

Supplementary Explanation Materials on Today's Press Release

May 27, 2024

日本ホテル&レジデンシャル投資法人

Nippon Hotel & Residential Investment Corporation

Revisions to Results and Distribution Forecasts

- The Company revises its forecasts for results and distribution per unit for fiscal periods ending May and November 2024.
- The revisions were mainly due to a decrease in the debt cost from the previous forecasts resulting from refinancing in February and May 2024.

Fiscal period	Distribution per unit (including distribution in excess of earnings)			Main factors in the difference from the previous forecast
	Previous forecast	Revised forecast	(Versus previous forecast)	
Fiscal period ending May 31, 2024 (16th fiscal period)	1,490 yen	<u>1,568 yen</u>	+5.2% +78 yen	<u>Difference in profit between the previous and revised forecasts</u> +18 million yen <ul style="list-style-type: none"> ■ Decrease in debt costs mainly due to refinancing +10 million yen ■ Reduction in accommodation leasing expenses, etc. +3 million yen ■ Property tax reduction due to a change in the taxable value +2 million yen ■ Others +3 million yen
Fiscal period ending November 30, 2024 (17th fiscal period)	1,672 yen	<u>1,857 yen</u>	+11.1% +185 yen	<u>Difference in profit between the previous and revised forecasts</u> +43 million yen <ul style="list-style-type: none"> ■ Decrease in debt costs mainly due to refinancing +44 million yen ■ Property tax reduction due to a change in the taxable value +4 million yen ■ Less fixed rent reductions for Ise-shima and Kinugawa Kanko due to shortened periods of renovations to upgrade them to premium hotels +4 million yen ■ Expected variable rent for accommodation for leisure -10 million yen

* The previous forecasts are those included in the summary of results for the fiscal period ended November 30, 2023, which was published on January 22, 2024.

New Borrowings

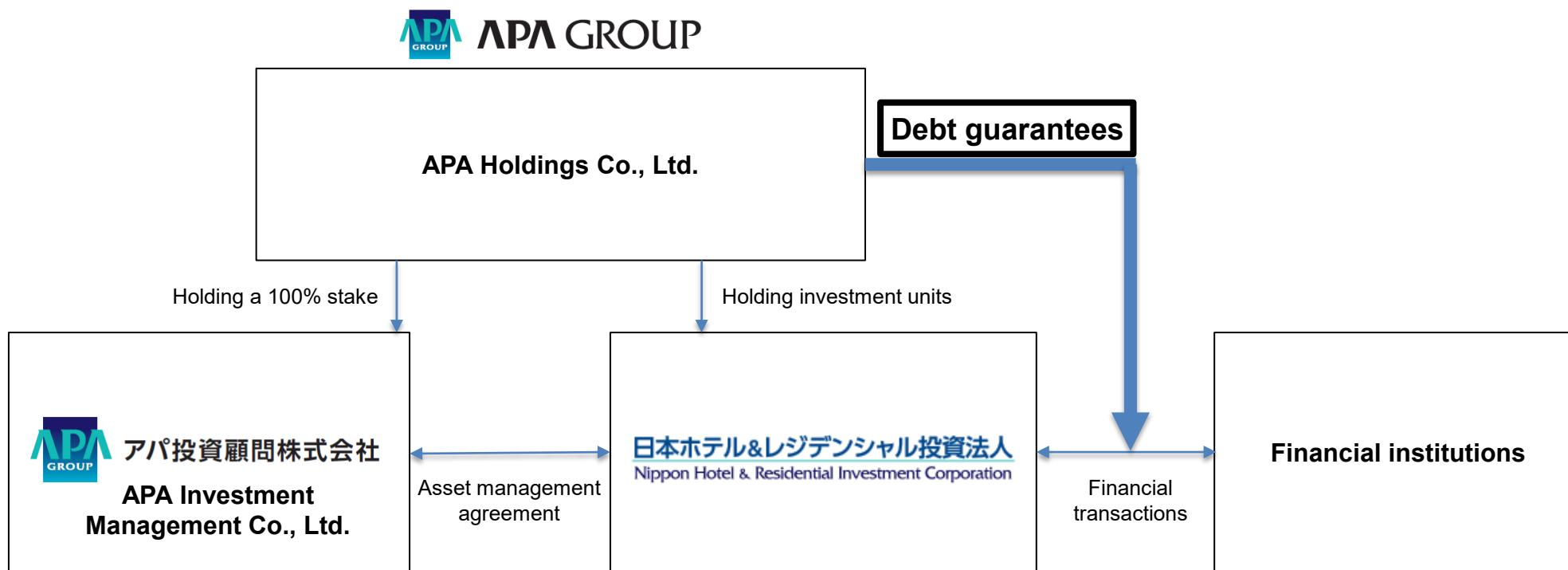
- The Company will borrow 4,971 million yen on May 31, 2024, to repay existing borrowings.
- New financial institutions lending to the Company: Aozora Bank (1,000 million yen) and Resona Bank (500 million yen)
- The Company aims to lower funding costs and broaden the formation of lenders to increase funding, thereby speeding up external growth and consistently increasing distribution per unit.

(Unit: million yen)

Name of financial institution	Before the borrowings		Borrowings to be repaid	The borrowings			Increase or decrease	After the borrowings	
	Outstanding borrowings	Ratio		Short term	Long term	Total		Outstanding borrowings	Ratio
Sumitomo Mitsui Banking Corporation	6,043	47.4%	▲ 1,395		+1,343	+1,343	▲ 51	5,991	47.0%
The Tokyo Star Bank, Limited	2,651	20.8%	▲ 1,201		+750	+750	▲ 451	2,200	17.3%
San ju San Bank, Ltd.	1,394	10.9%	▲ 227		+227	+227	0	1,394	10.9%
Aozora Bank, Ltd. (New lender)	0	0.0%			+1,000	+1,000	+1,000	1,000	7.9%
Sumitomo Mitsui Trust Bank, Ltd.	1,416	11.1%	▲ 1,416	+750		+750	▲ 666	750	5.9%
Kiraboshi Bank, Ltd.	500	3.9%					0	500	3.9%
Resona Bank, Ltd. (New lender)	0	0.0%			+500	+500	+500	500	3.9%
The Ogaki Kyoritsu Bank, Ltd.	400	3.1%	▲ 400		+400	+400	0	400	3.1%
Fukoku Mutual Life Insurance Company	330	2.6%	▲ 330				▲ 330	0	0.0%
Total	12,736	100.0%	▲ 4,971	+750	+4,221	+4,971	0	12,736	100.0%

Guarantee of Borrowings by APA Holdings

- The Company will receive a guarantee of borrowings from APA Holdings Co., Ltd., which invests in the Company and has established good relationships with major financial institutions, to enhance its creditworthiness in transactions with financial institutions.
- When the Company receives the debt guarantee, it will remove all security interests in its assets. The Company's borrowings will all become unsecured.



Future Trends in Distributions (Estimates)

- **Estimated distribution per unit for the fiscal period ending May 31, 2025:** The factors based on the assumptions below are added to the projected distribution per unit for the fiscal period ending November 30, 2024.

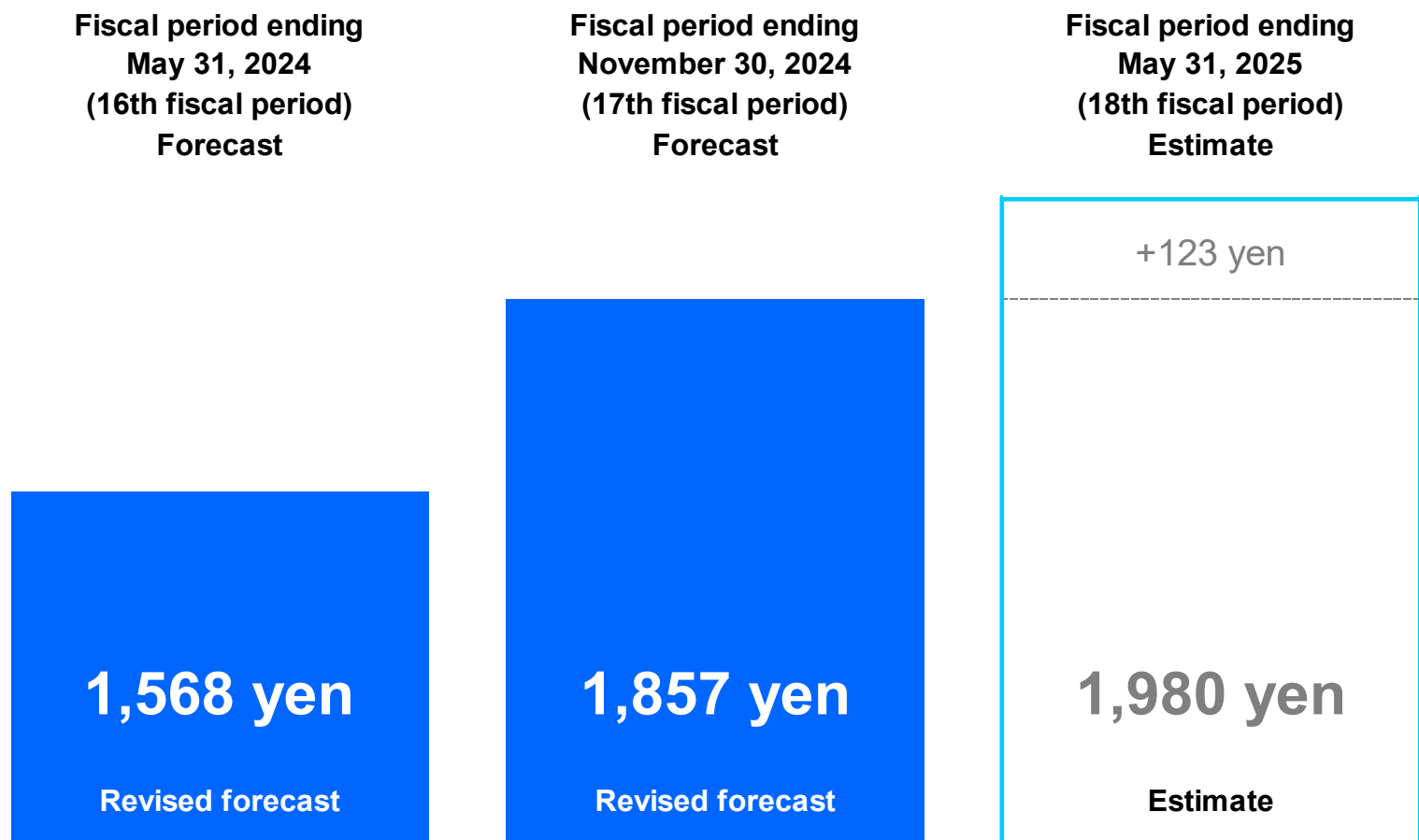
[Assumption]

- **The temporary fixed rent reduction at Ise-shima and Kinugawa Kanko will come to an end. +143 yen**

A temporary rent reduction of 33.7 million yen (143 yen per unit), which is factored into the forecast for the fiscal period ending November 30, 2024, will not materialize in the fiscal period ending May 31, 2025.

- **The secondary rent will be reduced. -20 yen**

The secondary rent will be reduced by 4.8 million yen (20 yen per unit) due to a decrease in property tax resulting from a revision to the taxable value factored into the forecast for the fiscal period ending November 30, 2024.



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