

Asset Management Report

For the Year Ended December 31, 2023

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 24th fiscal year, running from January 1, 2023 to December 31, 2023, and we would like to report on our financial performance and results for the period.

The year 2023 marked significant progress in the country's recovery from the COVID-19 pandemic and its move towards normalizing socio-economic activities, with domestic leisure demand remaining robust throughout the year. The number of inbound visitors for the year has recovered to almost 80% of the same period in 2019, approaching the pre-pandemic level. Notably, the fourth quarter saw inbound visitor numbers surpass the 2019 figures, indicating a strong recovery in the hotel market driven by vigorous domestic and international accommodation demand. Consequently, room rates at many hotels exceeded those recorded in 2019.

Under such an environment, JHR resumed acquiring properties, which had been approached with caution during the COVID-19 pandemic. JHR acquired UAN Kanazawa in January 2023 and Sotetsu Fresa Inn Shimbashi-Karasumoriguchi in March 2023, using cash on hand and further acquired three properties, La'gent Stay Sapporo Odori, Oriental Hotel Kyoto Rokujo, and Hotel Oriental Express Fukuoka Nakasukwabata, in September 2023 through the first public offering since the COVID-19 pandemic. In December of the same year, JHR acquired Hotel JAL City Kannai Yokohama, which was entirely financed by debt. These acquisitions, totaling 33.3 billion yen for six properties, have significantly enhanced JHR's portfolio by adding highly competitive hotels in regions with growth potential in accommodation demand.

For its internal growth, JHR has been maintaining close communication with the lessees and operators of each hotel to improve revenues by implementing a high unit-price sales strategy. In addition, JHR worked to improve profitability through measures to reduce operating costs continuously.

As a result of these efforts, for the fiscal year ended December 2023, JHR recorded operating revenue of 26,574 million yen, ordinary income of 13,135 million yen, net income of 13,134 million yen, and dividend per unit of 3,015 yen.

JHR believes that the hotel market will overcome the impact of the COVID-19 pandemic and enter a growth phase driven by strong and robust demand from both domestic and inbound visitors. JHR aims to maximize revenue by aggressively capturing demand in the strong hotel market.

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.

JAPAN HOTEL REIT INVESTMENT CORPORATION

Contents:

I. ASSET MANAGEMENT REPORT 3

This section (P1-P41) is the translation of the Asset Management Report for the 24th Period released on March 19, 2024 except for, if any, the update on I.6. Significant subsequent events. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

II. FINANCIAL STATEMENTS

For the Years ended December 31, 2023 and 2022

Balance Sheets	42
Statements of Income	44
Statements of Changes in Net Assets	45
Statements of Cash Flows	46
Notes to Financial Statements	48
Independent Auditor's Report	62

I ASSET MANAGEMENT REPORT

Outline of Asset Management Operation

1. Operating results and financial position, etc.

Fiscal period		20th period	21st period	22nd period	23rd period	24th period
Account closing date		December 2019	December 2020	December 2021	December 2022	December 2023
Operating revenue	JPY MM	28,278	13,838	13,633	14,912	26,574
[Real estate operating revenue]	JPY MM	[28,278]	[10,495]	[10,374]	[14,912]	[26,574]
Operating expenses	JPY MM	11,129	10,662	10,673	10,616	11,560
[Real estate operating costs]	JPY MM	[8,997]	[8,717]	[8,830]	[8,796]	[9,466]
Operating income	JPY MM	17,148	3,176	2,959	4,296	15,014
Ordinary income	JPY MM	15,291	1,398	1,298	2,672	13,135
Net income (Note 1)	JPY MM	15,290	1,527	1,296	2,671	13,134
Total assets	JPY MM	415,722	400,296	394,323	396,799	429,955
[Period-on-period change]	(%)	[18.6]	[(3.7)]	[(1.5)]	[0.6]	[8.4]
Net assets	JPY MM	236,522	221,201	221,542	223,574	244,980
[Period-on-period change]	(%)	[16.3]	[(6.5)]	[0.2]	[0.9]	[9.6]
Unitholders' capital	JPY MM	186,894	186,894	187,194	187,194	199,051
Number of investment units issued and outstanding	Units	4,462,347	4,462,347	4,467,006	4,467,006	4,637,006
Net assets per unit	JPY	53,004	49,570	49,595	50,050	52,831
Net income per unit (Note 2)	JPY	3,447	342	290	598	2,909
Total dividends	JPY MM	16,466	1,829	1,634	3,046	13,980
Dividend per unit	JPY	3,690	410	366	682	3,015
[Earnings dividend per unit]	JPY	[3,690]	[410]	[366]	[682]	[3,015]
[Dividend per unit resulted from excess of earnings]	JPY	[—]	[—]	[—]	[—]	[—]
Ratio of ordinary income to total assets (Note 3)	%	4.0	0.3	0.3	0.7	3.2
Return on unitholders' equity (Note 4)	%	7.0	0.7	0.6	1.2	5.6
Ratio of net assets to total assets (Note 5)	%	56.9	55.3	56.2	56.3	57.0
[Period-on-period change]		[(1.1)]	[(1.6)]	[0.9]	[0.2]	[0.6]
Payout ratio (Note 6)	%	107.7	119.8	126.1	114.0	106.4

[Additional information]

NOI (Note 7)	JPY MM	24,087	6,547	6,366	10,963	22,344
FFO per unit (Note 8) (Note 9)	JPY	4,503	632	640	1,683	3,961
FFO multiple (Note 9) (Note 10)	Times	18.0	83.9	87.8	46.0	17.5
Debt service coverage ratio (Note 9) (Note 11)	Times	17.5	3.3	3.4	7.5	17.0
Interest-bearing debt	JPY MM	168,754	168,754	164,754	164,231	175,231
Ratio of interest-bearing debt to total assets (Note 12)	%	40.6	42.2	41.8	41.4	40.8
Number of investment properties	Properties	43	42	41	41	47
Total leasable area	m ²	746,329.68	741,083.02	733,995.61	733,995.61	767,700.44
Number of tenants at end of period (Note 13)	Tenants	125	121	116	110	117
Occupancy rate at end of period (Note 14)	%	99.9	99.9	99.8	99.8	99.8
Depreciation	JPY MM	4,557	4,761	4,804	4,787	5,083
Capital expenditures	JPY MM	6,767	1,665	3,367	4,497	4,769
Number of operating days	Days	365	366	365	365	365

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

(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 + Loss on retirement of noncurrent assets + Asset retirement obligations expenses

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

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

2. Asset management operation for the fiscal period under review

(1) Brief history and principal activities

Japan Hotel REIT Investment Corporation (hereinafter referred to as “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 the asset management to 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 (hereinafter referred to as the “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 (the 12-month period from January 1, 2023 to December 31, 2023), JHR has carried out ten public offerings for capital increase and continuously acquired “highly competitive hotels” in mainly “strategic investment areas” where domestic and inbound leisure demand can be expected over the medium to long term.

By implementing the aforementioned growth strategy, JHR has expanded its asset size while improving the quality of its portfolio through new property acquisitions of 32 properties amounting to 308,537 million yen (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 47 properties with a total acquisition price of 396,918 million yen, and the total number of investment units issued and outstanding stood at 4,637,006 units.

(2) Investment performance for the fiscal year under review

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

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

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

Under such circumstances, JHR resumed the implementation of its external growth strategy, which it had approached cautiously during the COVID-19 pandemic. JHR acquired UAN Kanazawa in January 2023 and Sotetsu Fresa Inn Shimbashi-Karasumoriguchi in March 2023, using cash on hand and further acquired three properties, La’gent Stay Sapporo Odori, Oriental Hotel Kyoto Rokujo and Hotel Oriental Express Fukuoka Nakasukawabata, in September 2023 through the first public offering since the COVID-19 pandemic. In December of the same year, JHR acquired Hotel JAL City Kannai Yokohama, which was entirely financed by debt. As a result, JHR acquired a total of six properties in 2023 at an acquisition price of 33.3 billion yen.

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

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

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

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

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

For further details of sales, GOP and other operating indexes for the 25 Hotels with Variable Rent, etc., please refer to “<Reference 2> Hotel operation indexes, sales and GOP (gross operating profit), 7. Reference information” on page 15.

- (Note 1) ADR refers to the average guest room unit sales price (Average Daily Rate), which is calculated by dividing total room sales (including service charges) for a given period by the total number of guest rooms sold for the same period. The same shall apply hereinafter.
- (Note 2) GOP refers to Gross Operating Profit, which is the amount remaining after deducting expenses related to hotel operations, such as personnel costs and general administrative expenses from hotel sales. The same shall apply hereafter.
- (Note 3) The 25 Hotels with Variable Rent, etc., refer to the 25 hotels, consisting of the 16 HMJ Hotels, plus the Accor Group Hotels and the Ishin Group Hotels. The same shall apply hereinafter.

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

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

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

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

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

- The Ishin Group Hotels refer to the following four hotels: the b suidobashi, the b ikebukuro, the b hachioji, and the b hakata.
- (Note 4) RevPAR represents Revenue Per Available Room, which is calculated by dividing total room sales (including service charges) for a given period by the total number of guest rooms available for sale during the same period. The same shall apply hereinafter.

(3) Funding conditions

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

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

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

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

(Note) Ratio of interest-bearing debt to total assets at the end of the period = Balance of interest-bearing debt at the end of the period / Total assets at the end of the period x 100

As of December 31, 2023, JHR's issuer ratings were as follows:

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

(4) Financial results

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

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

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 (JPY MM)		Note
		Increase (decrease)	Balance	Increase (decrease)	Balance	
January 23, 2019	Capital increase through public offering of investment units	447,800	4,458,647	33,104	186,620	(Note 1)
February 20, 2019	Capital increase through third-party allotment of investment units	3,700	4,462,347	273	186,894	(Note 2)
March 16, 2021	Capital increase through third-party allotment of investment units	4,659	4,467,006	300	187,194	(Note 3)
September 21, 2023	Capital increase through public offering of investment units	170,000	4,637,006	11,857	199,051	(Note 4)

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

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

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

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

[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)				
	20th period December 2019	21st period December 2020	22nd period December 2021	23rd period December 2022	24th period December 2023
Highest price	91,800	82,400	71,400	81,100	85,700
Lowest price	75,900	24,700	51,600	54,400	65,400
Price at end of period	81,200	53,000	56,200	77,500	69,200

4. Dividends, etc.

Earnings dividend for the period under review was decided in accordance with the monetary distribution policy stipulated in Article 34, paragraph 1 of JHR's Articles of Incorporation. It was decided that 13,980,573,090 yen, an amount excluded fractions of less than one yen of dividend per unit from 13,982,436,392 yen, which was calculated by adding a reversal of reserve for temporary difference adjustment (appropriation for dividends) of JPY845,384,544 to unappropriated retained earnings of 13,137,051,848 yen. Consequently, the dividend per unit came to 3,015 yen.

Classification	20th period	21st period	22nd period	23rd period	24th period
	(From January 1, 2019 to December 31, 2019)	(From January 1, 2020 to December 31, 2020)	(From January 1, 2021 to December 31, 2021)	(From January 1, 2022 to December 31, 2022)	(From January 1, 2023 to December 31, 2023)
Unappropriated retained earnings	15,290,314,375	1,527,790,689	1,300,724,473	2,672,927,976	13,137,051,848
Retained earnings	744,789	3,922,801	1,171,664	2,930,982	1,863,302
Total cash dividends	16,466,060,430	1,829,562,270	1,634,924,196	3,046,498,092	13,980,573,090
[Dividend per unit]	[3,690]	[410]	[366]	[682]	[3,015]
Of the above, total earnings dividends	16,466,060,430	1,829,562,270	1,634,924,196	3,046,498,092	13,980,573,090
[Earnings dividend per unit]	[3,690]	[410]	[366]	[682]	[3,015]
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

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

While there are ongoing concerns about the impacts of rising prices and other factors on domestic leisure demand, the need for domestic travel remains strong and is expected to stay robust, supported by improvements in employment and income conditions. Inbound demand from South Korea, Taiwan, the U.S., and Hong Kong is already at or above the pre-pandemic level, and in China, where recovery has been slow, a recovery is expected, especially for individual travel. The number of inbound visitors in 2024 is expected to exceed that of 2019 to reach a record high.

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

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

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

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

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

Internal growth

JHR will work to secure “stability” mainly with fixed rent contracts, while at the same time aim for “upside potential” through implementation of active asset management strategies which proactively pursue greater profitability and asset value in properties by way of a variety of measures such as adopting adequate brand to meet characteristic of each hotel and coordinating with HMJ.

For properties with fixed-rent contracts, JHR will continue to focus on setting and maintaining appropriate rents based on rent levels in the market where respective hotels are located or each tenant's creditworthiness and ability to bear the rent costs, and aiming at raising rents (including introduction of a revenue-sharing rent structure) in accordance with the conditions of the accommodation market.

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.

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

B. Properties under fixed rent contracts

JHR will monitor the operating conditions of these hotels appropriately and pay careful attention to each lessee's ability to bear the cost of rent. For the hotels that have shown a recovery in performance and whose lessees' ability to bear the rents has improved, JHR will engage in negotiations for a rent raise or the introduction of variable rents to link the increased hotel revenues to the growth of its own revenue. In addition, JHR will continuously invest in maintaining and upgrading 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 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 openings 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 budget-type (low-priced) hotels that specialize in accommodation and primarily offer single rooms, relying solely on prices for competitiveness.

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

Finance strategy

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

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

Policy on handling negative goodwill

From the fiscal year ended December 31, 2017 (18th period), JHR started appropriation for dividends through reversal of reserve for temporary difference adjustment in connection with partial amendments to the "Ordinance on Accounting of Investment Corporations" (Cabinet Office Ordinance No. 47 of 2006, as amended; hereinafter referred to as the "Ordinance on Accountings of Investment Corporations") and the "Regulation for Real Estate Investment Trusts and Real Estate Investment Corporations" of The Investment Trusts Association, Japan. JHR stipulated a policy to reverse 262 million yen (hereinafter referred to as the "50-year amortization amount of negative goodwill"), which is an amount

equivalent to 2% (1/50) of the balance of the reserve for temporary difference adjustment for the fiscal year ended December 31, 2017, to pay out as dividends every year, with the balance of the reserve for temporary difference adjustment remaining at the time of reversal set as the maximum reversal amount (Note).

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

Initiatives for sustainability

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

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

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

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

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

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

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

6. Significant subsequent events

Not applicable.

7. Reference information

<Reference 1> Major indexes of the hotel business for the fiscal period ended December 31, 2023

The following tables indicate the figures related to the hotel business of the 19 HMJ Hotels (Note) for the operating period from January 1, 2023 through December 31, 2023, based on the data provided by the hotel lessees, etc.

Furthermore, while the indexes of the hotels are among the indicators that show the operating status of the rooms departments, they do not necessarily represent the operating revenue and the ability to bear rent, etc. of the respective hotels, as the room rates and profit margins, etc. are not uniform, among other reasons. As such, the indicators are no more than the reference figures.

(Note) The 19 HMJ Hotels refer to 19 hotels, consisting of the 16 HMJ Hotels plus the following three hotels acquired in 2023: Oriental Hotel Kyoto Rokujo, Hotel Oriental Express Fukuoka Nakasukawabata and Hotel JAL City Kannai Yokohama (hereinafter referred to as the “Three HMJ Hotels acquired in 2023”). The same shall apply hereinafter.

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

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

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

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

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

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

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

(Note 3) Figures for the Other departments include sales of the product sales department.

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

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

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

<Reference 2> Hotel operation indexes, sales and GOP (gross operating profit)

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

ADR and RevPAR are rounded off to the nearest yen. Sales and GOP are rounded off to the nearest million yen. Occupancy rate and comparison with the previous period are rounded off to one decimal place.

<1> The 16 HMJ Hotels

		Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
		Result	Comparison with previous period	Result	Comparison with previous period
Occupancy rate	First half of the year	54.6%	28.2pt	76.0%	21.3pt
	Second half of the year	73.4%	25.6pt	81.4%	8.0pt
	Full year	64.1%	26.9pt	78.7%	14.6pt
ADR (JPY)	First half of the year	12,292	(2.6%)	18,753	52.6%
	Second half of the year	17,192	22.5%	22,215	29.2%
	Full year	15,121	11.7%	20,558	36.0%
RevPAR (JPY)	First half of the year	6,716	101.5%	14,243	112.1%
	Second half of the year	12,625	88.2%	18,082	43.2%
	Full year	9,694	92.5%	16,179	66.9%
Sales (JPY MM)	First half of the year	12,720	50.9%	23,122	81.8%
	Second half of the year	22,031	67.7%	28,380	28.8%
	Full year	34,752	61.1%	51,503	48.2%
GOP (JPY MM)	First half of the year	1,536	—	7,166	366.6%
	Second half of the year	6,222	185.7%	10,546	69.5%
	Full year	7,757	285.1%	17,712	128.3%

<2> The 25 Hotels with Variable Rent, etc.

		Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
		Result	Comparison with previous period	Result	Comparison with previous period
Occupancy rate	First half of the year	55.8%	26.3pt	76.0%	20.2pt
	Second half of the year	74.2%	25.5pt	80.9%	6.7pt
	Full year	65.1%	25.9pt	78.4%	13.4pt
ADR (JPY)	First half of the year	10,872	1.1%	16,618	52.8%
	Second half of the year	15,018	23.7%	19,729	31.4%
	Full year	13,255	14.0%	18,234	37.6%
RevPAR (JPY)	First half of the year	6,063	91.4%	12,628	108.3%
	Second half of the year	11,140	88.4%	15,955	43.2%
	Full year	8,623	89.4%	14,305	65.9%
Sales (JPY MM)	First half of the year	14,364	51.0%	26,221	82.5%
	Second half of the year	24,735	69.8%	32,211	30.2%
	Full year	39,100	62.4%	58,432	49.4%
GOP (JPY MM)	First half of the year	1,819	—	8,164	348.8%
	Second half of the year	7,055	186.4%	11,998	70.1%
	Full year	8,874	274.9%	20,162	127.2%

Overview of JHR

1. Unitholders' capital

Account closing date	20th period (As of December 31, 2019)	21st period (As of December 31, 2020)	22nd period (As of December 31, 2021)	23rd period (As of December 31, 2022)	24th period (As of December 31, 2023)
Total number of authorized units (Units)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Number of investment units issued and outstanding (Units)	4,462,347	4,462,347	4,467,006	4,467,006	4,637,006
Unitholders' capital (JPY MM)	186,894	186,894	187,194	187,194	199,051
Number of unitholders (Persons)	30,574	35,117	31,481	27,573	26,648

2. Matters regarding investment units

Major unitholders of JHR as of December 31, 2023 were as follows:

Name	Number of units held (Units)	Percentage (Note) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	941,008	20.29
Custody Bank of Japan, Ltd. (Trust Account)	841,944	18.15
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	255,752	5.51
BNYM AS AGT/CLTS 10 PERCENT	96,115	2.07
SSBTC CLIENT OMNIBUS ACCOUNT	81,205	1.75
STATE STREET BANK WEST CLIENT - TREATY 505234	75,764	1.63
STATE STREET BANK AND TRUST COMPANY 505103	74,474	1.60
JP MORGAN CHASE BANK 385781	63,009	1.35
GOLDMAN SACHS INTERNATIONAL	62,840	1.35
STATE STREET BANK AND TRUST COMPANY 505223	57,473	1.23
Total	2,549,584	54.98

(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, 2023 were as follows:

Position	Name	Major concurrent post outside JHR	Total amount of remuneration for each position during the corresponding fiscal period (JPY thousands)
Executive Director	Kaname Masuda (Note 1)	Representative Partner, Masuda & Partners Law Office	6,600
Supervisory Director	Tetsuya Mishiku (Note 1)	Representative Attorney, Mishiku & Nagamachi Law Office	3,600
Supervisory Director	Mayumi Umezawa (Note 1)	Representative of Umezawa Accountant Office	3,600
Supervisory Director	Akiko Tomiyama (Note 1, 2)	Mimura Komatsu Law Office	600
Independent auditor	KPMG AZSA LLC (Note 3)	—	29,550

(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 by the 12th General Meeting of Unitholders of JHR held on November 22, 2023, Akiko Tomiyama newly took office as Supervisory Director of JHR on the same date. Hiroto Kashii, former Supervisory Director, resigned at the conclusion of the 12th General Meeting of Unitholders held on November 22, 2023. His total compensation for the business tenure was 3,300 thousand yen.

(Note 3) Fees paid to the independent auditor include fees for comfort letter preparation in relation to the public offering (3,300 thousand yen). In addition, fees for non-audit services provided by other firms within the same network of the independent auditor are 12,500 thousand yen.

(Note 4) In case the number of Executive Director does not meet the requirement stipulated by laws and regulations, Hisashi Furukawa, Director of the Asset Management Company, was reappointed as Substitute Executive Director, based on the resolution made by the 12th General Meeting of Unitholders of JHR held on November 22, 2023. On February 21, 2024, Hisashi Furukawa resigned as President and CEO of the Asset Management Company and was appointed as Director of the Asset Management Company on the same date.

(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 ration of insurance premium) JHR bears 100% of the insurance premium (Measures to ensure the appropriateness of the execution of duties by directors and officers).</p> <p>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, 2023 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 Mizuho Bank, Ltd. 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.	23rd period (As of December 31, 2022)		24th period (As of December 31, 2023)			
				Total amount of assets held (JPY MM) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount of assets held (JPY MM) (Note 2)	Ratio to total assets (%) (Note 3)		
Real estate in trust	Limited-service hotel	Osaka	Holiday Inn Osaka Namba	26,646	6.7	26,566	6.2		
			Namba Oriental Hotel	14,250	3.6	14,217	3.3		
			Hotel Oriental Express Osaka Shinsaibashi	2,781	0.7	2,769	0.6		
		Tokyo	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	—	—	8,469	2.0		
			the b ikebukuro	6,548	1.7	6,599	1.5		
			CANDEO HOTELS Ueno Koen	6,535	1.6	6,525	1.5		
			Comfort Hotel Tokyo Higashi Nihombashi	3,422	0.9	3,394	0.8		
			the b hachioji	2,685	0.7	2,691	0.6		
			Smile Hotel Nihombashi Mitsukoshimae	2,025	0.5	2,025	0.5		
			R&B Hotel Ueno Hirokoji	1,780	0.4	1,804	0.4		
			Chisun Hotel Kamata	1,442	0.4	1,452	0.3		
			the b suidobashi	1,155	0.3	1,140	0.3		
			dormy inn EXPRESS Asakusa	922	0.2	917	0.2		
			Chisun Inn Kamata	773	0.2	778	0.2		
			Hokkaido	La'gent Stay Sapporo Odori	—	—	10,402	2.4	
		ibis Styles Sapporo		6,366	1.6	6,299	1.5		
		Mercure Sapporo		5,614	1.4	5,563	1.3		
		Fukuoka	Hotel Oriental Express Fukuoka Tenjin	5,728	1.4	5,710	1.3		
			Hotel Oriental Express Fukuoka Nakasukawabata	—	—	4,621	1.1		
			the b hakata	2,330	0.6	2,319	0.5		
			Washington Hotel Plaza Hakata, Nakasu	2,062	0.5	2,065	0.5		
			Toyoko Inn Hakata-guchi Ekimae	1,364	0.3	1,346	0.3		
		Kyoto	ibis Styles Kyoto Station	6,580	1.7	6,556	1.5		
			Oriental Hotel Kyoto Rokujo	—	—	4,570	1.1		
		Kanagawa	Hotel JAL City Kannai Yokohama	—	—	4,027	0.9		
		Okinawa	Mercure Okinawa Naha	2,745	0.7	2,713	0.6		
		Kumamoto	dormy inn Kumamoto	2,186	0.6	2,205	0.5		
		Ishikawa	UAN kanazawa	—	—	2,056	0.5		
		Nara	Washington Hotel Plaza Nara	1,703	0.4	1,716	0.4		
		Subtotal				107,654	27.1	141,527	32.9
		Full-service hotel	Tokyo	Hilton Tokyo Odaiba	63,160	15.9	63,167	14.7	
				Oriental Hotel Tokyo Bay	16,724	4.2	16,932	3.9	
Chiba	Hilton Tokyo Narita Airport		13,038	3.3	13,003	3.0			
	International Garden Hotel Narita		8,983	2.3	8,916	2.1			
	Hotel Francs		3,142	0.8	3,172	0.7			
	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 4)		17,016	4.3	16,848	3.9			
Hiroshima	Oriental Hotel Hiroshima		4,032	1.0	4,005	0.9			
	Hilton Nagoya		15,560	3.9	15,527	3.6			
Nara	Hotel Nikko Nara		10,047	2.5	9,998	2.3			
Hyogo	Kobe Meriken Park Oriental Hotel		9,260	2.3	9,443	2.2			
Fukuoka	Oriental Hotel Fukuoka Hakata Station		8,720	2.2	8,395	2.0			
Kanagawa	Mercure Yokosuka		1,608	0.4	1,642	0.4			
Subtotal				171,296	43.2	171,054	39.8		

Type of assets	Hotel Type (Note 1)	Prefectural location	Name of property, etc.	23rd period (As of December 31, 2022)		24th period (As of December 31, 2023)	
				Total amount of assets held (JPY MM) (Note 2)	Ratio to Total assets (%) (Note 3)	Total amount of assets held (JPY MM) (Note 2)	Ratio to total assets (%) (Note 3)
Real estate in trust	Resort hotel	Okinawa	Hotel Nikko Alivila	17,451	4.4	17,441	4.1
			Oriental Hotel Okinawa Resort & Spa	15,408	3.9	15,626	3.6
			The Beach Tower Okinawa	6,418	1.6	6,413	1.5
		Chiba	Hilton Tokyo Bay	26,097	6.6	25,993	6.0
		Osaka	Oriental Hotel Universal City	7,302	1.8	7,192	1.7
		Kanagawa	Hakone Setsugetsuka	3,552	0.9	3,528	0.8
	Subtotal			76,231	19.2	76,195	17.7
Real estate in trust – Total				355,182	89.5	388,777	90.4
Deposits and other assets (Note 5)				41,617	10.5	41,177	9.6
Total assets				396,799	100.0	429,955	100.0

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

(Note 2) For real estate in trust, “Total amount of assets 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 hotel type of Sheraton Grand Hiroshima Hotel, its main facility.

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

2. Major portfolio assets

An overview of the portfolio assets of JHR (47 properties in total) as of December 31, 2023 is as follows.

Property No. (Note 16)	Name of property, etc.	Book value (JPY MM) (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)	9,772	32,663.90	32,663.90	100.0	2.6	Hotel
2	Oriental Hotel Tokyo Bay	17,221	44,833.11	44,833.11	100.0	7.1	Hotel
3	Namba Oriental Hotel	14,280	19,364.33	19,364.33	100.0	4.6	Hotel
4	Hotel Nikko Alivila (Note 6)	17,648	38,024.98	38,024.98	100.0	5.3	Hotel
5	Oriental Hotel Hiroshima	4,051	13,752.22	13,752.22	100.0	1.4	Hotel
8	The Beach Tower Okinawa (Note 7)	6,416	20,140.01	20,140.01	100.0	1.9	Hotel
9	Hakone Setsugetsuka	3,534	10,655.03	10,655.03	100.0	1.1	Hotel
10	dormy inn Kumamoto	2,205	7,701.19	7,701.19	100.0	0.9	Hotel
12	the b suidobashi	1,149	3,097.25	3,097.25	100.0	0.4	Hotel
13	dormy inn EXPRESS Asakusa	917	2,014.90	2,014.90	100.0	0.2	Hotel
14	Washington Hotel Plaza Hakata, Nakasu	2,065	5,602.04	5,602.04	100.0	0.9	Hotel
15	Washington Hotel Plaza Nara	1,717	5,271.54	5,271.54	100.0	0.6	Hotel
16	R&B Hotel Ueno Hirokoji	1,804	3,060.31	3,060.31	100.0	0.4	Hotel
18	Comfort Hotel Tokyo Higashi Nihombashi	3,395	5,765.27	5,765.27	100.0	1.7	Hotel
22	Smile Hotel Nihombashi Mitsukoshimae	2,025	3,167.82	3,167.82	100.0	0.5	Hotel
24	Toyoko Inn Hakata-guchi Ekimae	1,346	Main building: 3,581.66 Annex: 868.36	Main building: 3,581.66 Annex: 868.36	100.0	0.5	Hotel
25	Chisun Hotel Kamata	1,468	3,831.80	3,831.80	100.0	0.4	Hotel
26	Chisun Inn Kamata	781	1,499.87	1,499.87	100.0	0.3	Hotel
29	Oriental Hotel Universal City (Note 8)	7,468	15,926.83	15,926.83	100.0	6.1	Hotel
31	Hilton Tokyo Bay (Note 9)	26,000	64,928.83	64,928.83	100.0	8.8	Hotel
32	ibis Styles Kyoto Station	6,566	5,003.99	5,003.99	100.0	1.2	Hotel
33	ibis Styles Sapporo	6,350	14,992.49	14,896.40	99.4	1.8	Hotel
34	Mercure Sapporo	5,625	15,189.42	15,057.90	99.1	2.4	Hotel
35	Mercure Okinawa Naha	2,768	10,884.25	10,884.25	100.0	0.6	Hotel
37	the b ikebukuro (Note 10)	6,608	5,650.01	5,650.01	100.0	1.2	Hotel
39	the b hachioji (Note 10)	2,706	7,847.65	7,847.65	100.0	0.6	Hotel
40	the b hakata (Note 10)	2,328	3,986.09	3,986.09	100.0	0.8	Hotel
41	Hotel Francs	3,174	19,213.39	19,213.39	100.0	1.1	Hotel
42	Mercure Yokosuka (Note 11)	1,672	16,881.82	16,881.82	100.0	1.2	Hotel
43	Oriental Hotel Okinawa Resort & Spa	16,115	36,430.15	36,430.15	100.0	2.4	Hotel
44	ACTIVE-INTER CITY HIROSHIMA (Note 12)	17,053	31,181.03	30,330.68	97.3	5.8	Hotel
45	CANDEO HOTELS Ueno Koen (Note 13)	6,537	7,934.26	7,934.26	100.0	1.3	Hotel
46	Oriental Hotel Fukuoka Hakata Station	8,520	18,105.42	18,105.42	100.0	5.7	Hotel
47	Holiday Inn Osaka Namba	26,601	11,501.10	11,501.10	100.0	3.4	Hotel
48	Hotel Oriental Express Fukuoka Tenjin	5,765	8,238.75	7,492.26	90.9	2.2	Hotel
49	Hilton Nagoya (Note 14)	15,527	47,942.71	47,942.71	100.0	4.8	Hotel
50	Hilton Tokyo Narita Airport	13,261	56,817.28	56,817.28	100.0	2.0	Hotel
51	International Garden Hotel Narita	9,012	21,814.93	21,814.93	100.0	1.8	Hotel
52	Hotel Nikko Nara (Note 15)	10,090	21,011.31	21,011.31	100.0	1.7	Hotel
53	Hotel Oriental Express Osaka Shinsaibashi	2,789	2,710.55	2,710.55	100.0	0.7	Hotel
54	Hilton Tokyo Odaiba	63,365	64,907.76	64,907.76	100.0	8.8	Hotel
55	UAN kanazawa	2,062	2,866.02	2,866.02	100.0	0.4	Hotel
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	8,469	5,246.66	5,246.66	100.0	0.9	Hotel
57	La'gent Stay Sapporo Odori	10,422	9,742.83	9,742.83	100.0	0.5	Hotel
58	Oriental Hotel Kyoto Rokujo	4,608	5,464.79	5,464.79	100.0	0.4	Hotel
59	Hotel Oriental Express Fukuoka Nakasukawabata	4,657	4,614.35	4,614.35	100.0	0.3	Hotel
60	Hotel JAL City Kannai Yokohama	4,047	5,770.18	5,770.18	100.0	0.0	Hotel
	Total	391,984	767,700.44	765,875.99	99.8	99.9	

(Note 1) Book value includes real estate in trust, machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust, and intangible assets.

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

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

been concluded with end tenants and which are actually leased is indicated. In this report, the same shall apply hereinafter.

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

3. Details of property assets, etc.

(1) Details of property assets

The details of real estate properties, etc. held by JHR as of December 31, 2023 were as follows:

Property No. (Note 5)	Name of property, etc.	Location (Displayed address)	Form of ownership	Appraisal value at end of period (JPYMM) (Note 1)	Book value (JPY MM) (Note 2)	Appraisal agency (Note 3)
1	Kobe Meriken Park Oriental Hotel	5-6 Hatobacho, Chuo-ku, Kobe city, Hyogo	Beneficial interest in trust	14,100	9,772	JR
2	Oriental Hotel Tokyo Bay	8-2 Mihama 1-chome, Urayasu city, Chiba	Beneficial interest in trust	31,900	17,221	JR
3	Namba Oriental Hotel	8-17 Sennichimae 2-chome, Chuo-ku, Osaka city, Osaka	Beneficial interest in trust	31,000	14,280	JR
4	Hotel Nikko Alivila	600 Aza Gima, Yomitan-son, Nakagami-gun, Okinawa	Beneficial interest in trust	28,200	17,648	JR
5	Oriental Hotel Hiroshima	6-10 Tanakamachi, Naka-ku, Hiroshima city, Hiroshima	Beneficial interest in trust	4,220	4,051	JR
8	The Beach Tower Okinawa (Note 4)	8-6 Aza Mihama, Chatan-cho, Nakagami-gun, Okinawa	Beneficial interest in trust	9,940	6,416	JR
9	Hakone Setsugetsuka	1300 Goura, Hakone-machi, Ashigarashimo-gun, Kanagawa	Beneficial interest in trust	5,390	3,534	JR
10	dormy inn Kumamoto	3-1 Karashimacho, Chuo-ku, Kumamoto city, Kumamoto	Beneficial interest in trust	3,390	2,205	JR
12	the b suidobashi	25-27 Hongo 1-chome, Bunkyo-ku, Tokyo	Beneficial interest in trust	2,330	1,149	JR
13	dormy inn EXPRESS Asakusa	3-4 Hanakawado 1-chome, Taito-ku, Tokyo	Beneficial interest in trust	1,320	917	JM
14	Washington Hotel Plaza Hakata, Nakasu	8-28 Nakasu 2-chome, Hakata-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	4,520	2,065	JR
15	Washington Hotel Plaza Nara	31-1 Shimosanjo-cho, Nara city, Nara	Beneficial interest in trust	2,440	1,717	JR
16	R&B Hotel Ueno Hirokoji	18-8 Ueno 1-chome, Taito-ku, Tokyo	Beneficial interest in trust	1,830	1,804	JM
18	Comfort Hotel Tokyo Higashi Nihombashi	10-11 Nihonbashi-bakurocho 1-chome, Chuo-ku, Tokyo	Beneficial interest in trust	5,470	3,395	JM
22	Smile Hotel Nihombashi Mitsukoshimae	4-14 Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo	Beneficial interest in trust	3,030	2,025	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	1,346	T
25	Chisun Hotel Kamata	20-11 Nishikamata 8-chome, Ota-ku, Tokyo	Beneficial interest in trust	2,080	1,468	T
26	Chisun Inn Kamata	23-13 Kamata 4-chome, Ota-ku, Tokyo	Beneficial interest in trust	1,430	781	T
29	Oriental Hotel Universal City	2-78 Shimaya 6-chome, Konohana-ku, Osaka city, Osaka	Beneficial interest in trust	18,500	7,468	R
31	Hilton Tokyo Bay	1-33 Maihama, Urayasu city, Chiba	Beneficial interest in trust	40,200	26,000	D
32	ibis Styles Kyoto Station	47-1, 47-2 Higashikujo Kamitonoda-cho, Minami-ku, Kyoto city, Kyoto	Beneficial interest in trust	9,990	6,566	D
33	ibis Styles Sapporo	10-10 Minami 8-jo Nishi 3-chome, Chuo-ku, Sapporo city, Hokkaido	Beneficial interest in trust	11,100	6,350	JR
34	Mercure Sapporo	2-4 Minami 4-jo Nishi 2-chome, Chuo-ku, Sapporo city, Hokkaido	Beneficial interest in trust	10,600	5,625	JR
35	Mercure Okinawa Naha	3-19 Tsubogawa 3-chome, Naha city, Okinawa	Beneficial interest in trust	7,070	2,768	JR
37	the b ikebukuro	39-4 Higashi-ikebukuro 1-chome, Toshima-ku, Tokyo	Beneficial interest in trust	7,200	6,608	JR
39	the b hachioji	6-12 Myojincho 4-chome, Hachioji city, Tokyo	Beneficial interest in trust	2,610	2,706	JR
40	the b hakata	3-9 Hakata-eki Minami 1-chome, Hakata-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	4,520	2,328	JR
41	Hotel Francs	10-2 Hibino 2-chome, Mihama-ku, Chiba city, Chiba	Beneficial interest in trust	4,130	3,174	D
42	Mercure Yokosuka	27 Honcho 3-chome, Yokosuka city, Kanagawa	Beneficial interest in trust	3,210	1,672	D

Property No. (Note 5)	Name of property, etc.	Location (Displayed address)	Form of ownership	Appraisal value at end of period (JPYMM) (Note 1)	Book value (JPY MM) (Note 2)	Appraisal agency (Note 3)
43	Oriental Hotel Okinawa Resort & Spa	1490-1 Kise, Nago city, Okinawa	Beneficial interest in trust	18,300	16,115	JR
44	ACTIVE-INTER CITY HIROSHIMA	12-1 Wakakusa-cho, Higashi-ku, Hiroshima city, Hiroshima	Beneficial interest in trust	20,400	17,053	D
45	CANDEO HOTELS Ueno Koen	2-13 Negishi 1-chome, Taito-ku, Tokyo	Beneficial interest in trust	7,590	6,537	D
46	Oriental Hotel Fukuoka Hakata Station	4-23 Hakata-eki Chuo-gai, Hakata-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	15,000	8,520	D
47	Holiday Inn Osaka Namba	5-15 Soemon-cho, Chuo-ku, Osaka city, Osaka	Beneficial interest in trust	26,600	26,601	JR
48	Hotel Oriental Express Fukuoka Tenjin	3-14 Tenjin 3-chome, Chuo-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	6,650	5,765	D
49	Hilton Nagoya	3-3 Sakae 1-chome, Naka-ku, Nagoya city, Aichi	Beneficial interest in trust	14,900	15,527	D
50	Hilton Tokyo Narita Airport	456 Kosuge, Narita city, Chiba	Beneficial interest in trust	12,300	13,261	JR
51	International Garden Hotel Narita	241-1 Yoshikura, Narita city, Chiba	Beneficial interest in trust	9,270	9,012	JR
52	Hotel Nikko Nara	8-1 Sanjyo-honmachi, Nara city, Nara	Beneficial interest in trust	9,670	10,090	D
53	Hotel Oriental Express Osaka Shinsaibashi	2-13 Minamisenba 3-chome, Chuo-ku, Osaka city, Osaka	Beneficial interest in trust	2,890	2,789	D
54	Hilton Tokyo Odaiba	9-1 Daiba 1-chome, Minato-ku, Tokyo	Beneficial interest in trust	68,200	63,365	JR
55	UAN kanazawa	6-30 Oyamacho, Kanazawa city, Ishikawa	Beneficial interest in trust	2,200	2,062	JR
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	10-2 shimbashi 4-chome, Minato-ku, Tokyo	Beneficial interest in trust	10,100	8,469	D
57	La'gent Stay Sapporo Odori	26-5 Minami 2-jo Nishi 5-chome, Chuo-ku, Sapporo city, Hokkaido	Beneficial interest in trust	10,800	10,422	JR
58	Oriental Hotel Kyoto Rokujo	181, Bokumikanabutsucho, Aburanokojidori-rokujo-agaru, Shimogyo-ku, Kyoto city, Kyoto	Beneficial interest in trust	5,940	4,608	JR
59	Hotel Oriental Express Fukuoka Nakasukawabata	6-26 Tenyamachi, Hakata-ku, Fukuoka city, Fukuoka	Beneficial interest in trust	6,090	4,657	JR
60	Hotel JAL City Kannai Yokohama	72 Yamashitacho, naka-ku, Yokohama city, Kanagawa	Beneficial interest in trust	4,340	4,047	JR
Total				525,740	391,984	

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

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

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

JR: Japan Real Estate Institute

JM: JLL Morii Valuation & Advisory K.K.

T: The Tanizawa Sōgō Appraisal Co., Ltd.

R: Rich Appraisal Institute Co., Ltd.

D: DAIWA REAL ESTATE APPRAISAL CO., LTD.

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

(Note 5) The property numbers of assets that were sold are intentionally omitted.

(2) Transition 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.	23rd period (From January 1, 2022 to December 31, 2022)				24th period (From January 1, 2023 to December 31, 2023)			
		Number of tenants at end of period (Note 1)	Tenant occupancy rate at end of period (%)	Real estate operating revenue during the period (JPY MM)	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 MM)	Ratio to total real estate operating revenue (%) (Note 2)
1	Kobe Meriken Park Oriental Hotel	1	100.0	429	2.9	1	100.0	689	2.6
2	Oriental Hotel Tokyo Bay	1	100.0	833	5.6	1	100.0	1,874	7.1
3	Namba Oriental Hotel	1	100.0	460	3.1	1	100.0	1,232	4.6
4	Hotel Nikko Alivila	1	100.0	814	5.5	1	100.0	1,400	5.3
5	Oriental Hotel Hiroshima	1	100.0	618	4.1	1	100.0	366	1.4
8	The Beach Tower Okinawa	1	100.0	511	3.4	1	100.0	511	1.9
9	Hakone Setsugetsuka	1	100.0	294	2.0	1	100.0	294	1.1
10	dormy inn Kumamoto	1	100.0	194	1.3	1	100.0	248	0.9
12	the b suidobashi	1	100.0	30	0.2	1	100.0	97	0.4
13	dormy inn EXPRESS Asakusa	1	100.0	65	0.4	1	100.0	65	0.2
14	Washington Hotel Plaza Hakata, Nakasu	1	100.0	240	1.6	1	100.0	240	0.9
15	Washington Hotel Plaza Nara	2	100.0	150	1.0	2	100.0	150	0.6
16	R&B Hotel Ueno Hirokoji	1	100.0	97	0.7	1	100.0	97	0.4
18	Comfort Hotel Tokyo Higashi Nihombashi	2	100.0	271	1.8	2	100.0	453	1.7
22	Smile Hotel Nihombashi Mitsukoshimae	1	100.0	134	0.9	1	100.0	138	0.5
24	Toyoko Inn Hakata-guchi Ekimae	1	100.0	141	0.9	1	100.0	141	0.5
25	Chisun Hotel Kamata	1	100.0	26	0.2	1	100.0	118	0.4
26	Chisun Inn Kamata	1	100.0	18	0.1	1	100.0	66	0.3
29	Oriental Hotel Universal City	1	100.0	627	4.2	1	100.0	1,623	6.1
31	Hilton Tokyo Bay	1	100.0	1,980	13.3	1	100.0	2,349	8.8
32	ibis Styles Kyoto Station	2	100.0	71	0.5	2	100.0	318	1.2
33	ibis Styles Sapporo	5	99.4	214	1.4	5	99.4	487	1.8
34	Mercure Sapporo	9	95.7	269	1.8	9	99.1	632	2.4
35	Mercure Okinawa Naha	1	100.0	50	0.3	1	100.0	172	0.6
37	the b ikebukuro	3	100.0	478	3.2	3	100.0	316	1.2
39	the b hachioji	10	100.0	91	0.6	10	100.0	169	0.6
40	the b hakata	2	100.0	66	0.4	2	100.0	219	0.8
41	Hotel Francs	1	100.0	300	2.0	1	100.0	300	1.1
42	Mercure Yokosuka	1	100.0	231	1.6	1	100.0	322	1.2
43	Oriental Hotel Okinawa Resort & Spa	1	100.0	199	1.3	1	100.0	641	2.4
44	ACTIVE-INTER CITY HIROSHIMA	37	98.4	1,127	7.6	35	97.3	1,539	5.8
45	CANDEO HOTELS Ueno Koen	1	100.0	349	2.3	1	100.0	349	1.3
46	Oriental Hotel Fukuoka Hakata Station	1	100.0	612	4.1	1	100.0	1,515	5.7
47	Holiday Inn Osaka Namba	1	100.0	213	1.4	1	100.0	895	3.4
48	Hotel Oriental Express Fukuoka Tenjin	4	94.1	286	1.9	3	90.9	590	2.2
49	Hilton Nagoya	4	100.0	1,037	7.0	4	100.0	1,263	4.8
50	Hilton Tokyo Narita Airport	1	100.0	228	1.5	1	100.0	532	2.0
51	International Garden Hotel Narita	1	100.0	212	1.4	1	100.0	477	1.8
52	Hotel Nikko Nara	1	100.0	178	1.2	1	100.0	444	1.7
53	Hotel Oriental Express Osaka Shinsaibashi	1	100.0	—	—	1	100.0	179	0.7
54	Hilton Tokyo Odaiba	1	100.0	722	4.8	1	100.0	2,349	8.8
55	UAN kanazawa	—	—	—	—	1	100.0	118	0.4
56	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	—	—	—	—	4	100.0	230	0.9
57	La'gent Stay Sapporo Odori	—	—	—	—	2	100.0	132	0.5
58	Oriental Hotel Kyoto Rokujo	—	—	—	—	1	100.0	94	0.4
59	Hotel Oriental Express Fukuoka Nakasukawabata	—	—	—	—	1	100.0	75	0.3
60	Hotel JAL City Kannai Yokohama	—	—	—	—	1	100.0	10	0.0
	Total	110	99.8	14,879	99.8	117	99.8	26,541	99.9

(Note 1) Number of tenants indicates the total number of tenants based on the lease contracts for respective real estate in trust (excluding tenants of parking lots, etc.) as of the end of each fiscal period. However, for properties for which master lease companies have concluded lease contracts with lessees, etc. under the pass-through scheme in which JHR receives the same amount of rents, etc. paid by end tenants as is in principle, the number of end tenants is indicated. For properties with sub-lease-type master lease contracts in which JHR receives predetermined rents despite fluctuations in rents from end tenants, the number of the master lease companies is indicated as tenants.

(Note 2) Represents the ratio of real estate operating revenue of each property to total real estate operating revenue. In calculating, the figures are rounded off to the first decimal place. Please note that the sum of the ratio to total real estate operating revenue are 99.8% for the 23rd fiscal period and 99.9% for the 24th fiscal period because the relevant ratio of the trademark rights for the Oriental Hotel brand, etc. is not included.

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

4. Details of securities assets

There are no applicable securities held by JHR as of December 31, 2023.

5. Contractual amounts and fair values of specified transactions

The contractual amounts and fair values of specified transactions as of December 31, 2023 were as follows:

Classification	Transaction	Amounts of contract, etc. (JPY MM) (Note 1)		Fair value (JPY MM) (Note 2)
			Over 1 year	
Transactions other than market transactions	Interest rate swap transactions Payable fixed rate / Receivable variable rate	72,350	57,750	395
	Total	72,350	57,750	395

(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, 2023.

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 expenditures items for renovation work planned as of the end of the fiscal period under review for investment real estate properties (in trust) held by JHR. Expenditures are expected to total 6,994 million yen, which consists of capital expenditures of 6,988 million yen and repair expenses of 5 million yen, for the next fiscal period.

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

(Note) New construction and renewal works includes that 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 or not the renovation work will be performed may change.

2. Capital expenditures during the period (Note)

For investment real estate properties (in trust) held by JHR, major construction work conducted during the fiscal period under review that represents capital expenditures is as below. Capital expenditures for the fiscal period under review totaled 4,769 million yen, and repair expenses that were accounted for as expense in the fiscal period under review totaled 26 million yen. In aggregate, 4,796 million yen of construction work was carried out.

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

(Note) New construction and renewal works includes that 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.

(JPY MM)

Fiscal period	20th period (From January 1, 2019 to December 31, 2019)	21st period (From January 1, 2020 to December 31, 2020)	22nd period (From January 1, 2021 to December 31, 2021)	23rd period (From January 1, 2022 to December 31, 2022)	24th period (From January 1, 2023 to December 31, 2023)
Balance at beginning of period	951	1,060	1,075	1,066	1,076
Provision during the period	116	25	1	9	148
Reversal during the period	8	10	11	—	—
Amount carried forward	1,060	1,075	1,066	1,076	1,224

Expenses and Liabilities

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

(JPY thousand)

Item	23rd period (From January 1, 2022 to December 31, 2022)	24th period (From January 1, 2023 to December 31, 2023)
(a) Asset management fees (Note)	1,491,325	1,745,752
(b) Asset custody and administrative service fee	115,661	117,832
(c) Officers' compensation	17,400	17,700
(d) Other operating expenses	195,024	212,405
Total	1,819,411	2,093,690

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

2. Loans payable

The status of loans by contractual agreement and by financial institution as of December 31, 2023 were as follows:

Category	Lender	Borrowing date	Balance at beginning of period (¥1M)	Balance at end of period (¥1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Short-term loans payable	Sumitomo Mitsui Banking Corporation	January 31, 2022	909	—	0.57%	January 31, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		2,526	—					
	Resona Bank, Limited		756	—					
	Sumitomo Mitsui Trust Bank, Limited		660	—					
	SBI Shinsei Bank, Limited		593	—					
	Aozora Bank, Ltd.		67	—					
	Subtotal			5,511	—				
	Sumitomo Mitsui Banking Corporation	March 31, 2022	2,148	—	0.56%	March 31, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	SBI Shinsei Bank, Limited		2,516	—					
	Resona Bank, Limited		2,516	—					
	Sumitomo Mitsui Trust Bank, Limited		1,120	—					
	Subtotal			8,300	—				
	Aozora Bank, Ltd.	June 30, 2022	1,000	—	0.57%	June 30, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		1,000	—					
	Sumitomo Mitsui Banking Corporation	September 30, 2022	3,487	—	0.57%	September 29, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		4,670	—					
	Resona Bank, Limited		2,450	—					
	SBI Shinsei Bank, Limited		2,220	—					
	Sumitomo Mitsui Trust Bank, Limited		2,085	—					
	Development Bank of Japan Inc.		505	—					
	Aozora Bank, Ltd.		285	—					
Subtotal			15,702	—					
Sumitomo Mitsui Banking Corporation	October 20, 2022	1,541	—	0.57%	October 20, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
Mizuho Bank, Ltd.		922	—						
Sumitomo Mitsui Trust Bank, Limited		658	—						
Development Bank of Japan Inc.		279	—						
Resona Bank, Limited		100	—						
The Shizuoka Bank, Ltd.		100	—						
The Minato Bank Ltd.		1,000	—						
Subtotal			4,600	—					
Kansai Mirai Bank, Limited	January 31, 2023	—	500	0.47%	January 31, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
The Hokuriku Bank, Ltd.		—	300						
Subtotal			—	800					

Category	Lender	Borrowing date	Balance at beginning of period (¥1M)	Balance at end of period (¥1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Short-term loans payable	Sumitomo Mitsui Banking Corporation	March 31, 2023	—	5,534	0.45%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	SBI Shinsei Bank, Limited		—	4,466					
	Sumitomo Mitsui Trust Bank, Limited		—	1,120					
	Resona Bank, Limited		—	3,016					
	The Chiba Bank, Ltd.		—	432					
	The Minato Bank Ltd.		—	200					
	Subtotal		—	14,768					
	Short-term loans payable – Total	35,113	15,568						
Long-term loans payable	Sumitomo Mitsui Trust Bank, Limited	September 24, 2015	960	—	1.07%	September 29, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Resona Bank, Limited		960	—					
	The Nomura Trust and Banking Co., Ltd.		960	—					
	Subtotal	2,880	—						
	Sumitomo Mitsui Banking Corporation	September 30, 2015	703	—	1.07%	September 29, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	SBI Shinsei Bank, Limited		189	—					
	Subtotal	892	—						
	Sumitomo Mitsui Banking Corporation	March 28, 2016	1,050	1,050	0.77%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		1,050	1,050					
	Subtotal	2,100	2,100						
	The Nomura Trust and Banking Co., Ltd.	March 31, 2016	1,200	1,200	0.77%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	The Chiba Bank, Ltd.		600	600					
	Development Bank of Japan Inc.		550	550					
	The Bank of Fukuoka, Ltd.		186	186					
	Subtotal	2,536	2,536						
	Sumitomo Mitsui Banking Corporation	March 31, 2016	1,200	—	0.68%	March 31, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		1,000	—					
	SBI Shinsei Bank, Limited		1,000	—					
	Resona Bank, Limited		500	—					
	The Nomura Trust and Banking Co., Ltd.		388	—					
Subtotal	4,088	—							
Sumitomo Mitsui Trust Bank, Limited	March 31, 2016	800	800	0.66%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
Subtotal	800	800							
Development Bank of Japan Inc.	March 31, 2016	500	500	0.57%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
Subtotal	500	500							

Category	Lender	Borrowing date	Balance at beginning of period (¥1M)	Balance at end of period (¥1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans payable	Sumitomo Mitsui Banking Corporation	September 1, 2016	2,900	2,900	0.74%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		1,700	1,700					
	SBI Shinsei Bank, Limited		1,700	1,700					
	Resona Bank, Limited		1,000	1,000					
	The Nomura Trust and Banking Co., Ltd.		500	500					
	The Chiba Bank, Ltd.		500	500					
	The Bank of Fukuoka, Ltd.		1,200	1,200					
	Subtotal		9,500	9,500					
	Sumitomo Mitsui Trust Bank, Limited	September 1, 2016	1,300	1,300	0.56%	September 30, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		1,300	1,300					
	MUFG Bank, Ltd.	September 1, 2016	2,000	2,000	0.56%	September 30, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		2,000	2,000					
	Development Bank of Japan Inc.	September 1, 2016	700	700	0.59%	September 30, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		700	700					
	Aozora Bank, Ltd.	September 1, 2016	500	500	0.71%	September 30, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		500	500					
	Sumitomo Mitsui Banking Corporation	July 12, 2017	1,750	—	0.46%	June 30, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	The Chiba Bank, Ltd.		500	—					
	Subtotal			2,250					
	Sumitomo Mitsui Banking Corporation	August 1, 2017	1,250	1,250	0.85%	September 30, 2026	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		1,250	1,250					
	SBI Shinsei Bank, Limited		1,250	1,250					
	Resona Bank, Limited		500	500					
	Subtotal		4,250	4,250					
	Sumitomo Mitsui Trust Bank, Limited	August 1, 2017	1,000	1,000	0.73%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		1,000	1,000					
	MUFG Bank, Ltd.	August 1, 2017	700	700	0.68%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		700	700					
	Development Bank of Japan Inc.	August 1, 2017	500	500	0.75%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		500	500					
The Bank of Fukuoka, Ltd.	August 1, 2017	500	500	0.73%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
Subtotal		500	500						
Aozora Bank, Ltd.	August 1, 2017	500	500	0.73%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
Subtotal		500	500						

Category	Lender	Borrowing date	Balance at beginning of period (¥1M)	Balance at end of period (¥1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans payable	The Nishi-Nippon City Bank, Ltd.	August 1, 2017	1,000	1,000	0.73%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		1,000	1,000					
	SBI Shinsei Bank, Limited	August 1, 2017	300	300	0.68%	September 30, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		300	300					
	Sumitomo Mitsui Banking Corporation	September 19, 2017	1,200	1,200	0.65%	March 31, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		500	500					
	Sumitomo Mitsui Trust Bank, Limited		460	460					
	SBI Shinsei Bank, Limited		390	390					
	Subtotal		2,550	2,550					
	Sumitomo Mitsui Banking Corporation	November 15, 2017	2,500	2,500	0.57%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	SBI Shinsei Bank, Limited		1,500	1,500					
	Subtotal		4,000	4,000					
	Sumitomo Mitsui Banking Corporation	November 15, 2017	1,500	1,500	0.65%	March 31, 2025	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	SBI Shinsei Bank, Limited		500	500					
	Development Bank of Japan Inc.		300	300					
	The Bank of Fukuoka, Ltd.		150	150					
	Subtotal		2,450	2,450					
	Sumitomo Mitsui Banking Corporation	March 30, 2018	1,700	—	0.41%	March 31, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		1,700	—					
	Sumitomo Mitsui Banking Corporation	April 26, 2018	650	—	0.41%	March 31, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	SBI Shinsei Bank, Limited		950	—					
	The Chiba Bank, Ltd.		432	—					
	The Nishi-Nippon City Bank, Ltd.		184	—					
	Sompo Japan Insurance Inc.		464	—					
	Subtotal		2,680	—					
	The Hiroshima Bank, Ltd.	April 26, 2018	454	—	0.52%	March 31, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal		454	—					
The Shizuoka Bank, Ltd.	September 28, 2018	488	—	0.55%	September 29, 2023	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
Subtotal		488	—						
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						

Category	Lender	Borrowing date	Balance at beginning of period (¥1M)	Balance at end of period (¥1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks	
Long-term loans payable	The Bank of Fukuoka, Ltd.	April 8, 2019	500	500	0.38%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	The Chiba Bank, Ltd.		500	500						
	The Nishi-Nippon City Bank, Ltd.		500	500						
	Sompo Japan Insurance Inc.		1,000	1,000						
	Subtotal			2,500	2,500					
	Sumitomo Mitsui Banking Corporation	April 8, 2019	2,500	2,500	0.72%	March 31, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	SBI Shinsei Bank, Limited		1,500	1,500						
	Mizuho Bank, Ltd.		1,500	1,500						
	Sumitomo Mitsui Trust Bank, Limited		1,000	1,000						
	Development Bank of Japan Inc.		1,000	1,000						
	Subtotal			7,500	7,500					
	Sumitomo Mitsui Banking Corporation	April 8, 2019	4,000	4,000	0.82%	March 31, 2028	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	SBI Shinsei Bank, Limited		3,000	3,000						
	Mizuho Bank, Ltd.		3,000	3,000						
	Sumitomo Mitsui Trust Bank, Limited		2,500	2,500						
	Resona Bank, Limited		1,000	1,000						
	The Nomura Trust and Banking Co., Ltd.		500	500						
	Development Bank of Japan Inc.		1,000	1,000						
	The Bank of Fukuoka, Ltd.		1,000	1,000						
	Aozora Bank, Ltd.		1,000	1,000						
The Nishi-Nippon City Bank, Ltd.	1,000		1,000							
Subtotal			18,000	18,000						
The Chiba Bank, Ltd.	September 30, 2019	200	200	0.23%	September 30, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed		
The Hiroshima Bank, Ltd.		1,400	1,400							
Subtotal			1,600	1,600						
Sumitomo Mitsui Banking Corporation	September 30, 2019	550	550	0.68%	September 30, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed		
SBI Shinsei Bank, Limited		450	450							
Mizuho Bank, Ltd.		1,400	1,400							
Sumitomo Mitsui Trust Bank, Limited		200	200							
Resona Bank, Limited		200	200							
Development Bank of Japan Inc.		700	700							
The Bank of Fukuoka, Ltd.		1,100	1,100							
The Nomura Trust and Banking Co., Ltd.		1,000	1,000							
Subtotal			5,600	5,600						

Category	Lender	Borrowing date	Balance at beginning of period (¥1M)	Balance at end of period (¥1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks	
Long-term loans payable	Sumitomo Mitsui Banking Corporation	January 31, 2023	—	909	0.57%	March 29, 2024	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	SBI Shinsei Bank, Limited		—	593						
	Sumitomo Mitsui Trust Bank, Limited		—	660						
	Resona Bank, Limited		—	756						
	Aozora Bank, Ltd.		—	67						
	Subtotal			—	2,985					
	Mizuho Bank, Ltd.	January 31, 2023	—	2,526	0.65%	January 30, 2026	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Subtotal			—						2,526
	Mizuho Bank, Ltd.	March 31, 2023	—	1,000	0.65%	March 31, 2026	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	The Hiroshima Bank, Ltd.		—	454						
	Subtotal			—	1,454					
	The Tokyo Star Bank, Limited	March 31, 2023	—	1,000	0.75%	March 31, 2028	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Subtotal			—						1,000
	Sumitomo Mitsui Banking Corporation	June 30, 2023	—	1,750	0.65%	June 30, 2026	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	Aozora Bank, Ltd.		—	1,000						
	The Chiba Bank, Ltd.		—	500						
	Subtotal			—	3,250					
	Aozora Bank, Ltd.	September 27, 2023	—	100	0.56%	September 30, 2026	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed	
	MUFG Bank, Ltd.		—	500						
	Kansai Mirai Bank, Limited		—	100						
Subtotal			—	700						
Sumitomo Mitsui Banking Corporation	September 27, 2023	—	1,800	0.66%	September 27, 2028	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed		
Mizuho Bank, Ltd.		—	1,250							
SBI Shinsei Bank, Limited		—	300							
Sumitomo Mitsui Trust Bank, Limited		—	950							
Resona Bank, Limited		—	500							
Development Bank of Japan Inc.		—	400							
Aozora Bank, Ltd.		—	200							
The Minato Bank Ltd.		—	300							
The Shizuoka Bank, Ltd.		—	100							
Kansai Mirai Bank, Limited		—	200							
The Tokyo Star Bank, Limited		—	300							
Subtotal			—						6,300	

Category	Lender	Borrowing date	Balance at beginning of period (¥1M)	Balance at end of period (¥1M)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use	Remarks
Long-term loans payable	Sumitomo Mitsui Banking Corporation	September 29, 2023	—	2,095	0.56%	September 30, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		—	1,870					
	SBI Shinsei Bank, Limited		—	1,200					
	Sumitomo Mitsui Trust Bank, Limited		—	1,520					
	Resona Bank, Limited		—	1,705					
	Development Bank of Japan Inc.		—	505					
	Aozora Bank, Ltd.		—	140					
	The Shizuoka Bank, Ltd.		—	240					
	Subtotal			—	9,275				
	Sumitomo Mitsui Banking Corporation	September 29, 2023	—	2,095	0.71%	September 28, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		—	2,800					
	SBI Shinsei Bank, Limited		—	1,209					
	Sumitomo Mitsui Trust Bank, Limited		—	1,525					
	Resona Bank, Limited		—	1,705					
	Aozora Bank, Ltd.		—	145					
	The Tokyo Star Bank, Limited		—	960					
	The Shizuoka Bank, Ltd.		—	248					
	Subtotal			—	10,687				
	Sumitomo Mitsui Banking Corporation	October 20, 2023	—	900	0.56%	March 31, 2027	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Subtotal			—					
	Mizuho Bank, Ltd.	October 20, 2023	—	2,000	0.71%	September 28, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	The Minato Bank Ltd.		—	900					
	Subtotal			—	2,900				
	Development Bank of Japan Inc.	December 22, 2023	—	200	0.58%	September 29, 2028	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	MUFG Bank, Ltd.		—	1,000					
	Subtotal			—	1,200				
	Sumitomo Mitsui Banking Corporation	December 22, 2023	—	800	0.63%	September 28, 2029	Lump-sum repayment	(Note 2)	Unsecured, unguaranteed
	Mizuho Bank, Ltd.		—	700					
Sumitomo Mitsui Trust Bank, Limited	—		800						
MUFG Bank, Ltd.	—		500						
Subtotal			—	2,800					
Long-term loans payable – Total			92,218	122,763					
Total loans payable			127,331	138,331					

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

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

(Note 3) In order to list each loan payable, 21,521 million yen 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, 2023 was as follows:

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

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

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

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

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

4. Short-term investment corporation bonds

Not applicable.

5. Subscription rights to new investment units

Not applicable.

Purchase and Sale during the Period

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

Asset type	Name of property, etc.	Acquisition		Sale			
		Acquisition date	Acquisition price (¥1M) (Note)	Sale date	Sale price (¥1M) (Note)	Book value (¥1M)	Gain (loss) on sale (¥1M)
Beneficial interest of real estate in trust	UAN kanazawa	January 31, 2023	2,050	–	–	–	–
Beneficial interest of real estate in trust	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	March 24, 2023	8,400	–	–	–	–
Beneficial interest of real estate in trust	La'gent Stay Sapporo Odori	September 27, 2023	10,020	–	–	–	–
Beneficial interest of real estate in trust	Oriental Hotel Kyoto Rokujo	September 27, 2023	4,446	–	–	–	–
Beneficial interest of real estate in trust	Hotel Oriental Express Fukuoka Nakasukawabata	September 27, 2023	4,460	–	–	–	–
Beneficial interest of real estate in trust	Hotel JAL City Kannai Yokohama	December 22, 2023	4,000	–	–	–	–
	Total	–	33,376	–	–	–	–

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

2. Purchase and sale of other assets, etc.

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

3. Investigation into prices, etc. of specified assets

(1) Real estate properties, etc.

Acquisition/sale	Asset type	Name of property, etc.	Acquisition/sale date	Acquisition/sale price (¥1M) (Note 1)	Appraisal value (¥1M) (Note 2)	Date of appraisal	Appraisal agency
Acquisition	Beneficial interest of real estate in trust	UAN kanazawa	January 31, 2023	2,050	2,140	November 30, 2022	Japan Real Estate Institute
Acquisition	Beneficial interest of real estate in trust	Sotetsu Fresa Inn Shimbashi-Karasumoriguchi	March 24, 2023	8,400	10,100	February 28, 2023	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Acquisition	Beneficial interest of real estate in trust	La'gent Stay Sapporo Odori	September 27, 2023	10,020	10,800	August 31, 2023	Japan Real Estate Institute
Acquisition	Beneficial interest of real estate in trust	Oriental Hotel Kyoto Rokujo	September 27, 2023	4,446	5,920	August 31, 2023	Japan Real Estate Institute
Acquisition	Beneficial interest of real estate in trust	Hotel Oriental Express Fukuoka Nakasukawabata	September 27, 2023	4,460	6,070	August 31, 2023	Japan Real Estate Institute
Acquisition	Beneficial interest of real estate in trust	Hotel JAL City Kannai Yokohama	December 22, 2023	4,000	4,310	September 30, 2023	Japan Real Estate Institute

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

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

(2) Transaction of securities

Not applicable.

(3) Other

Not applicable.

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

(JPY MM)						
Category	Price, etc. (Note 2) (Note 3)					
	Acquisition price, etc.		Sale price, etc.		Real estate operating revenue	
Total amount	33,376		-		26,574	
Breakdown of transactions with interested parties, etc.						
Hotel Management Japan Co., Ltd.	-	[-%]	-	[-%]	5,589	[21.0%]
Tokyo Humania Enterprise KK	-	[-%]	-	[-%]	2,349	[8.8%]
KK Osaka Sakurajima Operations	-	[-%]	-	[-%]	1,602	[6.0%]
Hotel Centraza Co., Ltd.	-	[-%]	-	[-%]	1,515	[5.7%]
Kyoritsu Maintenance Co., Ltd.	-	[-%]	-	[-%]	1,117	[4.2%]
K.K. A.I.C Hiroshima Management	-	[-%]	-	[-%]	959	[3.6%]
OW Hotel Operations KK	-	[-%]	-	[-%]	895	[3.4%]
KK Lagoon Resort Nago	-	[-%]	-	[-%]	641	[2.4%]
KK Narita Kosuge Operations	-	[-%]	-	[-%]	532	[2.0%]
KK Fukuoka Tenjin Operations	-	[-%]	-	[-%]	520	[2.0%]
KK Narita Yoshikura Operations	-	[-%]	-	[-%]	477	[1.8%]
KK Hotel Management	-	[-%]	-	[-%]	444	[1.7%]
KK Hotel Oriental Express	-	[-%]	-	[-%]	179	[0.7%]
KK Kyoto Horikawa Operations	-	[-%]	-	[-%]	94	[0.4%]
KK Fukuoka Tenyamachi Operations	-	[-%]	-	[-%]	75	[0.3%]
KK Yokohama Yamashitacho Operations	-	[-%]	-	[-%]	10	[0.0%]
Total	-	[-%]	-	[-%]	17,005	[64.0%]

(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.

(JPY thousands)				
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)	449,885	Hotel Management Japan Co., Ltd.	5,760	1.3
		Tokyo Humania Enterprise KK	120	0.0

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

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

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

Financial information

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

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

(2) Changes in calculation method of depreciation

Not applicable.

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

Not applicable

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

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

(1) Status of acquisition, etc.

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

(2) Status of holding units, etc.

		Number of units held at end of period (units)	Total investment at end of period (JPY thousands) (Note 1)	Ratio to total units issued (%) (Note 2)	(Reference) Total number of units issued at end of period (units)
20th fiscal period	From January 1, 2019 to December 31, 2019	3,700	305,571	0.08	4,462,347
21st fiscal period	From January 1, 2020 to December 31, 2020	3,700	305,571	0.08	4,462,347
22nd fiscal period	From January 1, 2021 to December 31, 2021	3,700	305,571	0.08	4,467,006
23rd fiscal period	From January 1, 2022 to December 31, 2022	3,700	305,571	0.08	4,467,006
24th fiscal period	From January 1, 2023 to December 31, 2023	3,700	305,571	0.07	4,637,006

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

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

Other

(1) Announcements

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

Approval date	Item	Summary
April 26, 2023	Shelf registration and comprehensive resolution on the issuance of investment corporation bonds and entrustment of accompanying administration	A comprehensive resolution was made on the issuance of investment corporation bonds with the issuance period between May 9, 2023 and May 8, 2025 with the total amount issued of within 100 billion yen. At the same time, a resolution was made on the issuance of investment corporation bonds of within 20 billion yen in total, and the decision on matters regarding the issuance of investment corporation bonds, including the administration related to issuance and entrustment of operations, was left to the discretion of the Executive Director.
September 11, 2023	Conclusion of an underwriting agreement for new investment units in association with the issuance of new investment units	Due to the issuance of new investment units, general administration for offering the investment units in Japan was entrusted to SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., and Daiwa Securities Co. Ltd.

The 12th General Meeting of Unitholders of JHR was held on November 22, 2023. 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">On September 1, 2022, the enforcement of the amended provisions under Item 3 of the Supplementary Provisions of the Act on Arrangement of Relevant Acts Incidental to the Enforcement of the Act Partially Amending the Companies Act (Act No. 71 of 2019) took place. Consequently, JHR is deemed to have made by law changes to adopt measures for electronically providing information contained in materials for the general meetings of unitholders, effective from the same date. For clarification purposes, JHR has added a provision to enable the electronic provision of information and also introduced a provision that limits the scope of information included in the documents issued to unitholders who request printed materials.In preparing the minutes of the Board of Directors, JHR amended relevant provisions to allow electronic signatures on the minutes, which will improve administrative efficiency.In order to diversify its investment methods and further expand investment opportunities, JHR amended relevant provisions to limit the scope of securities and monetary claims that are subject to investment restrictions. JHR has made the necessary revisions in line with the above amendments.
Election of one Executive Director	Kaname Masuda was again elected as Executive Director. His term of office commences on November 22, 2023 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	Tetsuya Mishiku, Mayumi Umezawa and Akiko Tomiyama were elected as Supervisory Directors. The term of office of the elected Supervisory Directors commences on November 22, 2023 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	Hisashi Furukawa, Director of the Asset Management Company, was again elected as Substitute Executive Director (Note).

(Note) On February 21, 2024, Hisashi Furukawa resigned as President and CEO of the Asset Management Company and was appointed as Director of the Asset Management Company on the same date.

(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, 2023 and 2022

	<i>Thousands of yen</i>	
	As of December 31, 2023	As of December 31, 2022
ASSETS		
Current assets:		
Cash and deposits	¥ 17,693,462	¥ 21,142,716
Cash and deposits in trust	10,821,626	8,372,349
Operating accounts receivable	4,850,631	4,442,532
Prepaid expenses	626,308	484,478
Income taxes receivable	38	41
Derivative assets (<i>Notes 5 and 17</i>)	1,499	—
Other current assets	56,376	111,037
Total current assets	34,049,942	34,553,157
Property and equipment, at cost (<i>Notes 16 and 18</i>):		
Machinery and equipment	949,797	804,339
Tools, furniture and fixtures	6,865,827	5,911,833
Construction in progress	11,434	1,155
Buildings in trust (<i>Note 13</i>)	152,039,254	140,026,191
Structures in trust	3,058,840	2,963,947
Machinery and equipment in trust	793,859	693,008
Tools, furniture and fixtures in trust	129,718	129,718
Land in trust	237,641,649	212,263,515
Construction in progress in trust	120,897	118,127
	401,611,278	362,911,837
Less: Accumulated depreciation	(41,530,102)	(36,922,960)
Net property and equipment	360,081,175	325,988,877
Intangible assets (<i>Note 18</i>):		
Software	226,128	257,298
Trademark rights	355,231	411,320
Leasehold rights in trust	27,324,752	27,324,752
Fixed-term leasehold rights in trust	4,360,378	4,495,583
Other intangible assets	4,561	5,240
Total intangible assets	32,271,051	32,494,195
Other assets:		
Security deposits	12,520	12,520
Leasehold and security deposits in trust	139,668	139,668
Long-term prepaid expenses	2,565,747	1,958,131
Derivative assets (<i>Notes 5 and 17</i>)	398,477	1,195,251
Reserve fund for repairs and maintenance	300,469	327,173
Investment unit issuance costs	40,379	4,165
Investment corporation bond issuance costs	95,957	126,802
Total other assets	3,553,220	3,763,712
Total assets	¥ 429,955,390	¥ 396,799,942

(Continued)

JAPAN HOTEL REIT INVESTMENT CORPORATION

Balance Sheets

As of December 31, 2023 and 2022

	<i>Thousands of yen</i>	
	As of December 31, 2023	As of December 31, 2022
LIABILITIES AND NET ASSETS		
Current liabilities:		
Operating accounts payable	¥ 2,506,632	¥ 1,943,815
Short-term loans payable (Note 6)	15,568,000	35,113,000
Current portion of investment corporation bonds (Notes 5 and 7)	3,000,000	—
Current portion of long-term loans payable (Notes 5, 6 and 17)	21,521,000	15,432,000
Accrued expenses	659,264	570,397
Income taxes payable	1,210	1,210
Consumption taxes payable	470,254	398,802
Advances received	764,638	664,196
Dividends payable	3,634	6,473
Deposits received	9,966	2,592
Derivative liabilities (Notes 5 and 17)	2,626	11,079
Other current liabilities	77,816	21,994
Total current liabilities	44,585,044	54,165,561
Long-term liabilities:		
Investment corporation bonds (Notes 5 and 7)	33,900,000	36,900,000
Long-term loans payable (Notes 5, 6 and 17)	101,242,000	76,786,000
Tenant leasehold and security deposits	1,040,520	1,040,520
Tenant leasehold and security deposits in trust	3,739,687	3,619,666
Derivative liabilities (Notes 5 and 17)	1,951	—
Deferred tax liabilities (Note 14)	125,832	375,207
Asset retirement obligations (Note 8)	340,051	338,413
Total long-term liabilities	140,390,042	119,059,807
Total liabilities	184,975,086	173,225,369
Net assets (Note 9):		
Unitholders' equity:		
Unitholders' capital		
Units authorized: 20,000,000 units		
Units issued and outstanding; 4,637,006 units as of December 31, 2023 and 4,467,006 units as of December 31, 2022		
Surplus:		
Capital surplus	21,746,398	21,746,398
Voluntary reserve:		
Reserve for temporary difference adjustment (Note 10)	9,600,013	9,976,515
Reserve for advanced depreciation	1,174,860	1,174,860
Total voluntary reserve	10,774,874	11,151,375
Unappropriated retained earnings	13,137,051	2,672,927
Total surplus	45,658,325	35,570,702
Total unitholders' equity	244,710,204	222,764,911
Valuation and translation adjustments:		
Deferred gains (losses) on hedges (Note 17)	270,099	809,661
Total valuation and translation adjustments	270,099	809,661
Total net assets	244,980,303	223,574,572
Total liabilities and net assets	¥ 429,955,390	¥ 396,799,942

See notes to financial statements.

JAPAN HOTEL REIT INVESTMENT CORPORATION
Statements of Income
For the years ended December 31, 2023 and 2022

	<i>Thousands of yen</i>	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Operating revenue:		
Real estate operating revenue (<i>Note 11</i>)	¥ 25,503,799	¥ 13,925,987
Other real estate operating revenue (<i>Note 11</i>)	1,070,755	986,984
Total operating revenue	<u>26,574,555</u>	<u>14,912,972</u>
Operating expenses:		
Real estate operating costs (<i>Note 11</i>)	9,466,357	8,796,879
Asset management fee	1,745,752	1,491,325
Asset custody and administrative service fee	117,832	115,661
Directors' compensation	17,700	17,400
Other operating expenses	212,405	195,024
Total operating expenses	<u>11,560,047</u>	<u>10,616,291</u>
Operating income	15,014,507	4,296,681
Non-operating income:		
Interest income	253	270
Gain on forfeiture of unclaimed dividends	3,890	3,533
Gain on insurance claims	—	2,250
Interest on tax refunds	40	—
Gain on derivative instruments	3,298	13,228
Other	—	541
Total non-operating income	<u>7,483</u>	<u>19,824</u>
Non-operating expenses:		
Interest expense	868,687	855,183
Interest expense on investment corporation bonds	282,254	301,631
Borrowing costs	681,764	436,444
Amortization of investment corporation bond issuance costs	30,844	32,090
Amortization of investment unit issuance costs	8,543	3,570
Loss on derivative instruments	3,135	—
Other	11,488	14,619
Total non-operating expenses	<u>1,886,717</u>	<u>1,643,539</u>
Ordinary income	13,135,273	2,672,966
Extraordinary income:		
Subsidy income	7,972	—
Total extraordinary income	<u>7,972</u>	<u>—</u>
Extraordinary loss:		
Loss on advanced depreciation of property and equipment (<i>Note 12</i>)	7,915	—
Total extraordinary loss	<u>7,915</u>	<u>—</u>
Income before income taxes	13,135,330	2,672,966
Income taxes (<i>Note 14</i>):		
Current	1,210	1,210
Total income taxes	<u>1,210</u>	<u>1,210</u>
Net income	<u>13,134,120</u>	<u>2,671,756</u>

See notes to financial statements.

JAPAN HOTEL REIT INVESTMENT CORPORATION
Statements of Changes in Net Assets
For the years ended December 31, 2023 and 2022

	<i>Thousands of yen</i>						
	Unitholders' equity						
	Surplus						
	Unitholders' capital	Capital surplus	Voluntary reserve			Unappropriated retained earnings	Total surplus
Reserve for temporary difference adjustment			Reserve for advanced depreciation	Total voluntary reserve			
Balance, January 1, 2022	¥ 187,194,209	¥ 21,746,398	¥ 10,311,886	¥ 1,174,860	¥ 11,486,747	¥ 1,300,724	¥ 34,533,870
Changes of items during the year:							
Reversal of reserve for temporary difference adjustment	—	—	(335,371)	—	(335,371)	335,371	—
Dividends paid	—	—	—	—	—	(1,634,924)	(1,634,924)
Net income	—	—	—	—	—	2,671,756	2,671,756
Net changes in items other than unitholders' equity	—	—	—	—	—	—	—
Total changes in amount during the year	—	—	(335,371)	—	(335,371)	1,372,203	1,036,832
Balance, December 31, 2022	¥ 187,194,209	¥ 21,746,398	¥ 9,976,515	¥ 1,174,860	¥ 11,151,375	¥ 2,672,927	¥ 35,570,702
Changes of items during the year:							
Issuance of new investment units	11,857,670	—	—	—	—	—	—
Reversal of reserve for temporary difference adjustment	—	—	(376,501)	—	(376,501)	376,501	—
Dividends paid	—	—	—	—	—	(3,046,498)	(3,046,498)
Net income	—	—	—	—	—	13,134,120	13,134,120
Net changes in items other than unitholders' equity	—	—	—	—	—	—	—
Total changes in amount during the year	11,857,670	—	(376,501)	—	(376,501)	10,464,123	10,087,622
Balance, December 31, 2023	¥ 199,051,879	¥ 21,746,398	¥ 9,600,013	¥ 1,174,860	¥ 10,774,874	¥ 13,137,051	¥ 45,658,325

	<i>Thousands of yen</i>			
	Unitholders' equity	Valuation and translation adjustments		
	Total unitholders' equity	Deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
		Total unitholders' equity	Total valuation and translation adjustments	
Balance, January 1, 2022	¥ 221,728,079	¥ (185,733)	¥ (185,733)	¥ 221,542,346
Changes of items during the year:				
Reversal of reserve for temporary difference adjustment	—	—	—	—
Dividends paid	(1,634,924)	—	—	(1,634,924)
Net income	2,671,756	—	—	2,671,756
Net changes in items other than unitholders' equity	—	995,394	995,394	995,394
Total changes in amount during the year	1,036,832	995,394	995,394	2,032,226
Balance, December 31, 2022	¥ 222,764,911	¥ 809,661	¥ 809,661	¥ 223,574,572
Changes of items during the year:				
Issuance of new investment units	11,857,670	—	—	11,857,670
Reversal of reserve for temporary difference adjustment	—	—	—	—
Dividends paid	(3,046,498)	—	—	(3,046,498)
Net income	13,134,120	—	—	13,134,120
Net changes in items other than unitholders' equity	—	(539,561)	(539,561)	(539,561)
Total changes in amount during the year	21,945,292	(539,561)	(539,561)	21,405,730
Balance, December 31, 2023	¥ 244,710,204	¥ 270,099	¥ 270,099	¥ 244,980,303

See notes to financial statements.

JAPAN HOTEL REIT INVESTMENT CORPORATION
Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	<i>Thousands of yen</i>	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Cash flows from operating activities:		
Income before income taxes	¥ 13,135,330	¥ 2,672,966
Depreciation and amortization	5,083,074	4,787,822
Loss on retirement of noncurrent assets	151,695	57,811
(Gain) Loss on derivative instruments	(163)	(13,228)
Subsidy income	(7,972)	—
Loss on advanced depreciation of property and equipment	7,915	—
Amortization of investment corporation bond issuance costs	30,844	32,090
Amortization of investment unit issuance costs	8,543	3,570
Interest income	(253)	(270)
Interest expense	1,150,941	1,156,814
Interest on tax refunds	(40)	—
(Increase) decrease in operating accounts receivable	(408,098)	(2,692,368)
(Increase) decrease in prepaid expenses	(141,829)	761
(Increase) decrease in long-term prepaid expenses	(607,615)	233,518
Increase (decrease) in operating accounts payable	234,581	(9,852)
Increase (decrease) in accrued expenses	86,183	33,714
Increase (decrease) in consumption taxes payable	71,452	226,058
Increase (decrease) in advances received	100,441	5,357
Increase (decrease) in deposits received	7,373	(3,410)
Other	31,404	(811)
Subtotal	18,933,808	6,490,545
Interest received	247	269
Interest paid	(1,148,257)	(1,158,491)
Interest received on tax refunds	40	—
Income taxes – refunded (paid)	(1,207)	(1,210)
Net cash provided by operating activities	17,784,631	5,331,112
Cash flows from investing activities:		
Purchase of property and equipment	(982,573)	(1,102,874)
Purchase of property and equipment in trust	(37,589,514)	(2,767,507)
Purchase of intangible assets	(67,279)	(48,094)
Payments of reserve fund for repairs and maintenance	(40,625)	(40,625)
Proceeds from tenant leasehold and security deposits in trust	230,434	51,124
Repayment of tenant leasehold and security deposits in trust	(110,414)	(32,161)
Subsidies received	7,972	—
Payments into deposit with withdrawal restrictions	—	(1,500,000)
Withdrawal from deposit with withdrawal restriction	—	1,800,000
Net cash used in investing activities	¥ (38,551,999)	¥ (3,640,139)

(Continued)

JAPAN HOTEL REIT INVESTMENT CORPORATION
Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	<i>Thousands of yen</i>	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Cash flows from financing activities:		
Proceeds from short-term loans payable	¥ 15,568,000	¥ 35,536,000
Repayments of short-term loans payable	(35,113,000)	(24,425,000)
Proceeds from long-term loans payable	45,977,000	—
Repayments of long-term loans payable	(15,432,000)	(8,434,000)
Proceeds from issuance of investment corporation bond	—	2,800,000
Repayments of investment corporation bond	—	(6,000,000)
Proceeds from issuance of investment units	11,812,912	—
Payments for investment corporation bond issuance costs	—	(15,029)
Dividends paid	(3,045,523)	(1,634,712)
Net cash provided by (used in) financing activities	<u>19,767,389</u>	<u>(2,172,742)</u>
Net increase (decrease) in cash and cash equivalents	(999,978)	(481,768)
Cash and cash equivalents at beginning of year	29,515,066	29,996,835
Cash and cash equivalents at end of year <i>(Note 4)</i>	<u>¥ 28,515,088</u>	<u>¥ 29,515,066</u>

See notes to financial statements.

JAPAN HOTEL REIT INVESTMENT CORPORATION

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

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 32 properties amounting to 308,537 million yen (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 47 properties with a total acquisition price of 396,918 million yen, and the total number of investment units issued and outstanding stood at 4,637,006 units.

b. Basis of presentation

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

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

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

2. Summary of Significant Accounting Policies

a. Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows consist of cash on hand, cash in trust accounts, bank deposit and trust deposit, which can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased, which can easily be converted to cash and subject to minimal risk of change in value.

b. Property and equipment

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

Machinery and equipment:	2 to 17 years
Tools, furniture and fixtures:	2 to 26 years
Buildings in trust:	2 to 64 years
Structures in trust:	2 to 64 years
Machinery and equipment in trust:	3 to 32 years
Tools, furniture and fixtures in trust:	2 to 27 years

c. Intangible assets

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

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

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

d. Investment unit issuance costs

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

e. Investment corporation bond issuance costs

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

f. Revenue from contracts with customers

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

(1) Sale of real estate properties

For the proceeds from sale of real estate properties, JHR recognizes revenue when the purchaser who is a customer obtains control of the relevant real estate properties, etc. as a result of the seller fulfilling its delivery obligations stipulated in the transaction agreement of the real estate, etc.

The amount obtained by deducting "Costs of sale of properties," which is the book value of real estate properties, etc. sold, and "Other selling expenses," which are the various expenses directly required in the sale, from "Proceeds from sale of properties," which are the sales proceeds of real estate properties, etc., is indicated as "Gain on sale of real estate properties" or "Loss on sale of real estate properties" in the statements of income. There is no gain or loss on sale of real estate properties for the fiscal period ended December 31, 2023.

(2) Utilities income

For utilities income, JHR recognizes revenue in accordance with the supply of electricity, water, etc. to the lessee who is a customer based on the lease contracts of real estate properties, etc. and agreements incidental to it.

g. Taxes on property and equipment

Taxes imposed on properties such as property taxes, city planning taxes, and depreciable asset taxes are allocated to the respective reporting period and expensed as "Real estate operating costs." Cash paid for those properties related taxes to the seller of real properties at acquisition is not recorded as "Real estate operating costs" but capitalized as part of the acquisition cost of the relevant property. There were no taxes capitalized in the acquisition cost of real estate properties, etc., for the previous fiscal year, while 46,192 thousand yen was capitalized for the current fiscal year.

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, 2023		For the year ended December 31, 2022	
Property and equipment	¥	360,081,175	¥	325,988,877
Intangible assets		32,271,051		32,494,195
Impairment loss		—		—

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

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

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

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

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

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

4. Cash Flow Information

Cash and cash equivalents as of December 31, 2023, and 2022 in the statements of cash flows consisted of the following:

	<i>Thousands of yen</i>			
	As of December 31, 2023		As of December 31, 2022	
Cash and deposits	¥	17,693,462	¥	21,142,716
Cash and deposits in trust		10,821,626		8,372,349
Cash and cash equivalents	¥	28,515,088	¥	29,515,066

5. 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, 2023 and 2022 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, 2023			
	Carrying amount	Fair value	Difference
(i) Current portion of investment corporation bonds	¥ 3,000,000	¥ 2,973,700	¥ (26,300)
(ii) Current portion of long-term loans payable	21,521,000	21,521,000	—
(iii) Investment corporation bonds	33,900,000	31,371,760	(2,528,240)
(iv) Long-term loans payable	101,242,000	101,242,000	—
Total	159,663,000	157,108,460	(2,554,540)
(v) Derivative transactions (*)	¥ 395,399	¥ 395,399	¥ —

<i>Thousands of yen</i>			
As of December 31, 2022			
	Carrying amount	Fair value	Difference
(i) Current portion of investment corporation bonds	¥ —	¥ —	¥ —
(ii) Current portion of long-term loans payable	15,432,000	15,432,000	—
(iii) Investment corporation bonds	36,900,000	33,223,450	(3,676,550)
(iv) Long-term loans payable	76,786,000	76,786,000	—
Total	129,118,000	125,441,450	(3,676,550)
(v) Derivative transactions (*)	¥ 1,184,172	¥ 1,184,172	¥ —

(*) 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
The carrying value is deemed to approximate the fair value since the interest rate on long-term loans payable are variable interest rates which are adjusted periodically to reflect market interest rates.

(v) Derivative transactions
The information on the fair value of derivative transactions is disclosed in Note 17.

(2) Schedule for repayment of loans payable and redemption of investment corporation bonds as of December 31, 2023 and 2022.

As of December 31, 2023	<i>Thousands of yen</i>					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	¥ 3,000,000	¥ 2,800,000	¥ 13,100,000	¥ —	¥ 10,000,000	¥ 8,000,000
Long-term loans payable	21,521,000	19,000,000	12,180,000	27,175,000	26,500,000	16,387,000
Total	<u>¥ 24,521,000</u>	<u>¥ 21,800,000</u>	<u>¥ 25,280,000</u>	<u>¥ 27,175,000</u>	<u>¥ 36,500,000</u>	<u>¥ 24,387,000</u>

As of December 31, 2022	<i>Thousands of yen</i>					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	¥ —	¥ 3,000,000	¥ 2,800,000	¥ 13,100,000	¥ —	¥ 18,000,000
Long-term loans payable	15,432,000	18,536,000	19,000,000	4,250,000	17,000,000	18,000,000
Total	<u>¥ 15,432,000</u>	<u>¥ 21,536,000</u>	<u>¥ 21,800,000</u>	<u>¥ 17,350,000</u>	<u>¥ 17,000,000</u>	<u>¥ 36,000,000</u>

6. Short-Term and Long-Term Loans Payable

Short-term and long-term loans payable as of December 31, 2023 and 2022 consisted of the following:

	Maturity date	Thousands of yen	
		As of December 31, 2023	As of December 31, 2022
		Amount	
Short-term loans payable:			
0.57% Unsecured loan, payable in a lump-sum at maturity	January 31, 2023	¥ —	¥ 5,511,000
0.56% Unsecured loan, payable in a lump-sum at maturity	March 31, 2023	—	8,300,000
0.57% Unsecured loan, payable in a lump-sum at maturity	June 30, 2023	—	1,000,000
0.57% Unsecured loan, payable in a lump-sum at maturity	September 29, 2023	—	15,702,000
0.57% Unsecured loan, payable in a lump-sum at maturity	October 20, 2023	—	4,600,000
0.47% Unsecured loan, payable in a lump-sum at maturity	January 31, 2024	800,000	—
0.45% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	14,768,000	—
Sub-total		15,568,000	35,113,000
Long-term loans payable:			
1.07% Unsecured loan, payable in a lump-sum at maturity	September 29, 2023	¥ —	¥ 2,880,000
1.07% Unsecured loan, payable in a lump-sum at maturity	September 29, 2023	—	892,000
0.77% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	2,100,000	2,100,000
0.77% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	2,536,000	2,536,000
0.68% Unsecured loan, payable in a lump-sum at maturity	March 31, 2023	—	4,088,000
0.66% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	800,000	800,000
0.57% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	500,000	500,000
0.74% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	9,500,000	9,500,000
0.56% Unsecured loan, payable in a lump-sum at maturity	September 30, 2024	1,300,000	1,300,000
0.56% Unsecured loan, payable in a lump-sum at maturity	September 30, 2024	2,000,000	2,000,000
0.59% Unsecured loan, payable in a lump-sum at maturity	September 30, 2024	700,000	700,000
0.71% Unsecured loan, payable in a lump-sum at maturity	September 30, 2024	500,000	500,000
0.46% Unsecured loan, payable in a lump-sum at maturity	June 30, 2023	—	2,250,000
0.85% Unsecured loan, payable in a lump-sum at maturity	September 30, 2026	4,250,000	4,250,000
0.73% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	1,000,000	1,000,000
0.68% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	700,000	700,000
0.75% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	500,000	500,000
0.73% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	500,000	500,000
0.73% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	500,000	500,000
0.73% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	1,000,000	1,000,000
0.68% Unsecured loan, payable in a lump-sum at maturity	September 30, 2025	300,000	300,000
0.65% Unsecured loan, payable in a lump-sum at maturity	March 31, 2025	2,550,000	2,550,000
0.57% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	4,000,000	4,000,000
0.65% Unsecured loan, payable in a lump-sum at maturity	March 31, 2025	2,450,000	2,450,000
0.41% Unsecured loan, payable in a lump-sum at maturity	March 31, 2023	—	1,700,000
0.41% Unsecured loan, payable in a lump-sum at maturity	March 31, 2023	—	2,680,000
0.52% Unsecured loan, payable in a lump-sum at maturity	March 31, 2023	—	454,000
0.55% Unsecured loan, payable in a lump-sum at maturity	September 29, 2023	—	488,000
0.95% Unsecured loan, payable in a lump-sum at maturity	September 30, 2027	3,900,000	3,900,000
0.38% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	2,500,000	2,500,000
0.72% Unsecured loan, payable in a lump-sum at maturity	March 31, 2027	7,500,000	7,500,000
0.82% Unsecured loan, payable in a lump-sum at maturity	March 31, 2028	18,000,000	18,000,000
0.23% Unsecured loan, payable in a lump-sum at maturity	September 30, 2024	1,600,000	1,600,000
0.68% Unsecured loan, payable in a lump-sum at maturity	September 30, 2027	5,600,000	5,600,000
0.57% Unsecured loan, payable in a lump-sum at maturity	March 29, 2024	2,985,000	—
0.65% Unsecured loan, payable in a lump-sum at maturity	January 30, 2026	2,526,000	—
0.65% Unsecured loan, payable in a lump-sum at maturity	March 31, 2026	1,454,000	—
0.75% Unsecured loan, payable in a lump-sum at maturity	March 31, 2028	1,000,000	—
0.65% Unsecured loan, payable in a lump-sum at maturity	June 30, 2026	3,250,000	—
0.56% Unsecured loan, payable in a lump-sum at maturity	September 30, 2026	700,000	—
0.66% Unsecured loan, payable in a lump-sum at maturity	September 27, 2028	6,300,000	—
0.56% Unsecured loan, payable in a lump-sum at maturity	September 30, 2027	9,275,000	—
0.71% Unsecured loan, payable in a lump-sum at maturity	September 28, 2029	10,687,000	—
0.56% Unsecured loan, payable in a lump-sum at maturity	March 31, 2027	900,000	—
0.71% Unsecured loan, payable in a lump-sum at maturity	September 28, 2029	2,900,000	—
0.58% Unsecured loan, payable in a lump-sum at maturity	September 29, 2028	1,200,000	—
0.63% Unsecured loan, payable in a lump-sum at maturity	September 28, 2029	2,800,000	—
Sub-total		122,763,000	92,218,000
Total of short-term and long-term loans payable		¥ 138,331,000	¥ 127,331,000

Stated interest rate, which is a rate per annum, represents the weighted average rate during the year ended December 31, 2023, 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.

7. Investment Corporation Bonds

Investment corporation bonds as of December 31, 2023 and 2022 consisted of the following:

	<i>Thousands of yen</i>	
	As of December 31, 2023	As of December 31, 2022
Unsecured 6th investment corporation bond at interest rate of 0.935%, due on March 19, 2026	¥ 3,000,000	¥ 3,000,000
Unsecured 7th investment corporation bond at interest rate of 0.600%, due on November 27, 2026	9,000,000	9,000,000
Unsecured 8th investment corporation bond at interest rate of 0.600%, due on November 27, 2026	1,100,000	1,100,000
Unsecured 9th investment corporation bond at interest rate of 0.530%, due on November 22, 2024	1,000,000	1,000,000
Unsecured 10th investment corporation bond at interest rate of 0.840%, due on February 21, 2028	10,000,000	10,000,000
Unsecured 11th investment corporation bond at interest rate of 0.854%, due on June 14, 2029	8,000,000	8,000,000
Unsecured 12th investment corporation bond (green bonds) at interest rate of 0.400%, due on July 31, 2024	2,000,000	2,000,000
Unsecured 13th investment corporation bond at interest rate of 1.00%, due on September 19, 2025	2,800,000	2,800,000
Total	¥ 36,900,000	¥ 36,900,000

8. 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

	<i>Thousands of yen</i>	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Balance at beginning of year	¥ 338,413	¥ 336,783
Adjustment due to accretion expense	1,637	1,630
Balance at end of year	¥ 340,051	¥ 338,413

9. Net Assets

JHR maintains at least 50,000 thousand yen 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, 2023		For the year ended December 31, 2022	
	Total	Per unit	Total	Per unit
I Unappropriated retained Earnings	¥ 13,137,051,848		¥ 2,672,927,976	
II Reversal of voluntary reserve				
Reversal of reserve for temporary difference adjustment (*)	¥ 845,384,544	¥ 182	¥ 376,501,098	¥ 84
III Dividends	¥ 13,980,573,090	¥ 3,015	¥ 3,046,498,092	¥ 682
IV Retained earnings carried forward (I+II-III)	¥ 1,863,302		¥ 2,930,982	

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 yen 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 yen) 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, 2022, reversal of reserve for temporary difference adjustment of 376,501,098 yen has been decided, which is the amount calculated by adding 57,811,948 yen, equivalent to loss on retirement of noncurrent assets and 56,089,150 yen, equivalent to amortization of trademark rights to 262,600,000 yen of the basic reversal.

For the year ended December 31, 2023, reversal of reserve for temporary difference adjustment of 845,384,544 yen has been decided, which is the amount calculated by adding 151,695,394 yen, equivalent to loss on retirement of noncurrent assets and 56,089,150 yen, equivalent to amortization of trademark rights and 375,000,000 yen, equivalent to compensation for the dilution of the dividend per unit arising from the public offering to 262,600,000 yen of the basic reversal.

10. 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, 2023 and 2022 consisted of the following (thousands of yen):

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

Source	Original amount	Balance as of January 1, 2022	Provision during the year	Reversal during the year	Balance as of December 31, 2022	Rationale for provision or reversal
Dividend reserve	13,127,153	10,311,886	-	335,371	9,976,515	Allocation for dividend

(Note) See (*) of Note 9 above for further descriptions.

11. Real Estate Operating Revenue and Costs

The components of “Real estate operating revenue” and “Real estate operating costs” for the years ended December 31, 2023 and 2022 were as follows:

	<i>Thousands of yen</i>	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Operating revenue:		
Real estate operating revenue:		
Fixed rent	¥ 14,658,973	¥ 6,279,169
Variable rent	9,516,322	7,304,059
Income from management contract (*1)	1,328,502	342,758
Sub-total	<u>25,503,799</u>	<u>13,925,987</u>
Other real estate operating revenue:		
Parking lots	127,036	141,741
Other incidental revenue	70,635	69,068
Utilities	753,357	643,154
Other	119,726	133,020
Sub-total	<u>1,070,755</u>	<u>986,984</u>
Total operating revenue	<u>26,574,555</u>	<u>14,912,972</u>
Real estate operating costs:		
Land lease and other rent expenses	846,977	845,567
Property taxes	1,976,361	1,923,806
Outsourcing expenses (*2)	449,885	352,400
Nonlife insurance	80,731	70,695
Depreciation and amortization	5,083,074	4,787,822
Loss on retirement of noncurrent assets	151,695	57,811
Repairs	26,032	21,378
Utilities	790,705	683,346
Trust fees	41,176	39,783
Other	19,718	14,267
Total real estate operating costs	<u>9,466,357</u>	<u>8,796,879</u>
Net real estate operating income	<u>¥ 17,108,197</u>	<u>¥ 6,116,092</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 129,402 thousand yen for the year ended December 31, 2023 and 40,786 thousand yen for the year ended December 31, 2022.

12. 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>	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Buildings in trust	¥ 7,915	¥ —

13. 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, 2023 and 2022 were as follows:

	<i>Thousands of yen</i>	
	As of December 31, 2023	As of December 31, 2022
Buildings in trust	¥ 17,865	¥ 24,921

14. Income Taxes

Significant components of deferred tax assets and liabilities as of December 31, 2023 and 2022 were as follows:

	<i>Thousands of yen</i>	
	As of December 31, 2023	As of December 31, 2022
Deferred tax assets		
Valuation difference on assets acquired by merger	¥ 1,660,086	¥ 1,667,655
Amortization of fixed-term leasehold rights	333,759	291,223
Asset retirement obligations	29,177	25,570
Amortization of trademark rights	64,701	47,055
Deferred losses on hedges	1,272	2,447
Subtotal deferred tax assets	2,088,996	2,033,953
Valuation allowance	(2,088,996)	(2,033,953)
Total deferred tax assets	¥ —	¥ —
Deferred tax liabilities		
Deferred gains on hedges	125,832	375,207
Total deferred tax liabilities	¥ 125,832	¥ 375,207

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, 2023 and 2022 were as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Effective statutory tax rate	31.46%	31.46%
Deduction for dividends paid	(31.89%)	(33.44%)
Change in valuation allowance	0.43%	1.97%
Other – net	0.01%	0.05%
Actual effective tax rate	0.01%	0.05%

15. Amounts per Unit

Net income per unit for the years ended December 31, 2023 and 2022 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, 2023</u>			
Basic net income per unit - Net income attributable to common unitholders	¥ 13,134,120	4,514,513	¥ 2,909
<u>For the year ended December 31, 2022</u>			
Basic net income per unit - Net income attributable to common unitholders	¥ 2,671,756	4,467,006	¥ 598

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, 2023 and 2022.

Net assets per unit as of December 31, 2023 and 2022 were as follows:

	<i>Yen</i>	
	As of December 31, 2023	As of December 31, 2022
Net assets per unit	¥ 52,831	¥ 50,050

16. 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, 2023 and 2022 were as follows:

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

17. 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, 2023 and 2022 were as follows:

		<i>Thousands of yen</i>		
<u>As of December 31, 2023</u>	<u>Classification</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)	Transactions other than market transactions	¥ 1,750,000	—	¥ (532)

		<i>Thousands of yen</i>		
<u>As of December 31, 2022</u>	<u>Classification</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)	Transactions other than market transactions	¥ 3,494,000	¥ 1,750,000	¥ (696)

b. Derivative transactions to which hedge accounting is applied

Derivative transactions to which hedge accounting was applied as of December 31, 2023 and 2022 were as follows:

			<i>Thousands of yen</i>		
<u>As of December 31, 2023</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	¥ 70,600,000	¥ 57,750,000	¥ 395,932

			<i>Thousands of yen</i>		
<u>As of December 31, 2022</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	¥ 78,460,000	¥ 70,600,000	¥ 1,184,868

Notes:

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

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

18. 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, 2023	Net increase (decrease) (*1)	December 31, 2023	December 31, 2023
Hotels	¥ 358,478,812	¥ 33,860,769	¥ 392,339,582	¥ 525,740,000

Notes:

(*1) Increase during 2023 principally due to acquisition of UAN kanazawa (2,082 million yen), Sotetsu Fresa Inn Shimbashi-Karasumoriguchi (8,487 million yen), La'gent Stay Sapporo Odori (10,428 million yen), Oriental Hotel Kyoto Rokujo (4,620 million yen), Hotel Oriental Express Fukuoka Nakasukawabata (4,665 million yen) and Hotel JAL City Kannai Yokohama (4,046 million yen).

(*2) Fair value of properties as of December 31, 2023 is generally the appraisal value determined by outside licensed real estate appraisers.

	<i>Thousands of yen</i>			
	Carrying amount			Fair value (*2)
	January 1, 2022	Net increase (decrease) (*1)	December 31, 2022	December 31, 2022
Hotels	¥ 358,819,865	¥ (341,052)	¥ 358,478,812	¥ 483,110,000

Notes:

(*1) Decrease during 2022 principally represents the recording of depreciation.

(*2) Fair value of properties as of December 31, 2022 is generally the appraisal value determined by outside licensed real estate appraisers.

Real estate operating revenue and costs for the years ended December 31, 2023 and 2022 related to the rental properties were as follows:

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

	<i>Thousands of yen</i>		
	For the year ended December 31, 2022		
	Real estate operating revenue (*)	Real estate operating costs (*)	Net real estate operating income
Hotels	¥ 14,912,972	¥ 8,796,879	¥ 6,116,092

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.

19. Revenue from Contracts with Customers

For the years ended December 31, 2023 and 2022

Breakdown information on revenue from contracts with customers

For the breakdown information on revenue from contracts with customers, please refer to Note 11, "Real Estate Operating Revenue and Costs."

Note that the revenues described in the Note 11 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.

20. 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, 2023 and 2022

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, 2023 and 2022

(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, 2023>

Name of customer	Segment	<i>Thousands of yen</i> Operating revenue
Hotel Management Japan Co., Ltd. (*1)	Hotel real estate investment and management	¥ 15,888,054

<For the year ended December 31, 2022>

Name of customer	Segment	<i>Thousands of yen</i> Operating revenue
Hotel Management Japan Co., Ltd. (*1)	Hotel real estate investment and management	¥ 6,862,661
THE DAI-ICHI BUILDING CO., LTD.	Hotel real estate investment and management	Undisclosed (*2)

Notes:

(*1) Operating revenue includes the operating revenue from customers belonging to the business group of the said customer.

(*2) Undisclosed as the consent on disclosure has not been obtained from the lessee.

21. Subsequent Events

Not applicable.



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, 2023 and 2022, 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

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 19, 2024

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.