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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in 株式会社ニラク・ジー・シー・ホールディングスNIRAKU GC HOLDINGS, INC.*, you should at once hand this circular to the purchaser(s) or the transferee(s), or to the licensed securities dealer or other registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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株式会社ニラク･ジー･シー･ホールディングス

NIRAKU GC HOLDINGS, INC.*

(Incorporated in Japan with limited liability)

(Stock Code: 1245)

MAJOR TRANSACTION
DISPOSAL OF LAND, BUILDINGS AND ASSETS IN MIYAGINO, JAPAN

A letter from the Board is set out on pages 5 to 10 of this circular.

* *for identification purpose only*

31 October 2025

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In this circular, unless the context otherwise requires, the following expressions have the following respective meanings:

"Acquisition"	the acquisition of the Land, Buildings and Assets by NBI from the Sellers pursuant to the First Purchase and Sale Agreement
"Announcement"	the announcement of the Company dated 29 August 2025 in relation to the Disposal
"Assets"	the facilities attached to the Buildings, structure, tools, fixtures and supplies (excluding vehicles)
"associate(s)"	shall have the meaning as ascribed to it under the Listing Rules
"Board"	board of Directors
"Buildings"	the 5 buildings erected on the Land, comprising two single-storey buildings, one 4-storey building and two annexed structures with a total floor area of approximately 1,959.81 sq. m.
"Company"	NIRAKU GC HOLDINGS, INC.* (株式会社ニラク▪ジー▪シー▪ホールディングス), which is a stock company* (株式会社) incorporated in Japan with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Completion Date"	2 October 2025, being the date on which the transfer of ownership of the Land, Buildings and Assets from NBI to the Purchaser shall take place in accordance with the Second Purchase and Sale Agreement
"connected person(s)"	shall have the meaning as ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Land, Buildings and Assets by NBI to the Purchaser pursuant to the Second Purchase and Sale Agreement
"First Purchase and Sale Agreement"	the purchase and sale agreement entered into between two Independent Third Party sellers and NBI on 29 August 2025 in respect of the acquisition of the Land, Buildings and Assets from the two Independent Third Party sellers by NBI
"Group"	the Company and its subsidiaries

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	third party(ies) who is/are independent of the Company and its connected persons
"JPY" or "¥"	Japanese Yen, the lawful currency of Japan
"Land"	lot nos. 1362–16, 1362–32, 1362–36 and 1362–37 located in Aza Hegi-ishi, Miyagino, Hakone-cho, Ashigarashimo-gun, Kanagawa Prefecture, Japan with a total area of approximately 6,691.00 sq. m.
"Latest Practicable Date"	27 October 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"NBI"	NBI Holdings Co., Ltd.* (株式会社NBIホールディングス), a limited liability company incorporated in Japan and a direct wholly-owned subsidiary of the Company
"Purchaser"	Jyukyo Co., Ltd.* (株式会社住協), a company incorporated in Japan with limited liability whose ultimate beneficial owner is Hisato YASUNAGA
"Second Purchase and Sale Agreement"	the purchase and sale agreement entered into between the Purchaser and NBI on 29 August 2025 in respect of the disposal of the Land, Buildings and Assets by NBI to the Purchaser
"Seller A"	Bisoh Fujimoto Co., Ltd.* (株式会社美装フジモト), a company incorporated in Japan with limited liability whose ultimate beneficial owner is Yoshio SATO
"Seller B"	Hakone Elecasa Co., Ltd.* (株式会社箱根エレカーサ), a company incorporated in Japan with limited liability and a wholly-owned subsidiary of the Seller A, whose ultimate beneficial owner is Yoshio SATO
"Sellers"	collectively, Seller A and Seller B
"Share(s)"	common share(s)* (普通株式) in the share capital of the Company

"Shareholders"	holder(s) of Share(s)
"sq. m."	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs
"Taniguchi Consortium"	Hisanori TANIGUCHI and a group of (1) natural persons, namely Masataka TANIGUCHI (谷口晶貴) (brother of Hisanori TANIGUCHI who holds 11,442,500 Shares), Yoshihiro TANIGUCHI (谷口佳浩) (brother of Hisanori TANIGUCHI who holds 33,580,000 Shares), Noriko KANESHIRO (金城徳子) (sister of Hisanori TANIGUCHI who holds 11,500,000 Shares), Mitsuhiro TEI (鄭允碩) (nephew of Hisanori TANIGUCHI who holds 25,000,000 Shares), Motohiro TEI (鄭元碩) (nephew of Hisanori TANIGUCHI who holds 25,000,000 Shares), Eijun TEI (鄭盈順) (niece of Hisanori TANIGUCHI who holds 25,000,000 Shares), Rika TEI (鄭理香) (niece of Hisanori TANIGUCHI who holds 25,000,000 Shares), Tatsunari TANIGUCHI (谷口辰成) (nephew of Hisanori TANIGUCHI who holds 44,792,500 Shares), Toshinari TANIGUCHI (谷口才成) (nephew of Hisanori TANIGUCHI who holds 44,792,500 Shares), Cheolsoeng JEONG (鄭喆成) (nephew of Hisanori TANIGUCHI who holds 44,792,500 Shares), Kiyokazu TANIGUCHI (谷口清和) (nephew of Hisanori TANIGUCHI who holds 13,800,000 Shares), Yoshika TEI (鄭淑佳) (nephew of Hisanori TANIGUCHI who holds 13,800,000 Shares) and Kousei TEI (鄭光誠) (nephew of Hisanori TANIGUCHI who holds 13,800,000 Shares); (2) corporate entities, namely JUKKI Limited* (有限会社十起) (a company which holds 181,470,000 Shares and is owned as to 22.1% by Kiyokazu TANIGUCHI (谷口清和), Yoshika TEI (鄭淑佳) and Kousei TEI (鄭光誠)), DENSHO Co., Ltd.* (株式会社伝承) (a company which holds 226,020,460 Shares and is owned as to 27.5% by Reika TANIGUCHI (谷口玲華), Hidenori TANIGUCHI (谷口秀憲), Yuryon TANIGUCHI (谷口有鈴), Hirohide TANIGUCHI (谷口博秀) and Yuri TANIGUCHI (谷口裕里)), Echo Limited* (有限会社エコー) (a company which holds

	11,500,000 Shares and is owned as to 1.4% by Mitsuhiro TEI (鄭允碩), Motohiro TEI (鄭元碩), Eijun TEI (鄭盈順) and Rika TEI (鄭理香)), Daiki Limited* (有限会社大喜) (a company which holds 11,500,000 Shares and is owned as to 1.4% by Akinori TEI (鄭敬憲) and Masahide TEI (鄭將英)) and Hokuyo Kanko Limited* (有限会社北陽観光) (a company which holds 6,210,000 Shares and is owned as to 0.8% by Rika TEI (鄭理香), Tatsunari TANIGUCHI (谷口辰成), Toshinari TANIGUCHI (谷口才成) and Cheolsoeng JEONG (鄭喆成); and (3) SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行) (holds 53,360,000 Shares and act as the trustee and assignee* (受託者) of YT Family Trust). Each member of the Taniguchi Consortium is an associate (as defined under the Listing Rules) of, and a person acting in concert (as defined under the Takeovers Code) with, Hisanori TANIGUCHI and is a controlling Shareholder under the Listing Rules
"YT Family Trust"	the family trust established on 22 October 2014 pursuant to a trust agreement entered into between SMBC Trust Bank Ltd.* (株式会社SMBC信託銀行) (as the trustee and assignee* (受託者)) and each of the beneficiaries (Akinori TANIGUCHI (谷口晃紀) and Masahide TANIGUCHI (谷口昌英), as the assignors and beneficiaries* (委託者兼受益者)) who had entered into a separate agreement with Yoshihiro TANIGUCHI (谷口佳浩) to appoint him as the protector and person having the right to exercise voting rights* (議決権行使指図権者) of the YT Family Trust
"%"	per cent

(*) The English titles marked with "*" are unofficial English translations of the Japanese titles of natural persons, legal persons, governmental authorities, institutions, laws, rules, regulations and other entities for which no official English translation exists. These titles are for identification purpose only.

In this circular, certain amounts denominated in ¥ are translated into HK$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in ¥ were or may have been converted into HK$ at such rate or any other exchange rates or at all: ¥1 = HK$0.053.

NIRAKU GC HOLDINGS
株式会社ニラク･ジー･シー･ホールディングス
NIRAKU GC HOLDINGS, INC.*
(Incorporated in Japan with limited liability)
(Stock Code: 1245)

Executive Directors:
Mr. Hisanori TANIGUCHI *(Chairman)*
Mr. Masataka WATANABE

Non-executive Directors:
Mr. Hiroshi BANNAI
Mr. Hidenori MOROTA

Independent Non-executive Directors:
Mr. Michio MINAKATA
Mr. Yoshihiro KOIZUMI
Mr. Kuraji KUTSUWATA
Mr. Akihito TANAKA
Ms. Reiko HACHISUKA

Headquarters in Japan and Registered Office:
1-1-39 Hohaccho
Koriyama-shi, Fukushima
Japan 963-8811

Principal Place of Business in Hong Kong:
805B, 8/F
Tsim Sha Tsui Centre
66 Mody Road, Tsim Sha Tsui
Kowloon, Hong Kong

31 October 2025

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
DISPOSAL OF LAND, BUILDINGS AND ASSETS IN MIYAGINO, JAPAN

INTRODUCTION

Reference is made to the Announcement.

On 29 August 2025 (after trading hours), NBI (a wholly-owned subsidiary of the Company), as a purchaser, entered into the First Purchase and Sale Agreement with two Independent Third Parties, as sellers, for the acquisition of the Land and Buildings located at Miyagino, Hakone-cho, Ashigarashimo-gun, Kanagawa Prefecture, Japan, together with the Assets, at a total consideration of JPY901 million (equivalent to approximately HK$47.8 million). Completion has taken place on 2 October 2025.

* *for identification purpose only*

On 29 August 2025 (after trading hours), NBI entered into the Second Purchase and Sale Agreement with the Purchaser (an Independent Third Party) for the disposal of the Land and Buildings located at Miyagino, Hakone-cho, Ashigarashimo-gun, Kanagawa Prefecture, Japan, together with the Assets, at a total consideration of JPY1,166 million (equivalent to approximately HK$61.8 million). Completion has taken place on 2 October 2025.

The Disposal constitutes a major transaction of the Company under the Listing Rules.

As the Company has received from the Taniguchi Consortium, which is interested in 822,360,460 Shares as at the Latest Practicable Date, a written Shareholders' approval approving the Disposal pursuant to Rule 14.44(2) of the Listing Rules, the Company will not convene any general meeting to approve the Disposal.

The purpose of this circular is to provide you with, amongst other things, further information in relation to the Disposal and other information in compliance with the requirements of the Listing Rules.

SECOND PURCHASE AND SALE AGREEMENT

The principal terms of the Second Purchase and Sale Agreement are as follows:

Date:	29 August 2025
Parties:	(1) NBI (as seller of the Land, Building and Assets) (2) Purchaser (as purchaser)
Subject matter:	The Purchaser shall acquire from NBI the Land, Building and Assets.
Completion Date:	2 October 2025
Consideration for the Land, Buildings and Assets:	The total consideration payable by the Purchaser to NBI for the acquisition of the Land, Building and Assets is JPY1,166 million (equivalent to approximately HK$61.8 million), which comprises the purchase price of the Land, Building and Assets and the amount of consumption tax.
Payment terms:	The full amount of the total consideration shall be paid by the Purchaser to NBI on the Completion Date by way of bank transfer.

Completion:	The ownership of the Land, Buildings and Assets shall be transferred to the Purchaser at the time of payment of the full purchase price by the Purchaser on the Completion Date under the Second Purchase and Sale Agreement, and NBI shall simultaneously handover the Land, Buildings and Assets to the Purchaser.
Special clause:	If NBI is unable to acquire ownership of the Land, Buildings and Assets on the Completion Date due to reasons not attributable to NBI, NBI and the Purchaser shall be entitled to terminate the Second Purchase and Sale Agreement unconditionally and neither NBI or the Purchaser shall be entitled to make any claims against the other party, including claims for damages.

The consideration for the Disposal was determined after arm's length negotiations between NBI and the Purchaser by reference to prevailing local market conditions, the location and the investment potential of the Land and Buildings, with reference to the appraised market value of the Land and Buildings as advised by an independent valuer. The Directors (including the independent non-executive Directors) are of the view that the consideration for the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE LAND, BUILDINGS AND ASSETS

The Land comprises 4 individual lots of land located in Miyagino, Hakone-cho, Ashigarashimo-gun, Kanagawa Prefecture, Japan. The total area of the Land is approximately 6,691.00 sq. m..

The Buildings constructed on the Land comprise 3 buildings and 2 annexed structures with a total floor area of approximately 1,959.81 sq. m.. The Buildings were constructed as a resort hotel, which is currently operating under the name "Hakone Elecasa Hotel & Spa* (箱根エレカーサ)". The appraised market value of the Land and Buildings as advised by an independent valuer is JPY1,140 million (as at 1 August 2025).

The Assets comprise the facilities attached to the Buildings, structure, tools, fixtures and supplies (excluding vehicles).

INFORMATION OF THE GROUP AND THE PARTIES

The Group is principally engaged in pachinko and pachislot hall operations, hotel and restaurant operations in Japan, and amusement arcade operations in Southeast Asian countries.

NBI is a direct wholly-owned subsidiary of the Company. NBI is principally engaged in property investment, management and consultation.

The Purchaser is a company incorporated in Japan with limited liability whose ultimate beneficial owner is Hisato YASUNAGA. The Purchaser is principally engaged in land and building development.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE DISPOSAL

From time to time, the Group explores strategic investment opportunities within its extensive hospitality industry network to maximise Shareholders' value.

In March 2025, the Group was informed of the potential investment opportunity in the Land, Building and Assets. In June 2025, the Group began negotiation with Seller A and Seller B on the Acquisition and around the same time, the Group was introduced to the Purchaser at investment meetings held by the Group and began discussion with the Purchaser regarding the Disposal.

The Group acquired the Land, Buildings and Assets at JPY901 million on 2 October 2025 and subsequently disposed of the same at JPY1,166 million on the same day. The appraised market value of the Land and Buildings as advised by an independent valuer is JPY1,140 million (as at 1 August 2025). The Board considers the acquisition and immediate disposal a prudent and strategic investment, enabling the Group to capitalise on favorable market conditions and realise an immediate financial gain. This transaction aligns with the Group's strategy to leverage its industry expertise and market insights to generate value for Shareholders.

The Group intends to use the entire net proceeds of JPY164 million from the Disposal for future investment should such opportunities arise.

Taking into account the above factors, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

As at the Latest Practicable Date, the Company has no intention or plan or entered into any agreement, undertaking and negotiation (whether formal or informal; express or implied) for acquisition of new business(es) and/or disposal of its existing business(es).

FINANCIAL EFFECT OF THE DISPOSAL

Subject to the final audit, it is expected that the Group will record an unaudited gain on the Disposal of approximately JPY164 million. Such unaudited gain is estimated after taking into account the consideration of JPY1,166 million, the acquisition cost of JPY901 million and other related expenses.

The Disposal will not have any material effect on the earnings of the Group, save for the above unaudited gain on the Disposal. As a result of such gain on the Disposal, the total assets of the Group are expected to increase by JPY164 million (equivalent to approximately HK$8.7 million) , the total liabilities of the Group would remain unchanged.

GENERAL

As one of the applicable percentages (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have a material interest in the Disposal, thus no Shareholders are required to abstain from voting for the resolution if the Company were to convene an extraordinary general meeting to approve the Disposal. The Taniguchi Consortium, the controlling shareholder group of the Company, which is interested in 822,360,460 Shares, representing approximately 68.8% of issued Shares as at the Latest Practicable Date, has approved the Disposal by a written Shareholders' approval pursuant to Rule 14.44(2) of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company.

None of the Directors has any material interests in the Disposal and therefore, none of them has abstained from voting on the Board resolution(s) approving the Second Purchase and Sale Agreement and the transactions contemplated thereunder.

RECOMMENDATION

For the reasons set out above, the Directors consider that the terms of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution if the Company were to convene an extraordinary general meeting for the approval of the Disposal.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

On behalf of the Board
株式会社ニラク・ジー・シー・ホールディングス
NIRAKU GC HOLDINGS, INC.*
Hisanori TANIGUCHI
Chairman, Executive Director and Chief Executive Officer

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the three financial years ended 31 March 2023, 2024 and 2025, including the notes thereto, have been disclosed in the respective annual reports of the Company.

The annual reports of the Company for the three financial years ended 31 March 2023, 2024 and 2025 are published on the websites of HKEXnews (http://www.hkexnews.hk) and the Company (http://www.ngch.co.jp/en/) respectively.

Quick links

(i) for the year ended 31 March 2023 (pages 45 to 114)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0607/2023060700329.pdf)

(ii) for the year ended 31 March 2024 (pages 46 to 118)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0606/2024060600763.pdf)

(iii) for the year ended 31 March 2025 (pages 51 to 126)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0605/2025060500657.pdf)

2. INDEBTEDNESS

As at 31 August 2025, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group amounted to approximately ¥36,762 million, details of which are set out below:

	¥ million
Non-current portion	
Bank loans	2,579
Syndicated loans	2,795
Lease liabilities	22,397
	27,771
Current portion	
Bank loans	4,523
Syndicated loans	1,679
Lease liabilities	2,789
	8,991
Total indebtedness	36,762

As at 31 August 2025, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had (i) secured and guaranteed bank borrowings of approximately JPY4,579 million; (ii) secured and unguaranteed bank borrowings of approximately JPY2,041 million; (iii) unsecured and guaranteed bank borrowings of approximately JPY608 million; (iv) unsecured and unguaranteed bank borrowings of approximately JPY4,348 million; and (v) lease liabilities balance of approximately JPY25,186 million.

Borrowings

As at 31 August 2025, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had outstanding consolidated bank borrowings (after intra-group elimination) of approximately ¥11,576 million (equivalent to approximately HK$613.5 million) comprising bank loans of approximately ¥7,102 million and syndicated loans of approximately ¥4,474 million.

Pledge of assets

As at 31 August 2025, total borrowings are pledged by certain assets and their carrying values are show as below:

	¥ million
Property, plant and equipment	8,634
Investment properties	524
Deposits and other receivables	152
	9,310

Loan facilities

As at 31 August 2025, the Group has undrawn borrowing facilities of ¥2,527 million (equivalent to approximately HK$133.9 million) which is expired over 1 year and under floating interest rate.

Lease liabilities

As at 31 August 2025, the Group had lease liabilities of ¥25,186 million. Assets arranged under finance leases represent buildings for pachinko and pachislot halls, pachinko and pachislot machines, and gaming machines for amusement arcades.

Commitments

As at 31 August 2025, the Group had ¥40 million capital expenditure commitments for purchase of property, plant and equipment that had contracted but not provided for.

Financial guarantee

As at 31 August 2025, the Group had not provided any guarantee to any party.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 31 August 2025, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

3. WORKING CAPITAL STATEMENT

Taking into account the financial resources available to the Group, including internally generated funds, cash and cash equivalents and available banking facilities of the Group, the Directors, after due and careful enquiry, are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2025, being the date on which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The economy ahead is expected to be volatile as the increase in global trade tensions casts impact on consumer sentiment. Nevertheless, the Group has demonstrated resilience amidst the severity of economic condition. The Group is open to any possible options for market expansion including business buyout and new outlet set up.

In its mainstay pachinko business, the Group have observed favourable performance from smart gaming machines. The Group will continue to increase the number of Smart Slots and Smart Pachinko machines in its pachinko halls, and extend the self-serviced prize-exchange system, "Self-POS", to all pachinko halls. The Group also plans to acquire new pachinko halls to expand its market share in this area. Fulfilling customer needs, implementing effective cost-saving measures and pursuing market expansion remain the core business strategies for achieving sustainable growth. The Group strives to curtail its spending by streamlining its operational structure, deploying digital technology to enhance productivity and seeking opportunities to broaden its market share through acquisition of competitors and alliance with business partners.

With the influx of international tourists and inbound visitors aided by persistently weak Japanese Yen, the hospitality industry in Japan continues to exhibit robust growth. Capitalising on this momentum, the Group plans to open its fifth "LIZARRAN" restaurant in the current year. Apart from the purchase of hotel properties which took place earlier this year, the Group continues to maintain strong relationship with franchisees and business partners to explore new business opportunities. With vibrant tourism in Japan, the Group remains optimistic in its assessment of the hospitality business.

To navigate the challenges of the coming year, the Group is committed to weathering economic uncertainties through innovative business strategies, strategic acquisitions, robust internal controls, and stringent cost-saving measures. By optimising operational efficiencies and fostering strategic partnerships, the Group aims to maintain financial stability and drive sustainable growth, ensuring resilience against market volatility and continued success in its business sectors.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Japan Valuers Co., Ltd., an independent valuer, in connected with its valuation as at 9 September 2025 of the Land and Buildings.

Real Estate Appraisal Report

不動産鑑定評価書

Real Estate Appraisal Report

Hakone Elecasa Hotel & Spa

JAPAN
VALUERS

JAPAN VALUERS
Japan Valuers Co., Ltd.
4F Asahi Kanko Bldg., 2-4-3 Fujimi,
Chiyoda-ku, Tokyo 102-0071 Japan
Te:+81-3-3556-1702 Fax:+81-3-3556-1712
http://www.japanvaluers.com

Report ID: JVT-271832-E
Date of Issue: September 9, 2025

Attention:
NBI Holdings Co., Ltd.

Reference: "Hakone Elecasa Hotel & Spa"

To whom it may concern;

In accordance with your request and authorization, this writing transmits English translation of our original appraisal report written in Japanese concerning the above referenced property. As a result of the studies and analysis made based upon our experience in the field of real property valuation, we have formed the opinion that the appraised value of the subject property as of:

August 01, 2025 is:

Total of One Billion One Hundred Forty Million Japanese Yen Only
or
1,140,000,000JPY

Submitted herewith is our original report in English containing the pertinent facts and data gathered in our investigation. This translation report, together with its original valuation report, is issued in accordance with update Japan's Real Estate Appraisal Standard as well as RICS Red Book and IVS International Valuation Standards as of the date of valuation. It is noted that we also enclose our original report in Japanese, and some parts in this report are partially translated and some jargons are arranged in order to set them suitable to English. If any misleading caused by English translation, the Japanese report shall be preferred.

It has been a pleasure to serve you in this matter.
Very truly yours,

Jun Komuro, President
Japan Valuers Co., Ltd.
Registered Appraisal Firm: MLIT (5) 183
Tel:+81-(0)3-3556-1702 FAX:+81-(0)3-3556-1712
www.japanvaluers.com

Reported by:



Hiroshi Kuronuma
Certified Real Estate Appraiser (Japan)

- Assumptions and Limiting Conditions -

JAPAN VALUERS

1. This appraisal report is drawn up by certified real estate appraiser in accordance with Japan's Real Estate Appraisal Law, and is issued by Japan Valuers Co., Ltd.

2. This appraisal report is drawn up in accordance with "*Chapter 3*" of 'Practical Theory' ("Appraisal of Securitizing/Securitized Property") of authorized Japan's Real Estate Valuation Standard.

3. This appraisal report shall not be allowed to be publicized.

4. The appraiser concerned in the report shall not be obliged to explain the contents of this appraisal report to those other than the client, except where the client permits so.

5. This appraisal was conducted by real estate appraiser using only procurable sources within limited time, and the value as of the date of value is only appropriate on the date of valuation under the said condition. In case where documents and facts beyond the range of investigation are discovered after the date of valuation, the value determinants are possibly changeable by the date of valuation.

6. In this appraisal, works by specialists in other field are practically referenced as sources of the appraisal. Adequacy and usability of the works are judged by the appraiser, but the appraiser shall not guarantee the whole details of works by the specialists even though they are used in the report.

7. The appraiser independently conducts the investigations needed for the appraisal, and submitted sources, heard information, public records and other needed data are collected and managed with the care of a good manager. Nonetheless, the appraiser shall not guarantee the whole details of those information.

8. Before the date of value, if natural and other unpredicted disasters would have occurred, the appraiser shall confirm the physical damages of the subject property, and accordingly the appraisal given shall reflect the result of the confirmations. However, hidden defects by the disaster would be possibly overt in the days after the date of valuation, and in such cases, by means of detailed investigations by engineering expert, appraisal at a later date would be different from this appraisal report.

9. This appraisal report is issued in accordance with update Japan's Real Estate Valuation Standard as well as RICS Red Book and IVS International Valuation Standards as of the date of valuation. It should be acknowledged, however, that the Standards are subject to be revised by changes in society and economy as well as changes of market environment surrounding real estate in the future.

JAPAN VALUERS

I. IDENTIFICATION OF THE PROPERTY

1. Description of the Subject Property[1]

Land

No	Location	Lot No.	Registered Land Use	Registered Area (Sqm)
1	Aza-Hegiishi, Miyagino, Hakone-machi, Ashigarashimo-gun	1362-16	Forest Land	4,076 Sqm
2	Aza-Hegiishi, Miyagino, Hakone-machi, Ashigarashimo-gun	1362-32	Forest Land	1,070 Sqm
3	Aza-Hegiishi, Miyagino, Hakone-machi, Ashigarashimo-gun	1362-36	Forest Land	1,282 Sqm
4	Aza-Hegiishi, Miyagino, Hakone-machi, Ashigarashimo-gun	1362-37	Forest Land	263 Sqm
			Total Area (Public Register)	6,691 Sqm

Building

No	Location	Bldg. No.	Date of Construction	Area (Sqm)
1	1362-1, Aza-Hegiishi, Miyagino, Hakone-machi, Ashigarashimo-gun	1362-1-1	31-Oct-85	62.36 Sqm
	Structure	Registered Use		
	Wooden, slate-roof, single-story	Multi-family Apartment		
			Total Area (Public Register)	62.36 Sqm

No	Location	Bldg. No.	Date of Construction	Area (Sqm)
2	1362-1, Aza-Hegiishi, Miyagino, Hakone-machi, Ashigarashimo-gun	1362-1-2	31-Oct-85	40.84 Sqm
	Structure	Registered Use		
	Wooden, slate-roof, single-story	Multi-family Apartment		
			(Publicly Recorded Area)	40.84 Sqm

No	Location	Bldg. No.	Date of Construction	Area (Sqm)
3	1362-16, Aza-Hegiishi, Miyagino, Hakone-machi, Ashigarashimo-gun	1362-16	7-Mar-83	1F: 626.80 Sqm 2F: 743.31 Sqm 3F: 299.50 Sqm B1F: 92.25 Sqm
	Structure	Registered Use		
	RC with tile, Slate Roof, B1/3-stories	Resort Facility		
			(Publicly Recorded Area)	1,761.86 Sqm

Annex Building

No.	Structure	Registered Use	Area (Sqm)
1	RC / Slate Roof	Gas Cylinder Room	12.05 Sqm
2*	S / Slate Roof, Single story	Employee Dormitory	82.70 Sqm

*Newly built on August 1, 1994

Name of Owner

No.	Owner of Land	No.	Owner of Building
1-4	K.K. Bisoh Fujimoto	1-3	K.K. Bisoh Fujimoto

Based upon public records as of July 8, 2025

[1] It should be noted that floor numeration is based on the US style that is also familiar in Japan, i.e. not "ground floor" but "first floor" and followed respectively.

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2. Subject Category

(1) Use

Land: Resort Bldg.: Resort hotel

(2) Category

As-if tenant-occupied Building and the Site

※ Although the subject property is an Owner-occupied Building and the Site as of the date of value, this assignment is a valuation at the time of acquisition of the subject property by the client. The subject property is planned to be a Tenant-occupied Building and the Site with a hotel management company as a lessee in the near future.

II. APPRAISED VALUE AND BASIS OF VALUE

Appraised Value: ¥1,140,000,000

Basic of Value: Market Value

Note: tax and other cost related to transaction of the subject property are exclusive from above appraised value.

III. DATE OF VALUE AND DATE OF VALUATION

Date of Value: August 1, 2025

Date of Valuation: August 1, 2025

IV. SCOPE OF VALUATION

1. Condition of the Subject to be Valued
   Valuation is given based on its “AS-IS” condition of the subject property.
   It should be noted that the Subject is valued as Tenant-occupied Building and the Site.

2. Special Assumption on Regional and Individual Factors
   None.

3. Limitation of Investigation on Key Factors
   None.

V. INTENDED USE OF REPORT AND REQUEST BACKGROUND

1. Purpose of Valuation
   Asset Valuation

2. Request Background
   A professional appraisal is requested by the client who is subject to grasp the updated market value showing the investment value of the subject property at acquisition.

3. Report Disclosure
   <Report / value conclusion disclosure to open public>
   None.
   <Concluded value disclosure to the third party>
   The Lender
   <Valuation report submission to other than the client>
   None.
   At a later date, in case the report would disclose to the other parties than above specified, or in public, written notice to Japan Valuers Co., Ltd. and permission of disclosure by the assigned valuer(s) prior to the disclosure shall be necessary.

VI. BASIS OF VALUE AND INTENDED USE OF REPORT

This valuation pursues its investment value of the property. However, the Client's use of the subject property is assumed to be based on the Highest and Best Use of the property, and income stream is well explainable under current market condition. Therefore, the basis of value in this report is the Market Value. In Japanese Real Estate Appraisal Standard, this basis of value is called "Seijo-kakaku".

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VII. PERSONAL INTEREST IN THE PROPERTY

1. Personal interests of the assigned appraiser and its firm in the subject property:
   None.
2. Any capital ties, personal connections between the assigned appraiser and the client:
   None.
3. Any other specific relationships between the assigned appraiser and the final addressee of the appraisal report:
   None.

IX. ANALYSES OF PROPERTY AND VALUATION PROCEDURE

1. Confirmation of the Property

(1) Physical Inspection

Date of Inspection	June 30, 2025
Appraiser in Charge	Hiroshi Kuronuma
Attendant	Mr. Kanaya of NBI Holdings
Site Manager	K.K. Bisoh Fujimoto (the current owner)
Inspection Limit	Land: Peripheral areas of underlying site for the building. Building: Basically the whole building
Infeasibility Reason of Incomplete Inspection	Considering the hotel is in operation, we only inspected some of the vacant rooms regarding guest rooms. Where spaces have not been inspected are able to be confirmed with provided materials and by hearing as there are no material changes from the information. Therefore, we have rationally assumed all the components of the subject property.
Data Used for inspection	Land: Official copies of public registry, registered public map, residential map, layout, boundary map, property tax statement, et al. Building: Official copies of public registry, registered floor plan, building application certificate, design drawing, property tax statement, et al.
Result	Both the site and the building are physically confirmed in accordance with above data.
Additional Note	There is no mineral spring within the subject site, and hot spring is supplied under the contract of the hot spring right. For the details of the contract, see (2) Confirmation of Rights Involved in the Subject [Hot spring rights].
Areas Applied in Valuation	Land : 6,691.00 Sqm (Site area shown in Public Register Information) Bldg. GFA: 1,959.81 Sqm (Sire area shown in Public Register Information)

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(2) Confirmation of Rights Involved in the Subject

[Ownership, et al.]	
Outline	The current owner of the subject property is as described above.
Information Used	Official copies of public registry, property tax statement, etc.
[Planned building lease agreement]	
Outline	Although the subject property is an owner-occupied building and the site as of the date of value, a lease agreement as below is planned to be signed with a new lessee in the near future. See the Appendix1-3 for details. [Contract type] Fixed-term building lease contract for business purposes [Area] Building area 532.96tsubo [Contract period] 25 years [Rent] Fully variable (Percentage rent) Hotel management base fee 5% of Sales Hotel management base fee 10% of GOP Initial cost Technical fee JPY30,000,000 Preparation cost for opening JPY40,000,000
Information Used	Letter of intent of opening, Hearing, etc.
[Hot spring rights]	
Outline	[Hot spring supplier] Name: Shozan Development K.K. Address: 1300-63 Gora, Hakone-machi, Ashigarashimo-gun, Kanagawa Prefecture [Place of supply] 1362-16, Miyagino, Hakone-machi, Ashigarashimo-gun, Kanagawa Prefecture Hakone Elecasa Hotel & Spa [Yield of hot spring water, Temperature] For each gushing point, 4l/min, approximately 50 degrees Celsius [Number of hot spring lots] Six [Monthly User Fee] JPY77,000 per one gushing lot [Contract Period] 10 years from April 1, 2022 to March 31, 2032 When this contract expires, and the two parties do not object to continuing the supply of hot spring, the contract will be renewed. * When the contract is renewed, user fees, deposits, etc. may be changed, and renewal fees, etc. may be charged.
Information Used	Renewed contract on the supply of hot springs, Notification of revision of hot spring user fees, etc., and other hearings from the client, etc.

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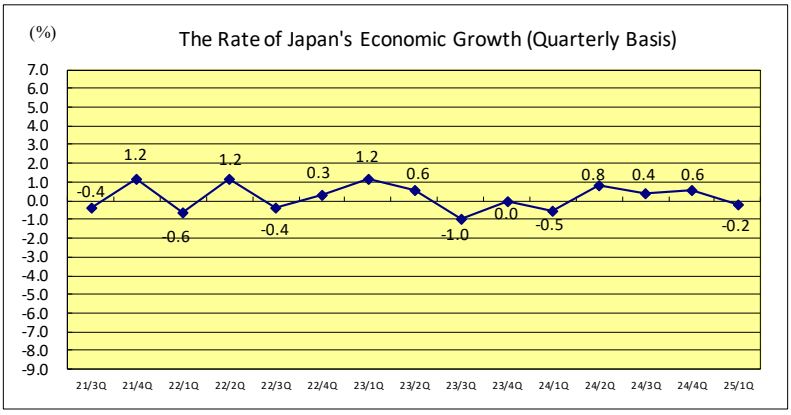
2. Analyses of Value Influences

(1) Economy and Market Analyses

1) Outlook of Japanese Economy

The Monthly Economic Report that Cabinet Office announced on June 11, 2025, basically says that "The Japanese economy is recovering at a moderate pace, while the uncertainty arising from the U.S. trade policies and so on exits. Private consumption shows movements of picking up with the movement of improvement in the employment and income situation continuing, although consumer sentiment is in a weak tone. Business investment shows movements of picking up. Exports have been showing movements of picking up recently. Firms' judgements on current business conditions have been almost flat recently. The employment situation shows movements of improvement. Consumer prices have been rising."

According to GDP Flash Report by "Jan-Mar Quarter (QE-2)2025", the Cabinet Office announced on June 9, 2025, the growth rate of GDP was negative at -0.2% compared to the previous quarter on an annual basis. If the high-tariff policies of the Trump administration have a significant impact on domestic and international economic activity, there is a possibility that Japan could experience negative growth of two consecutive quarters. Due to heightened uncertainty about the outlook, the GDP for the Apr-June quarter is expected to show strong signs of stagnation.



Source: Cabinet Office (graphed by the author)

2) Future Projection

Monthly Economic Report states that "the economy is expected to recover moderately due to the effects of various policies and the improving employment and income environment. However, there is an increasing risk of an economic downturn due to the impact of U.S. trade policy. In addition, the impact of continued price hikes on private consumption through a

downturn in consumer sentiment and other factors also pose downside risks to Japan's economy. Additionally, it is necessary to pay close attention to fluctuations in financial and capital markets. According to forecasts from various think tanks, exports particularly to the US are expected to decrease in the near term due to the Trump administration's high tariff policy. Domestically, these policies are likely to lead to a deterioration in corporate earnings, restrained wage growth, a slowdown in previously solid private consumption and stagnation in capital investment. As a result, private demand is projected to weaken into the next year. Although government economic measures, increase inbound tourism demand and high levels of household savings are expected to support the domestic economy, the impact of high traffic will likely involve a time lag before fully materializing. Moving forward, the impact of a series of tariff policies on domestic and foreign economic activity will need to be closely monitored.

3) Trend in Real Estate Market

[1] Land Price Trend

[Nationwide]

According to the national land price survey as of January 1, 2025 (Chika-Koji Survey), the average land price of all land uses nationwide increased by 2.7% year-on-year since January 2024, marking the fourth consecutive year with the rate of increase expanded. Split into land use, average land price in residential area increased by 2.1% year-on-year and in commercial area by 3.9% year-on-year. Looking at the land price trends over the past year in terms of the half-year land price fluctuation rate at common points with the prefectural land price survey, there was an increase in all residential and commercial areas in both the first and second half of the year. In the three major metropolitan areas, the average rate of increase expanded for all uses, residential areas, and commercial areas. In the other regional areas, the average rate of increase for residential areas has shrunk, while that for commercial areas has expanded, with the average rate of increase for all uses remaining flat. In other areas except for the four regional cities, the trend of an expansion in the rate of increase has generally continued. As the economy continues to recover gradually, nationwide land prices continue to rise overall, although there are some differences by region and use.

[Trend in Greater Tokyo Area]

In the Greater Tokyo Region on average, the average fluctuation rate on land price in residential areas rose by 4.2% year on year and that in commercial areas rose by 8.2%, both of which increased for the fourth consecutive year, and the rate of increase has expanded. In the Tama region outside the 23 Wards as well as in residential and commercial areas of

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Kanagawa, Saitama, and Chiba prefectures, the rate of increase expanded, with the exception of residential areas in Saitama prefecture, which remained stable, and the rate of increase was particularly high in highly convenient areas with excellent access to the city center and areas that are expected to develop due to redevelopment and other factors.

Area Average			Residential Area (%)		Commercial Area (%)	
			Jan-24	Jan-25	Jan-24	Jan-25
Tokyo and Surrounding Area			3.4	4.2	5.6	8.2
Metropolis of Tokyo			4.1	5.8	6.3	10.5
	23 Wards		5.4	7.9	7.0	11.8
		Central*	7.1	11.7	7.3	13.0
		Southwest**	5.0	7.5	6.7	10.9
		Northeast***	5.0	6.7	6.6	10.1
	Tama Districts		2.7	3.4	3.8	5.3
	Individual ward in Tokyo	Chiyoda-ku	6.7	10.9	7.5	13.3
		Chuo-ku	7.5	13.9	5.8	13.1
		Minato-ku	7.2	12.7	6.5	11.0
		Shibuya-ku	7.0	11.5	7.3	13.3
		Shinjuku-ku	6.4	11.5	7.0	13.7
Kanagawa Prefecture			2.8	3.4	5.4	6.7
Saitama Prefecture			2.1	2.1	2.6	3.0
Chiba Prefecture			4.7	4.9	6.4	7.0

* "Central" refers to Chiyoda, Chuo, Minato, Shinjuku, Bunkyo, Taito, Shibuya and Toshima City

** "Southwest" refers to Shinagawa, Meguro, Ota, Setagaya, Nakano, Suginami and Nerima City

***"Northeast" refers to Sumida, Koto, Kita, Arakawa, Itabashi, Adachi, Katsushika and Edogawa City

[2] Real Estate Transaction Trend

According to the “Analysis of Transaction Cases in 2024” in the Nikkei Real Estate Market Report, the number of real estate sales transactions was 1,671, which was worth 4,843.9 billion yen. The transaction amount was the largest since the GFC. This is believed to be due to strong inbound tourism demand, high office attendance rates and ample financing which attracted investors, especially foreign players. As a result, total value of hotel transactions doubled from the previous year to 936.4 billion yen, while office and logistics facilities also recorded high growth, up by 70% and 40% from the previous year, respectively. The graph below shows “the Trend in the Number and Amount of Real Estate Sales Transactions”.

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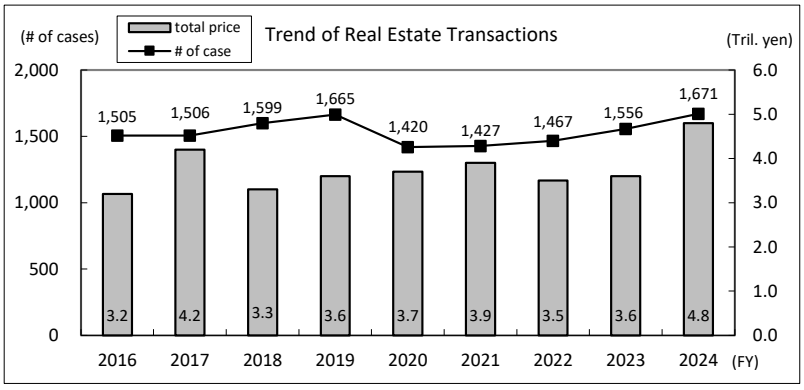
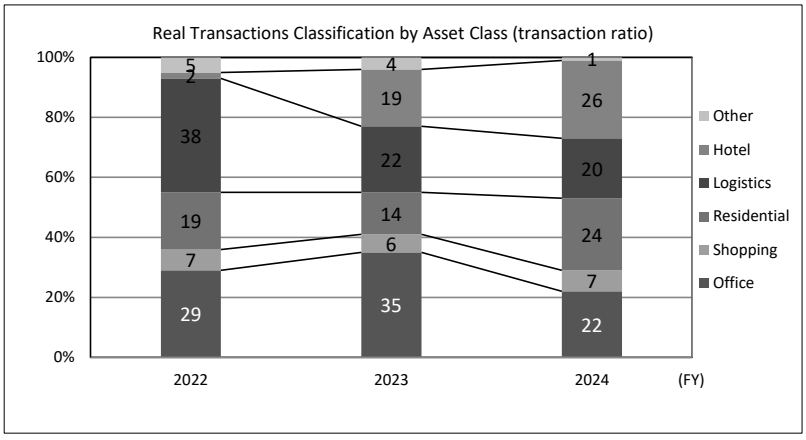


Based on "Nikkei Real Estate Market Report (Feb 2025)"

The ratio of the total amount by asset type (price based) acquired by J-REIT is shown in the graph below. In 2024, hotels accounted for the largest sector at 26%, followed by residential properties at 24% and offices at 22% in 2024. In particular, the hotel industry saw a surge in transactions exceeding 100 million yen per room, driven by a sharp increase in room rates. The total transaction value of property acquisitions and sales by listed REITs has reached 1.9875 trillion yen, surpassing pre-COVID levels in 2019, with REITs leading large transactions and driving the market.



Based on "ARES J-REIT Databook"

[3] Financial Market and Real Estate Investment

The chart below indicates the changes in the yields of real estate investment transactions, the yields of long-term government bonds, and the Yield Gap (the gap between the yields of real estate and long-term government bonds).

Despite the Bank of Japan's decision to keep interest rates unchanged at the March monetary

policy meeting, Japan's long-term interest rate has been trending upward, reflecting the rise in U.S. long term yields. In Q1 2025, the long-term interest rate rose to 1.485%, representing an increase of 0.395 percentage point from 1.090% in the previous quarter. Real estate investment transaction yield was 4.3%, rose by 0.1 percentage point from the previous quarter. Both the yields on long-term government bonds and real estate increased, narrowing the yield gap to 2.84%, down 0.27 percentage points from 3.11% in the previous quarter.

The expansion of Japan's economy is projected to be calmed down in the future. Despite private consumption remains resilient, elevated U.S. tariffs and exerting downward pressure on exports, and the heightened uncertainty is constraining cooperate capital expenditure. Amid lingering uncertainties by the U.S. trade policies, the Bank of Japan is expected to keep its policy rate unchanged for the time being, with long-term interest rates also projected to remain stable in the near future.

According to the latest World Economic Outlook published by the International Monetary Fund as per April 2025, the global economic growth rate has been revised downward to 2.8% for 2025 and 3.0% for 2026, from 3.3% which was projected for both years in the January 2025 edition. Uncertainty by the trade policy is imposing downside risks to the global economy. In the United States, tariff hikes are expected to weigh on private consumption and capital investment through higher inflation. Also, rising uncertainty has further restrained capital expenditure and private consumption is expected to weaken, leading to an overall economic slowdown. The Federal Reserve Bank is projected to keep the policy rate unchanged for the time being to assess the impact of tariff increases. Thereafter, as inflationary pressures from tariffs ease and uncertainty diminish following progress in the trade negotiations, it is expected that the Fed will resume rate cuts in the latter half of the year.

In Japan, real estate transaction volumes remained high during the year of 2024. Attention is drawn to the Japanese real estate investment market as its low interest rates and stable rental market. That being said, it is necessary to remain vigilant against downside risks to the economy stemming from uncertainties surrounding trade policy.

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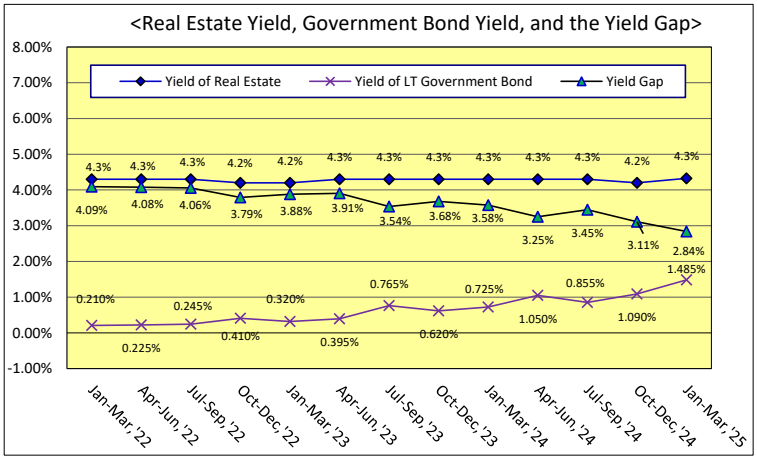


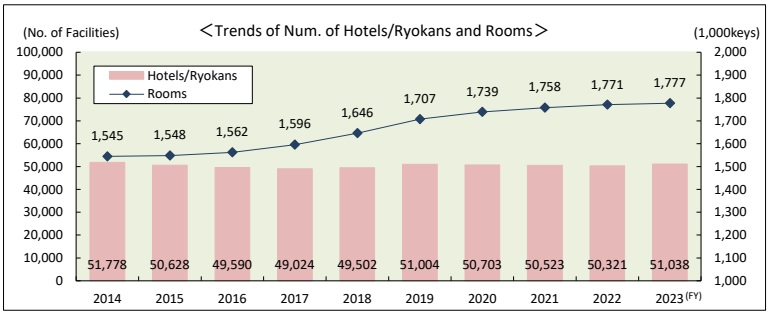
Note - 1: The real estate yields are sourced from "J-REIT DB" by Japan REIT K.K. and graphed by Japan Valuers Co., Ltd.

Note - 2: Long - term government bonds are 10 - year new bond yield.

[4] Tourism Market Overview

a. Number of Hotels and Ryokan/Hotel Rooms (Nationwide)

According to the “Report on Public Health Administration and Services” by the Statistics and Information Department of the Minister's Secretariat at the Ministry of Health, Labor and Welfare, the changes in the number of ryokan / hotels and rooms in Japan are shown in the graph below.



Source:Ministry of Health, Labor and Welfare "Public Health Administration Report"

Although the number of facilities decreased by 740, the number of rooms increased by 232,000 over the last ten years. Furthermore, it is suggested by the “Monthly HOTERES” magazine that the numbers of newly opened hotels in Japan amounted to 109 from December 16, 2024 and June 15, 2025. Hotel development plans which have been confirmed nationwide consisted of 437 buildings and 54,151 rooms. The numbers are

increased by 43 buildings and 973 rooms compared to the previous research from June 16, 2024 to December 15, 2024. The number of buildings planned to be developed by region is shown in the table below. Amid a wave of new hotel developments, the industry is increasingly making efforts to improve working conditions such as increasing starting salaries in order to secure talent.

Region	Numbers	Summary of major development plans
Hokkaido	53	Hotel companies or Real Estate Investment Companies are undergoing development plans in Sapporo, Hakotade and Chitose, etc.
Tohoku	35	Several hotel development plans by a business hotel chain have been revealed in Akita.
Kanto	53	Several properties operated by international hotel operators in Yokohama are planned to be rebranded.
Tokyo	65	In addition to several hotel projects emerging in Ginza, develop plans by foreign hotel companies in Shinagawa and Yaesu have been revealed.
Koshin-etsu & Hokuriku	42	Development plans are emerging in Hakuba of Nagano by foreign hotel companies or real estate companies.
Tokai & Chubu	40	Development plans have been revealed by real estate companies in Shizuoka and Aichi.
Kinki	44	In additional to several development plans confirmed in Osaka, a rebranding on hotel in Kyoto and hotel development in Kobe have been revealed.
Chugoku	26	Several hotel development plans by foreign hotel companies and business hotel chain have been revealed in Kagoshima and Kumamoto.
Shikoku	15	
Kyushu	39	Several hotel development plans by business hotel chain have been revealed in Kagoshima and Kumamoto.
Okinawa	25	

※Source:"Monthly HOTERES" (Project count based on hotel development plans confirmed by research)

b. Overnight Travels Statistics Survey

According to "Overnight Travels Statistics Survey" conducted by Japan Tourism Agency, Ministry of Land, Infrastructure, Transport and Tourism, the trend in annual total guest nights (including those by foreign visitors) and occupancy rates, as well as the monthly figures for total number of guests and occupancy rates for the period of January to December 2024 (final data), are shown the below chart.

In 2024, the total number of guests surpassed the pre-pandemic level of 2019, also showing a year-on-year growth. The average occupancy rate of 2024 increased to 39.0% from 37.5% in 2023.

For the most recent available month, May 2025 (1st released preliminary figure), the total number of guests accounted for 56.38 million people (+9.7% compared to May 2019 and +3.7% y-o-y), while the number of foreign visitors was approximately 15.72 million (+61.6% compared to May 2019 and +15.6% y-o-y), surpassing pre-COVID levels.

The occupancy rates were 75.9% for business hotels, 76.0% for city hotels, and 55.7% for resort hotels.

Looking ahead, inbound tourism demand is expected to continue rising, supported by government-led strategic promotions targeting international visitors.

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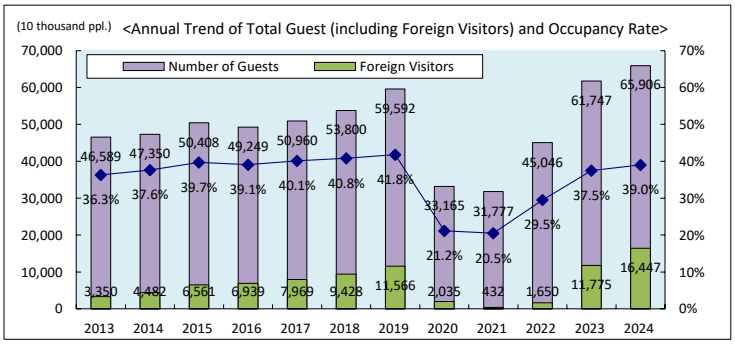

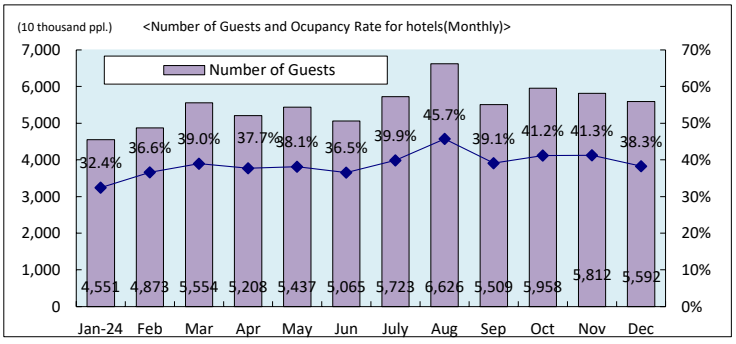

Source:MLIT "Overnight Travels Statistics Survey" by Japan Tourism Agency

c. Nationwide Trend in Room Occupancy Rate

The chart below shows the monthly room occupancy rates across Japan, as reported by the "Weekly Hotel Restaurant" magazine. The data is based on aggregated figures from 385 hotels nationwide. The average room occupancy rate in 2024 was 59.6%, which increased by 2.6 percentage points from that of 57.0% in 2023. By region, all areas—except for Shikoku—saw an increase compared to the previous year, which is believed to be driven by the weak yen and economic growth in neighboring countries.

According to the Japan National Tourism Organization (hereinafter referred to as "JNTO"), the number of "Visitor Arrivals" in 2024 (temporary figure) increased by 47.1%% y-o-y to approximately 3,687 thousand. This figure surpasses the previous historical high in 2019 by about 5 million visitors. The continued depreciation of Japanese yen, among other factors, is expected to contribute to further growth in inbound tourism.

In May 2025, the number of inbound visitors (estimated figure) was approximately 3.69 million, representing a 33.2% increase compared to the same month in 2019 (pre-COVID), and a 21.5% increase y-o-y. On the other hand, the rapid increase in tourist numbers has raised concerns such as overtourism and labor shortages in the hotel industry. Prompt

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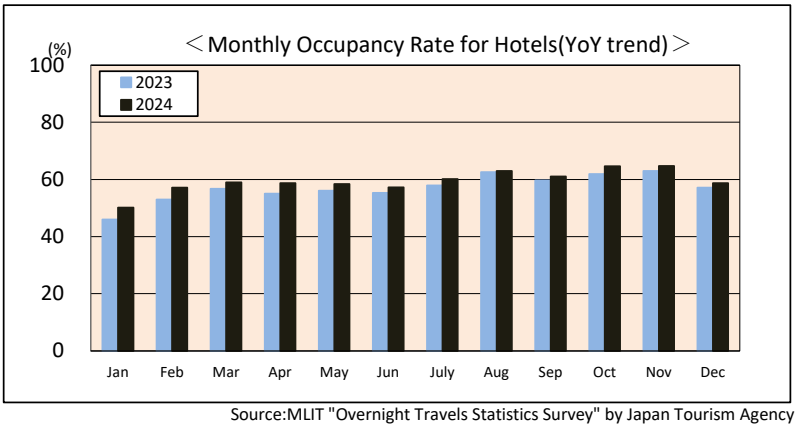
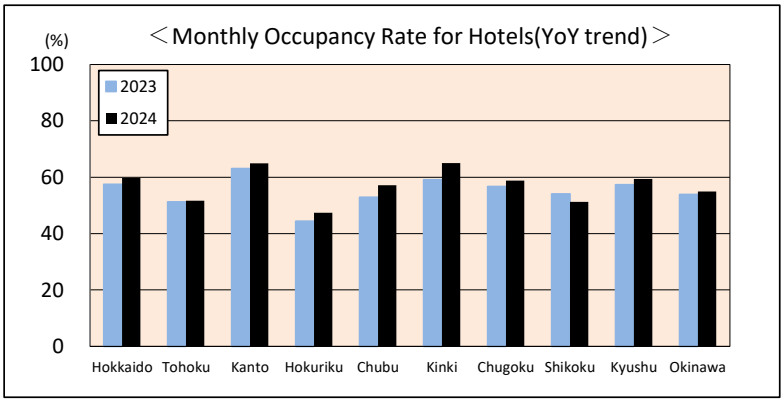
measures will be required to address these challenges in order to sustain and improve various performance indicators moving forward.



Source:MLIT "Overnight Travels Statistics Survey" by Japan Tourism Agency



Source:MLIT "Overnight Travels Statistics Survey" by Japan Tourism Agency

※Hokuriku(Niigata、Toyama、Ishikawa、Nagano)、Chubu(Aichi、Shizuoka、Gifu、Mie、Fukui)

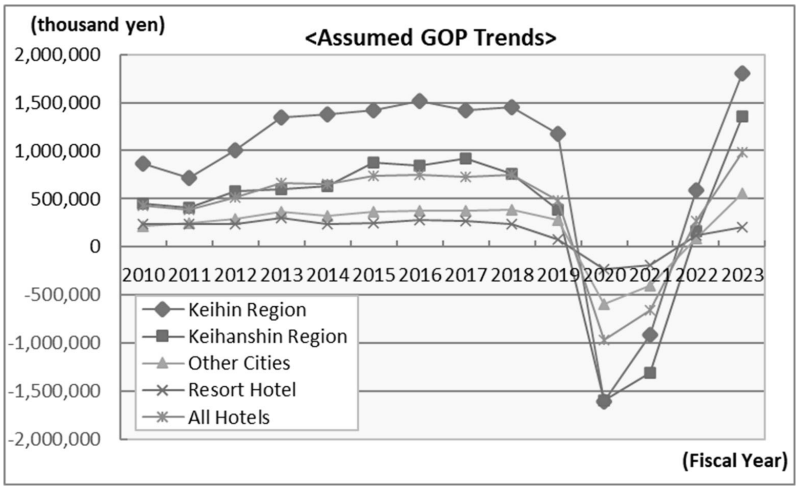
d. Analysis from the Profitability Perspective

The "Survey of Major Hotels Management in Japan" published by the Japan Hotel Association, presented the average per-hotel income and expenditure by region, based on financial results of major member hotel presents the average income and expenditure per hotel by region. Based on these results, the assumed GOP (gross operating profit, defined here as operating profit plus taxes and dues, repair costs, and depreciation) was calculated and arranged in chronological order. The following figure illustrates this, serving as a useful reference in analyzing hotel management trends.

Although the assumed GOP showed a temporary decline due to the impact of the Great East Japan Earthquake that occurred in March 2011, it showed a recovery trend from FY2012 onward. However, from FY2019, the COVID-19 outbreak led to a sharp decline in operating revenues (sales) and assumed GOP across all regions. As a result, in FY2020 the assumed GOP was negative in all regions. From FY2021, however, conditions improved, and by FY2022, a significant recovery was observed, with all regions returning to profitability. In FY2023 as well, the assumed GOP increased substantially, exceeding pre-COVID levels in all regions except resort areas, where it nonetheless recovered to nearly the same level as before the pandemic.

In resort areas that are particularly popular with foreign tourists, further growth is expected to be seen in inbound demand. Along with this, increases in sales and GOP are expected, but in order to sustain and accelerate this trend, measures such as the promotion of IR development, the advancement of higher value-added inbound demand, and the implementation of concrete inbound strategies will be essential.

As for the percentage of profitable hotels (based on net income for the fiscal year), it reached 81.4% (83 out of 102 hotels; previous year: 41.1%), representing a significant increase compared with the previous year. In resort areas, 72.7% of hotels (16 out of 22; previous year: 60.0%) were profitable.



e. City Hotel and Resort Hotel Transactions

The hotel below shows examples of city hotels and resort hotels that have been transacted since 2019 and that the transacted price information are available. It should be noted that the transaction price is largely influenced by the business conditions at the time of the transaction, the hotel's grade, brand strength, location and the possibility of renewal or improvement of the financial condition. Although some of the transactions are not solely hotel transactions, as some of the properties are used as stores or offices in addition to hotels, the data shows certain trends in the sales market for the city hotels and resort hotels.

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Acquisition Year	Property Name	Location	Year built	Transacted Price	No. of rooms	Per Key Price	Purchaser
Feb-25	Hotel Universal Port Vita	Osaka City, Osaka Prefecture	2018	¥35,000,000,000	428	¥81,776,000	Bentall Green Oak
Jan-25	Hilton Fukoka Sea Hawk	Fukuoka City, Fukuoka Prefecture	1995	¥64,350,000,000	1052	¥61,169,000	Japan Hotel REIT Investment Corporation
Dec-24	Kai Poroto	Shiraoi, Hokkaido	2021	¥3,060,000,000	42	¥72,857,000	Hoshino Resorts REIT, Inc.
Dec-24	Grand Nikko Tokyo Bay Maihama	Urayasu City, Chiba Prefecture	1990	¥27,000,000,000	709	¥76,164,000	Hulic Reit, Inc.(The transaction price is the price for a 50% quasi-co-ownership interest in the trust beneficiary rights)
Oct-24	Kashima Central Building	Kamisu City, Ibaraki Prefecture	1972	¥2,200,000,000	297	¥7,407,000	Fortress Investment Group LLC
Jul-24	ART HOTEL Kagoshima	Kagoshima City, Kagoshima Prefecture	1981	¥3,395,000,000	208	¥16,322,000	Invincible Investment Corporation
Jul-24	Hakodate Kokusai Hotel	Hakodate City, Hokkaido Prefecture	1972	¥16,830,000,000	435	¥38,690,000	Invincible Investment Corporation
Jul-24	ART HOTEL Miyazaki Sky Tower	Miyazaki City, Miyazaki Prefecture	1991	¥3,821,000,000	135	¥28,304,000	Invincible Investment Corporation
Jul-24	ART HOTEL Aomori	Aomori City, Aomori Prefecture	1996	¥5,672,000,000	211	¥26,882,000	Invincible Investment Corporation
Jul-24	ART HOTEL Kokura New Tagawa	Kitakyushu City, Fukuoka Prefecture	1973	¥4,672,000,000	90	¥51,911,000	Invincible Investment Corporation
Jul-24	ART HOTEL Oita	Oita City, Oita Prefecture	1987	¥5,484,000,000	228	¥24,053,000	Invincible Investment Corporation
Jul-24	ART HOTEL Nippori Lungwood	Arakawa-ku, Tokyo	1988	¥16,335,000,000	134	¥121,903,000	Invincible Investment Corporation
Jul-24	Art Hotel Osaka Bay Tower & Solaniwa Onsen	Osaka City, Osaka Prefecture	1990	¥31,185,000,000	454	¥68,689,000	Invincible Investment Corporation
Jul-24	KAMENOI HOTEL IZUKOGEN	Ito City, Shizuoka Prefecture	1988	¥5,563,000,000	55	¥101,145,000	Invincible Investment Corporation
Jul-24	KAMENOI HOTEL NARA	Nara City, Nara Prefecture	1966	¥2,029,000,000	42	¥48,310,000	Invincible Investment Corporation
Jul-24	KAMENOI HOTEL HIKONE	Hikone City, Shiga Prefecture	1969	¥2,603,000,000	48	¥54,229,000	Invincible Investment Corporation
Jun-24	Southern Beach Hotel & Resort Okinawa	Itoman City, Okinawa Prefecture	2009	¥16,200,000,000	448	¥36,161,000	Japan Hotel REIT Investment Corporation
Jun-24	Okinawa Harbor View Hotel	Naha City, Okinawa Prefecture	1975	¥21,500,000,000	352	¥61,080,000	Japan Hotel REIT Investment Corporation
Jun-24	Hoshino Resorts TOMAMU	Shimukappu Village, Hokkaido Prefecture	1987	¥40,837,210,000	-	-	YCH16 GDK
Jun-24	Shin Osaka Esaka Tokyu Rei Hotel	Suita City, Osaka Prefecture	1983	¥5,100,000,000	363	¥14,050,000	KDX Realty Investment Corporation
May-24	OMO7 Osaka	Osaka City, Osaka Prefecture	2021	¥29,000,000,000	436	¥66,514,000	Hoshino Resorts REIT, Inc.
May-24	Kai Kawaji	Nikko City, Tochigi Prefecture	1994	¥1,260,000,000	54	¥23,333,000	Undisclosed
Mar-24	Hommachi Garden City (Hotel Only)	Osaka City, Osaka Prefecture	2010	¥21,350,000,000	-	-	Domestic Corporation
Jan-24	Okinawa Prince Hotel Ocean View Ginowan	Ginowan City, Okinawa Prefecture	2022	¥22,000,000,000	340	¥64,706,000	KDX Realty Investment Corporation
Aug-23	Hotel Nikko Himeji	Himeji City, Hyogo Prefecture	1990	¥1,832,000,000	-	-	Domestic Corporation
Jul-23	Fusaki Beach Resort Hotel & Villas	Ishigaki City, Okinawa Prefecture	1982	¥40,293,000,000	398	¥101,239,000	Invincible Investment Corporation
Jul-23	Tateshina Grand Hotel TAKINOYU	Chino City, Nagano Prefecture	1966	¥8,365,000,000	160	¥52,281,000	Invincible Investment Corporation
Jan-23	Rihga Royal Hotel Tokyo	Osaka City, Osaka Prefecture	1965	¥50,000,000,000	1,039	¥48,123,000	Bentall Green Oak K.K
Nov-22	Oedo Onsen Monogatari Kamoshika-so	Nasu Shiobara City, Tochigi Prefecture	1996	¥1,260,000,000	60	¥21,000,000	Oedo Onsen Monogatari Hotels & Resorts
Nov-22	Oedo Onsen Monogatari Kinosaki	Toyooka City, Hyogo Prefecture	1968	¥2,517,000,000	103	¥24,437,000	Oedo Onsen Monogatari Hotels & Resorts
Jun-22	HOSHINOYA Okinawa	Yomitan Village, Okinawa Prefecture	2019	¥12,210,000,000	100	¥122,100,000	Hoshino Resorts REIT, Inc.
Jun-22	The Ritz-Carlton, Kyoto	Kyoto City, Kyoto Prefecture	2013	¥23,000,000,000	134	¥350,289,000	Sekisui House (transaction price is the price of a 49% quasi-co-ownership interest in the trust beneficiary rights)
Jan-22	Oedo Onsen Monogatari Nagasaki Hotel Seifu	Nagasaki City, Nagasaki Prefecture	1982	¥1,640,000,000	100	¥16,400,000	Domestic Corporation
Nov-21	KAI Kirishima	Kirishima City, Kagoshima Prefecture	2020	¥3,913,000,000	49	¥79,857,000	Hoshino Resorts REIT, Inc.
Nov-21	KAI Beppu	Beppu City, Oita Prefecture	2021	¥7,335,000,000	70	¥104,786,000	Hoshino Resorts REIT, Inc.
Aug-21	Courtyard by Marriott Tokyo Station	Chuo-ku, Tokyo	2014	¥1,001,000,000	150	¥6,673,000	MORI TRUST CO., LTD
May-21	KAI Nagato	Nagato City, Yamaguchi Prefecture	2019	¥2,750,000,000	40	¥68,750,000	Hoshino Resorts REIT, Inc.
Apr-20	The Ritz-Carlton, Kyoto	Kyoto City, Kyoto Prefecture	2013	¥4,320,000,000	134	¥32,239,000	Sekisui House Reit, Inc.
Apr-20	Far East Village Hotel Ariake	Koto-ku, Tokyo	2020	¥8,198,000,000	306	¥26,791,000	Ariake Properties SPC
Dec-19	BEB5 Karuizawa	Karuizawa, Nagano Prefecture	2018	¥2,170,000,000	73	¥29,726,000	Hoshino Resorts REIT, Inc.
Dec-19	Hotel Mystays Premier Narita	Narita City, Chiba Prefecture	1985	¥10,593,000,000	711	¥14,899,000	Invincible Investment Corporation
Dec-19	Art Hotel Morioka	Morioka City, Iwate Prefecture	1981	¥5,643,000,000	214	¥26,369,000	Invincible Investment Corporation

*Transacted Prices are approximate numbers published in Nikkei Real Estate Market Report including terms such as "around" and "exceeding".

Source: Nikkei Real Estate Market Report

According to the above, the total transacted price ranges from approximately 1 billion yen to 64.4 billion in total, and the per key price ranges approximately 7 million yen per key to 350 million yen per key. City hotels and resort hotels located in major cities and prominent tourist destinations such as Okinawa tend to have high per-key prices due to their high profitability. However, in recent years, there have been increasing cases where property in less popular tourist areas have also gained high transaction prices per key based solely on

their strong profitability. As for the purchaser's characteristics, investment corporations, foreign investment companies such as from the United States remain the main purchasers. However, Chinese conglomerates and small and medium-sized real estate companies that acquire long-established onsen ryokan have also entered the market, and the number of buyers has been diversifying.

Following the easing of the pandemic, inbound demand has rebounded significantly, leading to an increase in transactions involving city hotels and resort hotels. However, depending on future policies and occupancy rates, inbound demand may stagnate, and attention should be paid to future trends.

(2) Area Analyses

1) Range of Sub-Market and Market Characteristics

[1] The Sub-Market

Resort areas near Tokyo

[2] Market Participants

a. Capital market

The subject property is a resort hotel near Tokyo (rental property), and the potential purchaser of this property would come from those investment corporations, etc. They place the most importance on its power of income generation obtainable from the subject property.

b. Rental market

The demand would come from those operators running resort facilities such as ryokan.

2) Area Characteristics

[1] Vicinity Characteristics

Hakone-machi is an onsen resort situated in the southwest of Kanagawa Prefecture, approximately 80km from Tokyo. It takes around 90 minutes to get there from Shinjuku Station by Odakyu Romancecar. As the town used to be situated along Tokaido, which was one of the major roads in Japan, it has been affected by traffic routes connecting east and west. During the Edo period, a checkpoint, “Sekisho”, was placed here, and the town thrived as a post town.

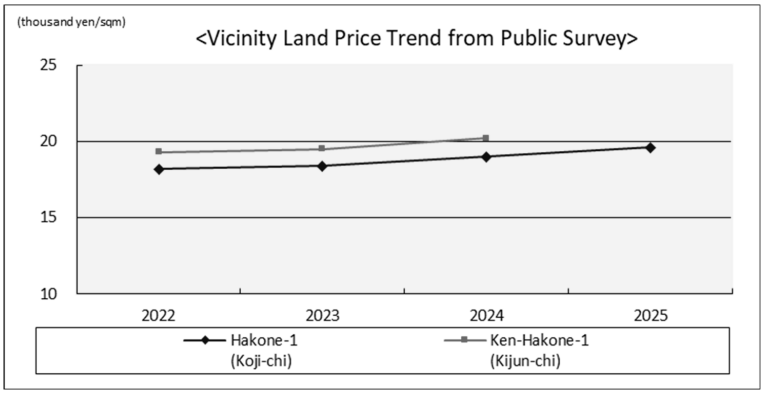
Since the Meiji era, it has been developed as a health resort and a tourist destination. Odakyu Electric Railway Co., Ltd. reached Hakone-yumoto Station in 1950, which improved access from central Tokyo. Together with tourism development with a large amount of capital, visitors have increased.

The Gora area is situated to the northeast from the center of Hakone-machi. It has thrived as a health resort with hot springs since the mid-Meiji era. The area has hotels and ryokan as well as vacation facilities of companies and universities and second homes. There are small-scale restaurants and shops near Gora Station.

[2] Land Price Trend

The trends in land prices based on public surveys around the area are summarized in the graph below. The land prices in 2025 increased. Demand for large sites suitable for resort facilities is expected to be stable going forward, backed by strong demand from domestic and inbound tourists. However, potential downside risks to the economy, including

trends in interest rates should be closely monitored.



3) Neighborhood Analyses

Considering its site and size, the subject property itself is judged to be the scope of the neighborhood.

[1] Street Conditions

It faces a private road with width of approximately 4.0m on the south and a private road with width of 4.5m on the west.

There is a national road #138, approximately 1.0km to the west. Continuity is judged to be average.

[2] Transportation and Accessibility

a. The nearest station

Gora Station on Hakone Tozan Railway and Hakone Tozan Cable Car is located approximately 2.5km to the southwest of the subject neighborhood (road distance; the same applies hereinafter). It is a ten-minute taxi ride from the station. Additionally, Hakone-guchi IC of Odawara-atsugi Road is situated approximately 12km to the east of the subject neighborhood.

b. Accessibility to Heart of Tokyo

It takes approximately 40 minutes from Gora Station on Hakone Tozan Railway to Hakone-yumoto Station, and approximately 90 minutes from Hakone-yumoto Station to Shinjuku Station on Odakyu Romancecar. It takes around two hours by car from central Tokyo. Additionally, it takes around 30 minutes from Gora Station to Hakone-yumoto Station by replacement bus.

c. Accessibility to major facilities

There are a lot of tourist attractions around the subject neighborhood.

Within 20 minutes by car, there are famous tourist attractions such as Myojingadake (mountain), Pola Museum, Hakone Open-air Museum, Hakone Venetian Glass Museum, Lake Ashi, Great Boiling Valley. Accessibility to major facilities is favorable.

* Time required is that from the hotel entrance

[3] Environmental Factors

a. Sun-shine and overdraft:

Enough. The terrain slopes downwards from north to south and from east to west.

b. Utilities:

Water pipe and Sewage* are installed. Urban gas is not installed.

* Public sewage is pipelined but not used, and a septic tank is used.

c. Dangerous/Hazardous Facilities:

None.

d. Hazard Map Information:

According to the published hazard map information by the municipality, disaster risks are summarized as follows:

Inundation depth estimate due to flooding, et al.: Not designated.

Land slide warning: Designated (RED ZONE).

e. Environment as a Resort:

The subject neighborhood is situated in the Gora area which is a well-known onsen resort area. There are tourist attractions such as art galleries and Lake Ashi with good access to nearby golf courses. The subject neighborhood and its surrounding area are quiet with luxury ryokans and corporate vacation facilities, compared to the vicinity of Gora Station. There is no mineral spring within the subject neighborhood, and the subject property does not have a private mine of hot spring. However, the subject property owns the hot spring right, which enables the operation of hot spring facilities with the supply of water coming directly from the source from a third party.

In conclusion, it can be said that the environment as a site for resort facilities in the neighborhood is favorable.

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[4] Current Land Use

The subject neighborhood is planned to be a site for a luxury resort hotel. The surrounding area is used for accommodation facilities and vacation facilities while mountain forests are also seen.

[5] Zoning and Regulations

Non-divided City Planning Area; Cat-2 Low-Rise Exclusive Residential Zone (BCR: 40% / FAR: 80%); Height limit 12m; minimum site area 150Sqm; Article-22 Fireproof Area; Special Use District (Cat-2 Tourism district), Shadow Restriction (3h-2h、1.5m), Building Land Development Construction Regulated Area, Natural Parks Act Cat-2 Special Area(Area A are and Area B: Fuji-Hakone-izu National Park); Hakone-machi Landscape Planning Area.

[6] Size and Shape of Standard Site

A plot facing street at one direction with a size of about 5,000 Sqm and a good balance of frontage and depth was judged to be Standard Site.

[7] Current Standard Use and Future Outlook

The standard use in the area is resort facilities and is expected to remain generally similar in the future.

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(3) Property Data

1) Land

[1] Location within the Neighborhood

The subject site covers the entire neighborhood area.

[2] Street Condition

As described in the Neighborhood Analysis above.

[3] Transportation and Accessibility

As described in the Neighborhood Analysis above.

[4] Environmental Factors

As described in the Neighborhood Analysis above.

[5] Zoning and Regulations

As described in the Neighborhood Analysis above.

[6] Site's Specific Factor

The subject site is a vertically long plot that slopes downwards towards the south and towards the west. The access to the subject site is basically through the road on the south, which is faced by the subject site flatly, as there is a vertical gap with the road on the west. The subject site is a large plot with 6,691.00Sqm (publicly registered area). Although it has large differences in elevation due to the site shape, it can be fully utilized if facilities can be planned to make the most of the terrain.

[7] Possibility of Buried Cultural Properties and Soil Contamination

a. Buried Cultural Properties

The subject site is not designated as the site where cultural properties are likely to be buried, confirmed at Hakone-machi Town Office Cultural Property Division.

b. Soil Contamination

According to the prefectural office environmental division, there are no designation under the Soil Contamination Countermeasures Act both at the subject site and the neighboring sites. There is no designated facility under the Water Pollution Prevention Act.

Through historical investigation with maps (in 1971, 1979, 1989, 1999, 2007 and 2013), the subject site and its vicinity were used as a site for vacation facilities and residences.

No facility with possible soil contamination was found. In conclusion, it is judged that there would be no influence on the value determination of the subject related to soil contamination issues.

c. Buried Obstacles

Based on the historical investigation, no large factory was found. It is judged that there is low possibility that there would be buried obstacles such as underground tanks which would inhibit the use of land. There is nothing of note in the current land use situation, and it is considered that there are no underground deposits that would affect the value.

[8] Highest and Best Use of Land (as if vacant)

Based on the Neighborhood Analysis above and consideration of the current and future look of the standard use in the neighborhood, the Highest and Best Use of the subject land as if vacant is analyzed as follows:

The subject site is located in the suburbs of Tokyo and belongs to a well-known resort area. For effective use and building layout planning, many slopes within the site have to be taken into consideration. However, the site has excellent views and a large area. Thus, the subject site is considered to be a suitable site for resort facilities.

In conclusion, the Highest and Best Use of the land as if vacant is judged to be the site for a resort facility.

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2) Building

[1] Construction Data and Structure

According to drawings and other information provided, the subject building is outlined as follows:

Name of Bldg. Category	Name: Hakone Elecasa Hotel & Spa Category: Accomodation Facility
Structure/ # of Floors	Structure: RC # of Floors: 3 stories with 1 basement
Scheduled Completion Date	3-Mar-83 Years Elapsed 42 yrs. ※RC Structure at the time of construction of current hotel bldg.
Track Record of Fixation and Renovation	Yes Major renovation (core & shell renovation) in 2018
Height*	Max. height: 8.956m Eave height: 5.156m
Date of Construction Permi	1-Feb-82 No.1-5215 ※RC Structure at the time of construction of current hotel bldg.
Client, Architect, et al.*	Client: NKK Health Insurance Association Architect: ASANUMA CORPORATION (Tokyo Main Office) Contractor: Katsumatagumi K.K (First Class Architect Office)
Total Floor Area	1,959.81 Sqm Area Shown in the Public Register Information
Exterior Finishing*	Roofing: Tile, Colonial stye Exterior wall: Sprayed Tiles
Interior Finishing**	Reception Floor: Carpet Tiles, etc. Wall: Vinyl Wallpaper, Tiles, etc. Guest Room Floor: Carpet Tiles, Ceramic Tiles, Vinyl Tiles, etc. Wall: Vinyl Wallpaper, Tiles
Facilities	Elevator: Electric dumbwaiter, 50 kg capicity, 20m/min Parking: Ground parking available for 16 cars
Asbestos, PCB, et al.	Based on the year of completion and the history of major skeleton renovation done in 2018, the possiblity of sprayed asbestos use and trace PCB contamination are considered low. Furthermore, no particular issue was observed during the on-site inspection by the appraiser. Hence, it is concluded that the potential impact of asbestos and PCB on value determinant factor is considered low.
Seismic Residence	Since the building is considered to be constructed in accordance with the new seismic resistance code judged from the date of construction, it is determined that there is no particular issue regarding seismic resistance.
Number of rooms	14 Rooms ※No. of rooms available after renovation work 15 Rooms
Overall Grade	Average
Maintenance	Average
Remaining Years Economic Lives	Body 13yrs Finishes 10yrs Installation 5yrs

*Information at the time of construction of the current hotel building (RC Structure)

**Information from the time of renovation work in 2018

[2] Track Record of Fixation and Renovation

According to the track record of fixation and renovations, repairs and renovations have been made as needed including renovation works of water tanks and hot spring pumps and maintenance of boilers, and repairs of leak in connecting corridors. Due to core and

shell renovation works carried out in 2018, the interior and exterior and facilities except for building frames have been renovated.

3) Specific Factor as a Built-up Property

[1] Conformity

Based on the Neighborhood Analysis and the Property Data of land and building described above, the subject property meets the standard use in the neighborhood meaning it suits the surroundings. The conformity between the site and the building is also judged to be in good condition, considering the site conditions and its utility as a luxury resort facility.

On the other hand, needs for accommodation have been diversifying, and the competitive environment has been changing in recent years. Considering the operational conditions and the balance of income and expenditure, renovations aimed at differentiation and profitability improvement can increase the average daily rate (hereinafter referred to as ADR), acquire new target groups, and improve mid- to long-term profitability.

[2] Building Leases

As described in the earlier section “Confirmation of Rights Involved in the Subject Property”.

[3] Relative Competency of the Subject Property in the Market

The subject hotel’s competency against rival hotels is described below.

4) Highest and Best Use (as improved)

The Highest and Best Use of the subject property is determined based on an analysis of value formation factors.

The subject property is a resort facility, and the building has specifications of a similar level to competing facilities nearby. Although the subject property is competitive as it is, additional renovation works can improve the market value by improving competitiveness that suits its locational environment. It is judged that continuing proper management of the facilities will maintain its competitiveness. In conclusion, it is judged that although the subject property is currently utilized based on its Highest and Best Use, the implementation of renovation works in the near future is a reasonable option.

3. Approach to Value

In estimating the value of "as-if tenant-occupied building and the site", (1) the Cost Approach and (2) the Income Capitalization Approach are both applied. In the procedure of the Income Capitalization Approach, Discounted Cash Flow Method and Direct Capitalization Method are both applied. With regards to the Sales Comparison Approach, the application is resigned due to the difficulty of collecting reliable comparables.

(1) The Cost Approach

The Cost Approach is defined as a set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction or replacement of the existing structure deducting depreciation from the total cost, and adding the estimated land value.

1) Replacement Cost

[1] Replacement Cost of Land

The land value is estimated by the Sales Comparison Approach because the subject is located in an existent built-up area and it is highly difficult to assume the recreation cost of land.

a. Collecting the Land Sales Comparables

3 land sales comparables are collected from those recognized the location similarity (substitutes, in other words) located in the vicinity of the subject neighborhood. The detail of each comparable is shown in the Appendix [Land Sale Comparables].

b. Assessment of Land Value as if Vacant

The market prices negotiated in the comparable sales are adjusted for differences in sales conditions or changes occurring over the passage of time (Sales Condition Adjustment and Time Fluctuation), if required. The standardization of comps in each location is then made, followed by the comparison between the subject and the comps. The locational merits/demerits and the site's specific factor of the subject land is forming the adjustment of the comps in these two different dimensions of comparison. After a series of technical comparison, it is concluded that the indicated land value as if vacant as of the date of value is as follows by means of the Sales Comparison Approach. See the Appendix [Adjustment Grid] for the detailed adjustment procedure including the time fluctuation criteria.

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Sales Comparables Applied

Comp No.	Date of Sales	Location	Land Price per Sqm	Land Area (Sqm)
Comp-1	1-Aug-22	Gora, Hakone-machi, Ashigarashimo-gun	¥50,075	3,315.00
Comp-2	7-Mar-24	Gora, Hakone-machi, Ashigarashimo-gun	¥26,332	36,458.00
Comp-3	16-Dec-24	Miyagino, Hakone-machi, Ashigarashimo-gun	¥26,130	1,109.82

No	Sales Price	Sales Condition	Time Fluctuation	Standardization	Location Adjustme	Specific Factor	
1	¥50,075 /Sqm	× 100/100	× 109.1/100	× 100/100	× 100/140	× 96/100	≒ ¥37,462 /Sqm
2	¥26,332 /Sqm	× 100/100	× 104.6/100	× 100/99	× 100/71	× 96/100	≒ ¥37,618 /Sqm
3	¥26,130 /Sqm	× 100/100	× 102.0/100	× 100/100	× 100/71	× 96/100	≒ ¥36,037 /Sqm

All three comps are relatively large plots of lands located in the subject vicinity and have certain level of similarly to compare. All are located near the subject property and reflect the transaction levels of the area. Each comp has been given appropriate adjustments for transaction timing, scale, locational differences, etc and their comparability is deemed to be of a similar level. Based on the above, the subject land value was assessed as follows:

¥37,000 / Sqm × 6,691.00 Sqm = ¥247,567,000

Land improvement cost (In this case, the property tax borne in the development period) is added to above vacant land value, and subject land value as improved (the replacement cost of land) is assessed as follows:

¥247,567,000 + ¥1,706,000 = ¥249,273,000

c. Consistency with the Publicly Announced Land Price

The indicated value adjusted to the surrounding Publicized Land Pirce at the point of <Hakone-1> is as follows. Although there ia gap from the adjustment subject value above, considering the subject land's characteristics as a suitable resort site, it is deemed to be within a certain conformity.

Publicized Land Price

Hakone-1	Time Fluctuation	Standardization	Locational Adjustment	Specific Factor	
¥19,600 /Sqm	× ¥101.9/¥100	× ¥100/100	× ¥100/71	× ¥96/¥100	≒ ¥27,005 /Sqm

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2) The Replacement Cost New of Building

The Replacement Cost New (RCN) of building refers to the appropriate total cost required to reproduce a duplicate of the building as of the date of value. It is determined as sum of the standard construction costs (divided into "Direct Construction Cost" and "Indirect Construction Cost") paid by the client to the contractor added the "Ordinary Incidental Expenses" such as planning fees and those required Building Permits, borne directly by the client, assuming the contractor will deliver the finished building to the builder in a state that allows immediate use in accordance with the construction contract.

Building Replacement Cost	¥881,915,000	(	¥450,000	/Sqm ×	1,959.81	Sqm)

*including FF&Es

3) Development Premium

Development premium should be added to the replacement cost considered with the development risk premium of the construction and so forth. The premium is obtained as the ratio over the sum of RCN of land and the building, as follows.

Development Premium	¥113,119,000	(	¥1,131,188,000	×	10.0%)

4) Replacement Cost New as land with improvement

After all, the RCN of the subject land with improvement is assessed as follows.

Replacement Cost	¥1,244,307,000	(	1) + 2) + 3))

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2) Depreciation

[1] Land

It is assessed that no depreciation is required.

[2] Building

Split the replacement cost into three portions based on the composition ratio, and multiplied separately by the depreciation ratio formulated by each economic lives, the accrued depreciation is assessed as follows.

	Proportion Breakdown	Years Elapsed*	Remaining Years Economic Lives	Accrued Depreciation
Body	30.00%	42	13	¥237,719,000
Finishes	35.00%	42	10	¥281,213,000
Installation	35.00%	42	5	¥287,444,000
Total	100.00%			¥806,376,000

*Building age is determined based on its condition, strucural composition, etc.

b.Observed Deterioration

No other functional/economic deterioration is observed and assessed zero.

c.Sum of above

a. + b. = ¥806,376,000

[3] Development Premium

The development premium should be also depreciable along with the building.

	Proportion Breakdown	Years Elapsed	Remaining Years Economic Lives	Accrued Depreciation
Development Premium	100.0%	42	13	¥101,637,000

* The economic life is judged to be equivalent to that of the building's.

[4] Conformity of the Building and its Site (Extra Depreciation)

The improvement is well suited to the neighboring environment, and well balanced with its underlying site. Thus, no extra depreciation is recognized in terms of the conformity of the building and its site.

[5] Total ¥908,013,000

([1]+[2]+[3]+[4])

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3) The Indicated Value

Subtracted the depreciation amount from the replacement cost, the indicated value of the subject property by the Cost Approach is assessed as follows:

Replacement Cost	Depreciation	The Indicated Value by the Cost Approach
¥1,244,307,000	¥908,013,000	¥336,294,000 ≒ **¥336,000,000**

※The land/building composition of the indicated value is as follows.

Land	¥258,000,000
Building*	¥78,000,000

* Including FF&Es

(2) The Income Capitalization Approach

Discounted Cash Flow Method (hereinafter referred to as DCF Method) is applied in the procedure. For the value by income approach after rebranding, which is estimated in the process of DCF Method, two alternative methods of DCF Method and Direct Capitalization Method are both applied.

Rationale of DCF Method

According to *Chapter 7* of 'General Theory' in authorized Japan's Real Estate Appraisal Standards (herein after refers to it as "JREAS"), DCF Method is defined as a method that "discounts the net cash flow (NCF) generated over several consecutive periods together with the reversionary value at the end of the holding period, followed by the processes that each income stream is discounted to present value at the time it is generated, and finally all the discounted income streams are added up to obtain the indicated value". Also, according to *Chapter 3* of 'Practical Theory' of JREAS, DCF Method is designated as a compulsory method to formulate an indicated value by the Income Capitalization Approach in case of appraisals of real properties which are related to securitization transactions. Within DCF analysis, annual income/expense stream from the property is clearly disclosed within projection period so that it is a persuasive and explanative method.

With regards to setting a projection period, it depends on the estimated holding period and actual use of the property and trend in the market. In this report, it aims to obtain the investment value of the subject property in order to disclose it to investors. In this sense, the subject property is to be operated in mid-long term perspective. Considered with the characteristics of the subject property and current market condition, setting 10 years' projection period from the date of value is judged to be predictable and valid in the report.

Rationale of Direct Capitalization Method

The Direct Capitalization Method is the capitalization method whereby forecasted first year, or, stabilized NCF is divided by a capitalization rate that is estimated in an unconditional investment market in order to arrive at a value estimate for the total property. This method is also clearly noticed in *Chapter 7* of 'General Theory' of JREAS. Direct Capitalization Method premises that single year's income stream lasts perpetually to the future, and it is not good at reflecting uncertainty of changes both in the subject property and the market, due to possible changes of demand-supply situations and/or economic and functional deterioration of the subject building to the future. Nonetheless, according to *Chapter 3* of 'Practical Theory' of JREAS, with regards to appraisals of securitizing/securitized properties, Direct Capitalization Method is ought to be applied as well as DCF Method in order to verify the value estimated based on DCF Method.

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It is finally noted that net cash flow (NCF) used in this Income Capitalization Approach is that based on earnings before depreciation and tax reduction, and discount rate, capitalization rate and terminal capitalization rate assessed below are all correspondent to the NCF before depreciation and tax reduction.

1) Outline of the plan

This appraisal assignment adopts a scenario of extension works and rebranding to add value based on the actual plan, as shown below.

Outline of the Renovation Work	Guest Room: 14 keys to 15 keys (increase of 1 key) Open-air bath installation to all keys: By ensuring the route, the hot spring water is lined to each guest room. Conversion of some communal areas (not limited to below): A part of the restaurant to be guest rooms The chapel wing to Suite guest room featuring open-air bath and pool
Timeline	25 months to go until hotel reopening after rebranding work Reopening is scheduled in September 2027 after renovation works and reopening preparations.
Bldg. Construction Cost, etc.	Construction cost, architecture, CM related fees, FF&E acquisition cost (based on the comparable data) The cost in total is assessed as in the right: ¥1,417,000,000

2) Discount Rate, Capitalization Rate and Terminal Cap Rate after rebranding

According to JREAS, discount rate is defined as “a rate used in DCF analysis to discount the present value of income to be generated in the future” and capitalization rate is defined as a “rate used to estimate the indicated value by Direct Capitalization Method as well as to estimate the reversionary value at the end of the holding period within DCF Method (this is terminal cap rate, in other words), by means of dividing single year’s income directly by the rate”. A terminal cap rate in DCF Method is typically forecast to be higher than the going-in cap rate due to a higher risk associated with estimating NCF at the time of reversion.

These rates are associated with comparable yields in other financial assets, and those tend to be different depending on regions, zonings and locations whereby a property is located, and grade and spec of the property. Considered with these characteristics and limits of forecast, the rates are assessed as follows based on multi-dimensional approaches.

[1] Discount Rate (DCF Method)

In this appraisal, a. “Risk Buildup Approach”, and b. “Market Rate Comparison Approach” are concomitantly applied and c. “Result of Real Estate Investors Survey” are referenced in addition, in order to assess the discount rate.

a. Risk Buildup Approach

This approach is one of the most reliable ways of determining discount rate in the real estate market based on the uniqueness of real estate investment relative to yield on other financial assets. The uniqueness of real estate investment here basically means the risk as an investment target, liquidity, management difficulty and asset security risk, and those elements consist of risk premiums to the yield commonly accepted in the financial asset market.

a) Base Rate

After considering the recent trend of the yield of 10-years government's bond, 1.50% is accepted as the basis of discount rate in the financial market in Japan.

b) Real Estate Investment Risk

This is related to the general risks on the real estate investments. Real estate, as one of investment goods, has several unique risks which are not merely considered to other financial goods: the physical damage or loss partly due to the natural disasters that is not able to prevent and contingent decrease of rent are the typical cases. After all, real estate investment risk is converted to 2.00%.

c) Illiquidity Risk Premium

This premium is related to possible "encashment difficulty" of the subject property in comparison with other investable real properties. Generally speaking, the immediate encashment from the decision is mostly impossible so this aspect should be taken into account as its risk. The locational superiority/inferiority of the sites and the aging and deterioration of the buildings are critically influenced by this risk.

When considering the subject property in this sense, a stable income stream based on its business is expected to continue to the foreseeable future. However, risks of emerging rivalries and physical deterioration of facilities possibly resulting in the weakening competency in the related market should be taken into account.

After all, the illiquidity risk of the subject is converted to the premium as below.

[Risk Buildup Approach]

Discount Rate		**5.00%**
	Base Rate	1.50%
	Real Estate Investment Risk	2.00%
	Illiquidity Risk	1.50%

b. Market Cap Rate Comparison Approach

Comparable data of market cap rate are collected from J-REIT properties in the subject vicinity are summarized as follows:

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No.	Property Name	Location	Rentable Area (Sqm)	Year Built.	Date of Value	DR (CR)
1	KAI Hakone	Ashigarashimo-gun, Kanagawa Prefecture	4,650	1987	30-Apr-25	5.4%
2	Hakone Gora Onsen Tokinoyu Setsugetsuka	Ashigarashimo-gun, Kanagawa Prefecture	10,655	2006	31-Dec-24	(4.6%)
3	Kai Ito	Ito City, Shizuoka Prefecture	7,474	1995	30-Apr-25	5.4%
4	RISONARE Atami	Atami City, Shizuoka Prefecture	23,385	1992	30-Apr-25	4.8%
5	Hilton Odawara Resort & Spa	Odawara City, Kanagawa Prefecture	25,303	1997	28-Feb-25	4.4%
6	KAI Enshu	Hammatsu City, Shuzuoka Prefecture	7,829	1997	30-Apr-25	5.3%

For a traded property such as hotel or shopping facility, the determination of yield will more rely on the catchment of the customers, income producibility, management/operation and stability of contracts rather than the standard regional yield. Therefore, it is difficult to simply compare with the figure since individual cash flow and details of lease contract of those properties are not fully published. However, it is regarded to be an important reference to grasp the investment yield of resembled properties which investors consider as a general trend in the market.

The discount rate (or the overall cap rate) of each of above comparable data is between above 4.0% and below 6.0%. The yield levels are different depending on location, building condition, facility mix, recognizability and income producibility, and a discount rate is generally below a cap rate.

The subject property is competitive as an investment property considering its location, competitiveness as a resort facility, potential profits and contract terms, etc., although it takes a certain amount of time until the profits become stable. Thus, around 5% would be suitable for the subject property. In conclusion, the discount rate applicable to the subject property after rebranding is assessed to be between 4.9% and 5.1%, by means of the comparison, taking into consideration the above and recent property investment trend.

c. Assessed Discount Rate

As a result of "a" and "b" above, the discount rate after rebranding is assessed as follows.

[2] Capitalization Rate

In Direct Capitalization Method, projection of future income fluctuation and uncertainty of future forecast are both included within the capitalization rate. By assessing these additional elements we well as referring from market comparables listed in the earlier, the

capitalization rate applicable to the subject property after rebranding is assessed as follows.

[3] Terminal Cap Rate

Income estimate after projection period is more uncertain than that is projected as of today. Aging of the building is also of concern when underestimating the capital expenditure in the future. Considered with the aspect and also with the market characteristics and the potential of the subject within, terminal cap rate of the subject property after rebranding is assessed as follows.

[4] Yield Summary

After Rebranding		
Discount Rate	in DCF Method	5.00%
Capitalization Rate	in DC Method	5.30%
Terminal Cap Rate	in DCF Method	5.40%
Before Rebranding		
Discount Rate	in DCF Method	9.00%

* The appraisal assignment adopts a scenario that the hotel will be reopened after the renovation period, and the operation of the hotel will be stable thereafter. As the risks of construction delays and cost increase should be considered, the discount rate during the period before rebranding is at a higher level.

i. Income Value Conclusion after Rebranding

1) Indicated Value by DCF Method

[1] Projected Scenario

In applying DCF Method, Cash flow scenario is simulated as shown in the Appendices of "Five Year Forecast", "Rental Income Simulation", and "Income Capitalization Approach - Discounted Cash Flow Analysis –".

[2] Rent Assessment and Its Appropriateness Checking

The contract rent only consists of variable rents, which link to the sales and the GOP. In this appraisal assignment, the rent for each year is assessed and verified whether the tenant can afford it in the mid- to long- term.

The rent is assessed as follows. Achievable gross operating profit (GOP) is assessed by deducting operating expenses including sales costs, labor costs, and operating expenses of facilities from operating revenues of rooms and food and beverage. The percentage rent is

then assessed, and the annual rent of the subject property is estimated.

a. Outline of the subject facility

The subject property is operated as “Hakone Elecasa Hotel & Spa” as of the date of value. However, after the acquisition, it is planned that renovation works will be carried out and the hotel will be reopened with a new tenant as a new operator to improve profitability. The subject facility underwent skeleton renovation in 2018 and is operated as a resort facility. The renovation works (value-up works) planned after the acquisition aims to enhance the value of a stay and meet needs for high-value added accommodations by, for example, installing open-air baths for each guest room. This is expected to increase the ADR and expand target groups, leading to enhanced profitability in the mid- to long- term.

Additionally, while the renovation works involve a reduction in part of common areas, the function as accommodation and the service level will remain at the same level. The renovation works are considered as reorganization of the function to adapt to diversified needs for accommodations in recent years.

Total Days	365
Keys	15 keys
Total Annual Keys	5,475

The historical data of the existing facilities between May 2024 and April 2025 shows: ADR JPY79,000, Occupancy rate 59%, RevPAR JPY 47,000, GOR JPY260 million. The subject property, as it is, can achieve stable GOR and GOP continuously as the overall grade is average, and its view and facilities are competitive. However, it is expected that the ADR will increase, and the target groups will be expanded by carrying out the renovation works described above including an additional guest room, open-air baths in each room, and renewal of FF&E.

The renovation is expected to upgrade the facilities and improve the occupancy rates, leading to increased GOP. It is judged that this will contribute to improved profitability and value of the subject property in the mid- to long-term. It should be noted that it takes a certain amount of time for the balance of income and expenditure to be optimized as the appraisal is based on the scenario that the operation will be stabilized after the renovation works and the change of management.

b. Verification of the Rent

The figures, the GOPs and the annual rents are assessed as follows. The stabilized GOP is approximately 220 million yen, and the rent is approximately 180 million yen (See “Five Year Forecast” and “Rental Income Simulation” for details). The GOP margin after

the third year and onwards is approximately 45.9%, which is a realistic level considering the upside potential. Further, the ratio of the adopted rent to GOP is 79.1%, which is judged to be at a reasonable level for both parties of the leasing, considering the leasing terms of the subject property including the rent structure and the sharing of the FF&E expenses as well as the prospect of the business plan and the market trend.

	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6
GOR	¥396,097	¥446,966	¥483,767	¥483,767	¥483,767	¥483,767
GOE	¥236,264	¥250,604	¥261,585	¥261,585	¥261,585	¥261,585
GOP	¥159,833	¥196,362	¥222,182	¥222,182	¥222,182	¥222,182
GOP Margin	40.4%	43.9%	45.9%	45.9%	45.9%	45.9%
Annual Rent	¥124,045	¥154,378	¥175,776	¥175,776	¥175,776	¥175,776
Rent to GOP	77.6%	78.6%	79.1%	79.1%	79.1%	79.1%

	Year-7	Year-8	Year-9	Year-10	Year-11 and after
GOR	¥483,767	¥483,767	¥483,767	¥483,767	¥483,767
GOE	¥261,585	¥261,585	¥261,585	¥261,585	¥261,585
GOP	¥222,182	¥222,182	¥222,182	¥222,182	¥222,182
GOP Margin	45.9%	45.9%	45.9%	45.9%	45.9%
Annual Rent	¥175,776	¥175,776	¥175,776	¥175,776	¥175,776
Rent to GOP	79.1%	79.1%	79.1%	79.1%	79.1%

* thousand JPY

c. Conclusion of GOP and the rent

The GOP and the rent are estimated based on the operating revenue of the facilities. The GOP and the rent are highly persuasive because it assumes realistic hotel operating conditions, not just theoretical inputs, and indicates an appropriate level that is feasible for future facility operations, taking into account the current hotel market conditions. Although there is a possibility that the business income and expenditure may fluctuate above or below the assumed level depending on the domestic and overseas economic trends, the GOP is expected to remain firm and generally stable in the mid to long term, taking into account the condition of the subject facility.

[3] Indicated Value by DCF Method

Based on the above cash flow scenario, NOI in each projection year is obtained. Capital expenditure is additionally considered to obtain NCF in each projection year. With regards to reversionary value of the subject after projection period is obtained based on stabilized

NCF after the 11th year divided it by terminal cap rate. Finally, by discounting assessed NCF in each projection year (from 1st to 10th years) and reversionary value to present value as of the date of value, and summing them up, the indicated value by DCF Method is obtained as follows (see the Appendix of "Income Approach – DCF Method" for the detail).

Indicated Value by DCF Method (after rebranding work)	**¥2,920,000,000**

2) Indicated Value by Direct Capitalization Method

From mid-long term perspective, stabilized single year's NCF is determined. By means of dividing the above assessed NCF by the capitalization rate, the value by Direct Capitalization Method is indicated as follows (See the Appendix of “Five Year Forecast”, “Rental Income Simulation”, and “Income Capitalization Approach - Discounted Cash Flow Analysis –“ for details):

Indicated Value by DC Method (after rebranding work)	**¥3,000,000,000**

3) Indicated Value by Income Approach

The indicated values are as follows:

[1] Indicated Value by DCF Method **¥2,920,000,000**

[2] Indicated Value by DC Method **¥3,000,000,000**

DCF Method well translates the specific cash flow within projection period and clarify the estimated sellable value after the projection period. Therefore, the value indicated by this method is superior in terms of value explainability. On the other hand, DC method simply capitalizes single year's NCF by assessed capitalization rate and less arbitrariness within the process is involved. The value indicated by this method is therefore judged to be objective although the method is not good at demonstrating the estimate of future cash flow.

Income Value Conclusion (after rebranding work)	**¥2,960,000,000**

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ii. Income Value of the Subject Property

The DCF method is adopted for the period before it is reopened after rebranding and the NCF in each projection year is obtained. The reversionary value of the subject is obtained by deducting brokerage fees from the exit value assuming the sales after rebranding. Finally, by discounting assessed NCF and the reversionary value to present value as of the date of value with the discount rate before rebranding, and summing them up, the indicated value by DCF Method (i.e. income value of the subject property) is obtained as follows (see the Appendix of "Income Capitalization Approach – Discounted Cash Flow Analysis -)

Income Value Conclusion	**¥1,140,000,000**

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4. Reconciliation of Indicated Values and Final Conclusion

Indicated values estimated in the report are summarized as follows:

[1]	Indicated Value by the Cost Approach	**¥336,000,000**
		¥258,000,000 (Land)
		¥78,000,000 (Building with FF&E)
[2]	Indicated Value by the Income Approach	**¥1,140,000,000**

Reconciliation of the indicated values to conclusion is given as follows.

The Cost Approach basically focuses on the physical cost of the subject property. Within the procedure of value estimate by this approach, the land value is derived by reliable sales comparables whereas building value is derived by current cost index as well as comparable cost data of similar buildings. Therefore, the indicated value by the Cost Approach appropriately reflects the physical value of the subject property. The marketability of the subject as a built-up property is additionally considered so that the indicated value obtained reflected the aspect of its marketability in addition to its physical cost aspect.

The indicated value by the Income Approach is based on the value indication by means of DCF Method and verification of the value has been made through Direct Capitalization Method. In this approach, components of NCF are all realistically projected based on actual real estate market as well as considering the individuality of the subject property. Also, discount rate, capitalization rate and terminal cap rate are all reasonably assessed with multilateral perspectives, considered with current trend in real estate investment market. Consequently, estimated value obtained by this approach is judged to be highly reliable reflecting current real estate investment market.

Although the Cost Approach and the Income Approach are differently pursuing the value of the subject, value determinants considered within the Cost Approach are also well considered within assessment of NCF, discount rate, capitalization rate and terminal cap rate. Therefore, concepts of “cost”, “market” and “income generation” are linked each other throughout all approaches applied in the valuation.

In case if the property is running as an income-gaining property, the subject property in the report alike, the value by the Income Approach is fully responsible for the income-gaining characteristics of the subject property.

It is noted that the value by the Income Approach is indicated at higher than that by the Cost Approach. This might result in the fact that the cost aspect is primarily pursued in the Cost Approach where the income obtainability from the subject property is less considered. Therefore, the value by the Income Approach directly reflecting the income

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power of the subject property overwhelmed the value by the Cost Approach In the Cost Approach.

With thorough considerations all above, we have concluded that the indicated value by the Income Approach is highly credible and our final appraised value (the Market Value) is 1,140,000,000 yen (Or, ONE BILLION ONE HUNDRED FORTY MILLION JPY ONLY).

Final Appraised Value	**¥1,140,000,000**

X. ADDITIONAL NOTE

[Valuation Team Member]

Engagement	Valuation Firm	Valuer	Signature and Seal	Role
Directly Engaged	Japan Valuers Co., Ltd.	Hiroshi Kuronuma	Yes	Every procedure of appraisal
		Koichi Osada		Order Acceptence and Screening
		Takuya Ito		Report Screening

- END -

Five Year Forecast

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HAKONE ELECASA HOTEL & SPA

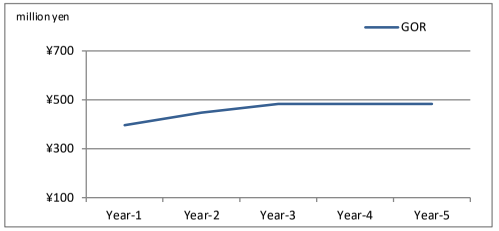
	Five Years Projection after Rebranding Work (Assumed to remain unchanged after Year-5)					Year-on-Year Change			
	Year-1	Year-2	Year-3	Year-4	Year-5	Yr.1-Yr.2	Yr.2-Yr.3	Yr.3-Yr.4	Yr.4-Yr.5
(1) Gross Operating Revenue	¥396,097,000	¥446,966,000	¥483,767,000	¥483,767,000	¥483,767,000				
Room Revenue	¥289,074,000	¥330,632,000	¥362,547,000	¥362,547,000	¥362,547,000	14%	10%	0%	0%
F&B Revenue	¥107,023,000	¥116,334,000	¥121,220,000	¥121,220,000	¥121,220,000	9%	4%	0%	0%
Banquet Revenue	¥0	¥0	¥0	¥0	¥0	0%	0%	0%	0%
Wedding Revenue	¥0	¥0	¥0	¥0	¥0	0%	0%	0%	0%
Shop Revenue	¥0	¥0	¥0	¥0	¥0	0%	0%	0%	0%
GOR	**¥396,097,000**	**¥446,966,000**	**¥483,767,000**	**¥483,767,000**	**¥483,767,000**	13%	8%	0%	0%
(2) Cost of Sales	¥41,739,000	¥45,370,000	¥47,276,000	¥47,276,000	¥47,276,000				
F&B	¥41,739,000	¥45,370,000	¥47,276,000	¥47,276,000	¥47,276,000	9%	4%	0%	0%
Banquet	¥0	¥0	¥0	¥0	¥0	0%	0%	0%	0%
Wedding	¥0	¥0	¥0	¥0	¥0	0%	0%	0%	0%
Shop	¥0	¥0	¥0	¥0	¥0	0%	0%	0%	0%
(3) Cost of Hotel Running	¥138,093,000	¥145,602,000	¥152,387,000	¥152,387,000	¥152,387,000				
Payrolls	¥95,281,000	¥97,225,000	¥99,656,000	¥99,656,000	¥99,656,000	2%	3%	0%	0%
Others	¥42,812,000	¥48,377,000	¥52,731,000	¥52,731,000	¥52,731,000	13%	9%	0%	0%
(4) Cost of Facilities	¥56,432,000	¥59,632,000	¥61,922,000	¥61,922,000	¥61,922,000				
General Admin.	¥31,157,000	¥33,026,000	¥34,347,000	¥34,347,000	¥34,347,000	6%	4%	0%	0%
Utilities (incl. hot spring)	¥20,625,000	¥21,863,000	¥22,737,000	¥22,737,000	¥22,737,000	6%	4%	0%	0%
Repairs & Maintenance	¥4,650,000	¥4,743,000	¥4,838,000	¥4,838,000	¥4,838,000	2%	2%	0%	0%
GOE	**¥236,264,000**	**¥250,604,000**	**¥261,585,000**	**¥261,585,000**	**¥261,585,000**	6%	4%	0%	0%
GOP	**¥159,833,000**	**¥196,362,000**	**¥222,182,000**	**¥222,182,000**	**¥222,182,000**	23%	13%	0%	0%
GOP to GOR	40.4%	43.9%	45.9%	45.9%	45.9%				

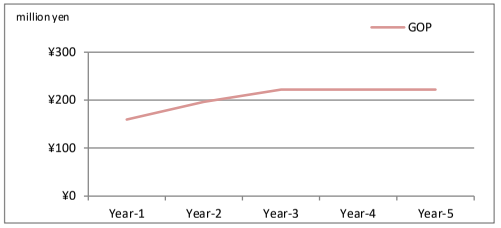
Projections				Total Keys	15 keys
	Year-1	Year-2	Year-3	Year-4	Year-5
Total Days	365	365	365	365	365
Total Annual Keys	5,475	5,475	5,475	5,475	5,475
Occupied Keys	4,112	4,468	4,654	4,654	4,654
Occ	75.1%	81.6%	85.0%	85.0%	85.0%
ADR	¥70,300	¥74,000	¥77,900	¥77,900	¥77,900
RevPAR	¥52,795	¥60,384	¥66,215	¥66,215	¥66,215

Note

This simulation covers the period from the opening following renovation and rebranding through to the stable operation phase. It was calculated based on comparable data as well as the status of the renovation plan.

Note: leap year not differentiated.





Rental Income Simulation

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HAKONE ELECASA HOTEL & SPA		DCF Method											DC Method
		Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10	Stabilized	Stabilized
Total 15 keys		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	after Year-11	
Operating Days	Note: leap year not differentiated.	365 days	365 days	365 days	365 days	365 days	365 days	365 days	365 days	365 days	365 days	365 days	365 days
Total Rooms per Year		5,475 keys	5,475 keys	5,475 keys	5,475 keys	5,475 keys	5,475 keys	5,475 keys	5,475 keys	5,475 keys	5,475 keys	5,475 keys	5,475 keys
Occupancy Rate		75.1%	81.6%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
ADR		¥70,300	¥74,000	¥77,900	¥77,900	¥77,900	¥77,900	¥77,900	¥77,900	¥77,900	¥77,900	¥77,900	¥77,900
RevPAR		¥52,795	¥60,384	¥66,215	¥66,215	¥66,215	¥66,215	¥66,215	¥66,215	¥66,215	¥66,215	¥66,215	¥66,215
Gross Room Revenue	Unit: 1,000 JPY	¥289,074	¥330,632	¥362,547	¥362,547	¥362,547	¥362,547	¥362,547	¥362,547	¥362,547	¥362,547	¥362,547	¥362,547
Room Revenue		¥289,074	¥330,632	¥362,547	¥362,547	¥362,547	¥362,547	¥362,547	¥362,547	¥362,547	¥362,547	¥362,547	¥362,547
F&B Revenue		¥107,023	¥116,334	¥121,220	¥121,220	¥121,220	¥121,220	¥121,220	¥121,220	¥121,220	¥121,220	¥121,220	¥121,220
Banquet & Wedding Revenue		¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0
Shop & Other Revenue		¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0
GOR - Gross Operating Revenue	Unit: 1,000 JPY	**¥396,097**	**¥446,966**	**¥483,767**	**¥483,767**	**¥483,767**	**¥483,767**	**¥483,767**	**¥483,767**	**¥483,767**	**¥483,767**	**¥483,767**	**¥483,767**
Cost of Sales		¥41,739	¥45,370	¥47,276	¥47,276	¥47,276	¥47,276	¥47,276	¥47,276	¥47,276	¥47,276	¥47,276	¥47,276
Cost of Hotel Running		¥138,093	¥145,602	¥152,387	¥152,387	¥152,387	¥152,387	¥152,387	¥152,387	¥152,387	¥152,387	¥152,387	¥152,387
Cost of Facilities		¥56,432	¥59,632	¥61,922	¥61,922	¥61,922	¥61,922	¥61,922	¥61,922	¥61,922	¥61,922	¥61,922	¥61,922
GOE - Gross Operating Expense	Unit: 1,000 JPY	**¥236,264**	**¥250,604**	**¥261,585**	**¥261,585**	**¥261,585**	**¥261,585**	**¥261,585**	**¥261,585**	**¥261,585**	**¥261,585**	**¥261,585**	**¥261,585**
GOP - Gross Operating Profit		**¥159,833**	**¥196,362**	**¥222,182**	**¥222,182**	**¥222,182**	**¥222,182**	**¥222,182**	**¥222,182**	**¥222,182**	**¥222,182**	**¥222,182**	**¥222,182**
GOP to GOR (GOP Margin)		40.4%	43.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%
Management Fee		¥35,788	¥41,984	¥46,406	¥46,406	¥46,406	¥46,406	¥46,406	¥46,406	¥46,406	¥46,406	¥46,406	¥46,406
Base Fee	5.0% of GOR	¥19,805	¥22,348	¥24,188	¥24,188	¥24,188	¥24,188	¥24,188	¥24,188	¥24,188	¥24,188	¥24,188	¥24,188
Incentive Fee	10.0% of GOP	¥15,983	¥19,636	¥22,218	¥22,218	¥22,218	¥22,218	¥22,218	¥22,218	¥22,218	¥22,218	¥22,218	¥22,218
Percentage Rent		¥124,045	¥154,378	¥175,776	¥175,776	¥175,776	¥175,776	¥175,776	¥175,776	¥175,776	¥175,776	¥175,776	¥175,776
Annual Rent Payable	Unit: 1,000 JPY	**¥124,045**	**¥154,378**	**¥175,776**	**¥175,776**	**¥175,776**	**¥175,776**	**¥175,776**	**¥175,776**	**¥175,776**	**¥175,776**	**¥175,776**	**¥175,776**

*Based on market conditions and the business records from comparable hotels, we have determined that the operating revenue and expenses will remain as stated above.

Rent Roll after Rebranding Work

JAPAN VALUERS

The lease condition premised in this valuation is summarized as follows.
The rental simulation in each projection year is detailed in the Appendix "Rental Income Simulation", and the rationale of the rent payable is detailed in the "Income Capitalization Approach" part of the Report.

Outline of the Lease

Format	Business Fixed-Term Lease	Percentage rent	arranged (see Rental Income Simulation)
Duration	for 25 years	Other	CAPEX born by the lessor, Repairs (OPEX) by the lessee
			Based on the Lease LOI and the hearings.

Rent Assessment

Subject Property	Annual Rent Payable (Stabilized)	over GOR	over GOP	Deposit	Deposit / monthly rent
Hotel facility after renovation and rebranding works	**¥175,776,000**	36.3%	79.1%	¥0	0

Note: GOR and GOP are based on the valuation.

Income Capitalization Approach - Discounted Cash Flow Analysis -

JAPAN VALUERS

HAKONE ELECASA HOTEL & SPA	Year-1 2027	Year-2 2028	Year-3 2029	Year-4 2030	Year-5 2031	Year-6 2032	Year-7 2033	Year-8 2034	Year-9 2035	Year-10 2036	Stabilized after Year-11
I. Property Operational Revenue	**¥124,045,000**	**¥154,378,000**	**¥175,776,000**	**¥175,776,000**	**¥175,776,000**	**¥175,776,000**	**¥175,776,000**	**¥175,776,000**	**¥175,776,000**	**¥175,776,000**	**¥175,776,000**
Annual Rent	¥124,045,000	¥154,378,000	¥175,776,000	¥175,776,000	¥175,776,000	¥175,776,000	¥175,776,000	¥175,776,000	¥175,776,000	¥175,776,000	¥175,776,000
GOP	¥159,833,000	¥196,362,000	¥222,182,000	¥222,182,000	¥222,182,000	¥222,182,000	¥222,182,000	¥222,182,000	¥222,182,000	¥222,182,000	¥222,182,000
GOR - Gross Operating Revenue	¥396,097,000	¥446,966,000	¥483,767,000	¥483,767,000	¥483,767,000	¥483,767,000	¥483,767,000	¥483,767,000	¥483,767,000	¥483,767,000	¥483,767,000
GOP to GOR (GOP Margin)	40.4%	43.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%	45.9%
Other Revenue	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0
II. Property Operation Expense Exp.	**¥5,608,904**	**¥5,608,904**	**¥5,509,420**	**¥5,509,420**	**¥5,509,420**	**¥5,503,274**	**¥5,503,274**	**¥5,503,274**	**¥5,501,230**	**¥5,501,230**	**¥5,501,230**
Ratio	4.5%	3.6%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Building Maintenance Fee	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411
Repairs	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0
Others	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0
a. Maintenance and Management	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411	¥711,411
Property Tax Land	¥619,013	¥619,013	¥619,013	¥619,013	¥619,013	¥619,013	¥619,013	¥619,013	¥619,013	¥619,013	¥619,013
Property Tax Bldg.	¥1,213,437	¥1,213,437	¥1,113,953	¥1,113,953	¥1,113,953	¥1,107,807	¥1,107,807	¥1,107,807	¥1,105,763	¥1,105,763	¥1,105,763
Property Tax Depreciable Assets	¥1,542,170	¥1,542,170	¥1,542,170	¥1,542,170	¥1,542,170	¥1,542,170	¥1,542,170	¥1,542,170	¥1,542,170	¥1,542,170	¥1,542,170
Insurance Premium	¥1,322,873	¥1,322,873	¥1,322,873	¥1,322,873	¥1,322,873	¥1,322,873	¥1,322,873	¥1,322,873	¥1,322,873	¥1,322,873	¥1,322,873
Land Rent (Road Installation Cooperation Fund)	¥200,000	¥200,000	¥200,000	¥200,000	¥200,000	¥200,000	¥200,000	¥200,000	¥200,000	¥200,000	¥200,000
b. Others	¥4,897,493	¥4,897,493	¥4,798,009	¥4,798,009	¥4,798,009	¥4,791,863	¥4,791,863	¥4,791,863	¥4,789,819	¥4,789,819	¥4,789,819
III. Net Operating Income (I - II)	¥118,436,096	¥148,769,096	¥170,266,580	¥170,266,580	¥170,266,580	¥170,272,726	¥170,272,726	¥170,272,726	¥170,274,770	¥170,274,770	¥170,274,770
c. Investment Profit from Deposit et al.	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0
d. Capital Expenditure (CAPEX)	¥6,173,405	¥6,173,405	¥6,173,405	¥6,173,405	¥6,173,405	¥6,173,405	¥6,173,405	¥6,173,405	¥6,173,405	¥6,173,405	¥6,173,405
e. FF&E Reserve	¥4,837,670	¥4,837,670	¥4,837,670	¥4,837,670	¥4,837,670	¥4,837,670	¥4,837,670	¥4,837,670	¥4,837,670	¥4,837,670	¥4,837,670
Deposit Amount Outstanding (less deposit paid)	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0	¥0
Net Cash Flow (NCF) (III. + c. - d. -e.)	**¥107,425,021**	**¥137,758,021**	**¥159,255,505**	**¥159,255,505**	**¥159,255,505**	**¥159,261,651**	**¥159,261,651**	**¥159,261,651**	**¥159,263,695**	**¥159,263,695**	**¥159,263,695**
Present Value Factor	0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	0.71068	0.67684	0.64461	0.61391	0.61391
Present Value of NCF in each year	¥102,309,441	¥124,950,658	¥137,571,275	¥131,019,504	¥124,781,466	¥118,844,229	¥113,184,070	¥107,794,656	¥102,662,970	¥97,773,575	

Income Value by the DCF Method (after rebranding work)	**¥2,920,000,000**

Discount Rate		5.00%
Terminal Cap Rate		5.40%
Exit Value	11 year's NCF / Terminal Cap Rate 5.40%	¥2,949,327,685
Reversionary Value	Exit Value - Brokerage Fee (for above 3.00%)	¥2,860,847,854
Reversionary P.V.	Reversionary Value x 0.61391	¥1,756,303,106

Income Capitalization Approach - Explanation -

JAPAN VALUERS

HAKONE ELECASA HOTEL & SPA		Explanation		
I. Property Operational Revenue		Reference	Rationale	Future Projection
Annual Rent		Lease related documents	based on the lease agreement	See Rental Income Simulation
GOP		PL related documents	Assessed based on forecast	See Rental Income Simulation
GOR - Gross Operating Revenue				
GOP to GOR (GOP Margin)				
Other Revenue		-	-	-

II. Property Operation Expense		Reference	Rationale	Future Projection
Building Maintenance Fee		Lease related documents	On assumption basis	Remain unchanged
Repairs		Lease related documents	Deemed to be born by the tenant so that nil	Remain unchanged
Others		Lease related documents	Deemed to be nil	Remain unchanged
a. Maintenance and Management Expense		—	—	—
Property Tax	Land	Property tax (land & bldg.) Taxation Detail Paper	Assessed based on track records	Remain unchanged
	Bldg.	Property tax (land & bldg.) Taxation Detail Paper	Assessed based on track records	Deduction in every three years
	Depreciable Assets	Property tax (land & bldg.) Taxation Detail Paper, Comparable data, etc.	Assumed to be along with the historical and the estimate along the renovation work volume	Remain unchanged
Insurance Premium		Comparable data, etc.	0.15% of the Replacement Cost New (RCN) of the subject building	Remain unchanged
Land Rent (Road Installation Cooperation Fund)		Provided property summary	200 thousand yen per annum	Remain unchanged
b. Other		—	—	—

III. Net Operating Income (I - II)	—	—	—

c. Investment Profit from Deposit et al.	Savings Account Interest, etc.	1.0% of interest rate	Remain unchanged
d. Capital Expenditure (CAPEX)	Comparable data, etc.	Assumed to be 0.7% of RCN of the subject building	Remain unchanged
e. FF&E Reserve	Comparable data, etc.	1.00% of GOR after stabilized	Remain unchanged

Deposit Amount Outstanding (less deposit paid)	Lease related documents	nil	Remain unchanged

Income Capitalization Approach - Indicated Value by DC Method -

JAPAN VALUERS

HAKONE ELECASA HOTEL & SPA			Single year's NCF (Stabilized NCF)	Single year's NCF (Stabilized NCF)
I. Property Operational Revenue			**¥175,776,000**	–
Annual Rent			¥175,776,000	
	GOP		¥222,182,000	See Rental Income Simulation
		GOR - Gross Operating Revenue	¥483,767,000	
		GOP to GOR (GOP Margin)	45.9%	
Other Revenue			¥0	The estimate in the Year-1 in DCF is judged to be valid and stabilized
II. Property Operation Expense			**¥5,608,904**	–
		Ratio	3.2%	–
	Building Maintenance Fee		¥711,411	The estimate in the Year-1 in DCF is judged to be valid and stabilized
	Repairs		¥0	The estimate in the Year-1 in DCF is judged to be valid and stabilized
	Others		¥0	The estimate in the Year-1 in DCF is judged to be valid and stabilized
a.	Maintenance and Management Expense		¥711,411	–
	Property Tax	Land	¥619,013	The estimate in the Year-1 in DCF is judged to be valid and stabilized
		Bldg.	¥1,213,437	The estimate in the Year-1 in DCF is judged to be valid and stabilized
		Depreciable Assets	¥1,542,170	The estimate in the Year-1 in DCF is judged to be valid and stabilized
	Insurance Premium		¥1,322,873	The estimate in the Year-1 in DCF is judged to be valid and stabilized
	Land Rent (Road Installation Cooperation Fund)		¥200,000	The estimate in the Year-1 in DCF is judged to be valid and stabilized
b.	Others		¥4,897,493	–
III. Net Operating Income (I - II)			¥170,167,096	–
c.	Investment Profit from Deposit et al.		¥0	1.0% of interest rate is judged to be stabilized
d.	Capital Expenditure (CAPEX)		¥6,173,405	The estimate in the Year-1 in DCF is judged to be valid and stabilized
e.	FF&E Reserve		¥4,837,670	The estimate in the Year-1 in DCF is judged to be valid and stabilized
Deposit Amount Outstanding (less deposit paid)			¥0	The estimate in the Year-1 in DCF is judged to be valid and stabilized
Net Cash Flow (NCF) (III. + c. - d. -e.)			**¥159,156,021**	–

Overall Cap Rate	**5.30%**

Income Value by the DC Method (after rebranding work)	**¥3,000,000,000**

DCF Value	**¥2,920,000,000**
DC Value	**¥3,000,000,000**

Concluded Value by the Income Approach	**¥2,960,000,000**

Income Capitalization Approach - Discounted Cash Flow Analysis -

JAPAN VALUERS

HAKONE ELECASA HOTEL & SPA

	Under Renovation Work and Preparation		
	Year-1	Year-2	Year-3
Period to Reopening after Rebranding Work 25 months	12 months	12 months	1 months
I. Gross Operating Profit	**¥0**	**¥0**	**¥0**
Nil until opening	¥0	¥0	¥0
	¥0	¥0	¥0
II. Property Operational Expense	**¥3,561,161**	**¥3,275,493**	**¥272,957**
Exp. Ratio (II / I)	-	-	-
Maintenance and Management Fee	¥0	¥0	¥0
Repairs and Other	¥0	¥0	¥0
a. Maintenance and Management Expense	¥0	¥0	¥0
Property Tax	¥2,238,288	¥1,952,620	¥162,718
Insurance Premium	¥1,322,873	¥1,322,873	¥110,239
b. Other	¥3,561,161	¥3,275,493	¥272,957
III. Net Operating Income (I - II)	**¥-3,561,161**	**¥-3,275,493**	**¥-272,957**
c. Investment Profit from Deposit et al.	¥0	¥0	¥0
d. CAPEX	¥0	¥0	¥0
IV. Net Cash Flow (NCF) (III. + c. - d.)	**¥-3,561,161**	**¥-3,275,493**	**¥-272,957**
V. Cost for Renovation (e + f + g)	**¥425,300,000**	**¥567,000,000**	**¥465,116,667**
e. Construction cost and CM related fees, FF&E acquisition cost (considered with comparables)	¥425,100,000	¥566,800,000	¥425,100,000
f. Real estate acquisition tax, registration tax, judicial scrivener fee	¥0	¥0	¥0
g. Other (preparation cost for opening)	¥200,000	¥200,000	¥40,016,667
VI. NCF deducting Development Cost (IV-V)	**¥-428,861,161**	**¥-570,275,493**	**¥-465,389,624**
VII. Compound P.V. Rate at development period **Discount Rate 9.00%**	**0.91743**	**0.84168**	**0.83566**
VIII. Present Value of NCF (V x VII)	**¥-393,450,095**	**¥-479,989,477**	**¥-388,907,493**
IX. Reversionary value after renovation See "Value of Land and Building" in upper right corner	**¥0**	**¥0**	**¥2,871,200,000**
X. Reversionary P.V of the building after completion IX x VII	**¥0**	**¥0**	**¥2,399,346,992**

Income Value of the Subject Property

The Indicated Value by DCF Method	**¥1,140,000,000**

Income Value after Renovation and Rebranding Works

We have assessed the income value of the subject property after renovation and rebranding works on the Appendix-2 (2-1 to 2-3). In this worksheet, the cash flow relevant to the renovation work period is analyzed, and the reversionary value of the property when completed is added in the end. The indicated value by this methodology is very persuasive and empirical given the particular proposed renovation and rebranding project.

*The income value after renovation and rebranding works is summarized as follows.

Income Value after Renovation and Rebranding Works **¥2,960,000,000**

Indicated Value by DCF Method ¥2,920,000,000
Indicated Value by DC Method ¥3,000,000,000

DR5.0% CR5.3% TCR5.4%

Reversionary Value after Renovation and Rebranding Works **¥2,871,200,000**

After deduction of brokerage fee, the reversionary value of the subject is assessed as follows. The reversionary value is used to assess the reversionary value of the present value applied in DCF method described on the left.

Exit Value	Above value after completion	¥2,960,000,000
Brokerage Fee	3.0% of brokerage fee	¥88,800,000
Reversionary Value	Value after deduction of Brokerage Fee	¥2,871,200,000

Collected Land Sales Comparables

JAPAN VALUERS

No.1						
Location	Gora, Hakone-machi, Ashigarashimo-gun			Subject Category	Improved site	
Land Price	¥166,000,000			Date of Sale	1-Aug-22	
Area	3,315.00 Sqm			Sale Condition	Arm's length	
Price per Sqm	¥50,075 /Sqm			Adjustment	0%	
Site's Specific Factor	Shape	Rectangle	Facing Road	One direction	Other	None
Frontage Street Condition	Direction	South	Road Width	5.0m	Road Type	Town Road
Transportation/ Accessibility	Hakone Tozan Line		Gora Station		Northwest	Approx. 850 m
Environment	Commercial area in a tourist destination with hotels and vacation facilities.					
Zoning and Regulations	Zoning	Category-I Residential Zone		Fire Protection	Quasi-Fire Protection Area	

No.2						
Location	Gora, Hakone-machi, Ashigarashimo-gun			Subject Category	Vacant site	
Land Price	¥960,000,000			Date of Sale	7-Mar-24	
Area	36,458.00 Sqm			Sale Condition	Arm's length	
Price per Sqm	¥26,332 /Sqm			Adjustment	0%	
Site's Specific Factor	Shape	Irregular in Shape	Facing Road	One direction	Other	None
Frontage Street Condition	Direction	North	Road Width	10.0m	Road Type	Prefectural Road
Transportation/ Accessibility	Hakone Tozan Line		Gora Station		West	Approx. 2,600 m
Environment	Resort area lined with mid-sized vacation homes, hotels, etc.					
Zoning and Regulations	Zoning	Category-II Exclusively Low Rise Residential Zone		Fire Protection	No Designation	

No.3						
Location	Miyagino, Hakone-machi, Ashigarashimo-gun			Subject Category	Improved site	
Land Price	¥29,000,000			Date of Sale	16-Dec-24	
Area	1,109.82 Sqm			Sale Condition	Arm's length	
Price per Sqm	¥26,130 /Sqm			Adjustment	0%	
Site's Specific Factor	Shape	Nearly Trapezoid	Facing Road	One direction	Other	None
Frontage Street Condition	Direction	East	Road Width	10.0m	Road Type	Town Road
Transportation/ Accessibility	Hakone Tozan Line		Gora Station		North	Approx. 2,740 m
Environment	Area with residential housing and surrounding accommodation facilities.					
Zoning and Regulations	Zoning	Category-I Exclusively Low Rise Residential Zone		Fire Protection	No Designation	

Chika-koji PLP						
Survery Point ID	Hakone-1					
Location	1488-24, Aza-Idokubo, Miyagino, Hakone-machi, Ashigarashimo-gun					
Price per Sqm	¥19,600 /Sqm			Date of Value	1-Jan-25	
Area	485.00 Sqm					
Site's Specific Factor	Shape	Trapezoid	Facing Road	One direction	Other	None
Frontage Street Condition	Direction	Northwest	Road Width	7.0m	Road Type	Town Road
Transportation/ Accessibility	Hakone Tozan Line		Gora Station		North	Approx. 3,100 m
Environment	Well-situated resort area with medium-sized vacation homes					
Zoning and Regulations	Zoning	Category-I Exclusively Low Rise Residential Zone		Fire Protection	No Designation	

Adjustment Grid (Sales Comparison Approach)

JAPAN VALUERS

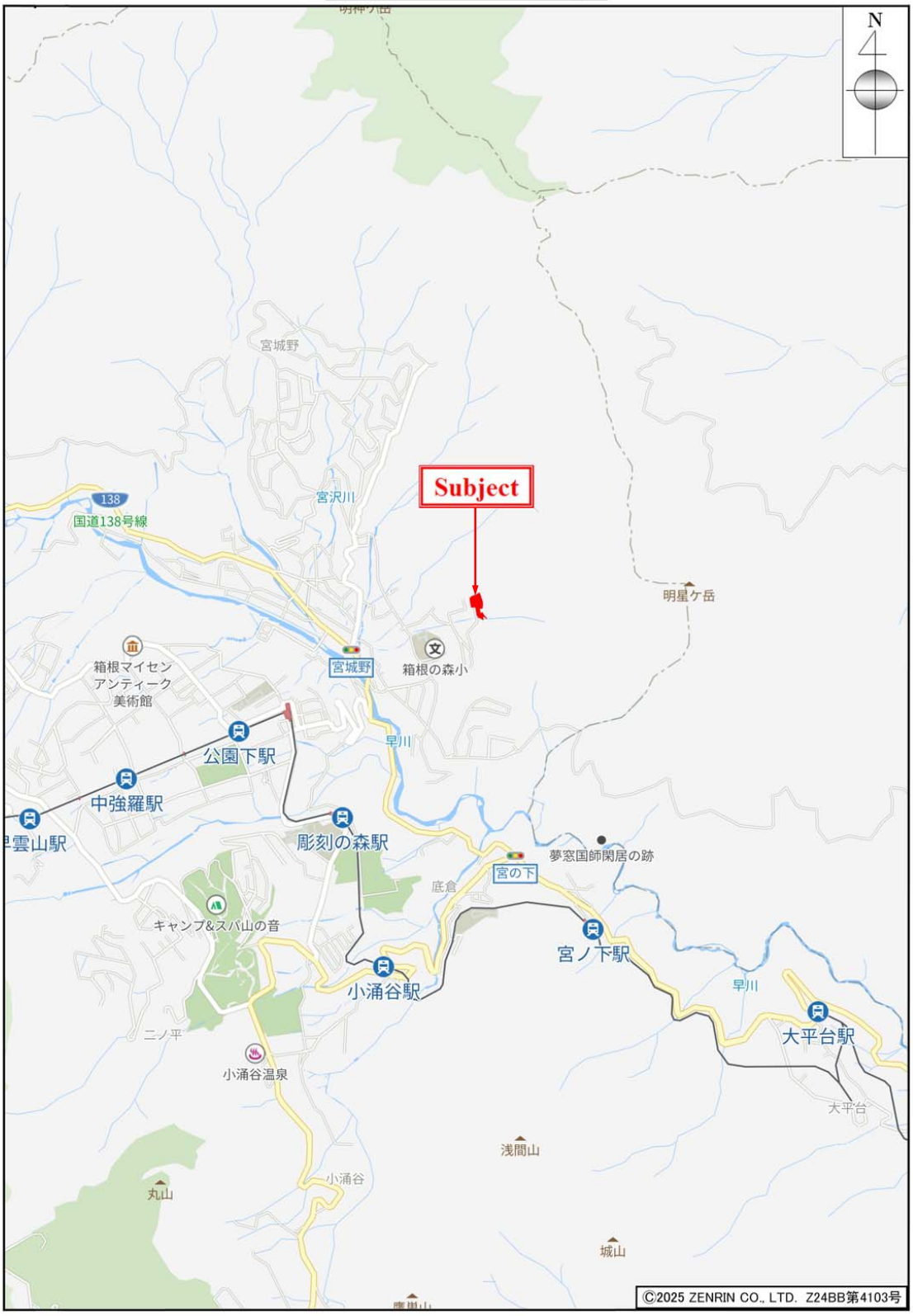
	Location				Subject Specific factor	Location Adjustment					
Subject Site	1362-16, et al, Miyagino Hegiishi, Hakone-cho, Ashigarashimo-gun				Two directions 2	Street Condition	Transportation/Accessibility	Environment	Legal Restrictions and Regulations	Other	
	Land Area	6,691㎡			Irregular Shape -1	South 4.0m	Gora Sta.	See the report	Non-divided City Planning Area	See the report	
	Date of Value	1-Aug-25			Topopogy -5		2,500 m				
					Total 0.96	See the report for with details					

Comp. No.	Comps Summery				Sales Condition Adjustment	Time Fluctuation(*)	Standardization	Comparison of Locational Factor between the Subject Neighborhood and the Comps					
1	Location	Gora, Hakone-machi, Ashigarashimo-gun			Condition of Sale	Fluctuation	Comp's Specific factor	Street Condition	Transportation/Accessibility	Environment	Legal Restrictions and Regulations	Other	Difference
	Land Price	¥166,000,000	Date of Sale	Improved site	Arm's length 0%					Surroundings 40			
	Land Area	3,315.00 Sqm	Sale Condition	2022/8/1									
	Land Price / Sqm	¥50,075 /Sqm											
	Surrounding Environment	Commercial area in a tourist destination with hotels and vacation facilities.			Adjustment 1.00	Adjustment 1.091	Adjustment 1.00	Adjustment 1.00	Adjustment 1.00	Adjustment 1.40	Adjustment 1.00	Adjustment 1.00	**1.40**
2	Location	Gora, Hakone-machi, Ashigarashimo-gun			Condition of Sale	Fluctuation	Comp's Specific factor	Street Condition	Transportation/Accessibility	Environment	Legal Restrictions and Regulations	Other	Difference
	Land Price	¥960,000,000	Date of Sale	Vacant site	Arm's length 0%		Irregular Shape -1	Width 1		Surroundings -30			
	Land Area	36,458.00 Sqm	Sale Condition	2024/3/7									
	Land Price / Sqm	¥26,332 /Sqm											
	Surrounding Environment	Resort area lined with mid-sized vacation homes, hotels, etc.			Adjustment 1.00	Adjustment 1.046	Adjustment 0.99	Adjustment 1.01	Adjustment 1.00	Adjustment 0.70	Adjustment 1.00	Adjustment 1.00	**0.71**
3	Location	Miyagino, Hakone-machi, Ashigarashimo-gun			Condition of Sale	Fluctuation	Comp's Specific factor	Street Condition	Transportation/Accessibility	Environment	Legal Restrictions and Regulations	Other	Difference
	Land Price	¥29,000,000	Date of Sale	Improved site	Arm's length 0%			Width 1		Surroundings -30			
	Land Area	1,109.82 Sqm	Sale Condition	2024/12/16									
	Land Price / Sqm	¥26,130 /Sqm											
	Surrounding Environment	Area with residential housing and surrounding accommodation facilities.			Adjustment 1.00	Adjustment 1.020	Adjustment 1.00	Adjustment 1.01	Adjustment 1.00	Adjustment 0.70	Adjustment 1.00	Adjustment 1.00	**0.71**
Publicized Land Price	Location	1488-24, Aza-Idokubo, Miyagino, Hakone-machi, Ashigarashimo-gun			Point ID	Fluctuation	Survey Point's Specific factor	Street Condition	Transportation/Accessibility	Environment	Legal Restrictions and Regulations	Other	Difference
	Land Price	¥19,600 /Sqm			Chika-koji PLP Hakone-1			Width 1		Surroundings -30			
	Land Area	485 Sqm											
	Date of Value	1-Jan-25											
	Surrounding Environment	Well-situated resort area with medium-sized vacation homes				Adjustment 1.019	Adjustment 1.00	Adjustment 1.01	Adjustment 1.00	Adjustment 0.70	Adjustment 1.00	Adjustment 1.00	**0.71**

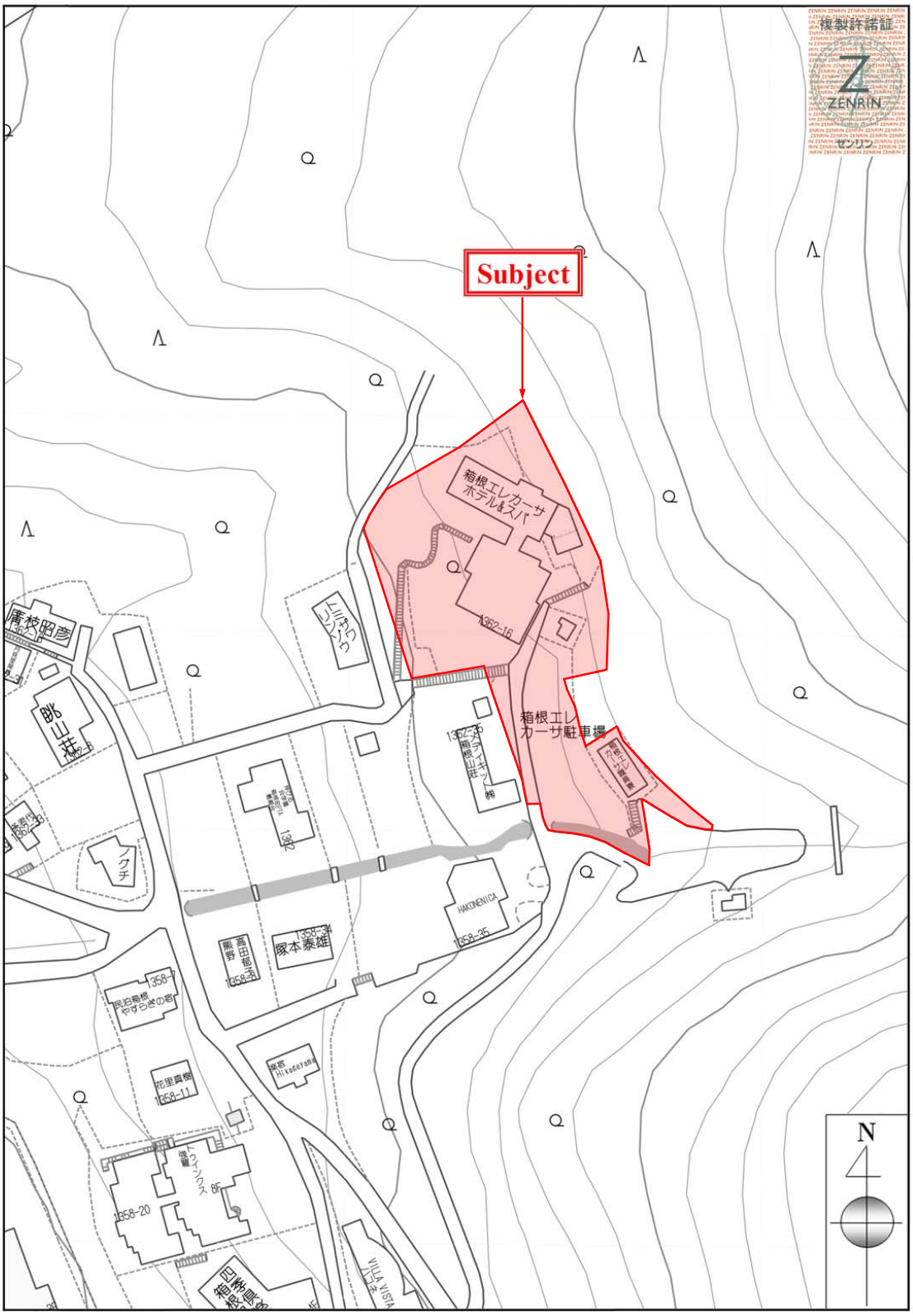
※<Breakdown of Land Price Fluctuation>

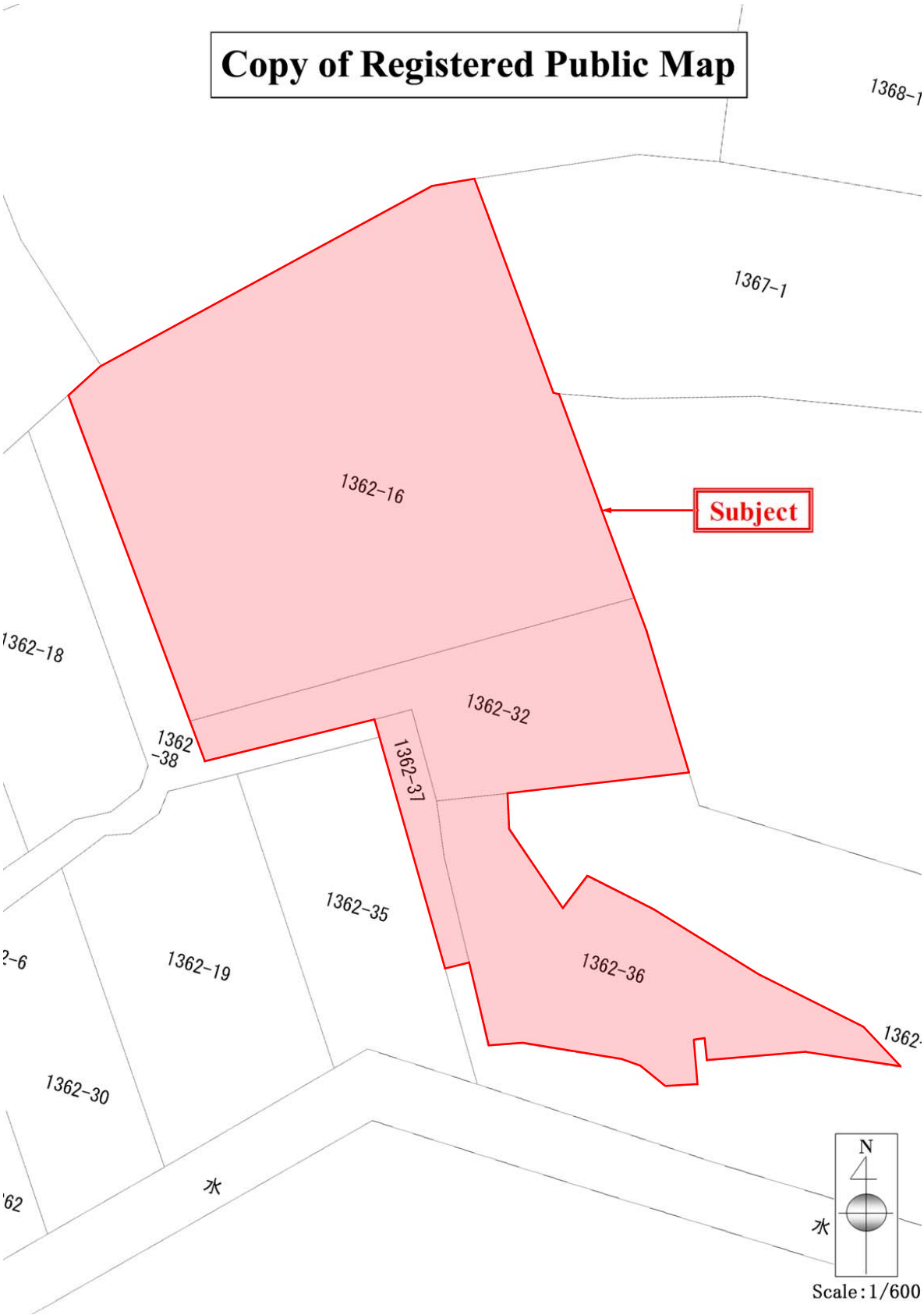
1	1-Jan-22 ～ 1-Jan-23 1.1%	1-Jan-23 ～ 1-Jan-24 3.3%	1-Jan-24 ～ 1-Jan-25 3.2%	1-Jan-25 ～ Date of Value 1.9%	(1+0.011×5/12)×(1+0.033×12/12)×(1+0.032×12/12)×(1+0.019×7/7)≒1.091
2	1-Jan-22 ～ 1-Jan-23 1.1%	1-Jan-23 ～ 1-Jan-24 3.3%	1-Jan-24 ～ 1-Jan-25 3.2%	1-Jan-25 ～ Date of Value 1.9%	(1+0.032×10/12)×(1+0.019×7/7)≒1.046
3	1-Jan-22 ～ 1-Jan-23 1.1%	1-Jan-23 ～ 1-Jan-24 3.3%	1-Jan-24 ～ 1-Jan-25 3.2%	1-Jan-25 ～ Date of Value 1.9%	(1+0.032×0.5/12)×(1+0.019×7/7)≒1.02
Publicized Land Price	1-Jan-22 ～ 1-Jan-23 1.1%	1-Jan-23 ～ 1-Jan-24 3.3%	1-Jan-24 ～ 1-Jan-25 3.2%	1-Jan-25 ～ Date of Value 1.9%	(1+0.019×7/7)≒1.019

Location Map



Subject Map




Copy of Registered Public Map
1368-1
1367-1
1362-16
Subject
1362-18
1362-32
1362-38
1362-37
1362-35
1362-19
1362-36
1362-30
水
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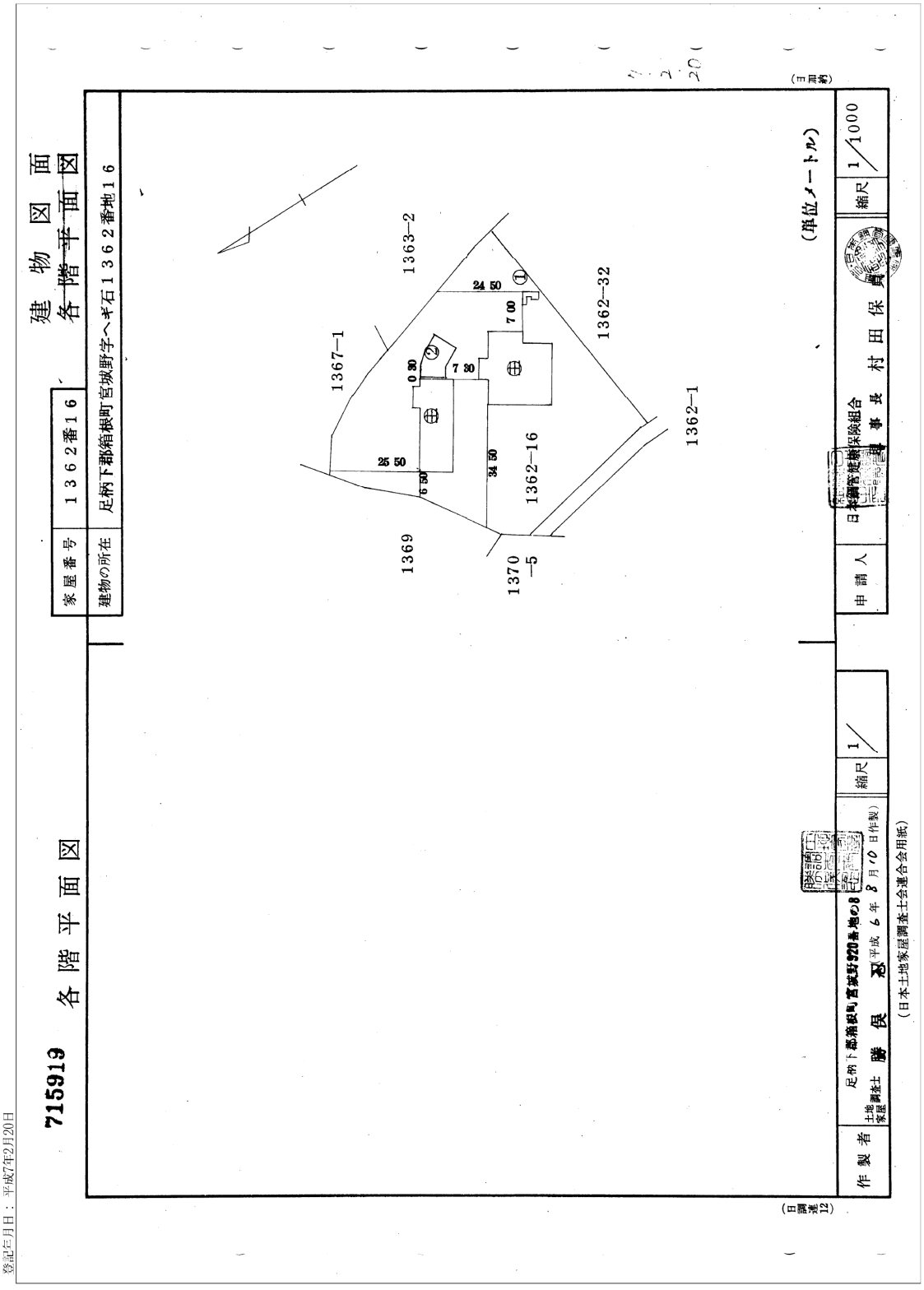
Scale : 1/600

表示年月日：２０２５／０６／２０



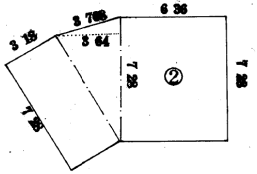
登記年月日：平成7年2月20日

715922 各階平面図

建物図面
各階平面図

家屋番号	1362番16
建物の所在	足柄下郡箱根町宮城野字ヘギ石1362番地16

符号 2



3．18 × 7．28 ＝ 23．1504
7．28 × 3．64 × 1／2 ＝ 13．2496
6．36 × 7．28 ＝ 46．3008
82．7008（㎡）

（単位メートル）

（日調連12）

作製者	足柄下郡箱根町宮城野320番地の8 土地家屋調査士 勝俣 忍（平成6年8月10日作製）	縮尺	1／

（日本土地家屋調査士会連合会用紙）

（日加納）

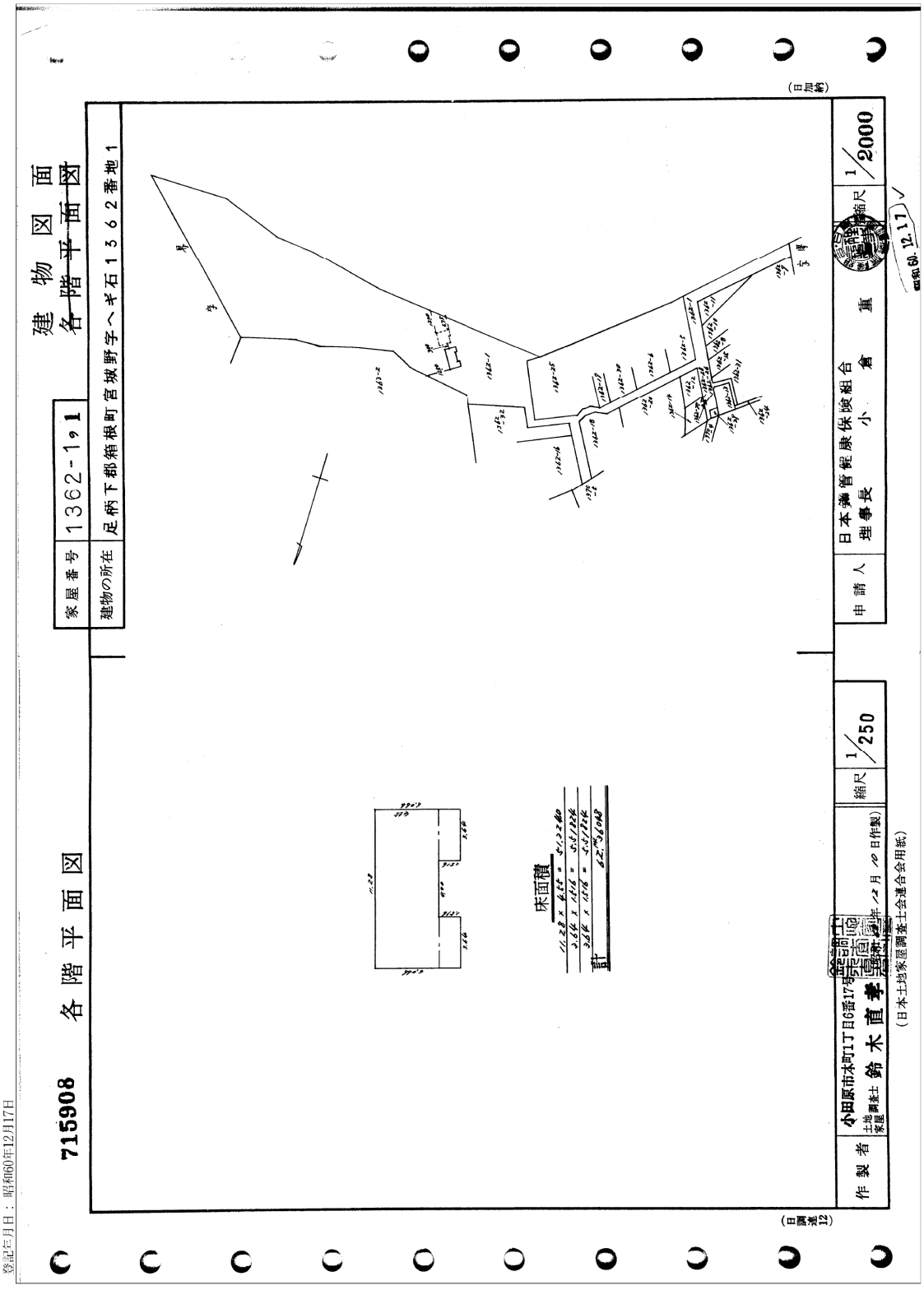
申請人	日本鋼管健康保険組合 理事長 村田保良	縮尺	1／250

7．2．20

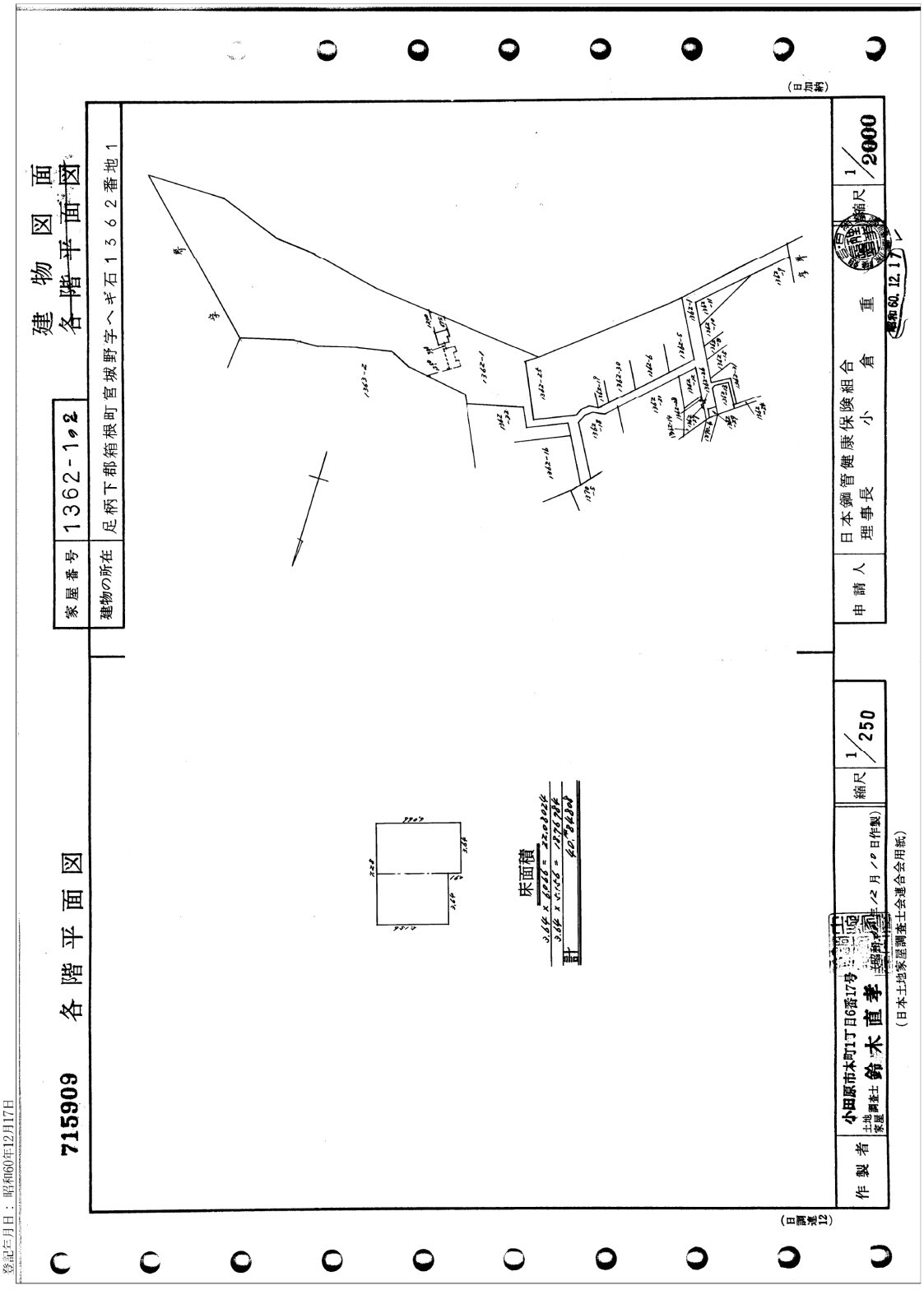
(2/2)

表示年月日：2025/06/20

表示年月日：2025/06/20



表示年月日：2025／06／20



<Photographs of Subject Property>



Entrance



Vacant Room



Large Public Bath

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register as required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") were as follows:

Name of Director	Capacity/ Nature of interest	Total number of Shares	Approximate % of shareholding in the Company
Hisanori TANIGUCHI (谷口久徳)	Beneficial owner	85,624,184 common Shares	7.16%
Hiroshi BANNAI (坂内弘)	Beneficial owner	216,000 common Shares	0.02%
Hidenori MOROTA (諸田英模)	Beneficial owner	1,380,000 common Shares	0.12%

Notes:

(1) All interests stated are long positions.

(2) There were 1,195,850,460 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have

under such provisions of the SFO), or required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. LITIGATION

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

4. DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract or letter of appointment with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interest in businesses which competes or was likely to compete, whether directly or indirectly, with the businesses of the Group that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 March 2025 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the businesses of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has provided its advice for inclusion in this circular:

Name	Qualification
Japan Valuers Co., Ltd.	Independent professional property valuer

Japan Valuers Co., Ltd. has given and has not withdrawn its written consent to the issue of this circular with the inclusion of extracts of its report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, Japan Valuers Co., Ltd. was not interested beneficially or otherwise in any shares or securities in any of subsidiaries or associated corporation (within the meaning of Part XV of the SFO) of the Company and did not have any rights, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any shares or securities in any of subsidiaries or associated corporations of the Company nor did they have any interests, either direct or indirect, in any assets which have been, since 31 March 2025 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Group after the date of two years before the date of the Announcement and up to and including the Latest Practicable Date:

(i) Acquisition of land in Fukushima-ken, Japan and building contract in respect of the land

On 13 March 2024, a wholly-owned subsidiary of the Company, Nexia Inc.* (株式会社ネクシア) ("**Nexia**"), as purchaser, entered into a sale and purchase agreement with a third party vendor, Sekisui House, Ltd.* (積水ハウス株式会社) ("**SKL**"), in relation to the acquisition of the land located at Toramarumachi, Koriyama-shi, Fukushima-ken, Japan, at a consideration of JPY277.2 million (equivalent to approximately HK$14.7 million). On the same day, Nexia also entered into a building contract with SKL in respect of the construction project for the building to be erected on the land in the contract sum of JPY602.8 million (inclusive of a 10% consumption tax) (equivalent to approximately HK$31.9 million).

(ii) Acquisition of land and building in Shizukuishi-cho, Japan

On 17 April 2025, a wholly-owned subsidiary of the Company, NBI Regional Revitalization Investment Co., Ltd.* (株式会社NBI地方創生インベストメント) ("**NBI Investment**"), as purchaser, entered into a purchase and sale agreement with a third party seller, the liquidator attorney, Shuei OTA, of the bankrupt Choeikan Co., Ltd.* (株式会社長栄館), for the acquisition of the land and the building located at Shizukuishi-cho, Iwate-gun, Japan at a total consideration of JPY358.4 million (equivalent to approximately HK$19.0 million).

(iii) Acquisition of land and buildings in Kokonoe-machi, Kusu-gun, Japan

On 18 April 2025, a wholly-owned subsidiary of the Company, NBI Investment, as purchaser, entered into a purchase and sale agreement (the "**Purchase and Sale Agreement**") with a third party seller, Hoshino Resorts REIT, Inc.* (星野リゾート・リート投資法人), for the acquisition of the land and the buildings located at Kokonoe-machi, Kusu-gun, Japan at a total consideration of JPY798.4 million (equivalent to approximately HK$42.3 million). Pursuant to the Purchase and Sale Agreement, upon completion of the acquisition, NBI Investment shall succeed the rights and obligations of Hoshino Resorts REIT, Inc.* under the existing lease of the buildings with a third party lessee, Hoshino Resorts Management Co., Ltd.* (株式会社星野リゾート・マネジメント).

(iv) Acquisition of land and buildings in Minami-Izu-cho, Japan

On 18 July 2025, NBI Investment entered into a purchase and sale agreement with a third party seller, Nanrakuso Limited Liability Company* (有限会社南楽荘), for the acquisition of the land and the buildings located at Minami-Izu-cho, Kamo-gun, Shizuoka Prefecture, Japan at a total consideration of JPY516.3 million (equivalent to approximately HK$27.4 million).

(v) Disposal of beneficial interest in a trust

On 18 September 2025, NBI Investment entered into a trust beneficial interest assignment agreement with SMFL MIRAI Partners Company, Limited* (SMFLみらいパートナーズ株式会社) for the assignment of the beneficial interest in the land and the buildings located at Aza Okuridaira, Oaza Oshuku Dai 6 Chiwari, Shizukuishi-cho, Iwate-gun, Japan, which is the subject of a real estate management trust agreement, at a total transfer price of JPY600.0 million (equivalent to approximately HK$31.8 million).

(vi) Acquisition of pachinko hall business

On 30 September 2025, a wholly-owned subsidiary of the Company, Niraku Corporation* (株式会社ニラク) ("**Niraku**"), as a successor, entered into an absorption-type company split agreement with a third-party, GAIA Co., Ltd., as a splitting company ("**GAIA**") for transfer of the pachinko hall business from GAIA to Niraku, at a consideration of JPY520 million (equivalent to approximately HK$27.6 million).

9. GENERAL

(a) The address of the registered office of the Company is 1–1–39 Hohaccho, Koriyama-shi, Fukushima, Japan 963–8811 and the principal place of business in Hong Kong is at 805B, 8/F, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(b) The joint company secretaries of the Company are Ms. YIU Wai Man Karen, who is a member of the Hong Kong Institute of Certified Public Accountants and Ms. TSUI Ka Yan, who is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

(c) The branch share registrar and the transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.ngch.co.jp) for a period of 14 days from the date of this circular:

(a) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix III;

(b) the annual reports of the Company for the three years ended 31 March 2023, 2024 and 2025;

(c) the valuation report on the Land and Buildings prepared by Japan Valuers Co., Ltd. as set out in Appendix II to this circular; and

(d) this circular.