas offering:	313,089 units
Offering price:	¥79,086 per unit
Total offering price:	¥63,822,402,000
Paid-in amount (issue value):	¥76,584 per unit
Total paid-in amount (total issue value):	¥61,803,288,000
Payment date:	March 9, 2026

(ii) Use of the proceeds

The proceeds of ¥61,803,288,000 were allocated to partially fund the acquisition of HYATT REGENCY TOKYO as described in “a. Acquisition of asset” above.



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, 2025 and 2024, 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, 2025 and 2024, 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 in Japan (including those that are relevant to our audit of the financial statements of public interest entities), 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 25 (Subsequent Events) to the financial statements, which states that the Company acquired property, conducted new borrowings and issued new investment units. 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 20, 2026

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.