

This English translation is provided for information purposes only. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

August 22, 2017

Midterm Financial Report for the Fiscal Year Ending December 31, 2017 (January 1, 2017 – June 30, 2017)

Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange
Securities code: 8985
URL: <http://www.jhrth.co.jp/en/>
Representative: Kaname Masuda, Executive Director

Asset Management Company: Japan Hotel REIT Advisors Co., Ltd.
Representative: Hisashi Furukawa, Representative Director and President
Contact: Noboru Itabashi
Director and Senior General Manager of Operations Division
Phone: +81-3-6422-0530

Scheduled date to file midterm Securities Report: September 20, 2017

Preparation of supplementary material on midterm financial report: Yes
Schedule for presentation of midterm financial results: Yes (Institutional investors and analysts only)

(Amounts are rounded down to the nearest million yen)

1. Status summary of operation and assets for the midterm of the fiscal year ending December 31, 2017 (January 1, 2017 – June 30, 2017)

(1) Operating results

(Percentages: full year—changes from the previous year, midterm period—changes from the previous midterm period)

	Operating revenue		Operating income		Ordinary income		Net income	
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%
Midterm period ended								
June 30, 2017	11,272	20.0	6,740	18.6	5,951	22.2	5,951	24.6
June 30, 2016	9,390	29.7	5,682	33.5	4,868	40.2	4,778	37.6
Fiscal year ended								
December 31, 2016	22,107	27.5	13,885	26.4	12,220	31.5	12,123	30.4

	Net income per unit
Midterm period ended	JPY
June 30, 2017	1,581
June 30, 2016	1,446
Fiscal year ended	
December 31, 2016	3,462

(Note) Net income per unit is calculated based on the period-average number of investment units issued.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
Midterm period ended	JPY1M	JPY1M	%	JPY
June 30, 2017	309,988	175,133	56.5	46,554
June 30, 2016	258,515	139,230	53.9	41,912
Fiscal year ended				
December 31, 2016	317,878	181,989	57.3	48,376

(Note) Net assets per unit are calculated based on the total number of investment units issued and outstanding at the end of the midterm period / full year.

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period/year
Midterm period ended	JPY1M	JPY1M	JPY1M	JPY1M
June 30, 2017	8,117	(875)	(13,414)	20,200
June 30, 2016	4,963	(16,461)	14,005	16,205
Fiscal year ended				
December 31, 2016	13,689	(64,075)	63,061	26,373

2. Operating forecast for the fiscal year ending December 31, 2017
(January 1, 2017 – December 31, 2017)

(Percentages show changes from the previous year)

	Operating revenue		Operating income		Ordinary income		Net income		Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%	JPY	JPY
Full year	25,573	15.7	15,523	11.8	13,693	12.1	13,692	12.9	3,590	0

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2017 (full year) ¥3,525

(Calculated based on the estimate of period-average number of investment units of 3,883,679.)

(Note) Reversal of reserve for temporary difference adjustment in the amount of ¥706 million is planned to be the source of dividend payment.

*** Other**

(1) Changes in accounting policies, changes in accounting estimates, and restatement of financial statements for prior period after error corrections

(a) Changes in accounting policies due to revisions to accounting standards and other regulations: No change

(b) Changes in accounting policies due to other reasons than above (a): No change

(c) Changes in accounting estimates: No change

(d) Restatement of financial statements for prior period after error corrections: No change

(2) Total number of investment units issued and outstanding

(a) Total number of investment units issued and outstanding at the end of the midterm period / full year

(including investment units owned by Japan Hotel REIT Investment Corporation (hereinafter referred to as “JHR”))

As of June 30, 2017 3,761,907 units

As of June 30, 2016 3,321,907 units

As of December 31, 2016 3,761,907 units

(b) Number of JHR's own investment units held at the end of the midterm period / full year

As of June 30, 2017 0 units

As of June 30, 2016 0 units

As of December 31, 2016 0 units

(Note) For the number of investment units serving as the basis of computation of net income per unit, please refer to “Notes on per unit information” on page 38.

*** Status of midterm audit procedures**

At the time of disclosure of this midterm financial report, audit procedures for the semi-annual financial statements pursuant to the Financial Instruments and Exchange Act of Japan are incomplete.

*** Appropriate use of forecasts of results and other special items**

Forward-looking statements presented in this midterm financial report including operating forecasts are based on information currently available to us and on certain assumptions we deem to be reasonable. As such, actual operating and other results may differ materially from these forecasts due to a number of factors. Furthermore, we do not intend to guarantee any dividend amount by this forecast. For the assumptions of the operating forecast and notes for the use of operating forecast, please refer to “2. Investment policies and operating results; (2) Operating results; (B) Outlook for the second half of the fiscal year” on page 5 and “Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2017 (18th period)” on page 12.

1. Related parties of the investment corporation

Disclosure is omitted because there is no significant change from “Structure of the investment corporation” in the most recent Securities Report (submitted on March 22, 2017).

2. Investment policies and operating results

(1) Investment policies

Disclosure is omitted because there is no significant change from “Investment policies,” “Investment targets” and “Distribution policy” in the most recent Securities Report (submitted on March 22, 2017).

(2) Operating results

(A) Overview of the midterm period under review

(a) Brief history and principal activities

Japan Hotel REIT Investment Corporation (JHR) was established under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter referred to as the “Investment Trusts Act”) on November 10, 2005 and was listed on the Real Estate Investment Trust (REIT) section of the Tokyo Stock Exchange (Securities code: 8985) on June 14, 2006.

JHR entrusts the asset management to Japan Hotel REIT Advisors Co., Ltd. (hereinafter referred to as the “Asset Management Company”). Focusing on importance as social infrastructure and profitability as investment real estate of hotels, JHR primarily invests in real estate which are wholly or partially used as hotels or real estate equivalents of such real estate or related assets that are backed by such real estate or real estate equivalents (hereinafter referred to as “Real Estate for Hotels, etc.”).

JHR, the former Nippon Hotel Fund Investment Corporation (hereinafter referred to as the “former NHF”), merged with the former Japan Hotel and Resort, Inc. (hereinafter referred to as the “former JHR”) with an effective date of April 1, 2012 (hereinafter referred to as the “Merger”) and changed its name to Japan Hotel REIT Investment Corporation. Since the Merger, JHR has carried out seven public offerings for capital increase and continuously acquired “highly-competitive hotels” in mainly “strategic investment areas” where domestic and inbound leisure demand can be expected over the medium to long term.

By implementing the aforementioned growth strategy, JHR has expanded its asset size while improving the quality of its portfolio through such means as new property acquisitions of 21 properties amounting to ¥177,349 million (acquisition price basis) in total in the little more than five years since the Merger to the end of the midterm period under review (June 30, 2017), resulting in a portfolio of 41 properties with a combined acquisition price of ¥286,801 million at the end of the midterm period under review. New property acquisitions of three properties (combined acquisition price of ¥32,673 million) also followed subsequent to the end of the midterm period under review, resulting in a portfolio of 44 properties with a combined acquisition price of ¥319,474 million as at the submission date of this report.

The total number of investment units issued and outstanding, which was 3,761,907 units at the end of the midterm period under review, has changed subsequent to the end of the midterm period under review as a result of issuance of new investment units through domestic public offering and overseas offering of 236,000 units in July 2017 and issuance of new investment units through third-party allotment of 12,940 units in August 2017 to a total number of investment units issued and outstanding of 4,010,847 units as at the submission date of this report.

(b) Investment performance for midterm period under review

During the midterm period under review (six-month period from January 1, 2017 to June 30, 2017), the Japanese economy continued to show a moderate recovery trend, due in part to improvement in corporate earnings backed by a trend of depreciation of the yen in the foreign exchange market and also economic recovery in the U.S. and EU zone and other pickup in overseas economies, while the employment and income environment continued to improve. Amid such, the tourism market was in an environment in which there continued to be an increase in the number of overseas (inbound) tourists visiting Japan. In addition, as for policy, the Tourism Nation Promotion Basic Plan was approved by the Cabinet in March 2017 for comprehensive and systematic promotion of measures for realization of a tourism nation, under which the government has set new numerical targets, such as the amount of domestic and inbound travel spending and the total number of persons staying overnight in regional areas, for realization of a tourism nation. With such expectations for

growth of Japan's tourism industry and hotel industry continuing, the hotels owned by JHR saw some signs of impact of new hotel supply and *minpaku* (rentals of private homes as accommodation for a fee) in some areas of Tokyo and Osaka, while on the other hand, many of the hotels in major regional cities achieved strong operating performance, mainly in the rooms department. Also, the hotel investment market continued to be in a brisk state.

In addition, JHR has been implementing active asset management, which is the aggressive and proactive pursuit of greater profitability and asset value of owned hotels.

With regard to status of operations during the midterm period under review of the five hotels that JHR leases to Hotel Management Japan Co., Ltd. (hereinafter referred to as "HMJ") under variable rent contracts (hereinafter referred to as the "five HMJ hotels") (Note 1) and the hotels which JHR leases to HMJ Group companies under variable rent contracts (namely, Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (main facility of ACTIVE-INTER CITY HIROSHIMA), Hotel Centraza Hakata and Holiday Inn Osaka Namba, and hereinafter collectively referred to together with the five HMJ hotels as the "nine HMJ hotels") (Note 1), these hotels overall have posted increase over the same period of the previous year both in sales and GOP (gross operating profit), led by the rooms department. The rooms department aimed to generate greater earnings through such means as flexible pricing in line with each hotel's accommodation market condition in order to maximize RevPAR (Revenue Per Available Room). For further details of sales, GOP and other management indicators for the nine HMJ hotels, please refer to "<Reference Materials 2> <1> Sales and GOP of the HMJ Group Hotels" on page 18 and "D. Overview of the hotel business; (2) Major indicators of the hotel business; (a) The Nine HMJ Hotels" on page 66.

Moreover, at the six hotels (Note 2) for which AAPC Japan K.K. (hereinafter referred to as "Accor"), a Japanese subsidiary of Accor Hotels headquartered in Paris, France, serves as the operator (hereinafter referred to as the "six Accor hotels"), successfully attracting inbound and domestic leisure demand, these hotels, too, posted increase over the same period of the previous year both in sales and GOP. For further details of sales, GOP and other management indicators for the six Accor hotels, please refer to "<Reference Materials 2> <2> Sales and GOP of the Six Accor Hotels" on page 20 and "D. Overview of the hotel business; (2) Major indicators of the hotel business; (b) The Six Accor Hotels" on page 67.

On the other hand, at the six *the b* hotels (Note 3), which are leased to the subsidiaries of the Ishin Hotels Group with a variable rent structure, despite efforts made to address changes in the circumstances, such as inbound tourism shifting from group tours to independent travel and a corresponding increase in the percentage of online bookings, such factors as impact of increase in new hotel supply and *minpaku* in the Tokyo area led to the hotels in Tokyo posting decrease over the same period of the previous year both in sales and GOP and the six *the b* hotels overall also posting decrease over the same period of the previous year both in sales and GOP. For further details of sales, GOP and other management indicators for the six *the b* hotels, please refer to "<Reference Materials 2> <3> Sales and GOP of the Six *the b* Hotels" on page 21 and "D. Overview of the hotel business; (2) Major indicators of the hotel business; (c) The Six *the b* Hotels" on page 67.

JHR has not only been working to increase hotel sales, but has also been striving to reduce the costs of each item under real estate operating costs, general and administrative expenses and borrowing costs through persistent talks with relevant parties and other measures in an effort to increase variable rent, etc. through increase in GOP.

- (Note 1) The five HMJ hotels represent the five hotels, namely, Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivilla and Oriental Hotel Hiroshima. The nine HMJ hotels represent the nine hotels comprising the five HMJ hotels plus Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel, which is the major facility of ACTIVE-INTER CITY HIROSHIMA, Hotel Centraza Hakata and Holiday Inn Osaka Namba. The HMJ Group Hotels represent the 12 hotels comprising the nine HMJ hotels plus Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara. The same shall apply hereinafter.
- (Note 2) Represents the six hotels, namely, ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha and Mercure Yokosuka. The same shall apply hereinafter.
- (Note 3) Represents the six hotels, namely, the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji, the b hakata and the b suidobashi. The same shall apply hereinafter.

(c) Funding status

During the midterm period under review (six-month period from January 1, 2017 to June 30, 2017), JHR refinanced a

short-term loan of ¥1,700 million due for repayment in February 2017.

Consequently, as of the end of the midterm period under review, balance of interest-bearing debt totaled ¥125,624 million, including short-term loans payable of ¥100 million, current portion of long-term loans payable of ¥18,458 million, long-term loans payable of ¥84,466 million and investment corporation bonds of ¥22,600 million, and the ratio of interest-bearing debt to total assets at end of period (Note 4) stood at 40.5%.

Subsequent to the end of the midterm period under review, JHR procured a total of ¥18,686 million by way of issuance of new investment units through domestic public offering and overseas offering in July 2017 and issuance of new investment units through third-party allotment in August 2017, as well as ¥4,000 million in short-term loans and ¥11,000 million in long-term loans, to fund the acquisition announced in June 2017 of Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara. In addition, of the concerned loans of ¥15,000 million, JHR concluded either fixed interest loans or interest rate swap contracts for ¥8,750 million. The fixed rate ratio (including the interest rate cap purchase portion) on total interest-bearing debt at end of period is thus expected to become around 93% after the commencement of the interest rate swap contracts.

(Note 4) Ratio of interest-bearing debt to total assets at end of period = Balance of interest-bearing debt at end of period ÷ Total assets at end of period × 100

As of June 30, 2017, JHR's issuer ratings were as follows.

Rating agency	Rating	Outlook
Rating and Investment Information, Inc.	A	Stable
Japan Credit Rating Agency, Ltd.	A+	Stable

(d) Financial results

As a result of the abovementioned asset management, operating revenue, operating income and ordinary income were ¥11,272 million, ¥6,740 million and ¥5,951 million, respectively, for the midterm period under review (six-month period from January 1, 2017 to June 30, 2017). Net income for the midterm period under review was ¥5,951 million.

Variable rent from the hotels with variable rent leased to the nine HMJ hotels in the amount of ¥1,995 million is included in operating revenue, but this amount is calculated based on the GOP of the nine HMJ hotels for the midterm period under review. The variable rent to be ultimately received from the nine HMJ hotels will be determined by the full-year GOP (12-month period) of the nine HMJ hotels.

JHR settles accounts on an annual basis and investment corporations do not have a system for interim dividends under the Investment Trusts Act. Accordingly, no distribution of earnings can be made in the midterm period under review. Distribution of earnings is made based on the earnings for the full year (12-month period from January 1, 2017 to December 31, 2017). With regard to such distribution of earnings, in accordance with the policy for earnings dividend to exceed 90% of JHR's distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended), the plan is that the amount calculated by adding a reversal of reserve for temporary difference adjustment (amount of use of negative goodwill, such as for the amount equivalent to dilution of dividend per unit due to capital increase through public offering, etc., 50-year amortization amount of negative goodwill (*5) and loss on retirement of fixed assets incurred by the replacement of facilities) to unappropriated retained earnings would all be distributed except for fractions of less than one yen of dividend per unit.

(*5) For 50-year amortization amount of negative goodwill, please refer to Dividend per Unit (*1) of "Assumptions of the operating forecast for the full year of the fiscal year ending December 2017 (18th period)" on page 15.

(B) Outlook for the second half of the fiscal year

(a) Investment policies and issues to be addressed

The outlook is that, in 2017, the Japanese economy is expected to be on a moderate recovery, due in part to the effects of various policies, while the global economy makes moderate recovery and the employment and income environment continues to improve in Japan also. However, attention must be paid to the impact of U.S. monetary policy normalization, the impact of monetary policies in Europe and Brexit negotiations, the impact of the economic outlook for China and other Asian emerging economies, etc. and fluctuations in the financial and capital markets, geopolitical risks, etc. Moreover, in

the environment surrounding the tourism industry, it is expected that JHR will benefit from a further increase in the number of inbound tourists, thanks to increase in personal income buoyed by economic growth in the Asian region, visa waivers and relaxation of visa issuance requirements, increase in international flight arrival and departure slots and other infrastructure developments, among other factors, in addition to steady domestic leisure demand. On the other hand, a close watch must be kept on the supply-demand balance, including an increase in supply from new development of hotels following trends of increase in inbound tourists, the state of *minpaku* services, and other factors. Under such circumstances, JHR intends to continue working with the Asset Management Company to manage assets based on the approach described below aiming to enhance the attractiveness of investing in JHR.

Internal growth

JHR will aim to maximize variable rent and income from management contracts receivable by JHR. JHR will work to boost sales and GOP of hotels operated under variable rent contracts, which are the nine HMJ hotels and the six *the b* hotels, as well as of the six Accor hotels that are mainly operated under a management contract structure. To achieve this goal, JHR will request each hotel lessee, its operations support company and its operator to implement marketing initiatives to attract a wider range of demand, measures to maintain and increase room rates, etc. Also, through active asset management including implementation of strategic capital expenditures, JHR will aim to accomplish shifting from competition based on price to competition based on value with a focus to become prominent in the market in terms of both facilities and services. In addition, with increase in the number of the Group hotels, the policy is to work to boost GOP through cost management efforts by utilizing the synergy effect of the group as a whole.

For hotels with only fixed rent contracts, JHR will increase its efforts to monitor operating conditions and pay careful attention to each tenant's ability to bear the rent costs. For the hotels at which the ability to bear rent costs has been enhanced through better performances, JHR will conduct negotiations to revise rents upward and introduce revenue sharing in time with rent revision periods or contract expiration in order to increase JHR's revenue.

In addition, JHR will carry out an ongoing program of facilities and equipment maintenance and improvement to ensure each hotel becomes prominent in the market and to maintain and enhance asset value.

External growth

In terms of external growth strategy, JHR will keep its focus on acquiring highly-competitive hotels in areas where attracting "domestic and inbound leisure demand" can be expected over the medium to long term as JHR has done to date. On that basis, the policy is that limited-service hotels, full-service hotels and resort hotels are all investment targets, but JHR will only acquire properties with competitive advantages in terms of both buildings, facilities, etc. (infrastructure) and the capabilities of the hotel lessee and operator (services) on a property-by-property basis.

In the hotel investment market, circumstances of harsh competition over acquisitions are ongoing due in part to the listing of new Japanese REITs specializing in hotels. JHR will aim to expand its asset size which comes with an improvement in the quality of its portfolio by acquiring properties while leveraging its strength and advantages and also utilizing the HMJ platform.

Finance strategy

JHR seeks to maintain and enhance the relationships of trust with financial institutions with which it does business, and it aims to diversify the means of financing while implementing operations with a conservative financial strategy as a basic policy putting importance on ensuring financial stability and strength. It aims to conduct financial operations by keeping the ratio of interest-bearing debt to total assets at no larger than 50% as in the past. In addition, when seeking new funding for property acquisitions or refinancing existing debt, JHR will work to reinforce its existing relationships with multiple lenders and further diversify funding methods while considering the balance between the dispersion and extension of the maturity dates of its debt and borrowing costs.

Furthermore, while monitoring the conditions of the interest rate market, JHR aims to further improve its financial foundation by extending maturity dates and managing risk of interest rates market by fixing rates, etc.

(b) Significant subsequent events

1. Acquisition of assets

On July 12, 2017 and August 1, 2017, JHR acquired assets totaling three properties with a combined acquisition price of ¥32,673 million as follows:

Property name	Hilton Tokyo Narita Airport
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	456 Kosuge, Narita-shi, Chiba
Acquisition date	July 12, 2017
Seller	NRT Project Godo Kaisha
Acquisition price (Note)	¥13,175 million

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

Property name	International Garden Hotel Narita
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	241-1 Yoshikura, Narita-shi, Chiba
Acquisition date	July 12, 2017
Seller	IG Real Estate Hanbai Godo Kaisha
Acquisition price (Note)	¥9,125 million

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

Property name	Hotel Nikko Nara
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	8-1 Sanjo-honmachi, Nara-shi, Nara
Acquisition date	August 1, 2017
Seller	JH Nara Bridge Fund Goudou Kaisha
Acquisition price (Note)	¥10,373 million

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

2. Borrowing of funds

JHR procured new borrowings as follows in order to partly fund the acquisition of the real estate beneficial interests in trust and movable assets attached to the hotels as described above in “1. Acquisition of assets.”

(1) Term Loan 33

Lenders	Sumitomo Mitsui Banking Corporation / Shinsei Bank, Limited / Mizuho Bank, Ltd. / Sumitomo Mitsui Trust Bank, Limited
Amount of the loan	¥4,000 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.275%
Date of borrowing	July 12, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	June 29, 2018
Collateral	Unsecured/Unguaranteed

(2) Term Loan 34

Lenders	Sumitomo Mitsui Banking Corporation / The Chiba Bank, Ltd.
Amount of the loan	¥2,250 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.40%
Date of borrowing	July 12, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	June 30, 2023
Collateral	Unsecured/Unguaranteed

(3) Term Loan 35

Lenders	Sumitomo Mitsui Banking Corporation / Shinsei Bank, Limited / Mizuho Bank, Ltd. / Resona Bank, Limited
Amount of the loan	¥4,250 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.60%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2026
Collateral	Unsecured/Unguaranteed

(4) Term Loan 36

Lender	Sumitomo Mitsui Trust Bank, Limited
Amount of the loan	¥1,000 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.50%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(5) Term Loan 37

Lender	Mitsubishi UFJ Trust and Banking Corporation
Amount of the loan	¥700 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.45%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(6) Term Loan 38

Lender	Development Bank of Japan Inc.
Amount of the loan	¥500 million
Interest rate	0.75392% (fixed interest rate)
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(7) Term Loan 39

Lender	The Bank of Fukuoka, Ltd.
Amount of the loan	¥500 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.50%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(8) Term Loan 40

Lender	Aozora Bank, Ltd.
Amount of the loan	¥500 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.50%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(9) Term Loan 41

Lender	THE NISHI-NIPPON CITY BANK, LTD.
Amount of the loan	¥1,000 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.50%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(10) Term Loan 42

Lender	Shinsei Bank, Limited
Amount of the loan	¥300 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.45%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

3. Issuance of new investment units

JHR resolved to issue new investment units at the Board of Directors meetings held on June 19, 2017 and June 28, 2017. Payment for the new investment units was completed on July 5, 2017 and August 2, 2017, and the investment units were issued under the following terms and conditions. As a result, JHR's unitholders' capital increased to ¥153,516,129,309, with the number of investment units issued and outstanding totaling 4,010,847 units.

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

Number of investment units issued:	236,000 units
Of which, domestic public offering:	99,743 units
Of which, overseas offering:	136,257 units
Issue price:	¥77,518 per unit
Total issue price:	¥18,294,248,000
Paid-in amount (issue value):	¥75,065 per unit
Total paid-in amount (total issue value):	¥17,715,340,000
Payment date:	July 5, 2017

(b) Issuance of new investment units (third-party allotment)

Number of investment units issued:	12,940 units
Paid-in amount (issue value):	¥75,065 per unit
Total paid-in amount (total issue value):	¥971,341,100
Payment date:	August 2, 2017
Allottee:	SMBC Nikko Securities Inc.

(c) Use of funds

JHR allocated the proceeds from the issuance of new investment units through the domestic public offering and overseas offering of ¥17,715,340,000 to part of the funds for acquisition (including expenses for acquisition) of Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara as described above in "1. Acquisition of assets." In addition, the proceeds from the issuance of new investment units through third-party allotment of ¥971,341,100 will be reserved as cash on hand in order to allocate to part of funds for future acquisitions of specified assets, part of funds for repayment of loans, or repair expenses and capital expenditures to maintain or improve competitiveness of existing properties.

(c) Operating forecast

The following is JHR's operating forecast for the full year of the fiscal year ending December 31, 2017 (18th period). For the assumptions of the operating forecast, please refer to "Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2017 (18th period)" on page 12.

In addition, the dividend per unit based on the annualized effect of the acquisitions of Hilton Tokyo Narita Airport and International Garden Hotel Narita, which were acquired on July 12, 2017, and Hotel Nikko Nara, which was acquired on August 1, 2017, is assumed to be ¥3,630. For the annualized effect of the new property acquisitions, please refer to "<Reference Materials 1> Highlights of the operating forecast and forecast of dividend" on page 17. For the assumptions of the forecast of the annualized effect, please refer to "<Reference Materials 3> Assumptions of the forecast of the annualized effect" on page 22.

	Forecast this time	Previous forecast (Note 1)	Increase (Decrease)
Full year of the fiscal year ending December 31, 2017 (18th period)			
Operating revenue	¥25,573 million	¥25,514 million	¥58 million
Operating income	¥15,523 million	¥15,405 million	¥117 million
Ordinary income	¥13,693 million	¥13,493 million	¥200 million
Net income	¥13,692 million	¥13,492 million	¥200 million
Dividend per unit	¥3,590	¥3,540	¥50
Dividend per unit resulting from excess of earnings	¥0	¥0	¥0

(Note 1) These are the figures announced in the "Notice Concerning Revision of Operating Forecast for Fiscal Year Ending December 2017 (18th Period)" dated June 19, 2017.

(Note 2) The forecast figures above are the current forecasts calculated based on certain assumptions. As such, actual operating revenue, operating income, ordinary income, net income, dividend per unit and dividend per unit resulting from excess of earnings may vary due to changes in the circumstances. Furthermore, the forecasts are not intended to guarantee any dividend amount.

Assumptions of the operating forecast for the full year of the fiscal year ending December 2017 (18th period)

Item	Assumptions							
Calculation Period	• Full year of the fiscal year ending December 2017 (18th Period): January 1, 2017 through December 31, 2017 (365 days)							
Assets under Management	• The 41 properties owned by JHR as of June 30, 2017, plus the following three acquired assets, to total 44 properties are assumed.							
	<Acquired Assets>							
	Acquisition date		Name of asset					
	July 12, 2017		Hilton Tokyo Narita Airport					
	July 12, 2017		International Garden Hotel Narita					
	August 1, 2017		Hotel Nikko Nara					
	• It is assumed that there will be no change (acquisition or disposition, etc.) in assets under management other than the above through the end of the fiscal year ending December 2017 (18th period). However, the actual results may fluctuate depending on the changes in assets under management that may take place.							
Operating Revenue	• Operating revenue is calculated based on the lease and other contracts effective as of today and in consideration of competitiveness of hotels, market environment and other factors. If there are lease contracts with regard to facilities other than hotels, such as retail facilities and offices, operating revenue calculated on the said lease contracts is included.							
	• Rents, etc. of the main hotels are calculated based on the following assumptions.							
	(1) The HMJ Group Hotels							
	The assumptions of the fixed rent and variable rent for the HMJ group hotels are as follows.							
	Total rent = Fixed rent + Variable rent							
	Variable rent = (Total GOP of the hotels – GOP base amount) × Variable rent ratio (%)							
	The fiscal year ending December 2017 (18th period) (Unit: millions of yen)							
			Total GOP of the hotel(s)	GOP base amount	Variable rent ratio	Variable rent	Fixed rent	Total rent
	The Five HMJ Hotels	Midterm	3,064	1,675	85.0%	1,180	1,610	2,790
		Full year	7,852	3,351		3,826	3,221	7,047
	Okinawa Marriott Resort & Spa	Midterm	431	350	90.0%	73	274	348
		Full year	1,414	700		642	550	1,192
	Sheraton Grand Hiroshima Hotel (*1)	Midterm	466	234	82.5%	191	174	365
		Full year	894	468		351	348	699
	Hotel Centraza Hakata	Midterm	475	212	90.0%	236	199	436
		Full year	907	425		434	400	834
	Holiday Inn Osaka Namba	Midterm	663	325	92.5%	313	288	601
Full year		1,362	650	658		576	1,234	
Hilton Tokyo Narita Airport (*2)	Midterm	—	—	86.5%	—	—	—	
	Full year	492	260		201	208	409	
International Garden Hotel Narita (*3)	Midterm	—	—	98.0%	—	—	—	
	Full year	288	170		115	157	273	
Hotel Nikko Nara (*4)	Midterm	—	—	83.0%	—	—	—	
	Full year	362	204		131	170	301	
	(*1) Stating the rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA. Rent from the office building and the retail zone for the fiscal year ending December 2017 (18th period) is expected to be ¥220 million for the midterm and ¥442 million for the full year. These figures include ¥8 million for the midterm and ¥16 million for the full year as variable rent pursuant to a revenue-linked rent agreement with some retail tenants.							

Item	Assumptions																																																																			
Operating Revenue	(*2) Rent for Tokyo Narita Airport for the full fiscal year ending December 2017 (18th Period) shows the estimated figure to incur during the 173 days from July 12, 2017 to December 31, 2017. For your information, it is expected that the GOP base amount from the fiscal year ending December 2018 will be ¥550 million and the annual fixed rent will be ¥444 million.																																																																			
	(*3) Rent for International Garden Hotel Narita for the fiscal year ending December 2017 (18th period) shows the estimated figure to incur during the 173 days from July 12, 2017 to December 31, 2017. For your information, it is expected that the GOP base amount from the fiscal year ending December 2018 will be ¥360 million and the annual fixed rent will be ¥336 million.																																																																			
	(*4) Rent for Hotel Nikko Nara for the fiscal year ending December 2017 (18th period) shows the estimated figure to incur during the 153 days from August 1, 2017 to December 31, 2017. For your information, it is expected that the GOP base amount from the fiscal year ending December 2018 will be ¥470 million, the variable rent ratio will be 91.5%, and the annual fixed rent will be ¥420 million.																																																																			
	(*5) Please refer to “<Reference Materials 2> <1> Sales and GOP of the HMJ Group Hotels” below for the comparison of sales and GOP of the HMJ group hotels.																																																																			
	(2) The Six Accor Hotels																																																																			
	Income from management contracts and variable rent of the six Accor hotels (Unit: millions of yen)																																																																			
	<table><tr><th></th><th>ibis Tokyo Shinjuku</th><th>ibis Styles Kyoto Station</th><th>ibis Styles Sapporo</th><th>Mercure Sapporo</th><th>Mercure Okinawa Naha</th><th>Mercure Yokosuka</th><th>Total</th></tr><tr><td>Midterm</td><td>177</td><td>261</td><td>262</td><td>250</td><td>233</td><td>159</td><td>1,346</td></tr><tr><td>Full year</td><td>394</td><td>562</td><td>634</td><td>629</td><td>482</td><td>275</td><td>2,979</td></tr></table>		ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total	Midterm	177	261	262	250	233	159	1,346	Full year	394	562	634	629	482	275	2,979																																											
		ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total																																																												
	Midterm	177	261	262	250	233	159	1,346																																																												
	Full year	394	562	634	629	482	275	2,979																																																												
(*1) Please refer to “<Reference Materials 2> <2> Sales and GOP of the Six Accor Hotels” below for the comparison of sales and GOP of the six Accor hotels.																																																																				
(*2) For income from management contracts, it is assumed that each hotel’s GOP amount is recognized as income from management contracts and the management contract fees to be paid by JHR are recognized as an operating expense. In cases where certain revenue from non-hotel tenant(s), etc. is included in the hotel’s GOP, such tenant revenue is subtracted from GOP to calculate income from management contracts. Such tenant revenue is recognized as parking revenue.																																																																				
(*3) Mercure Sapporo includes variable rent which is linked to the sales of tenant(s) other than the hotel.																																																																				
(3) The Six the b Hotels																																																																				
Fiscal year ending December 2017 (18th Period) (Unit: millions of yen)																																																																				
<table><tr><th></th><th></th><th>Variable Rent</th><th>Fixed Rent</th><th>Total Rent</th></tr><tr><td rowspan="2">the b suidobashi</td><td>Midterm</td><td>13</td><td>42</td><td>55</td></tr><tr><td>Full year</td><td>27</td><td>84</td><td>112</td></tr><tr><td rowspan="2">the b akasaka-mitsuke</td><td>Midterm</td><td>55</td><td>68</td><td>123</td></tr><tr><td>Full year</td><td>115</td><td>136</td><td>252</td></tr><tr><td rowspan="2">the b ikebukuro</td><td>Midterm</td><td>67</td><td>108</td><td>176</td></tr><tr><td>Full year</td><td>141</td><td>218</td><td>360</td></tr><tr><td rowspan="2">the b ochanomizu</td><td>Midterm</td><td>18</td><td>34</td><td>52</td></tr><tr><td>Full year</td><td>39</td><td>69</td><td>108</td></tr><tr><td rowspan="2">the b hachioji</td><td>Midterm</td><td>31</td><td>60</td><td>91</td></tr><tr><td>Full year</td><td>65</td><td>121</td><td>186</td></tr><tr><td rowspan="2">the b hakata</td><td>Midterm</td><td>71</td><td>44</td><td>116</td></tr><tr><td>Full year</td><td>153</td><td>89</td><td>243</td></tr><tr><td rowspan="2">Total</td><td>Midterm</td><td>257</td><td>359</td><td>617</td></tr><tr><td>Full year</td><td>543</td><td>720</td><td>1,263</td></tr></table>			Variable Rent	Fixed Rent	Total Rent	the b suidobashi	Midterm	13	42	55	Full year	27	84	112	the b akasaka-mitsuke	Midterm	55	68	123	Full year	115	136	252	the b ikebukuro	Midterm	67	108	176	Full year	141	218	360	the b ochanomizu	Midterm	18	34	52	Full year	39	69	108	the b hachioji	Midterm	31	60	91	Full year	65	121	186	the b hakata	Midterm	71	44	116	Full year	153	89	243	Total	Midterm	257	359	617	Full year	543	720	1,263
		Variable Rent	Fixed Rent	Total Rent																																																																
the b suidobashi	Midterm	13	42	55																																																																
	Full year	27	84	112																																																																
the b akasaka-mitsuke	Midterm	55	68	123																																																																
	Full year	115	136	252																																																																
the b ikebukuro	Midterm	67	108	176																																																																
	Full year	141	218	360																																																																
the b ochanomizu	Midterm	18	34	52																																																																
	Full year	39	69	108																																																																
the b hachioji	Midterm	31	60	91																																																																
	Full year	65	121	186																																																																
the b hakata	Midterm	71	44	116																																																																
	Full year	153	89	243																																																																
Total	Midterm	257	359	617																																																																
	Full year	543	720	1,263																																																																
(*1) Fixed rent includes rent from non-hotel tenant(s).																																																																				
(*2) Please refer to “<Reference Materials 2> <3> Sales and GOP of the Six the b Hotels” below for the comparison of sales and GOP of the six the b hotels.																																																																				

Item	Assumptions
Operating Revenue	(4) Other hotels subject to variable rent
	Variable rent from other hotels subject to variable rent (Unit: millions of yen)
Operating Expenses	(*) Undisclosed since tenants that concluded lease agreements did not agree to disclose rent revenue, etc.
	• The following is the breakdown of variable rent and income from management contracts.
	<Breakdown of variable rent for the fiscal year ending December 2017 (18th period)>
	(Unit: millions of yen)

Item	Assumptions																
Non-operating Expenses	<ul style="list-style-type: none"> • ¥1,835 million is expected for borrowing-related costs, including interest expense, amortization for financing fee, arrangement fee and amortization for derivative instruments (interest rate caps). • Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method. 																
Interest-bearing Debt	<ul style="list-style-type: none"> • The balance of interest-bearing debt (sum of loans and investment corporation bonds) was ¥125,624 million as of June 30, 2017. It is assumed that the balance of interest-bearing debt will be ¥140,613 million as of August 31, 2017 after acquiring the acquired assets and ¥140,399 million as of December 31, 2017. • It is assumed that ¥9,050 million loans, which are due in September and November 2017, will be repaid by ¥9,000 million refinancing and ¥50 million cash on hand. • It is assumed that the contractual repayment of the above-mentioned loans on or after July 1, 2017 in the amount of ¥175 million will be paid by cash on hand. 																
Issuance of Investment Units	<ul style="list-style-type: none"> • The number of investment units issued as of today (4,010,847 units) is assumed. • It is assumed that there will be no additional issuance of investment units through to the end of the fiscal year ending December 2017 (18th period). 																
Dividend per Unit	<ul style="list-style-type: none"> • Dividend per unit for the fiscal year ending December 2017 (18th period) is calculated based on the following assumptions. <table> <tr> <td>Net income</td><td>¥13,692 million</td></tr> <tr> <td>Use of reserve for temporary difference adjustment (negative goodwill) (*1)</td><td></td></tr> <tr> <td> 50-year amortization amount of negative goodwill (*1)</td><td>¥262 million</td></tr> <tr> <td>Loss on retirement of noncurrent assets (*2)</td><td>70 million</td></tr> <tr> <td>Adjustment for dilution (*3)</td><td>¥374 million</td></tr> <tr> <td>Distributable amount</td><td>¥14,399 million</td></tr> <tr> <td>Total number of investment units issued</td><td>4,010,847 units</td></tr> <tr> <td>Dividend per unit</td><td>¥3,590</td></tr> </table> <p>(*1) Starting from the fiscal year ending December 31, 2017 (18th period), JHR will commence paying out dividends through reversal of reserve for temporary difference adjustment in connection with partial amendments to the “Ordinance on Accountings of Investment Corporations” and the “Regulation for Real Estate Investment Trusts and Real Estate Investment Corporations” of The Investment Trusts Association, Japan. Specifically, JHR transferred the remaining balance of dividend reserve (¥13,127 million) attributable to the gain on negative goodwill in the cash dividends statements for the fiscal year ended December 31, 2016 (17th period) to “reserve for temporary difference adjustment,” and reverse ¥262 million (hereinafter called the “50-year amortization amount of negative goodwill”), which is an amount equivalent to 2% (1/50) of the remaining balance of the reserve for temporary difference adjustment, to pay out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount, for every year from the fiscal year ending December 31, 2017 (18th period). The remaining balance of dividend reserve and the 50-year amortization amount may fluctuate in the future.</p> <p>(*2) Amount recognized as a loss on retirement of noncurrent assets will be appropriated by reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on dividend per unit.</p> <p>(*3) Although dilution of investment units due to the issuance of new investment units is expected upon acquisitions of acquired assets, allocation of reserve for temporary difference adjustment (negative goodwill) is planned to avoid the impact of the said dilution on dividend per unit for fiscal period ending December 2017.</p> <ul style="list-style-type: none"> • Dividend per unit may fluctuate due to various causes, such as fluctuation of rent revenue resulting from transfer of assets under management, change of tenants, etc. at hotels, change in the business environment of hotel business for hotel tenants, etc., unexpected repairs, and actual number of new investment units issued, etc. • The remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 2017 (18th period) is expected to be ¥12,420 million. 	Net income	¥13,692 million	Use of reserve for temporary difference adjustment (negative goodwill) (*1)		50-year amortization amount of negative goodwill (*1)	¥262 million	Loss on retirement of noncurrent assets (*2)	70 million	Adjustment for dilution (*3)	¥374 million	Distributable amount	¥14,399 million	Total number of investment units issued	4,010,847 units	Dividend per unit	¥3,590
Net income	¥13,692 million																
Use of reserve for temporary difference adjustment (negative goodwill) (*1)																	
50-year amortization amount of negative goodwill (*1)	¥262 million																
Loss on retirement of noncurrent assets (*2)	70 million																
Adjustment for dilution (*3)	¥374 million																
Distributable amount	¥14,399 million																
Total number of investment units issued	4,010,847 units																
Dividend per unit	¥3,590																

Item	Assumptions															
Acquired Assets	<ul style="list-style-type: none">• The operating status for the fiscal year ending December 2017 of the acquired assets is estimated as follows.															
	<div><Hilton Tokyo Narita Airport> (Unit: millions of yen)</div> <table><tr><td></td><td>Fiscal year ending December 2017</td><td>Annualized (*3)</td></tr><tr><td>Operating days</td><td>173 days</td><td>365 days</td></tr><tr><td>Operating revenue</td><td>409</td><td>808</td></tr><tr><td>NOI (*1)</td><td>406</td><td>719</td></tr><tr><td>NOI yield (%) (*2)</td><td>-</td><td>5.5</td></tr></table>		Fiscal year ending December 2017	Annualized (*3)	Operating days	173 days	365 days	Operating revenue	409	808	NOI (*1)	406	719	NOI yield (%) (*2)	-	5.5
		Fiscal year ending December 2017	Annualized (*3)													
	Operating days	173 days	365 days													
	Operating revenue	409	808													
	NOI (*1)	406	719													
	NOI yield (%) (*2)	-	5.5													
	<div><International Garden Hotel Narita> (Unit: millions of yen)</div> <table><tr><td></td><td>Fiscal year ending December 2017</td><td>Annualized (*3)</td></tr><tr><td>Operating days</td><td>173 days</td><td>365 days</td></tr><tr><td>Operating revenue</td><td>273</td><td>569</td></tr><tr><td>NOI (*1)</td><td>271</td><td>527</td></tr><tr><td>NOI yield (%) (*2)</td><td>-</td><td>5.8</td></tr></table>		Fiscal year ending December 2017	Annualized (*3)	Operating days	173 days	365 days	Operating revenue	273	569	NOI (*1)	271	527	NOI yield (%) (*2)	-	5.8
		Fiscal year ending December 2017	Annualized (*3)													
	Operating days	173 days	365 days													
	Operating revenue	273	569													
	NOI (*1)	271	527													
	NOI yield (%) (*2)	-	5.8													
	<div><Hotel Nikko Nara> (Unit: millions of yen)</div> <table><tr><td></td><td>Fiscal year ending December 2017</td><td>Annualized (*3)</td></tr><tr><td>Operating days</td><td>153 days</td><td>365 days</td></tr><tr><td>Operating revenue</td><td>301</td><td>675</td></tr><tr><td>NOI (*1)</td><td>298</td><td>626</td></tr><tr><td>NOI yield (%) (*2)</td><td>-</td><td>6.0</td></tr></table>		Fiscal year ending December 2017	Annualized (*3)	Operating days	153 days	365 days	Operating revenue	301	675	NOI (*1)	298	626	NOI yield (%) (*2)	-	6.0
		Fiscal year ending December 2017	Annualized (*3)													
	Operating days	153 days	365 days													
Operating revenue	301	675														
NOI (*1)	298	626														
NOI yield (%) (*2)	-	6.0														
<div>(*1) NOI = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses</div> <div>(*2) NOI yield = NOI ÷ Acquisition price</div> <div>(*3) For the assumptions of calculating the annualized effect, please refer to “<Reference Materials 3> Assumptions of the forecast of annualized effect” below.</div>																
Dividend per Unit Resulting from Excess of Earnings	<ul style="list-style-type: none">• It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.															
Other	<ul style="list-style-type: none">• It is assumed that revision in law, tax system, accounting standard, regulations of the listing, regulations of The Investment Trusts Association, Japan that may impact the forecast above will not be made.• It is assumed that unexpected major incident will not occur in the general economy, real estate market and hotel business environment, etc.• The numerical values are rounded down to the nearest millions of yen in the assumptions above.															

<Reference Materials 1> Highlights of the operating forecast and forecast of dividend

Comparison and the major factors causing the variance between the operating forecast for the full year of the fiscal year ending December 31, 2017 (18th Period) announced in the press release “Notice Concerning Revision of Operating Forecast for Fiscal Year Ending December 2017 (18th Period) dated June 19th, 2017 (Previous Forecast) and operating forecast this time are as follows.

(Unit: millions of yen)

		18th Period		18th Period		Comparison with Previous Forecast		Major Factors Causing the Variance
		Previous Forecast		Forecast This Time				
		(A) (*1)	Annualized	(B)	Annualized (*2)	(B) - (A)	Variance Ratio	
Properties	No. of Properties	44	44	44	44	-	-	
	Acquisition Price	319,474	319,474	319,474	319,474	-	-	
Profit and Loss	Operating Revenue	25,514	26,583	25,573	26,642	58	0.2%	
	Real Estate Operating Revenue	25,514	26,583	25,573	26,642	58	0.2%	
	Fixed Rent	Composition 55.9% 14,255	Composition 56.1% 14,918	Composition 55.7% 14,240	Composition 55.9% 14,904	(14)	(0.1)%	Increase in fixed rent: JPY13M Decrease in utilities income, etc. : JPY(27M)
	Variable Rent	44.1% 11,259	43.9% 11,664	44.3% 11,332	44.1% 11,737	72	0.6%	Variance in variable rent, income from management contracts, and rent from revenue sharing: The HMJ Group Hotels JPY160M, the Six Accor Hotels JPY54M, the Six the b Hotels JPY(82M), and others including rent from revenue sharing JPY(59M)
	NOI (*3)	21,288	22,128	21,349	22,188	60	0.3%	
	NOI Yield	6.7%	6.9%	6.7%	6.9%	0.0%		
	NOI after Depreciation (*3)	17,366	17,971	17,461	18,066	95	0.6%	
	NOI Yield after Depreciation	5.4%	5.6%	5.5%	5.7%	0.0%		
	Operating Income	15,405	15,949	15,523	16,067	117	0.8%	
	Ordinary Income	13,493	14,028	13,693	14,228	200	1.5%	
	Net Income	13,492	14,027	13,692	14,227	200	1.5%	
Dividend	Use of Negative Goodwill	706	332	706	332	-	-	
	Total Dividends	14,198	14,358	14,398	14,559	200	1.4%	
	No. of Units Issued	4,010,847	4,010,847	4,010,847	4,010,847	-	-	
	Dividend per Unit (JPY)	3,540	3,580	3,590	3,630	50	1.4%	

(*1) The operating forecast for the fiscal year ending December 2017 (18th period) announced in “Notice Concerning Revision of Operating Forecast for Fiscal Year Ending December 2017 (18th Period) dated June 19th 2017.

(*2) For the assumptions of the forecast this time of the annualized effect (hypothetical result), please refer to “<Reference Materials 3> Assumptions of the forecast of annualized effect” below. The annualized effect is shown for reference purpose only calculated based on such assumption that the acquisitions of the acquired assets, etc. during the period contributed on a full year basis, and does not represent any forecast for the operating status and dividend of JHR for a specific calculation period.

(*3) Each is calculated using the following formula. The same shall apply hereinafter.

NOI (Net Operating Income) = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses

NOI yield = NOI ÷ Acquisition price

NOI after depreciation = Real estate operating revenue – Real estate operating costs

NOI yield after depreciation = NOI after depreciation ÷ Acquisition price

<Reference Materials 2>

Of the hotels that have adopted variable rent, the following presents sales and GOP of the HMJ group hotels, the six Accor hotels and the six *the b* hotels. The numerical figures are based on figures obtained from hotel lessees, etc. Please note that these figures have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of the figures and information. Sales and GOP are rounded off to the nearest millions of yen. Comparison with the previous period is rounded off to one decimal place.

<1> Sales and GOP of the HMJ Group Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the HMJ Group Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)			
		Actual	Comparison with previous period	Previous forecast	Forecast this time First half: actual Second half: forecast	Comparison with the previous forecast	Comparison with previous period
Kobe Meriken Park Oriental Hotel	First half of the year	2,465	1.7%	2,519	2,431	(3.5)%	(1.4)%
	Second half of the year	2,896	2.4%	2,984	2,870	(3.8)%	(0.9)%
	Full year	5,361	2.1%	5,503	5,301	(3.7)%	(1.1)%
Oriental Hotel tokyo bay	First half of the year	3,454	1.7%	3,452	3,319	(3.8)%	(3.9)%
	Second half of the year	3,817	(2.8)%	3,935	3,646	(7.3)%	(4.5)%
	Full year	7,271	(0.7)%	7,387	6,966	(5.7)%	(4.2)%
Namba Oriental Hotel	First half of the year	1,386	16.6%	1,438	1,394	(3.0)%	0.6%
	Second half of the year	1,491	11.1%	1,544	1,472	(4.7)%	(1.3)%
	Full year	2,877	13.7%	2,982	2,866	(3.9)%	(0.4)%
Hotel Nikko Alivila	First half of the year	2,421	1.8%	2,502	2,568	2.6%	6.1%
	Second half of the year	3,734	4.6%	3,787	3,813	0.7%	2.1%
	Full year	6,155	3.5%	6,289	6,381	1.5%	3.7%
Oriental Hotel Hiroshima	First half of the year	1,025	3.4%	1,026	993	(3.2)%	(3.0)%
	Second half of the year	1,216	6.4%	1,248	1,209	(3.1)%	(0.6)%
	Full year	2,240	5.0%	2,274	2,202	(3.2)%	(1.7)%
Total of the Five HMJ Hotels	First half of the year	10,751	3.6%	10,938	10,706	(2.1)%	(0.4)%
	Second half of the year	13,154	2.7%	13,498	13,010	(3.6)%	(1.1)%
	Full year	23,905	3.1%	24,436	23,715	(2.9)%	(0.8)%
Okinawa Marriott Resort & Spa	First half of the year	1,607	(0.4)%	1,629	1,692	3.9%	5.3%
	Second half of the year	2,326	(3.2)%	2,445	2,404	(1.7)%	3.4%
	Full year	3,933	(2.1)%	4,074	4,097	0.5%	4.2%
Sheraton Grand Hiroshima Hotel	First half of the year	1,369	1.7%	1,391	1,601	15.1%	17.0%
	Second half of the year	1,627	8.3%	1,568	1,536	(2.0)%	(5.6)%
	Full year	2,996	5.2%	2,959	3,137	6.0%	4.7%
Hotel Centraza Hakata	First half of the year	1,155	2.8%	1,178	1,266	7.4%	9.5%
	Second half of the year	1,265	5.0%	1,146	1,169	2.0%	(7.6)%
	Full year	2,421	3.9%	2,324	2,434	4.8%	0.6%
Holiday Inn Osaka Namba	First half of the year	1,104	32.7%	1,115	1,011	(9.3)%	(8.4)%
	Second half of the year	1,103	(2.7)%	1,201	1,061	(11.7)%	(3.8)%
	Full year	2,206	12.3%	2,316	2,073	(10.5)%	(6.1)%
Total of the Nine HMJ Hotels	First half of the year	15,985	4.5%	16,251	16,276	0.2%	1.8%
	Second half of the year	19,476	2.2%	19,858	19,180	(3.4)%	(1.5)%
	Full year	35,461	3.3%	36,109	35,456	(1.8)%	(0.0)%

(Unit: millions of yen)

Sales of the HMJ Group Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)			
		Actual	Comparison with previous period	Previous forecast	Forecast this time First half: actual Second half: forecast	Comparison with the previous forecast	Comparison with previous period
Hilton Tokyo Narita Airport	First half of the year	1,420	(0.8)%	1,530	1,542	0.8%	8.6%
	Second half of the year	1,566	2.8%	1,725	1,671	(3.2)%	6.7%
	Full year	2,986	1.1%	3,255	3,213	(1.3)%	7.6%
International Garden Hotel Narita	First half of the year	734	11.9%	725	705	(2.8)%	(4.1)%
	Second half of the year	718	8.5%	761	731	(4.0)%	1.8%
	Full year	1,453	10.2%	1,486	1,435	(3.4)%	(1.2)%
Hotel Nikko Nara	First half of the year	1,483	(1.4)%	1,426	1,458	2.2%	(1.7)%
	Second half of the year	1,521	(2.4)%	1,533	1,515	(1.1)%	(0.4)%
	Full year	3,003	(1.9)%	2,959	2,973	0.5%	(1.0)%
Total of the HMJ Group Hotels	First half of the year	19,622	3.9%	19,932	19,980	0.2%	1.8%
	Second half of the year	23,281	2.1%	23,877	23,096	(3.3)%	(0.8)%
	Full year	42,903	2.9%	43,808	43,077	(1.7)%	0.4%

(*1) Hotel Centraza Hakata and Holiday Inn Osaka Namba were acquired on April 1, 2016 and August 1, 2016, respectively. The figures for the fiscal year ended December 2016 are for the entire year including prior to the acquisition.

(*2) The figures for the fiscal year ended December 2016 and fiscal year ending December 2017 of the acquired assets (Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara), which were acquired in the fiscal year ending December 2017, are for the entire year including prior to the acquisition.

(5) Hotel GOP

(Unit: millions of yen)

GOP and Ratio of GOP of the HMJ Group Hotels (*1)		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)			
		Actual	Comparison with previous period	Previous forecast	Forecast this time	Comparison with the previous forecast	Comparison with previous period
Total of the Nine HMJ Hotels	GOP	12,010	10.1%	12,237	12,431	1.6%	3.5%
	Ratio of GOP	33.9%	2.1%	33.9%	35.1%	1.2%	1.2%
Total of the HMJ Group Hotels	GOP	14,124	10.4%	14,507	14,699	1.3%	4.1%
	Ratio of GOP	32.9%	2.2%	33.1%	34.1%	1.0%	1.2%

(*1) Ratio of GOP refers to the ratio of GOP to sales. The same shall apply hereinafter.

(*2) Hotel Centraza Hakata and Holiday Inn Osaka Namba were acquired on April 1, 2016 and August 1, 2016, respectively. The figures for the fiscal year ended December 2016 are for the entire year including prior to the acquisition.

(*3) The figures for the fiscal year ended December 2016 and fiscal year ending December 2017 of the acquired assets (Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara), which were acquired in the fiscal year ending December 2017, are for the entire year including prior to the acquisition.

<2> Sales and GOP of the Six Accor Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Six Accor Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)			
		Actual	Comparison with previous period	Previous forecast	Forecast this time First half: actual Second half: forecast	Comparison with the previous forecast	Comparison with previous period
ibis Tokyo Shinjuku	First half of the year	406	(10.3)%	406	365	(10.2)%	(10.1)%
	Second half of the year	426	1.3%	430	438	2.0%	2.8%
	Full year	832	(4.7)%	836	803	(3.9)%	(3.5)%
ibis Styles Kyoto Station	First half of the year	464	30.0%	492	482	(2.2)%	3.7%
	Second half of the year	513	12.3%	540	527	(2.3)%	2.7%
	Full year	977	20.1%	1,032	1,009	(2.3)%	3.2%
ibis Styles Sapporo	First half of the year	490	14.3%	505	548	8.4%	11.9%
	Second half of the year	633	7.1%	650	671	3.3%	6.1%
	Full year	1,122	10.1%	1,156	1,220	5.5%	8.6%
Mercure Sapporo	First half of the year	546	9.3%	585	596	1.9%	9.3%
	Second half of the year	708	5.3%	745	750	0.6%	5.9%
	Full year	1,254	7.0%	1,330	1,346	1.2%	7.3%
Mercure Okinawa Naha	First half of the year	489	20.2%	519	532	2.6%	8.7%
	Second half of the year	560	8.6%	578	582	0.6%	3.9%
	Full year	1,049	13.7%	1,096	1,114	1.6%	6.1%
Mercure Yokosuka	First half of the year	569	3.5%	586	551	(6.0)%	(3.2)%
	Second half of the year	502	(2.0)%	540	524	(2.9)%	4.5%
	Full year	1,071	0.8%	1,127	1,075	(4.5)%	0.4%
Total of the Six Accor Hotels	First half of the year	2,965	10.0%	3,094	3,074	(0.7)%	3.7%
	Second half of the year	3,341	5.5%	3,482	3,492	0.3%	4.5%
	Full year	6,306	7.6%	6,577	6,566	(0.2)%	4.1%

(2) Hotel GOP

(Unit: millions of yen)

GOP and Ratio of GOP of the Six Accor Hotels	FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)			
	Actual	Comparison with previous period	Previous forecast	Forecast this time	Comparison with the previous forecast	Comparison with previous period
Total of the Six Accor Hotels	2,885	14.9%	2,987	3,042	1.8%	5.4%
Ratio of GOP	45.8%	2.9%	45.4%	46.3%	0.9%	0.6%

<3> Sales and GOP of the Six *the b* Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Six <i>the b</i> Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)			
		Actual	Comparison with previous period	Previous forecast	Forecast this time First half: actual Second half: forecast	Comparison with the previous forecast	Comparison with previous period
the b akasaka-mitsuke	First half of the year	242	9.4%	242	215	(11.2)%	(11.2)%
	Second half of the year	226	(6.7)%	231	222	(3.7)%	(1.7)%
	Full year	468	1.0%	473	437	(7.5)%	(6.7)%
the b ikebukuro	First half of the year	323	7.3%	325	306	(5.9)%	(5.3)%
	Second half of the year	312	(3.7)%	324	317	(2.1)%	1.4%
	Full year	635	1.6%	648	622	(4.0)%	(2.0)%
the b ochanomizu	First half of the year	131	(0.8)%	134	130	(3.4)%	(0.9)%
	Second half of the year	135	3.5%	138	133	(3.4)%	(1.0)%
	Full year	266	1.3%	273	263	(3.4)%	(1.0)%
the b hachioji	First half of the year	291	9.0%	296	266	(10.1)%	(8.5)%
	Second half of the year	273	(6.1)%	291	274	(6.0)%	0.2%
	Full year	564	1.1%	587	540	(8.1)%	(4.3)%
the b hakata	First half of the year	230	20.6%	240	244	1.7%	5.9%
	Second half of the year	249	15.5%	255	259	1.7%	4.2%
	Full year	478	17.9%	494	503	1.7%	5.0%
the b suidobashi	First half of the year	177	—	183	173	(5.1)%	(2.1)%
	Second half of the year	174	—	194	179	(8.0)%	2.6%
	Full year	351	—	377	352	(6.6)%	0.2%
Total of the Six <i>the b</i> Hotels	First half of the year	1,394	—	1,420	1,333	(6.1)%	(4.3)%
	Second half of the year	1,369	—	1,432	1,384	(3.4)%	1.1%
	Full year	2,763	—	2,852	2,717	(4.7)%	(1.7)%

(*) The b suidobashi was rebranded from Dormy Inn Suidobashi on July 1, 2015. Therefore, no figures are indicated in the b suidobashi and Total of the Six *the b* Hotels for comparison with the previous period for the fiscal year ended December 2016.

(2) Hotel GOP

(Unit: millions of yen)

GOP and Ratio of GOP of the Six <i>the b</i> Hotels	FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)			
	Actual	Comparison with previous period	Previous forecast	Forecast this time	Comparison with the previous forecast	Comparison with previous period
Total of the Six <i>the b</i> Hotels	1,370	—	1,381	1,286	(6.9)%	(6.1)%
Ratio of GOP	49.6%	—	48.4%	47.3%	(1.1)%	(2.2)%

(*) The b suidobashi was rebranded from Dormy Inn Suidobashi on July 1, 2015. Therefore, no figures are indicated in the Total of the Six *the b* Hotels and Ratio of GOP for comparison with the previous period for the fiscal year ended December 2016.

<Reference Materials 3> Assumptions of the forecast of annualized effect

- (1) The operating revenue and operating expenses for existing properties (properties other than the acquired assets) remain unchanged from “Assumptions of the operating forecast for the full year of the fiscal year ending December 2017 (18th period)” above except for property taxes, city planning taxes, etc.
- (2) The annual fixed rent and variable rent for Hilton Tokyo Narita Airport is calculated as follows.
 Annual rent for the fiscal year ending December 2017 (18th period) (¥808 million) = Fixed rent (¥444 million) + Variable rent
 Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 86.5%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 86.5%
Full year	970	550	364

- (3) The annual fixed rent and variable rent for International Garden Hotel Narita are calculated as follows.
 Annual rent for the fiscal year ending December 2017 (18th period) (¥569 million) = Fixed rent (¥336 million) + Variable rent
 Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 98.0%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 98.0%
Full year	598	360	233

- (4) The annual fixed rent and variable rent for Hotel Nikko Nara are calculated as follows.
 Annual rent for the fiscal year ending December 2017 (18th period) (¥675 million) = Fixed rent (¥420 million) + Variable rent
 Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 91.5%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 91.5%
Full year	749	470	255

- (5) Calculation of Hotel GOP for the acquired assets is assuming annualized saving effects of relevant costs based on agreements, etc. which are or will be signed during the fiscal year ending December 2017.
- (6) For the property taxes, city planning taxes, etc. for the relevant period, the property taxes, city planning taxes, etc. for the five properties (CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata, Holiday Inn Osaka Namba, HOTEL ASCENT FUKUOKA and Hilton Nagoya) acquired in the fiscal year ended December 2016 (17th period) are assumed to be ¥224 million (for twelve months), and the property taxes, city planning taxes, etc. for the acquired assets are assumed to be ¥160 million (for twelve months).
- (7) For non-operating expenses, borrowing costs related to asset acquisitions, expenses incurred in the issuance of new investment units and others are assumed on an annualized basis (twelve months). However, the major financial costs expensed all at once upon property acquisitions are not included in the annualized effect.

3. Semi-annual financial statements

(1) Semi-annual balance sheets

(thousands of yen)

	As of December 31, 2016	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	15,141,393	10,340,286
Cash and deposits in trust	11,232,472	9,860,530
Operating accounts receivable	2,071,152	1,521,962
Prepaid expenses	586,700	508,092
Income taxes receivable	294	-
Other current assets	18,339	69,259
Total current assets	29,050,353	22,300,131
Noncurrent assets		
Property and equipment, at cost		
Machinery and equipment	220,174	253,444
Accumulated depreciation	(92,636)	(105,744)
Machinery and equipment, net	127,538	147,700
Tools, furniture and fixtures	1,983,010	2,096,961
Accumulated depreciation	(873,534)	(1,000,998)
Tools, furniture and fixtures, net	1,109,476	1,095,963
Construction in progress	3,240	-
Buildings in trust	*1 104,284,116	*1 104,976,734
Accumulated depreciation	(12,060,126)	(13,519,378)
Buildings in trust, net	92,223,989	91,457,355
Structures in trust	2,100,930	2,102,085
Accumulated depreciation	(238,341)	(272,301)
Structures in trust, net	1,862,588	1,829,783
Machinery and equipment in trust	534,100	538,401
Accumulated depreciation	(75,467)	(87,806)
Machinery and equipment in trust, net	458,632	450,594
Tools, furniture and fixtures in trust	137,266	137,266
Accumulated depreciation	(77,824)	(82,566)
Tools, furniture and fixtures in trust, net	59,442	54,700
Land in trust	154,841,633	154,841,633
Construction in progress in trust	4,085	14,000
Net property and equipment	250,690,627	249,891,732
Intangible assets		
Software	168,345	163,164
Leasehold rights in trust	28,648,457	28,648,457
Fixed-term leasehold rights in trust	5,451,770	5,382,632
Other intangible assets	9,796	9,456
Total intangible assets	34,278,369	34,203,710
Investments and other assets		
Security deposits	12,520	12,520
Leasehold and security deposits in trust	158,323	158,323
Long-term prepaid expenses	3,090,505	2,903,306
Derivative assets	146,585	131,601
Reserve for repairs and maintenance	64,130	68,479
Total investments and other assets	3,472,065	3,274,231
Total noncurrent assets	288,441,062	287,369,674
Deferred assets		
Investment unit issuance costs	243,615	185,207
Investment corporation bond issuance costs	143,589	133,343
Total deferred assets	387,204	318,551
Total assets	317,878,620	309,988,357

(thousands of yen)

	As of December 31, 2016	As of June 30, 2017
Liabilities		
Current liabilities		
Operating accounts payable	666,315	567,763
Short-term loans payable	1,800,000	100,000
Current portion of long-term loans payable	9,679,250	18,458,000
Accrued expenses	610,344	550,975
Income taxes payable	1,210	605
Consumption taxes payable	496,373	331,939
Advances received	899,290	902,290
Dividends payable	15,101	20,511
Deposits received	117,949	12,713
Derivative liabilities	24,379	33,154
Other current liabilities	54,503	57,900
Total current liabilities	14,364,717	21,035,855
Long-term liabilities		
Investment corporation bonds	22,600,000	22,600,000
Long-term loans payable	92,099,750	84,466,750
Tenant leasehold and security deposits	1,041,032	1,041,016
Tenant leasehold and security deposits in trust	4,619,744	4,632,725
Derivative liabilities	676,488	594,320
Deferred tax liabilities	46,233	41,561
Asset retirement obligations	441,542	442,559
Total long-term liabilities	121,524,790	113,818,932
Total liabilities	135,889,508	134,854,787
Net assets		
Unitholders' equity		
Unitholders' capital	134,829,448	134,829,448
Surplus		
Capital surplus	21,746,398	21,746,398
Voluntary reserve		
Dividend reserve	13,867,228	-
Reserve for temporary difference adjustment	-	*2 13,127,153
Total voluntary reserve	13,867,228	13,127,153
Unappropriated retained earnings (undisposed loss)	12,126,057	5,951,480
Total surplus	47,739,684	40,825,032
Total unitholders' equity	182,569,132	175,654,480
Valuation and translation adjustments		
Deferred gains (losses) on hedges	(580,019)	(520,911)
Total valuation and translation adjustments	(580,019)	(520,911)
Total net assets	*3 181,989,112	*3 175,133,569
Total liabilities and net assets	317,878,620	309,988,357

(2) Semi-annual statements of income

(thousands of yen)

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
Operating revenue		
Real estate operating revenue	*1 8,955,104	*1 10,716,102
Other real estate operating revenue	*1 435,866	*1 555,982
Total operating revenue	9,390,971	11,272,084
Operating expenses		
Real estate operating costs	*1, *2 2,985,368	*1, *2 3,683,291
Asset management fee	581,912	694,519
Asset custody and administrative service fee	54,508	54,126
Directors' compensation	7,200	7,200
Other operating expenses	79,160	92,034
Total operating expenses	3,708,149	4,531,172
Operating income	5,682,822	6,740,912
Non-operating income		
Interest income	1,836	113
Gain on forfeiture of unclaimed dividends	2,296	3,624
Gain on insurance claims	52	339
Interest on tax refunds	219	-
Gain on derivative instruments	-	10,571
Total non-operating income	4,405	14,648
Non-operating expenses		
Interest expense	424,059	437,620
Interest expense on investment corporation bonds	59,026	84,036
Borrowing costs	271,160	203,770
Amortization of investment corporation bond issuance costs	9,217	10,245
Amortization of investment unit issuance costs	23,021	58,407
Loss on derivative instruments	30,779	6,598
Other	1,327	3,207
Total non-operating expenses	818,592	803,886
Ordinary income	4,868,635	5,951,674
Extraordinary loss		
Provision for loss on disaster	90,000	-
Total extraordinary loss	90,000	-
Income before income taxes	4,778,635	5,951,674
Income taxes – current	605	605
Total income taxes	605	605
Net income	4,778,030	5,951,069
Retained earnings brought forward	2,894	411
Unappropriated retained earnings (undisposed loss)	4,780,924	5,951,480

(3) Semi-annual statements of changes in net assets

For the six months ended June 30, 2016

(thousands of yen)

(thousands of yen)

	Unitholders' equity						
	Unitholders' capital	Surplus					Total unitholders' equity
		Capital surplus	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	
			Dividend reserve	Total voluntary reserve			
Balance, January 1, 2016	85,470,541	21,746,398	13,928,075	13,928,075	9,296,121	44,970,596	130,441,137
Changes of items during the period:							
Issuance of new investment units	14,618,266						14,618,266
Reversal of dividend reserve			(60,847)	(60,847)	60,847	-	-
Dividends paid					(9,354,075)	(9,354,075)	(9,354,075)
Net income					4,778,030	4,778,030	4,778,030
Net changes of items other than unitholders' equity							
Total changes of items during the period	14,618,266	-	(60,847)	(60,847)	(4,515,197)	(4,576,044)	10,042,221
Balance, June 30, 2016	^{*1} 100,088,808	21,746,398	13,867,228	13,867,228	4,780,924	40,394,551	140,483,359

(thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2016	(526,660)	(526,660)	129,914,477
Changes of items during the period:			
Issuance of new investment units			14,618,266
Reversal of dividend reserve			-
Dividends paid			(9,354,075)
Net income			4,778,030
Net changes of items other than unitholders' equity	(725,882)	(725,882)	(725,882)
Total changes of items during the period	(725,882)	(725,882)	9,316,338
Balance, June 30, 2016	(1,252,543)	(1,252,543)	139,230,816

For the six months ended June 30, 2017

(thousands of yen)

(thousands of yen)

	Unitholders' equity							
	Unitholders' capital	Surplus						Total unitholders' equity
		Capital surplus	Voluntary reserve			Unappropriated retained earnings (undisposed loss)	Total surplus	
			Dividend reserve	Reserve for temporary difference adjustment	Total voluntary reserve			
Balance, January 1, 2017	134,829,448	21,746,398	13,867,228	-	13,867,228	12,126,057	47,739,684	182,569,132
Changes of items during the period:								
Issuance of new investment units								
Reversal of dividend reserve			(13,867,228)		(13,867,228)	13,867,228	-	-
Reserve for temporary difference adjustment				13,127,153	13,127,153	(13,127,153)	-	-
Dividends paid						(12,865,721)	(12,865,721)	(12,865,721)
Net income						5,951,069	5,951,069	5,951,069
Net changes of items other than unitholders' equity								
Total changes of items during the period	-	-	(13,867,228)	13,127,153	(740,075)	(6,174,577)	(6,914,652)	(6,914,652)
Balance, June 30, 2017	^{*1} 134,829,448	21,746,398	-	13,127,153	13,127,153	5,951,480	40,825,032	175,654,480

(thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2017	(580,019)	(580,019)	181,989,112
Changes of items during the period:			
Issuance of new investment units			-
Reversal of dividend reserve			-
Reserve for temporary difference adjustment			-
Dividends paid			(12,865,721)
Net income			5,951,069
Net changes of items other than unitholders' equity	59,108	59,108	59,108
Total changes of items during the period	59,108	59,108	(6,855,543)
Balance, June 30, 2017	(520,911)	(520,911)	175,133,569

(4) Semi-annual statements of cash flows

(thousands of yen)

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
Cash flows from operating activities		
Income before income taxes	4,778,635	5,951,674
Depreciation and amortization	1,603,918	1,756,345
Loss on retirement of noncurrent assets	5,053	18,551
Loss (gain) on derivative instruments	30,779	(3,973)
Amortization of investment corporation bond issuance costs	9,217	10,245
Amortization of investment unit issuance costs	23,021	58,407
Increase (decrease) in provision for loss on disaster	90,000	-
Interest income	(1,836)	(113)
Interest expense	483,085	521,656
Interest on tax refunds	(219)	-
(Increase) decrease in operating accounts receivable	72,635	549,190
(Increase) decrease in prepaid expenses	(51,735)	78,607
(Increase) decrease in consumption taxes receivable	245,509	-
(Increase) decrease in long-term prepaid expenses	(1,964,229)	187,198
Increase (decrease) in operating accounts payable	(40,710)	(115,764)
Increase (decrease) in accrued expenses	(8,575)	(56,625)
Increase (decrease) in consumption taxes payable	113,020	(164,433)
Increase (decrease) in advances received	70,707	2,999
Increase (decrease) in deposits received	(25,632)	(105,235)
Other – net	22,934	(46,453)
Subtotal	5,455,581	8,642,280
Interest received	1,836	144
Interest paid	(495,890)	(524,399)
Interest received on tax refunds	219	-
Income taxes – refunded (paid)	1,847	(915)
Net cash provided by operating activities	4,963,595	8,117,109
Cash flows from investing activities		
Purchase of property and equipment in trust	(9,864,929)	(679,578)
Purchase of property and equipment	(384,032)	(183,391)
Purchase of intangible assets	(5,474,180)	(21,994)
Payments of reserve for repairs and maintenance	(6,955)	(4,348)
Proceeds from tenant leasehold and security deposits in trust	299,878	23,412
Reimbursements of tenant leasehold and security deposits in trust	(38,587)	(9,680)
Proceeds from tenant leasehold and security deposits	7,000	-
Reimbursements of tenant leasehold and security deposits	(1,000,000)	(16)
Net cash used in investing activities	(16,461,806)	(875,597)
Cash flows from financing activities		
Proceeds from short-term loans payable	8,700,000	-
Repayments of short-term loans payable	(9,000,000)	(1,700,000)
Proceeds from long-term loans payable	17,400,000	1,700,000
Repayments of long-term loans payable	(11,314,103)	(554,250)
Proceeds from investment corporation bonds	3,000,000	-
Proceeds from issuance of investment units	14,589,356	-
Payments for investment corporation bond issuance costs	(21,524)	-
Dividends paid	(9,348,241)	(12,860,311)
Net cash provided by financing activities	14,005,487	(13,414,561)
Net increase (decrease) in cash and cash equivalents	2,507,276	(6,173,049)
Cash and cash equivalents at beginning of period	13,698,296	26,373,866
Cash and cash equivalents at end of period	*1 16,205,573	*1 20,200,816

(5) Notes on going concern assumption

Not applicable.

(6) Notes on matters concerning significant accounting policies

1. Method of depreciation and amortization of noncurrent assets	<p>(1) Property and equipment (including trust accounts)</p> <p>Depreciation of property and equipment is calculated using the straight-line method. The useful lives of major property and equipment components are as follows:</p> <table><tr><td>Machinery and equipment</td><td>2 to 17 years</td></tr><tr><td>Tools, furniture and fixtures</td><td>2 to 20 years</td></tr><tr><td>Buildings in trust</td><td>2 to 62 years</td></tr><tr><td>Structures in trust</td><td>2 to 62 years</td></tr><tr><td>Machinery and equipment in trust</td><td>4 to 32 years</td></tr><tr><td>Tools, furniture and fixtures in trust</td><td>2 to 27 years</td></tr></table> <p>(2) Intangible assets</p> <p>Intangible assets are amortized using the straight-line method. The amortization period of major intangible assets is as follows.</p> <table><tr><td>Software (for internal use)</td><td>5 years as internally usable years</td></tr></table> <p>Fixed-term leasehold rights in trust is amortized using the straight-line method based on remaining period (41 years and 49 years) of the contract.</p> <p>(3) Long-term prepaid expenses</p> <p>Long-term prepaid expenses are amortized using the straight-line method.</p>	Machinery and equipment	2 to 17 years	Tools, furniture and fixtures	2 to 20 years	Buildings in trust	2 to 62 years	Structures in trust	2 to 62 years	Machinery and equipment in trust	4 to 32 years	Tools, furniture and fixtures in trust	2 to 27 years	Software (for internal use)	5 years as internally usable years
Machinery and equipment	2 to 17 years														
Tools, furniture and fixtures	2 to 20 years														
Buildings in trust	2 to 62 years														
Structures in trust	2 to 62 years														
Machinery and equipment in trust	4 to 32 years														
Tools, furniture and fixtures in trust	2 to 27 years														
Software (for internal use)	5 years as internally usable years														
2. Accounting for deferred assets	<p>(1) Investment unit issuance costs</p> <p>Investment unit issuance costs are amortized using the straight-line method over three years.</p> <p>The issuance of new investment units was consummated under underwriting agreements in which underwriting securities companies committed to purchase all of the investment units being offered at an issue value and selling them at an offering price different from such issue value to general investors (the “spread method”).</p> <p>No underwriting fees were paid by JHR under the spread method since the underwriters were compensated by the underwriting spread, which amounted to ¥466,990 thousand for the six months ended June 30, 2016, representing the difference between the issue price and the issue value. Not applicable for the midterm period under review.</p> <p>(2) Investment corporation bond issuance costs</p> <p>Investment corporation bond issuance costs are amortized using the interest method over the respective term of the bond.</p>														
3. Standards for recognition of revenues and expenses	<p>Treatment of property taxes and other taxes</p> <p>For taxes imposed on properties, etc. under management such as property taxes, city planning taxes, and depreciable asset taxes, the imposed amounts are allocated to the respective period and expensed as “Real estate operating costs.”</p> <p>Cash paid for property taxes and city planning taxes, etc. to the transferor of real properties, etc. at acquisition is not recorded as “Real estate operating costs” but capitalized as part of the acquisition cost of the relevant property.</p> <p>The amount of such taxes capitalized in the acquisition cost of real properties, etc. was ¥37,685 thousand for the six months ended June 30, 2016. Not applicable for the midterm period under review.</p>														

4. Method of hedge accounting	<p>(1) Method of hedge accounting Deferred hedge accounting is applied</p> <p>(2) Hedging instruments and hedged items Hedging instruments Interest rate swaps Interest rate caps Hedged items Interest rates on loans payable</p> <p>(3) Hedging policy JHR enters into certain derivative transactions in accordance with its financial policy in order to manage risks, which is provided in the Articles of Incorporation.</p> <p>(4) Method for assessing hedge effectiveness JHR evaluates hedge effectiveness by comparing the cumulative changes in cash flow of hedging instruments and the hedged items and assessing the ratio between the changes.</p>
5. Scope of funds (cash and cash equivalents) in the semi-annual statements of cash flows	Cash and cash equivalents in the semi-annual statements of cash flows consist of cash on hand, cash in trust accounts, bank deposit and trust deposit, which can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased, which can easily be converted to cash and subject to minimal risk of change in value.
6. Other significant matters serving as the basis for preparing semi-annual financial statements	<p>(1) Accounting treatment of beneficial interests in trust with real estate, etc. as their assets For trust beneficial interests in real estate, etc., all assets and liabilities held in trust accounts as well as all income generated and expenses incurred from assets in trust are presented in the accompanying semi-annual balance sheet and income statement accounts accordingly. The following material items of the trust accounts recorded in the relevant accounts are presented separately on the semi-annual balance sheets.</p> <p>(a) Cash and deposits in trust</p> <p>(b) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust</p> <p>(c) Leasehold rights in trust; Fixed-term leasehold rights in trust; Leasehold and security deposits in trust</p> <p>(d) Tenant leasehold and security deposits in trust</p> <p>(2) Accounting treatment of consumption taxes Consumption taxes are excluded from the transaction amounts.</p>

(7) Note on change in the indication method

“Asset custody fee” and “Administrative service fee” indicated under the “Operating expenses” will be combined to “Asset custody and administrative service fee” from this midterm period under review due to the integration of the fee calculation. In order to reflect the change in the indication method, the financial statements for the calculation period 2016 is also rearranged.

As a result, ¥9,929 thousand of “Asset custody fee” and ¥44,579 thousand of “Administrative service fee” in “Operating expenses” are rearranged to ¥54,508 thousand of “Asset custody and administrative service fee.”

(8) Notes to semi-annual financial statements

Disclosure of notes on “securities” and “share of (profit) loss of entities accounted for using equity method” is omitted because there is thought to be no longer necessary for disclosure in the midterm financial report.

[Notes to semi-annual balance sheets]

*1. Accumulated advanced depreciation of property and equipment deducted from acquisition costs due to government subsidies received, etc.

	As of December 31, 2016	As of June 30, 2017
Buildings in trust	¥24,921 thousand	¥24,921 thousand

*2. Matters concerning provision and reversal of reserve for temporary difference adjustment

As of December 31, 2016

Not applicable.

As of June 30, 2017

(thousands of yen)

	Amount of initial accrual	Balance at beginning of period	Amount of provision during period	Amount of reversal during period	Balance at end of period	Grounds for provision and reversal
Dividend reserve (Note)	13,127,153	-	13,127,153	-	13,127,153	Application of the transitional measures of Paragraph 3 of the Supplementary Provisions of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015)

(Note) The remaining balance of the amount subdivided into gain on negative goodwill which was recorded as a dividend reserve prior to fiscal year 2016 is reserved for temporary difference adjustment during the period, and is scheduled for reversal every fiscal year, starting from the fiscal year following the fiscal year in which the reserve was made, in an amount that shall be no less than that in equal amounts every fiscal year over a period of no more than 50 years.

*3. Minimum net assets as required by Article 67, paragraph 4 of the Investment Trusts Act

	As of December 31, 2016	As of June 30, 2017
	¥50,000 thousand	¥50,000 thousand

[Notes to semi-annual statements of income]

*1. Components of real estate operating revenue and real estate operating costs

(thousands of yen)

	For the six months ended June 30, 2016		For the six months ended June 30, 2017	
A. Real estate operating revenue				
Real estate operating revenue				
Fixed rent	5,616,251		6,258,229	
Variable rent	2,213,574		3,271,841	
Income from management contracts	1,125,278	8,955,104	1,186,031	10,716,102
Other real estate operating revenue				
Parking lots	71,399		83,394	
Other incidental revenue	14,461		31,282	
Utilities	218,328		373,573	
Other	131,677	435,866	67,732	555,982
Total real estate operating revenue		9,390,971		11,272,084
B. Real estate operating costs				
Real estate operating costs				
Land lease and other rent expenses	287,175		461,618	
Property taxes	561,728		710,238	
Outsourcing expenses (Note)	236,669		285,511	
Nonlife insurance	18,903		22,998	
Depreciation and amortization	1,603,918		1,756,345	
Loss on retirement of noncurrent assets	5,053		18,551	
Repairs	18,782		18,462	
Utilities	221,810		381,884	
Trust fees	21,177		21,716	
Other	10,149	2,985,368	5,964	3,683,291
Total real estate operating costs		2,985,368		3,683,291
C. Net real estate operating income				
(A – B)		6,405,603		7,588,793

(Note) Outsourcing expenses include management contract fees of ¥107,464 thousand for the six months ended June 30, 2016 and ¥108,479 thousand for the six months ended June 30, 2017.

*2. Depreciation was expensed as follows:

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
Property and equipment	¥1,552,218 thousand	¥1,662,754 thousand
Intangible assets	¥51,700 thousand	¥93,591 thousand

[Notes to semi-annual statements of changes in net assets]

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
*1 Total number of investment units authorized, and issued and outstanding		
Total number of investment units authorized	20,000,000 units	20,000,000 units
Total number of investment units issued and outstanding	3,321,907 units	3,761,907 units

[Notes to semi-annual statements of cash flows]

*1. Relation of balance of cash and cash equivalents at end of period and the amount in semi-annual balance sheet accounts

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
Cash and deposits	¥8,617,983 thousand	¥10,340,286 thousand
Cash and deposits in trust	¥7,587,589 thousand	¥9,860,530 thousand
Cash and cash equivalents	¥16,205,573 thousand	¥20,200,816 thousand

*2. Content of significant non-cash transactions

For the six months ended June 30, 2016

JHR recognizes asset retirement obligations as it is obliged to restore the land of Hotel Centraza Hakata, acquired on April 1, 2016, to the original state in accordance with the fixed-term leasehold agreement. This increases buildings in trust of property and equipment and asset retirement obligations by ¥327,561 thousand.

For the six months ended June 30, 2017

Not applicable.

[Notes on lease transactions]

Operating leases (as lessor)

Minimum rental revenue under non-cancellable operating leases

	As of December 31, 2016	As of June 30, 2017
Due within one year	¥1,709,333 thousand	¥1,705,646 thousand
Due after one year	¥5,889,179 thousand	¥5,385,102 thousand
Total	¥7,598,512 thousand	¥7,090,748 thousand

[Notes on financial instruments]

Matters concerning fair value of financial instruments

Carrying amounts of financial instruments on the (semi-annual) balance sheets, their fair values, and the differences were as follows. Financial instruments whose fair values are considered extremely difficult to measure are not included in the table. See Note 2 below.

As of December 31, 2016

	Carrying amount (JPY1000)	Fair value (JPY1000)	Difference (JPY1000)
(1) Cash and deposits	15,141,393	15,141,393	-
(2) Cash and deposits in trust	11,232,472	11,232,472	-
Total assets	26,373,866	26,373,866	-
(3) Short-term loans payable	1,800,000	1,800,000	-
(4) Current portion of long-term loans payable	9,679,250	9,679,250	-
(5) Investment corporation bonds	22,600,000	22,629,640	29,640
(6) Long-term loans payable	92,099,750	92,099,750	-
Total liabilities	126,179,000	126,208,640	29,640
(7) Derivative transactions (*)	(554,282)	(554,282)	-

As of June 30, 2017

	Carrying amount (JPY1000)	Fair value (JPY1000)	Difference (JPY1000)
(1) Cash and deposits	10,340,286	10,340,286	-
(2) Cash and deposits in trust	9,860,530	9,860,530	-
Total assets	20,200,816	20,200,816	-
(3) Short-term loans payable	100,000	100,000	-
(4) Current portion of long-term loans payable	18,458,000	18,458,000	-
(5) Investment corporation bonds	22,600,000	22,586,820	(13,180)
(6) Long-term loans payable	84,466,750	84,466,750	-
Total liabilities	125,624,750	125,611,570	(13,180)
(7) Derivative transactions (*)	(495,873)	(495,873)	-

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

(Note 1) Methods to measure fair value of financial instruments

(1) Cash and deposits; (2) Cash and deposits in trust; (3) Short-term loans payable

The carrying value is deemed to approximate the fair value since the instruments are scheduled to be settled in a short period of time.

(4) Current portion of long-term loans payable; (6) Long-term loans payable

The carrying value is deemed to approximate the fair value since the interest rate on long-term loans payable are floating interest rates which are revised periodically to reflect market interest rates.

(5) Investment corporation bonds

The fair value of these instruments is measured based on the market price.

(7) Derivative transactions

The information on the fair value of derivative transactions is presented in “Notes on derivative transactions” below.

(Note 2) Carrying amount of financial instruments whose fair values are considered extremely difficult to measure

(thousands of yen)

Classification	As of December 31, 2016	As of June 30, 2017
Tenant leasehold and security deposits	1,041,032	1,041,016
Tenant leasehold and security deposits in trust	4,619,744	4,632,725
Total	5,660,776	5,673,741

Tenant leasehold and security deposits / Tenant leasehold and security deposits in trust

Tenant leasehold and security deposits (in trust) are not subject to fair value disclosure because they have no market price and their actual deposit periods from a tenant’s move-in to move-out are not estimable, thus making a reasonable estimate of future cash flows is difficult.

[Notes on derivative transactions]

1. Derivative transactions to which hedge accounting is not applied

As of December 31, 2016

For derivative transactions which hedge accounting is not applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date was as follows:

(thousands of yen)

Classification	Type, etc. of derivative transaction	Contract amount, etc.		Fair value	Method to measure the fair value
			Of which, due after one year		
Transactions other than market transactions	Interest rate swaps (fixed rate payment, floating rate receipt)	6,794,000	6,794,000	(38,033)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	848,250	-	-	

As of June 30, 2017

For derivative transactions which hedge accounting is not applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date was as follows:

(thousands of yen)

Classification	Type, etc. of derivative transaction	Contract amount, etc.		Fair value	Method to measure the fair value
			Of which, due after one year		
Transactions other than market transactions	Interest rate swaps (fixed rate payment, floating rate receipt)	6,794,000	1,794,000	(27,461)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	-	-	-	

2. Derivative transactions to which hedge accounting is applied

As of December 31, 2016

For derivative transactions which hedge accounting is applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date for each method of hedge accounting was as follows:

(thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Deferral method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	92,428,750	82,808,750	(516,439)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	Long-term loans payable	4,286,250	4,286,250	190	

As of June 30, 2017

For derivative transactions which hedge accounting is applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date for each method of hedge accounting was as follows:

(thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Deferral method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	92,428,750	79,487,750	(468,421)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	Long-term loans payable	4,286,250	-	9	

[Notes on asset retirement obligations]

Asset retirement obligations recognized on the (semi-annual) balance sheets

1. Outline of the subject asset retirement obligations

JHR recognizes asset retirement obligations as it is obliged to restore the land of Hotel Centraza Hakata, acquired on April 1, 2016, and HOTEL ASCENT FUKUOKA, acquired on August 19, 2016, to the original state in accordance with the fixed-term leasehold agreement.

2. Calculation method of the subject asset retirement obligations

Calculated the amount of asset retirement obligations estimating that the expected useful life is 34 years and 48 years, respectively, due to their remaining use period and using the discount rate of 0.484% and 0.394%, respectively.

3. Increase and decrease of the subject asset retirement obligations

(thousands of yen)

	For the year ended December 31, 2016	For the six months ended June 30, 2017
Balance at beginning of period	-	441,542
Increase due to acquisition of property and equipment	440,168	
Adjustment due to passage of time	1,373	1,017
Balance at end of period	441,542	442,559

[Notes on rental properties, etc.]

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

(thousands of yen)

Use		For the year ended December 31, 2016	For the six months ended June 30, 2017
Hotel	Carrying amount		
	Balance at beginning of period	222,362,750	284,965,547
	Net increase (decrease) during period	62,602,797	(879,570)
	Balance at end of period	284,965,547	284,085,977
	Fair value at end of period	398,770,000	399,600,000

(Note 1) For a summary of the applicable rental properties, please refer to “5. Reference information; (2) Assets under management; (C) Other major assets under management; A. Summary of real estate properties under management” on page 50.

(Note 2) Increase during the previous year ended December 31, 2016 principally represents the acquisition of CANDEO HOTELS UENO-KOEN for ¥6,784 million, Hotel Centraza Hakata for ¥7,614 million, Holiday Inn Osaka Namba (HOTEL VISTA GRANDE OSAKA) for ¥27,245 million, HOTEL ASCENT FUKUOKA for ¥5,222 million and Hilton Nagoya for ¥15,488 million. Decrease during the six months ended June 30, 2017 principally represents depreciation and amortization.

(Note 3) Fair value at end of period is the appraisal value determined by licensed real estate appraisers from outside.

[Notes on segment and related information]

1. Segment information

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

2. Related information

For the six months ended June 30, 2016

(1) Information about products and services

Information about products and services has been omitted because operating revenue from external customers in a single product/service category accounted for more than 90% of total operating revenue on the semi-annual statements of income.

(2) Information about geographical areas

(i) Operating revenue

Information about geographical areas has been omitted because operating revenue from external customers in Japan accounted for more than 90% of total operating revenue on the semi-annual statements of income.

(ii) Property and equipment

Information about property and equipment has been omitted because the amount of property and equipment located in Japan accounted for more than 90% of net property and equipment on the semi-annual balance sheets.

(3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd.	2,638,508	Investment and management of hotel real estate
AAPC Japan K.K.	1,348,837	Investment and management of hotel real estate

For the six months ended June 30, 2017

(1) Information about products and services

Information about products and services has been omitted because operating revenue from external customers in a single product/service category accounted for more than 90% of total operating revenue on the semi-annual statements of income.

(2) Information about geographical areas

(i) Operating revenue

Information about geographical areas has been omitted because operating revenue from external customers in Japan accounted for more than 90% of total operating revenue on the semi-annual statements of income.

(ii) Property and equipment

Information about property and equipment has been omitted because the amount of property and equipment located in Japan accounted for more than 90% of net property and equipment on the semi-annual balance sheets.

(3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd.	2,790,777	Investment and management of hotel real estate
AAPC Japan K.K.	1,427,403	Investment and management of hotel real estate

[Notes on per unit information]

Net assets per unit is as follows:

	As of December 31, 2016	As of June 30, 2017
Net assets per unit	¥48,376	¥46,554

Net income per unit and the basis of computation of net income per unit are as follows:

	For the six months ended June 30, 2016	For the six months ended June 30, 2017
Net income per unit	¥1,446	¥1,581
[Basis of computation]		
Net income for midterm (JPY1000)	4,778,030	5,951,069
Amount not attributable to common unitholders (JPY1000)	-	-
Net income for midterm attributable to common investment units (JPY1000)	4,778,030	5,951,069
Average number of investment units during period (units)	3,302,176	3,761,907

(Note) Net income per unit for midterm is computed by dividing net income for midterm by the average number of investment units during the midterm period.

Net income per unit for midterm after the adjustment of potentially dilutive units is not presented since there are no potentially dilutive units.

[Notes on significant subsequent events]

1. Acquisition of assets

On July 12, 2017 and August 1, 2017, JHR acquired assets totaling three properties with a combined acquisition price of ¥32,673 million as follows:

Property name	Hilton Tokyo Narita Airport
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	456 Kosuge, Narita-shi, Chiba
Acquisition date	July 12, 2017
Seller	NRT Project Godo Kaisha
Acquisition price (Note)	¥13,175 million

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

Property name	International Garden Hotel Narita
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	241-1 Yoshikura, Narita-shi, Chiba
Acquisition date	July 12, 2017
Seller	IG Real Estate Hanbai Godo Kaisha
Acquisition price (Note)	¥9,125 million

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

Property name	Hotel Nikko Nara
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	8-1 Sanjo-honmachi, Nara-shi, Nara
Acquisition date	August 1, 2017

Seller	JH Nara Bridge Fund Goudou Kaisha
Acquisition price (Note)	¥10,373 million

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

2. Borrowing of funds

JHR procured new borrowings as follows in order to partly fund the acquisition of the real estate beneficial interests in trust and movable assets attached to the hotels as described above in “1. Acquisition of assets.”

(1) Term Loan 33

Lenders	Sumitomo Mitsui Banking Corporation / Shinsei Bank, Limited / Mizuho Bank, Ltd. / Sumitomo Mitsui Trust Bank, Limited
Amount of the loan	¥4,000 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.275%
Date of borrowing	July 12, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	June 29, 2018
Collateral	Unsecured/Unguaranteed

(2) Term Loan 34

Lenders	Sumitomo Mitsui Banking Corporation / The Chiba Bank, Ltd.
Amount of the loan	¥2,250 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.40%
Date of borrowing	July 12, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	June 30, 2023
Collateral	Unsecured/Unguaranteed

(3) Term Loan 35

Lenders	Sumitomo Mitsui Banking Corporation / Shinsei Bank, Limited / Mizuho Bank, Ltd. / Resona Bank, Limited
Amount of the loan	¥4,250 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.60%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2026
Collateral	Unsecured/Unguaranteed

(4) Term Loan 36

Lender	Sumitomo Mitsui Trust Bank, Limited
Amount of the loan	¥1,000 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.50%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(5) Term Loan 37

Lender	Mitsubishi UFJ Trust and Banking Corporation
Amount of the loan	¥700 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.45%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(6) Term Loan 38

Lender	Development Bank of Japan Inc.
Amount of the loan	¥500 million
Interest rate	0.75392% (fixed interest rate)
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(7) Term Loan 39

Lender	The Bank of Fukuoka, Ltd.
Amount of the loan	¥500 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.50%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(8) Term Loan 40

Lender	Aozora Bank, Ltd.
Amount of the loan	¥500 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.50%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(9) Term Loan 41

Lender	THE NISHI-NIPPON CITY BANK, LTD.
Amount of the loan	¥1,000 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.50%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(10) Term Loan 42

Lender	Shinsei Bank, Limited
Amount of the loan	¥300 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.45%
Date of borrowing	August 1, 2017
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

3. Issuance of new investment units

JHR resolved to issue new investment units at the Board of Directors meetings held on June 19, 2017 and June 28, 2017. Payment for the new investment units was completed on July 5, 2017 and August 2, 2017, and the investment units were issued under the following terms and conditions. As a result, JHR's unitholders' capital increased to ¥153,516,129,309, with the number of investment units issued and outstanding totaling 4,010,847 units.

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

Number of investment units issued:	236,000 units
Of which, domestic public offering:	99,743 units
Of which, overseas offering:	136,257 units
Issue price:	¥77,518 per unit
Total issue price:	¥18,294,248,000
Paid-in amount (issue value):	¥75,065 per unit
Total paid-in amount (total issue value):	¥17,715,340,000
Payment date:	July 5, 2017

(b) Issuance of new investment units (third-party allotment)

Number of investment units issued:	12,940 units
Paid-in amount (issue value):	¥75,065 per unit
Total paid-in amount (total issue value):	¥971,341,100
Payment date:	August 2, 2017
Allottee:	SMBC Nikko Securities Inc.

(c) Use of funds

JHR allocated the proceeds from the issuance of new investment units through the domestic public offering and overseas offering of ¥17,715,340,000 to part of the funds for acquisition (including expenses for acquisition) of Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara as described above in "1. Acquisition of assets." In addition, the proceeds from the issuance of new investment units through third-party allotment of ¥971,341,100 will be reserved as cash on hand in order to allocate to part of funds for future acquisitions of specified assets, part of funds for repayment of loans, or repair expenses and capital expenditures to maintain or improve competitiveness of existing properties.

(9) Changes in total number of investment units issued and outstanding

The following is the status of increase (decrease) in the total number of investment units issued and outstanding and unitholders' capital through to the end of the midterm period under review.

Date	Capital transaction	Total number of investment units issued and outstanding (Units)		Unitholders' capital (JPY1M)		Note
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
November 10, 2005	Incorporation through private placement	400	400	200	200	(Note 1)
June 13, 2006	Capital increase through public offering of investment units	41,800	42,200	19,361	19,561	(Note 2)
April 6, 2011	Capital increase through third-party allotment of investment units	15,831	58,031	3,599	23,161	(Note 3)
April 1, 2012	Investment unit split	638,341	696,372	-	23,161	(Note 4)
April 1, 2012	Merger	1,162,909	1,859,281	-	23,161	(Note 5)
September 12, 2012	Capital increase through public offering of investment units	240,000	2,099,281	4,855	28,017	(Note 6)
October 11, 2012	Capital increase through third-party allotment of investment units	12,000	2,111,281	242	28,260	(Note 7)
April 17, 2013	Capital increase through public offering of investment units	510,000	2,621,281	20,585	48,845	(Note 8)
September 9, 2014	Capital increase through public offering of investment units	170,000	2,791,281	10,179	59,024	(Note 9)
January 27, 2015	Capital increase through public offering of investment units	200,000	2,991,281	14,974	73,999	(Note 10)
February 18, 2015	Capital increase through third-party allotment of investment units	9,041	3,000,322	676	74,676	(Note 11)
June 22, 2015	Capital increase through public offering of investment units	140,000	3,140,322	10,500	85,177	(Note 12)
July 23, 2015	Capital increase through third-party allotment of investment units	3,905	3,144,227	292	85,470	(Note 13)
January 20, 2016	Capital increase through public offering of investment units	170,000	3,314,227	13,986	99,456	(Note 14)
February 17, 2016	Capital increase through third-party allotment of investment units	7,680	3,321,907	631	100,088	(Note 15)
July 27, 2016	Capital increase through public offering of investment units	428,260	3,750,167	33,813	133,902	(Note 16)
August 23, 2016	Capital increase through third-party allotment of investment units	11,740	3,761,907	926	134,829	(Note 17)

(Note 1) At the time of incorporation, investment units were issued with an issue price per unit of ¥500,000.

(Note 2) New investment units were issued through public offering with an issue price per unit of ¥480,000 (issue value of ¥463,200) in order to procure funds for the acquisition of new properties, etc.

(Note 3) New investment units were issued through third-party allotment with an issue value per unit of ¥227,400 in order to procure funds for the acquisition of new properties.

(Note 4) Conducted a 12-for-1 split of investment units.

(Note 5) JHR (the former NHF) merged with Japan Hotel & Resort, Inc. (the former JHR). The Merger was an absorption-type merger pursuant to Article 147 of the Investment Trusts Act where JHR is the surviving corporation and the former JHR is the absorbed corporation. Following this Merger, 11 investment units of JHR after the split of investment units were delivered by allotment for each investment unit of the former JHR.

(Note 6) New investment units were issued through public offering with an issue price per unit of ¥20,990 (issue value of ¥20,232) in order to procure funds for the acquisition of new properties, etc.

(Note 7) New investment units were issued through third-party allotment with an issue value per unit of ¥20,232 in order to repay loans payable, etc.

(Note 8) New investment units were issued through public offering with an issue price per unit of ¥41,778 (issue value of ¥40,363) in order to procure funds for the acquisition of new properties, etc.

(Note 9) New investment units were issued through public offering with an issue price per unit of ¥61,912 (issue value of ¥59,880) in order to procure funds for the acquisition of new properties, etc.

(Note 10) New investment units were issued through public offering with an issue price per unit of ¥77,415 (issue value of ¥74,874) in order to procure funds for the acquisition of new properties, etc.

(Note 11) New investment units were issued through third-party allotment with an issue value per unit of ¥74,874 in order to procure funds for allocation to part of future acquisitions of specified assets, part of other repayment of loans, or capital expenditures to maintain or improve competitiveness of existing properties.

(Note 12) New investment units were issued through public offering with an issue price per unit of ¥77,512 (issue value of ¥75,007) in order to procure funds for the acquisition of new properties, etc.

(Note 13) New investment units were issued through third-party allotment with an issue value per unit of ¥75,007 in order to procure funds for allocation to part of future acquisitions of specified assets, part of other repayment of loans, or capital expenditures to maintain or improve competitiveness of existing properties.

(Note 14) New investment units were issued through public offering with an issue price per unit of ¥85,020 (issue value of ¥82,273) in order to procure funds for the allocation to acquisition of new properties, etc.

(Note 15) New investment units were issued through third-party allotment with an issue value per unit of ¥82,273 in order to procure funds for allocation to acquisition of new properties, etc.

(Note 16) New investment units were issued through public offering with an issue price per unit of ¥81,536 (issue value of ¥78,956) in order to procure funds for the allocation to acquisition of new properties, etc.

(Note 17) New investment units were issued through third-party allotment with an issue price per unit of ¥78,956 in order to procure funds for allocation to part of future acquisitions of specified assets, part of repayment of loans, or capital expenditures to maintain or improve competitiveness of existing properties.

4. Changes in directors

(1) Directors of JHR

The following are the directors of JHR as of the date of this report.

Title	Name	Major career highlights		Number of investment units held
Executive Director	Kaname Masuda	<p>Apr. 1990 Oct. 1998 Nov. 2000 Mar. 2001 Aug. 2002 May 2003 Sep. 2006 Feb. 2008 Jun. 2008 Sep. 2010 Feb. 2012 Oct. 2014 Nov. 2015 Mar. 2016</p>	<p>Registered as a lawyer (Daiichi Tokyo Bar Association) Joined Nishimura & Asahi (formerly, Nishimura & Partners) Joined Merrill Lynch Japan Securities Co., Ltd. General Counsel Executive Director (Concurrent position) Enrolled in Columbia Law School, Columbia University, U.S. Graduated from Columbia Law School, Columbia University, U.S. (LL.M.) Registered as a lawyer, State of New York Established Masuda & Partners Law Office as Managing Partner (current) Joined Jibun Bank Corporation as Outside Corporate Auditor (current) Joined Japan Hotel and Resort, Inc. as Executive Director Joined Commons Asset Management, Inc. as Outside Corporate Auditor (current) Joined CROSSWARP Inc. as Outside Corporate Auditor (current) Joined Japan Hotel REIT Investment Corporation as Executive Director (current) Joined GMO Internet, Inc. as Director (Independent Director) / Audit and Supervisory Committee Member (current)</p>	0
Supervisory Director	Hiroshi Matsuzawa	<p>Apr. 1966 May 1988 Dec. 1989 May 1991 Jan. 1993 Jun. 1995 Jul. 1999 Sep. 2001 May 2004 Apr. 2012</p>	<p>Joined Sumitomo Mitsui Trust Bank, Limited (formerly, The Mitsui Trust and Banking Co., Ltd.) Branch Manager, Yokosuka Branch Branch Manager, Umeda Branch General Manager, Investment Advisory Department General Manager, Pension Fund Management Department Joined JDC Corporation and served as Managing Director Joined Sumitomo Mitsui Trust Asset Management Co., Ltd. (formerly, Chuo Mitsui Asset Management Co., Ltd.) as Managing Director Representative Director and President Joined Premier Investment Corporation as Executive Officer Joined Japan Hotel REIT Investment Corporation as Supervisory Director (current)</p>	0

Title	Name	Major career highlights		Number of investment units held
Supervisory Director	Tetsuya Mishiku	<p>Apr. 1993 Dec. 2000 Sep. 2002 Nov. 2003 Nov. 2005 Dec. 2005 Mar. 2007 Aug. 2010 Sep. 2010 Aug. 2011 Nov. 2016</p>	<p>Registered as a lawyer (Daiichi Tokyo Bar Association) Joined Iinuma Law Office Partner Part-time lecturer at Chuo University Changed registration to Shizuoka Bar Association Joined Aoba Law Office as Partner Joined Japan Hotel REIT Investment Corporation (formerly, Nippon Hotel Fund Investment Corporation) as Supervisory Director (current) Joined A-too Co., Ltd. as Part-time Corporate Auditor Joined Healing Entertainment Co., Ltd. as Part-time Corporate Auditor (current) Joined Mishiku & Nagamachi Law Office (formerly, Aoi Tower Law Office) as Representative (current) Joined Koike Roof and Siding KK as Outside Corporate Auditor (current) Outside Director of A-too Co., Ltd. (current) Outside Corporate Auditor of Kabushiki kaisha Tem Realtor (current)</p>	0
Supervisory Director	Hiroto Kashii	<p>Apr. 1971 Apr. 1997 Apr. 1998 Apr. 2002 Jun. 2003 Jun. 2009 Jun. 2012 Mar. 2013 Jun. 2013 Nov. 2015</p>	<p>Joined Development Bank of Japan Inc. (formerly, Japan Development Bank) responsible for lending and investment General Manager, Retail Department at Head Office Joined K.K. Hotel Odakyu as Managing Director and General Manager of Accounting Department Joined K.K. Hotel Odakyu (formerly, K.K. Odakyu Hotels and Resorts which merged with K.K. Hotel Odakyu later) as Managing Director responsible for marketing Joined New Kansai International Airport Co., Ltd. (formerly, Kansai International Airport Co., Ltd.) as Executive Officer responsible for terminal sales promotion, subsidiaries management and hotel businesses Joined Kyowa Co., Ltd. as Representative Director Joined Japan Carbon Finance, Ltd. as Managing Director Representative Director Joined DBJ Asset Management Co., Ltd. as Corporate Auditor Joined Japan Hotel REIT Investment Corporation as Supervisory Director (current)</p>	0

(Note) In case the number of Executive Director does not meet the requirement stipulated by laws and regulations, Hisashi Furukawa, Representative Director of the Asset Management Company, was elected as Substitute Executive Director, based on the resolution made by the 7th General Meeting of Unitholders of JHR held on November 26, 2015.

(2) Directors of the Asset Management Company

The following are the directors of the Asset Management Company as of the date of this report.

Title	Name	Major career highlights		Number of shares held
Representative Director and President	Hisashi Furukawa	Apr. 1982 Jan. 1984 Jul. 1990 Apr. 2000 May 2004 Aug. 2013 Jun. 2014	Joined Sumitomo Realty & Development Co., Ltd. Building Business Department Seconded to its subsidiary in the U.S. Joined Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (formerly, Morgan Stanley Japan Limited) and served as Executive Director of the Real Estate Group in the Investment Banking Division Joined UBS Securities Co., Ltd. (formerly, Warburg Dillon Read (Japan) Limited) and served as Co-head and Executive Director of the Real Estate Sector Team in the Corporate Finance Division Joined Rockpoint Group, L.L.C. as Representative of Japan Office and Principal Established River Flows, Inc. as Representative Director Joined Japan Hotel REIT Advisors Co., Ltd. as Representative Director and President (current)	0
Director	Shuya Matsubara	Apr. 1986 Dec. 1998 Mar. 2001 Jun. 2009 Apr. 2012 May 2013 Apr. 2014 Mar. 2015	Joined The Hyakujushi Bank, Ltd. and served as Deputy Manager of the International Affairs Department Joined Deloitte Tohmatsu Consulting LLC as Manager of the Financial Division Joined Goldman Sachs Realty Japan, Ltd. and served as Director and Joint Group Leader of the Strategic Management Group in the Acquisition Division Joined Japan Hotel & Resort K.K. as Director Joined Japan Hotel REIT Advisors Co., Ltd. as Director (current) and Senior General Manager of the Finance & Planning Department Senior General Manager of the Finance & Accounting Division Senior General Manager of the Finance & Accounting Division and General Manager of the Finance Department Senior General Manager of the Finance & Planning Division and General Manager of the Finance & Planning Department (current)	0
Director	Toshitaka Ishido	Apr. 1999 Jul. 2002 Aug. 2003 Sep. 2006 Apr. 2007 Apr. 2012 Mar. 2013	Joined Value Management Institute, Inc. Joined Hospitality Advisory Group of KPMG Business Advisory LLC (Tokyo Branch) Manager of the Hospitality Group of KPMG FAS Co., Ltd. (Tokyo Branch of KPMG Business Advisory LLC was merged with KPMG FAS Co., Ltd.) Joined Japan Hotel & Resort K.K. and served as Senior Manager Director and Senior General Manager of Asset Management Department Joined Japan Hotel REIT Advisors Co., Ltd. as Senior General Manager of Investment Division (current) and General Manager of Acquisitions Department Director (current)	0

Title	Name	Major career highlights		Number of shares held
Director	Noboru Itabashi	<p>Apr. 1995 Jan. 1998</p> <p>Aug. 1999 Sep. 2006</p> <p>Apr. 2007 Apr. 2012</p> <p>Mar. 2015</p>	<p>Joined Asahi Sangyo Kaisha, Ltd., Fabricated Metals Department</p> <p>Joined British American Tobacco Japan, Ltd. (formerly, Rothmans Japan), Finance Department</p> <p>Joined Sun Microsystems K.K., Field Finance Division</p> <p>Joined Japan Hotel & Resort K.K. and served as Senior Manager of the Finance and Accounting Division</p> <p>Senior General Manager of Operations Division</p> <p>Joined Japan Hotel REIT Advisors Co., Ltd. as General Manager of the Accounting Department</p> <p>Director, Senior General Manager of Operations Division & General Manager of Accounting and Reporting Department (current)</p>	0
Director	Hiroyuki Aoki	<p>Sep. 1994</p> <p>Jun. 1997 Nov. 2001 Jul. 2002</p> <p>Aug. 2005</p> <p>Jan. 2008 Nov. 2011</p> <p>Dec. 2011</p> <p>Apr. 2012</p>	<p>Joined Deloitte & Touche LLP, New York Office, Accounting & Audit Department</p> <p>Joined Ingersoll-Rand Headquarters, Internal Audit Department</p> <p>Joined KPMG Tax Corporation (formerly, Arthur Andersen LLP)</p> <p>Joined Ripplewood Holdings LLC, Hotel Investment Group as Vice President</p> <p>Joined Creative Renovation Group Japan, Inc. as Vice President of Finance</p> <p>Joined Tokyo Venture Gear Co. Ltd. as Director</p> <p>Appointed Representative Director of SC Capital Partners Japan Co. Ltd. (formerly, RE Capital Services Japan Co., Ltd.) (current) (Note)</p> <p>Appointed Statutory Auditor (part-time) of Japan Hotel & Resort K.K.</p> <p>Appointed Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)</p>	0
Director (Chairman)	Suchad Chiaranussati	<p>Oct. 1987</p> <p>Oct. 1991</p> <p>Nov. 1992</p> <p>Nov. 1998 Apr. 1999</p> <p>Nov. 2004 Oct. 2007 May 2010 Aug. 2010</p> <p>Aug. 2015 Oct. 2015</p>	<p>Joined the Central Bank of Thailand, Foreign Exchange Reserve Management Division</p> <p>Joined Temasek Holdings (in Singapore) and served as Manager of Direct Investment</p> <p>Joined JP Morgan (in Singapore) and served as Vice President in the Real Estate Investment and Investment Banking Division</p> <p>Appointed Advisor at the Central Bank of Thailand</p> <p>Joined Westbrook in Singapore as Principal and Managing Director responsible for Asian investment activities</p> <p>Established Real Estate Capital Asia Partners, L.P.</p> <p>Appointed Director of SC Management Limited (current) (Note)</p> <p>Appointed Director of Rockrise Sdn Bhd as Director (current) (Note)</p> <p>Appointed Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)</p> <p>Appointed Director of SC J-Holdings Pte. Ltd. (current) (Note)</p> <p>Appointed Chairman (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)</p>	0

Title	Name	Major career highlights		Number of shares held
Director	Ian George Winston Lien	May 1989 Jan. 2003 Oct. 2007 Aug. 2010	Joined Starwood Hotels & Resort Worldwide, Inc. (formerly, Westin Hotel Company) Participated in the establishment of Octagon Capital Partners Pte. Ltd. (Co-founder) Joined SC Management Ltd. as Managing Director (Note) Appointed Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)	0
Director	Chua Keng Kim	Mar. 1988 Apr. 1995 Jun. 2007 Nov. 2007 Sep. 2008 Aug. 2010 Aug. 2013	Joined Government of Singapore Investment Corporation (GIC) Joined Rodamco PACIFIC B.V. / Rodamco Asia N.V. as Managing Director and Head of Investment Management Appointed independent Non-Executive Director and member of the Audit Committee of Travelsky Technology Ltd Participated in the establishment of Stonegate China Properties Limited (Founder and CEO) Joined SC Management Ltd. as Managing Director (Note) Appointed Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current) Appointed Director of SC J-Holdings Pte. Ltd. (formerly, SC Core Manager Pte. Ltd.) (current) (Note)	0
Corporate Auditor	Shigeo Sekita	Apr. 1974 Oct. 1979 Mar. 1998 Apr. 2000 Jan. 2002 Aug. 2005 Sep. 2010 Dec. 2010 Apr. 2012 Oct. 2013	Joined Daiwa Securities Co. Ltd. Joined Mizuho Securities Co., Ltd. (formerly, Wako Securities Co., Ltd.) Seconded to Wako International (Europe) Ltd. as President Manager of the IPO Department at Mizuho Securities Co., Ltd. (formerly, Shinko Securities Co., Ltd. The corporation's name changed due to merger.) Joined WestLB Securities Inc. as Director of the Investment Banking Group Joined Credit Suisse Securities (Japan) Ltd. as Director of the Structured Investment Department Joined Japan Hotel REIT Advisors Co., Ltd. as Advisor Representative Director Corporate Auditor (part-time) (current) Joined Alpha Japan Asset Advisors Ltd. as Compliance Manager (current)	0

(Note) SC Capital Partners Japan Co. Ltd., SC Management Limited, Rockrise Sdn Bhd and SC J-Holdings Pte. Ltd. are corporations belonging to SC CAPITAL PARTNERS Group (formerly, RECAP Group).

5. Reference information

(1) Investment status

The following outlines the investment status of JHR as of the end of the midterm period under review.

The following outlines the investment status of JTR as of the end of the interim period under review.									
Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2016		As of June 30, 2017			
				Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)		
Real estate in trust	Limited-service hotel	Tokyo	ibis Tokyo Shinjuku	7,671	2.4	7,642	2.5		
			CANDEO HOTELS UENO-KOEN	6,751	2.1	6,732	2.2		
			the b ikebukuro	6,578	2.1	6,577	2.1		
			the b akasaka-mitsuke	6,286	2.0	6,283	2.0		
			Hotel Sunroute Shinbashi	4,854	1.5	4,847	1.6		
			Comfort Hotel Tokyo Higashi Nihombashi	3,625	1.1	3,609	1.2		
			the b hachioji	2,673	0.8	2,675	0.9		
			the b ochanomizu	2,344	0.7	2,348	0.8		
			Smile Hotel Nihombashi Mitsukoshimae	2,047	0.6	2,037	0.7		
			R&B Hotel Ueno-hirokoji	1,764	0.6	1,757	0.6		
			R&B Hotel Higashi-nihonbashi	1,512	0.5	1,505	0.5		
			Hotel Vista Kamata Tokyo	1,467	0.5	1,473	0.5		
			the b suidobashi	1,205	0.4	1,198	0.4		
			Dormy Inn EXPRESS Asakusa	951	0.3	945	0.3		
			Chisun Inn Kamata	797	0.3	792	0.3		
		Osaka	Holiday Inn Osaka Namba	27,163	8.5	27,137	8.8		
			Namba Oriental Hotel	14,656	4.6	14,653	4.7		
		Hokkaido	ibis Styles Sapporo	6,724	2.1	6,690	2.2		
			Mercure Sapporo	5,945	1.9	5,914	1.9		
		Fukuoka	HOTEL ASCENT FUKUOKA	5,211	1.6	5,197	1.7		
			the b hakata	2,330	0.7	2,336	0.8		
			Hakata Nakasu Washington Hotel Plaza	2,054	0.6	2,043	0.7		
			Toyoko Inn Hakata-guchi Ekimae	1,477	0.5	1,466	0.5		
		Kyoto	ibis Styles Kyoto Station	6,701	2.1	6,688	2.2		
		Okinawa	Mercure Okinawa Naha	2,916	0.9	2,895	0.9		
		Kumamoto	Dormy Inn Kumamoto	2,199	0.7	2,179	0.7		
		Nara	Nara Washington Hotel Plaza	1,871	0.6	1,853	0.6		
		Subtotal				129,783	40.8	129,484	41.8
		Full-service hotel	Hiroshima	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 4)	17,778	5.6	17,688	5.7	
				Oriental Hotel Hiroshima	4,071	1.3	4,042	1.3	
			Chiba	Oriental Hotel tokyo bay	18,267	5.7	18,101	5.8	
				Hotel Francs	3,145	1.0	3,135	1.0	
			Aichi	Hilton Nagoya	15,530	4.9	15,589	5.0	
			Hyogo	Kobe Meriken Park Oriental Hotel	9,947	3.1	9,876	3.2	
			Fukuoka	Hotel Centraza Hakata	7,506	2.4	7,399	2.4	
			Kanagawa	Mercure Yokosuka	1,643	0.5	1,629	0.5	
		Subtotal				77,891	24.5	77,463	25.0
		Resort hotel	Okinawa	Hotel Nikko Alivila	18,267	5.7	18,216	5.9	
				Okinawa Marriott Resort & Spa	14,861	4.7	14,761	4.8	
				The Beach Tower Okinawa	6,831	2.1	6,786	2.2	
			Chiba	Hilton Tokyo Bay	26,180	8.2	26,113	8.4	
			Osaka	Hotel Keihan Universal City	5,982	1.9	6,014	1.9	
			Kanagawa	Hakone Setsugetsuka	3,747	1.2	3,823	1.2	
			Subtotal				75,871	23.9	75,716
		Real estate in trust – Total				283,546	89.2	282,665	91.2
		Deposits and other assets (Note 5)				34,332	10.8	27,323	8.8
		Total assets				317,878	100.0	309,988	100.0

	Amount (JPY1M)	Ratio to total assets (%)	Amount (JPY1M)	Ratio to total assets (%)
Total liabilities	135,889	42.7	134,854	43.5
Total net assets	181,989	57.3	175,133	56.5

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

(Note 2) For real estate in trust, “Total amount held” shows the amount calculated by deducting accumulated depreciation from acquisition price (including expenses incidental to acquisition).

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

(Note 4) ACTIVE-INTER CITY HIROSHIMA is classified in accordance with the business category of Sheraton Grand Hiroshima Hotel, its main facility.

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

(2) Assets under management

(A) Major issues of investment securities

Not applicable.

(B) Real estate properties under management

Not applicable.

(C) Other major assets under management

A. Summary of real estate properties under management

The following summarizes the real estate properties under management by JHR as of the end of the midterm period under review.

Details of assets under management 1 (location, form of ownership, area, structural size, etc.)

Property No.	Name	Location	Form of ownership (Note 1)		Area		Structures and stories (Note 4)	Building completion (Note 5)	Total number of guest rooms (rooms) (Note 6)
			Land	Building	Acreage (m ²) (Note 2)	Total floor area (m ²) (Note 3)			
1	Kobe Meriken Park Oriental Hotel	Chuo-ku, Kobe-shi, Hyogo	Leasehold right (Note 7)	Compartmentalized ownership (Note 7)	22,660.09 (Note 7)	48,701.82 (Note 7)	S 14F	July 1995	319
2	Oriental Hotel tokyo bay	Urayasu-shi, Chiba	Ownership	Ownership	9,914.00	44,833.11	SRC/S/RC B2/12F	May 1995	503
3	Namba Oriental Hotel	Chuo-ku, Osaka-shi, Osaka	Ownership	Ownership	4,505.23	19,364.33	S/SRC B1/9F	March 1996	258
4	Hotel Nikko Alivila	Yomitan-son, Nakagami-gun, Okinawa	Ownership/Leasehold right (Note 8)	Ownership	65,850.05 (Note 8)	38,024.98 (Note 8)	SRC B1/10F	April 1994	396
5	Oriental Hotel Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	Ownership	Ownership	1,792.84	13,752.22	SRC B2/23F	September 1993 Extended in September 2006	227
6	ibis Tokyo Shinjuku	Nishi-Shinjuku, Shinjuku-ku, Tokyo	Ownership	Ownership	937.67	7,398.19	SRC/RC/S B1/11F	September 1980	206
8	The Beach Tower Okinawa	Chatan-cho, Nakagami-gun, Okinawa	Ownership	Ownership	10,242.00	20,140.01	SRC 24F	March 2004 Extended in June 2005 Extended in May 2006	280
9	Hakone Setsugetsuka	Hakone-machi, Ashigarashimo-gun, Kanagawa	Ownership	Ownership	10,478.89	10,655.03	RC B1/5F	October 2006	158
10	Dormy Inn Kumamoto	Chuo-ku, Kumamoto-shi, Kumamoto	Ownership	Ownership	1,295.85	7,701.19	SRC 13F	January 2008	291
12	the b suidobashi	Hongo, Bunkyo-ku, Tokyo	Ownership	Ownership	723.86	3,097.25	SRC/RC B1/8F	August 1986 Extended in September 1989	99
13	Dormy Inn EXPRESS Asakusa	Hanakawado, Taito-ku, Tokyo	Ownership	Ownership	287.66	2,006.51	SRC/RC 10F	March 1997	77
14	Hakata Nakasu Washington Hotel Plaza	Hakata-ku, Fukuoka-shi, Fukuoka	Ownership	Ownership	1,128.46	5,692.24	S 12F	March 1995	247
15	Nara Washington Hotel Plaza	Nara-shi, Nara	Ownership	Ownership	2,322.28	5,385.82	S 7F	March 2000	204
16	R&B Hotel Ueno-hirokoji	Ueno, Taito-ku, Tokyo	Ownership	Ownership	446.29	3,060.21	S 13F	April 2002	187
17	R&B Hotel Higashi-nihonbashi	Higashi-Nihonbashi, Chuo-ku, Tokyo	Ownership/Leasehold right	Ownership	507.83 (Note 9)	3,715.26	S 10F	March 1998	202
18	Comfort Hotel Tokyo Higashi Nihombashi	Nihonbashi-bakurocho, Chuo-ku, Tokyo	Ownership	Ownership	823.67	5,765.26	S 11F	January 2008	259
22	Smile Hotel Nihombashi Mitsukoshimae	Nihonbashi-Honcho, Chuo-ku, Tokyo	Ownership	Ownership	512.58	3,097.85	SRC/RC B1/10F	March 1997	164
24	Toyoko Inn Hakata-guchi Ekimae	Hakata-ku, Fukuoka-shi, Fukuoka	Ownership	Ownership	Main building: 565.98 Annex: 152.37	Main building: 3,566.46 Annex: 856.68	Main building: SRC 14F Annex: SRC 9F	Main building and annex both September 2001	257

Property No.	Name	Location	Form of ownership (Note 1)		Area		Structures and stories (Note 4)	Building completion (Note 5)	Total number of guest rooms (rooms) (Note 6)
			Land	Building	Acreage (m ²) (Note 2)	Total floor area (m ²) (Note 3)			
25	Hotel Vista Kamata Tokyo	Nishikamata, Ota-ku, Tokyo	Ownership	Ownership	743.46	3,831.80	SRC/S B1/9F	January 1992	105
26	Chisun Inn Kamata	Kamata, Ota-ku, Tokyo	Ownership	Ownership	240.35	1,499.87	SRC 12F	April 2003	70
29	Hotel Keihan Universal City	Konohana-ku, Osaka-shi, Osaka	Ownership/Leasehold right (Note 10)	Compartmentalized ownership (Note 10)	3,350.14 (Note 10)	17,252.71 (Note 10)	S/SRC 21F	June 2001	330
30	Hotel Sunroute Shinbashi	Shinbashi, Minato-ku, Tokyo	Ownership	Ownership	761.01	5,476.39	S/SRC 16F	March 2008	220
31	Hilton Tokyo Bay	Urayasu-shi, Chiba	Ownership (Note 11)	Ownership (Note 11)	36,121.00 (Note 11)	72,146.60 (Note 11)	SRC B1/11F	June 1988	828
32	ibis Styles Kyoto Station	Minami-ku, Kyoto-shi, Kyoto	Ownership	Ownership	1,107.77	5,003.99	RC 10F	March 2009	215
33	ibis Styles Sapporo	Chuo-ku, Sapporo-shi, Hokkaido	Ownership	Ownership	2,515.22	14,992.49	RC B1/16F	July 2010	278
34	Mercure Sapporo	Chuo-ku, Sapporo-shi, Hokkaido	Ownership	Ownership	2,016.27	16,145.79	S B1/15F	April 2009	285
35	Mercure Okinawa Naha	Naha-shi, Okinawa	Ownership/Leasehold right	Ownership	2,860.69 (Note 12)	10,884.25	RC 14F	August 2009	260
36	the b akasaka-mitsuke	Akasaka, Minato-ku, Tokyo	Ownership	Ownership	625.46	2,867.04	S 8F	November 2002	122
37	the b ikebukuro	Higashi-ikebukuro, Toshima-ku, Tokyo	Ownership	Ownership	718.71	5,650.01	SRC/S B2/10F	June 1982	175
38	the b ochanomizu	Kanda-awajicho, Chiyoda-ku, Tokyo	Ownership	Ownership	357.47	1,742.23	SRC 9F	August 1999	72
39	the b hachioji	Hachioji-shi, Tokyo	Ownership	Ownership	1,227.29	7,847.65	SRC B2/12F	August 1986	196
40	the b hakata	Hakata-ku, Fukuoka-shi, Fukuoka	Ownership	Ownership	719.46	3,986.09	SRC 8F	September 1997	175
41	Hotel Francs	Mihama-ku, Chiba-shi, Chiba	Ownership	Ownership	4,828.00	19,213.39	SRC B1/13F	August 1991	222
42	Mercure Yokosuka	Yokosuka-shi, Kanagawa	Right of site (co-ownership) (Note 13)	Compartmentalized ownership (Note 13)	1,887.86 (Note 13)	16,881.82 (Note 13)	SRC/S B3/21F	November 1993	160
43	Okinawa Marriott Resort & Spa	Nago-shi, Okinawa	Ownership	Ownership	52,988.00	36,430.15	SRC 14F	February 2005 Extended in December 2006	361
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Higashi-ku, Hiroshima-shi, Hiroshima	Right of site (co-ownership) (Note 14)	Compartmentalized ownership (Note 14)	6,379.02 (Note 14)	39,540.75 (Note 14)	S/RC/SRC B1/21F	August 2010	238 (Note 15)
45	CANDEO HOTELS UENO-KOEN	Negishi, Taito-ku, Tokyo	Ownership	Ownership	1,559.03	7,030.10	S 12F	December 2009	268
46	Hotel Centraza Hakata	Hakata-ku, Fukuoka-shi, Fukuoka	Fixed-term leasehold right (Note 16)	Ownership	2,163.42	18,105.42	SRC B3/12F	July 1985	194
47	Holiday Inn Osaka Namba	Chuo-ku, Osaka-shi, Osaka	Ownership	Ownership	2,428.47	11,501.10	S 12F	August 2008	314
48	HOTEL ASCENT FUKUOKA	Chuo-ku, Fukuoka-shi, Fukuoka	Ownership/Fixed-term leasehold right (Note 17)	Ownership	1,482.13	8,600.22	S/RC/SRC B2/13F	April 1999	263
49	Hilton Nagoya	Naka-ku, Nagoya-shi, Aichi	Ownership and superficies (Note 18)	Compartmentalized ownership (Note 18)	6,723.59 (Note 18)	46,368.99 (Note 18)	S/RC/SRC B3/29F	February 1989	460

- (Note 1) “Form of ownership” is the type of right held by the owner of the real estate that is the asset held (the trustee in the case of a real estate in trust).
- (Note 2) “Acreage” is the area of the entire site based on the registration or registration record. The registration or registration record entry may not coincide with the present state of the land.
- (Note 3) “Total floor area” is the area of the building based on the registration or registration record. The area of the accessory building, if any, is included unless otherwise stated. The registration or registration record entry may not coincide with the present state of the building.
- (Note 4) Under “Structures and stories,” “S” means steel-framed building, “RC” means reinforced concrete building and “SRC” means steel reinforced concrete building. The structure of the main building is shown, but there may be cases where there is a parking lot or storage space as an accessory to the building in a separate building.
- (Note 5) “Building completion” is based on the registration or registration record.
- (Note 6) “Total number of guest rooms” is the respective number of guest rooms available for sale (excluding rooms occupied by the hotel for a long term) at the end of the midterm period under review.
- (Note 7) The land of Kobe Meriken Park Oriental Hotel comprises land leased by JHR from the City of Kobe and land with permission for use from the City of Kobe under the City of Kobe’s ordinance for harbor facilities, etc. The acreage above is based on the number on the construction confirmation application form. In addition, the building of Kobe Meriken Park Oriental Hotel is a building under compartmentalized ownership by two compartmentalized owners (JHR and the City of Kobe). The figure above is the total floor area of the entire building under compartmentalized ownership (including an accessory building of 764.83 square meters), where the portion owned exclusively by JHR (excluding an accessory building of 764.83 square meters) is 31,899.07 square meters, the portion owned exclusively by the City of Kobe is 13,960.11 square meters, and the portion that is the common area of JHR and the City of Kobe is 2,077.81 square meters (JHR has 72.18% interest and the City of Kobe has 27.82% interest of the common area).
- (Note 8) The land of Hotel Nikko Alivila comprises land owned by JHR or land leased or subleased by JHR from Kabushiki Kaisha Okinawa Umi No Sono (hereinafter referred to as the “Umi No Sono”). The acreage above is the sum total of the area on the certified copy of the real estate registry of each land. Furthermore, the leased land or subleased land includes those where only a portion of a parcel of land is leased or subleased and, thus, the acreage above includes some area that is not leased or subleased by JHR from Umi No Sono. In addition, subdivision of part of the subleased land resulted in the acreage above changing from 67,038.05 square meters to 65,850.05 square meters on June 12, 2012. The sum total of the acreage of the land owned by JHR and the land leased or subleased calculated based on the certified copy of the real estate registry, lease contract with Umi No Sono, etc. is 57,406.26 square meters. The total floor area above includes an accessory building of 120.10 square meters and excludes a building leased from Umi No Sono of 493.50 square meters.
- (Note 9) Of the acreage of R&B Hotel Higashi-nihonbashi, the area of the leased land is 77.38 square meters.
- (Note 10) The land of Hotel Keihan Universal City comprises land under co-ownership with other right holders (8,785.43 square meters) and land leased under quasi-co-ownership with other right holders from the City of Osaka (8,788.67 square meters). The acreage above is the sum total of JHR’s co-ownership interest of the land under co-ownership of 1,674.76 square meters (approximately 19.06% of co-ownership interest) and JHR’s quasi-co-ownership interest in the land leasehold right of the land leased from the City of Osaka of 1,675.38 square meters (approximately 19.06% of quasi-co-ownership interest). In addition, the building of Hotel Keihan Universal City is a building under compartmentalized ownership for Universal CityWalk Osaka, which comprises two hotel buildings, business facilities, commercial facilities and others, as a single building (86,888.64 square meters). The portion owned exclusively by JHR (including the common area by bylaws) is 15,749.32 square meters, and JHR’s co-ownership interest of the common area (15,648.98 square meters) is 3,466.56 square meters (approximately 22.15% of co-ownership interest). “Total floor area” in the table above is the total floor area based on the completion drawing of new construction of Hotel Keihan.
- (Note 11) The land of Hilton Tokyo Bay is land under co-ownership with other right holders. The acreage is the total area of the land under co-ownership. Of the acreage, JHR’s co-ownership interest is 32,508.90 square meters (9/10 of co-ownership interest). In addition, the building of Hilton Tokyo Bay is a building under co-ownership with other right holders. The total floor area is the total area of the building under co-ownership (including an accessory building of 37.38 square meters). Of the total floor area, JHR’s co-ownership interest is 64,931.94 square meters (9/10 of co-ownership interest).
- (Note 12) The acreage of Mercure Okinawa Naha includes leased land of 125.67 square meters.
- (Note 13) The land of Mercure Yokosuka comprises the entire joint ownership of right of site. The acreage indicates JHR’s share of co-ownership of the right to use the site (181,372/1,000,000 or approximately 18.14%) of the entire area of the subject land (10,408.79 square meters), which is 1,887.86 square meters. In addition, the building is a building under compartmentalized ownership for Bay Square Yokosuka Ichibankan, which comprises a hotel, a theater, stores, residential complex, offices and parking lots, as a single building (67,019.04 square meters). Total floor area is the area of the portion owned exclusively by the hotel on the certified copy of the real estate registry.
- (Note 14) The land of ACTIVE-INTER CITY HIROSHIMA comprises the entire joint ownership of right of site. The acreage indicates JHR’s share of co-ownership of the right to use the site (9,862,454/10,000,000 or approximately 98.62%) of the entire area of the subject land (6,468.28 square meters), which is 6,379.02 square meters. In addition, the building is a building under compartmentalized ownership for ACTIVE-INTER CITY HIROSHIMA, which comprises Sheraton Grand Hiroshima Hotel, offices, retail zone, parking lots and bicycle parking lots, etc., as a single building (6,379.02 square meters). Total floor area is the area of the exclusive area for the hotel, offices, stores and parking lots on the certified copy of the real estate registry.
- (Note 15) The total number of guest rooms of ACTIVE-INTER CITY HIROSHIMA is the total number of guest rooms of the main facility Sheraton Grand Hiroshima Hotel.
- (Note 16) Remaining term of the fixed-term leasehold of land of Hotel Centraza Hakata is until March 30, 2057.
- (Note 17) Of the acreage of HOTEL ASCENT FUKUOKA, the area of the leased land is 113.52 square meters, and its remaining term of the fixed-term leasehold is until July 2, 2065.
- (Note 18) Land of Hilton Nagoya comprises the owned land and land with superficies, and Acreage indicates total of land owned (918.39 square meters) and land settled superficies by JHR (5,805.20 square meters). Building of Hilton Nagoya is a compartmentalized ownership of Amnat Square (Total floor space: 91,948.34 square meters), which consists of hotel building (including retail space), office building and car parking space, etc. Total floor area is a total of exclusive area of hotel and retail space (44,552.79 square meters), exclusive area of office on 9th floor (1,075.90 square meters) multiplied by JHR’s share of co-ownership interest ratio (74,030/107,590; approximately 68.8%) (740.30 square meters) and exclusive area of office on 10th floor (1,075.90 square meters).

(Note 19) The omitted property numbers are the property numbers of assets that have been transferred.

Details of assets under management 2 (acquisition price, etc.)

Property No.	Name	Grade (Note 1)	Acquisition price (JPY1M) (Note 2)	Carrying amount at end of period (JPY1M) (Note 3)	Appraisal value at end of period (JPY1M) (Note 4)	Appraisal agency (Note 5)	Investment ratio (Acquisition price) (%) (Note 6)	Collateral (Note 7)
1	Kobe Meriken Park Oriental Hotel	Upper-middle	10,900	10,057	14,400	J	3.8	Unsecured
2	Oriental Hotel tokyo bay	Mid-price	19,900	18,288	34,100	J	6.9	Unsecured
3	Namba Oriental Hotel	Mid-price	15,000	14,813	32,700	J	5.2	Unsecured
4	Hotel Nikko Alivila	Luxury	18,900	18,469	30,000	J	6.6	Unsecured
5	Oriental Hotel Hiroshima	Upper-middle	4,100	4,092	4,280	J	1.4	Unsecured
6	ibis Tokyo Shinjuku	Mid-price	7,243	7,746	9,460	J	2.5	Unsecured
8	The Beach Tower Okinawa	Mid-price	7,610	6,792	9,420	J	2.7	Unsecured
9	Hakone Setsugetsuka	Mid-price	4,070	3,831	5,030	J	1.4	Unsecured
10	Dormy Inn Kumamoto	Mid-price	2,334	2,179	2,960	M	0.8	Unsecured
12	the b suidobashi	Mid-price	1,120	1,227	1,940	J	0.4	Unsecured
13	Dormy Inn EXPRESS Asakusa	Economy	999	945	1,300	M	0.3	Unsecured
14	Hakata Nakasu Washington Hotel Plaza	Mid-price	2,130	2,043	4,340	J	0.7	Unsecured
15	Nara Washington Hotel Plaza	Mid-price	2,050	1,858	2,430	J	0.7	Unsecured
16	R&B Hotel Ueno-hirokoji	Economy	1,720	1,757	1,920	M	0.6	Unsecured
17	R&B Hotel Higashi-nihonbashi	Economy	1,534	1,505	2,050	M	0.5	Unsecured
18	Comfort Hotel Tokyo Higashi Nihombashi	Economy	3,746	3,609	5,330	M	1.3	Unsecured
22	Smile Hotel Nihombashi Mitsukoshimae	Economy	2,108	2,037	3,060	M	0.7	Unsecured
24	Toyoko Inn Hakata-guchi Ekimae	Economy	1,652	1,466	2,670	T	0.6	Unsecured
25	Hotel Vista Kamata Tokyo	Economy	1,512	1,474	2,010	T	0.5	Unsecured
26	Chisun Inn Kamata	Economy	823	795	1,430	T	0.3	Unsecured
29	Hotel Keihan Universal City	Mid-price	6,000	6,015	14,000	R	2.1	Unsecured
30	Hotel Sunroute Shinbashi	Mid-price	4,800	4,847	8,730	D	1.7	Unsecured
31	Hilton Tokyo Bay	Luxury	26,050	26,113	36,100	D	9.1	Unsecured
32	ibis Styles Kyoto Station	Mid-price	6,600	6,717	10,900	D	2.3	Unsecured
33	ibis Styles Sapporo	Mid-price	6,797	6,717	10,200	J	2.4	Unsecured
34	Mercure Sapporo	Mid-price	6,000	5,937	10,400	J	2.1	Unsecured
35	Mercure Okinawa Naha	Mid-price	3,000	2,910	7,690	J	1.0	Unsecured
36	the b akasaka-mitsuke	Mid-price	6,250	6,301	6,420	J	2.2	Unsecured
37	the b ikebukuro	Mid-price	6,520	6,584	7,470	J	2.3	Unsecured
38	the b ochanomizu	Mid-price	2,320	2,353	2,470	J	0.8	Unsecured
39	the b hachioji	Mid-price	2,610	2,688	2,940	J	0.9	Unsecured
40	the b hakata	Mid-price	2,300	2,357	4,070	J	0.8	Unsecured
41	Hotel Francs	Mid-price	3,105	3,135	4,090	D	1.1	Unsecured
42	Mercure Yokosuka	Mid-price	1,650	1,644	2,350	D	0.6	Unsecured
43	Okinawa Marriott Resort & Spa	Upper-middle	14,950	14,866	17,200	J	5.2	Unsecured
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Luxury	17,320	17,716	18,700	D	6.0	Unsecured
45	CANDEO HOTELS UENO-KOEN	Mid-price	6,705	6,742	7,650	D	2.3	Unsecured
46	Hotel Centraza Hakata	Mid-price	7,197	7,474	7,750	D	2.5	Unsecured
47	Holiday Inn Osaka Namba	Mid-price	27,000	27,179	28,500	J	9.4	Unsecured
48	HOTEL ASCENT FUKUOKA	Economy	4,925	5,197	5,340	D	1.7	Unsecured
49	Hilton Nagoya	Luxury	15,250	15,589	15,800	D	5.3	Unsecured
	Total		286,801	284,085	399,600		100.0	

- (Note 1) JHR categorizes hotels into the four grade classes “Luxury,” “Upper-middle,” “Mid-price” and “Economy” mainly from the perspective of average daily rate, etc.
- (Note 2) “Acquisition price” is the acquisition price stated on the purchase and sale agreement for beneficial interest in trust, etc. (consumption tax, local consumption tax and the acquisition expense such as broker’s fee are not included). The acceptance prices are indicated for the properties that have been accepted through merger.
- (Note 3) “Carrying amount at end of period” is the book value at the end of the midterm period under review, and includes not only the amounts for real estate in trust, but also machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust, and intangible assets.
- (Note 4) “Appraisal value at end of period” is the appraisal value at the end of the midterm period under review as the date of appraisal, in accordance with the asset valuation methods and standards provided in JHR’s Articles of Incorporation and the regulations set forth by The Investment Trusts Association, Japan.
- (Note 5) Under “Appraisal agency,” the letters indicate the appraisers for the properties as follows:
J: Japan Real Estate Institute
M: Morii Appraisal & Investment Consulting, Inc.
T: The Tanizawa Sōgō Appraisal Co., Ltd.
R: Rich Appraisal Institute Co., Ltd.
D: DAIWA REAL ESTATE APPRAISAL CO.,LTD.
- (Note 6) “Investment ratio” is the ratio of acquisition price of the respective asset held at the end of the midterm period under review to the total amount of acquisition price of all assets held at the end of the midterm period under review, rounded off to one decimal place.
- (Note 7) “Collateral” is whether or not a pledge has been established for the beneficial interest in trust.
- (Note 8) The omitted property numbers are the property numbers of assets that have been transferred.

Details of assets under management 3 (change in tenants of portfolio)

The following is the change in total number of tenants, total leasable area, total leased area, and occupancy rate of real estate properties under management for the past five years.

	End of 12th period March 2012	End of 13th period December 2012	End of 14th period December 2013	End of 15th period December 2014	End of 16th period December 2015	End of 17th period December 2016	End of midterm period of 18th period June 2017
Number of tenants (Note 1)	24	37	38	57	113	128	128
Total leasable area (Note 2)	101,028.49 m ²	288,875.32 m ²	349,162.63 m ²	386,826.71 m ²	493,758.78 m ²	587,481.02 m ²	587,481.02 m ²
Total leased area (Note 3)	101,028.49 m ²	288,875.32 m ²	349,162.63 m ²	386,447.08 m ²	493,138.06 m ²	587,050.94 m ²	587,050.94 m ²
Occupancy rate (Note 4)	100.0%	100.0%	100.0%	99.9%	99.9%	99.9%	99.9%

- (Note 1) Number of tenants indicates the total number of tenants based on the lease contracts for respective real estate in trust (excluding tenants of parking lots, etc.) as of the end of each fiscal period or midterm period. However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amount of rents, etc. from end tenants as is in principle, the total number of end tenants (excluding tenants of parking lots, etc.) is indicated.
- (Note 2) In principle, total leasable area represents leasable area of the building, which does not include leasable area of land (including parking lots on ground), based on a lease contract or plan for each real estate in trust. For properties in which the leased area is not described in the lease contract, leasable area represents the area described in the registration of the building. Furthermore, when the leasable area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578 square meters per one tsubo). In this report, the same shall apply hereinafter.
- (Note 3) In principle, total leased area represents the leased area described in the lease contract of the building. For properties in which the leased area is not described in the lease contract, leased area shows the area described in the registration of the building. Furthermore, when the leased area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578 square meters per one tsubo). However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amount of rents, etc. with rents, etc. from end tenants as is in principle, the total area for which lease contracts have been concluded with end tenants and which are actually leased is indicated. In this report, the same shall apply hereinafter.
- (Note 4) Occupancy rate indicates the percentage of leased area to leasable area of respective real estate properties in trust as of the end of each fiscal period or midterm period. In this report, the same shall apply hereinafter.

Details of assets under management 4 (information on major real estate)

There is no major real estate of which total annual rent accounts for 10% or more of the total annual rent of the entire portfolio. Total annual rent of the entire portfolio is the total annual rent calculated based on Note 2 of “C. Status of portfolio diversification” on page 62.

Details of assets under management 5 (NOI, etc.)

Property No.	Name	Rent type (Note 1)	Real estate operating revenue (JPY1000)	NOI (Note 2) (JPY1000)	NOI after depreciation (Note 3) (JPY1000)
1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	439,560	305,100	157,423
2	Oriental Hotel tokyo bay	Variable/Fixed	778,218	717,912	521,644
3	Namba Oriental Hotel	Variable/Fixed	779,956	729,919	635,677
4	Hotel Nikko Alivila	Variable/Fixed	578,959	504,025	341,239
5	Oriental Hotel Hiroshima	Variable/Fixed	214,568	192,226	154,878
6	ibis Tokyo Shinjuku	Management contract	256,792	173,764	130,591
8	The Beach Tower Okinawa	Fixed	255,508	234,378	170,972
9	Hakone Setsugetsuka	Fixed	147,472	134,627	91,953
10	Dormy Inn Kumamoto	Fixed	97,230	86,326	66,344
12	the b suidobashi	Variable/Fixed	55,860	49,453	37,215
13	Dormy Inn EXPRESS Asakusa	Fixed	31,997	27,667	21,520
14	Hakata Nakasu Washington Hotel Plaza (Note 4)	Fixed	120,000	112,000	100,000
15	Nara Washington Hotel Plaza (Note 4)	Fixed	75,000	67,000	47,000
16	R&B Hotel Ueno-hirokoji	Fixed	48,647	40,473	33,687
17	R&B Hotel Higashi-nihonbashi	Fixed	61,103	52,766	43,285
18	Comfort Hotel Tokyo Higashi Nihombashi	Fixed	135,395	120,426	102,408
22	Smile Hotel Nihombashi Mitsukoshimae	Variable/Fixed (Note 5)	85,682	78,141	68,556
24	Toyoko Inn Hakata-guchi Ekimae	Fixed	70,519	64,032	53,336
25	Hotel Vista Kamata Tokyo	Variable/Fixed (Note 5)	46,796	39,300	27,586
26	Chisun Inn Kamata	Variable	37,850	34,115	28,426
29	Hotel Keihan Universal City	Variable/Fixed (Note 5)	522,756	484,209	441,119
30	Hotel Sunroute Shinbashi	Variable/Fixed (Note 5)	254,418	226,613	216,122
31	Hilton Tokyo Bay	Variable/Fixed (Note 5)	940,508	791,757	704,758
32	ibis Styles Kyoto Station	Management contract	284,576	256,144	238,821
33	ibis Styles Sapporo	Management contract	295,901	234,888	196,882
34	Mercure Sapporo	Management contract	343,605	242,710	204,595
35	Mercure Okinawa Naha	Management contract	239,378	197,014	171,705
36	the b akasaka-mitsuke	Variable/Fixed	123,899	114,655	103,821
37	the b ikebukuro	Variable/Fixed	176,986	165,034	150,176
38	the b ochanomizu	Variable/Fixed	52,653	48,433	43,602
39	the b hachioji	Variable/Fixed	94,611	81,233	68,230
40	the b hakata	Variable/Fixed	116,324	110,469	100,351
41	Hotel Francs	Fixed	150,000	118,264	94,042
42	Mercure Yokosuka	Variable	180,186	125,545	110,048
43	Okinawa Marriott Resort & Spa	Variable/Fixed	348,226	303,795	189,009
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed	719,254	513,333	421,403
45	CANDEO HOTELS UENO-KOEN	Fixed	175,205	168,161	148,480
46	Hotel Centraza Hakata	Variable/Fixed	436,973	318,436	194,205
47	Holiday Inn Osaka Namba	Variable/Fixed	601,538	589,159	531,974
48	HOTEL ASCENT FUKUOKA	Fixed	214,425	144,610	127,153
49	Hilton Nagoya	Variable	682,348	365,395	298,178
	Total		11,272,084	9,364,708	7,588,793

(Note 1) Under “Rent type,” “Fixed” is a property under a fixed rent structure, “Variable” is a property under a variable rent structure, “Management contract” is a property under a management contract structure, and “Variable/Fixed” is a property under a combination of fixed and variable rent structures.

(Note 2) NOI = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses

(Note 3) NOI after depreciation (net real estate operating income) = Real estate operating revenue – Real estate operating costs

(Note 4) For Hakata Nakasu Washington Hotel Plaza and Nara Washington Hotel Plaza, consent on disclosure of rent in units of thousand yen has not been obtained from the lessees and numbers are thus rounded down to the nearest million yen.

(Note 5) For Smile Hotel Nihombashi Mitsukoshimae, Hotel Vista Kamata Tokyo, Hotel Keihan Universal City, Hotel Sunroute Shinbashi and Hilton Tokyo Bay, the rent structure is one that has set not only fixed rent, but also partly rent based on revenue sharing.

(Note 6) The property numbers of assets that were transferred before the end of the previous fiscal year are intentionally omitted.

Details of assets under management 6 (status of rent settings of major tenants)

Tenant name (Note 1)	Property name	Business type	Contract commencement date Contract expiration date	Total leased area (By hotel)		Total leased area (By tenant)		Annual rent (By hotel) (Note 3) (JPY1M)	Total annual rent (By tenant) (Note 3) (JPY1M)
					Ratio to total (Note 2)		Ratio to total (Note 2)	Fixed rent (Note 4) Variable rent	Fixed rent (Note 4) Variable rent
HMJ (Hotel Management Japan Co., Ltd.) (Note 5) (Note 6)	Kobe Meriken Park Oriental Hotel	Hotel	April 1, 2012 December 31, 2019	32,663.90 m ²	5.6%	148,638.54 m ²	25.3%	645 (Note 7)	3,221 (Note 7)
	Oriental Hotel tokyo bay		April 1, 2012 December 31, 2019	44,833.11 m ²	7.6%			631 (Note 7)	
	Namba Oriental Hotel		April 1, 2012 December 31, 2019	19,364.33 m ²	3.3%			797 (Note 7)	
	Hotel Nikko Alivila		April 1, 2012 December 31, 2019	38,024.98 m ²	6.5%			804 (Note 7)	
	Oriental Hotel Hiroshima		April 1, 2012 December 31, 2019	13,752.22 m ²	2.3%			341 (Note 7)	
Accor (AAPC Japan K.K.)	ibis Tokyo Shinjuku	Ryokan/ Hotel	July 1, 2012 June 30, 2024	5,789.26 m ²	1.0%	65,148.46 m ²	11.1%	- (Note 8)	- (Note 8)
	ibis Styles Kyoto Station		October 31, 2013 December 31, 2018	4,628.32 m ²	0.8%			- (Note 8)	
	ibis Styles Sapporo		December 27, 2014 December 27, 2019	14,076.45 m ²	2.4%			- (Note 8)	
	Mercure Sapporo		September 30, 2014 September 30, 2019	12,888.36 m ²	2.2%			- (Note 8)	
	Mercure Okinawa Naha		September 30, 2014 April 26, 2024	10,884.25 m ²	1.9%			- (Note 8)	
	Mercure Yokosuka		April 2, 2015 August 30, 2019	16,881.82 m ²	2.9%			- (Note 8)	
THE DAI-ICHI BUILDING CO., LTD.	Hilton Tokyo Bay	Real estate leasing and management	July 1, 2015 December 31, 2018	64,931.94 m ²	11.1%	64,931.94 m ²	11.1%	1,872 (Note 9)	1,872 (Note 9)
Total for major tenants				278,718.94 m ²	47.5%	278,718.94 m ²	47.5%	5,093 -	5,093 -
Total for entire portfolio				587,050.94 m ²	100.0%	587,050.94 m ²	100.0%	12,523 -	12,523 -

(Note 1) The information on major tenants, which are those accounting for at least 10% of total leased area of the entire portfolio.

(Note 2) Ratio to total is rounded off to one decimal place.

(Note 3) The ratio of annual rent by hotel or by tenant may vary depending on the amount of variable rent and income from management contracts and is thus not shown.

(Note 4) Fixed rent is the amount arrived at when the monthly fixed rent income based on lease contracts valid as of June 30, 2017 between JHR and the major tenant (rent of the building itself only, excluding common area maintenance charges and signage and parking usage fees; not factoring in any change in rent during the fiscal period) is multiplied by 12, excluding variable rents and income from management contracts.

(Note 5) HMJ falls under the category of interested party, etc. under the Investment Trusts Act and sponsor-related party as stipulated in the Asset Management Company's company rule for transactions with sponsor-related parties.

(Note 6) HMJ has acquired all shares of Lagoon resort Nago Co., Ltd., which is the lessee and hotel operator of Okinawa Marriott Resort & Spa, K.K. A.I.C. Hiroshima Management, which is the lessee and hotel operator of Sheraton Grand Hiroshima Hotel (the main facility of ACTIVE-INTER CITY HIROSHIMA), Hotel Centraza Co., Ltd., which is the lessee and hotel operator of Hotel Centraza Hakata, and OW Hotel Operations KK, which is the lessee and hotel operator of Holiday Inn Osaka Namba. Accordingly, Lagoon resort Nago Co., Ltd., K.K. A.I.C. Hiroshima Management, Hotel Centraza Co., Ltd. and OW Hotel Operations KK fall under the category of interested party, etc. under the Investment Trusts Act and sponsor-related party as stipulated in the Asset Management Company's company rule for transactions with sponsor-related parties. The following are the leasing terms and conditions of Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (the main facility of ACTIVE-INTER CITY HIROSHIMA), Hotel Centraza Hakata and Holiday Inn Osaka Namba. The leased area, ratio of leased area and total annual fixed rent of HMJ and its wholly-owned subsidiaries Lagoon resort Nago Co., Ltd., K.K. A.I.C. Hiroshima Management, Hotel Centraza Co., Ltd. and OW Hotel Operations KK are 236,565.54 square meters, 40.3% and ¥5,095 million, respectively.

Tenant name	Property name	Business type	Contract commencement date Contract expiration date	Total leased area (m ²)	Ratio of total leased area	Annual fixed rent Annual variable rent (JPY1M)
Lagoon resort Nago Co., Ltd.	Okinawa Marriott Resort & Spa	Hotel	July 10, 2015 December 31, 2020	36,430.15	6.2%	550 (*)
K.K. A.I.C. Hiroshima Management	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Hotel	December 18, 2015 December 31, 2026	21,890.33	3.7%	348 (*)
Hotel Centraza Co., Ltd.	Hotel Centraza Hakata	Hotel	April 1, 2016 December 31, 2019	18,105.42	3.1%	400 (*)
OW Hotel Operations KK	Holiday Inn Osaka Namba	Hotel	August 1, 2016 October 31, 2031	11,501.10	2.0%	576 (*)

(*) For details of the variable rent arrangements for Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (ACTIVE-INTER CITY HIROSHIMA), Hotel Centraza Hakata, and Holiday Inn Osaka Namba, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 65.

(Note 7) For details of the variable rent arrangements for HMJ, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 65.

(Note 8) Variable rent for Accor (AAPC Japan K.K.) means income from management contracts and variable rent. For details of the arrangements of income from management contract and variable rent, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 65.

(Note 9) The variable rent for THE DAI-ICHI BUILDING CO., LTD. is not disclosed as consent on disclosure has not been obtained from the tenant and thus considered to be a case where disclosure cannot be made due to unavoidable circumstances. There is thus also no entry of the total for major tenants.

B. Income statements for individual real estate properties under management

The following are the individual income statements for real estate properties under management for the midterm period under review (from January 1, 2017 to June 30, 2017). Figures are rounded down to the nearest thousand yen in principle, but are otherwise noted if circumstances do not allow for the figures to be stated in units of thousand yen. Income statement items that are not directly attributable to the property are not included. In addition, the income statement amounts shown are on an accrual basis in principle, but are otherwise noted if circumstances require the amounts to be shown on a cash basis.

Property No.	-	1	2	3	4	5
Property name	Portfolio total	Kobe Meriken Park Oriental Hotel	Oriental Hotel tokyo bay	Namba Oriental Hotel	Hotel Nikko Alivila	Oriental Hotel Hiroshima
Number of operating days	-	181	181	181	181	181
(A) Real estate operating revenue subtotal	11,272,084	439,560	778,218	779,956	578,959	214,568
Fixed rent	6,258,229	322,950	315,799	398,950	402,049	170,752
Variable rent	4,457,873	116,125	462,418	381,006	176,909	43,816
Other revenue	555,982	484	-	-	-	-
(B) Real estate operating costs subtotal	3,683,291	282,137	256,573	144,278	237,719	59,689
Land lease and other rent expenses	461,618	103,705	-	-	42,074	-
Property taxes	710,238	27,797	57,681	48,320	29,672	20,780
Outsourcing expenses	285,511	480	480	480	960	480
Nonlife insurance	22,998	1,784	1,637	729	1,212	576
Depreciation and amortization	1,756,345	147,677	196,117	77,245	161,388	37,339
Loss on retirement of noncurrent assets	18,551	-	150	16,995	1,397	8
Other costs	428,027	691	506	506	1,015	505
(C) Net real estate operating income = (A) - (B)	7,588,793	157,423	521,644	635,677	341,239	154,878
(Reference) Occupancy rate	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	128	1	1	1	1	1

Property No.	6	8	9	10	12	13
Property name	ibis Tokyo Shinjuku (Note 1)	The Beach Tower Okinawa	Hakone Setsugetsuka	Dormy Inn Kumamoto	the b suidobashi	Dormy Inn EXPRESS Asakusa
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	256,792	255,508	147,472	97,230	55,860	31,997
Fixed rent	51,786	255,504	147,169	97,230	42,499	31,697
Variable rent	177,758	-	-	-	13,360	-
Other revenue	27,247	4	303	-	-	300
(B) Real estate operating costs subtotal	126,200	84,535	55,519	30,885	18,644	10,477
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	16,857	19,495	11,715	9,653	4,053	2,989
Outsourcing expenses	37,265	-	-	-	600	600
Nonlife insurance	310	614	323	237	103	60
Depreciation and amortization	43,173	63,405	42,674	19,982	12,238	6,146
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	28,595	1,019	805	1,012	1,649	680
(C) Net real estate operating income = (A) - (B)	130,591	170,972	91,953	66,344	37,215	21,520
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	4	1	1	1	1	1

Property No.	14	15	16	17	18	22
Property name	Hakata Nakasu Washington Hotel Plaza (Note 2)	Nara Washington Hotel Plaza (Note 2)	R&B Hotel Ueno-hirokoji	R&B Hotel Higashi- nihonbashi	Comfort Hotel Tokyo Higashi Nihombashi	Smile Hotel Nihombashi Mitsukoshimae
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	120,000	75,000	48,647	61,103	135,395	85,682
Fixed rent	120,000	73,000	48,252	61,103	129,793	67,200
Variable rent	-	-	-	-	-	18,482
Other revenue	0	2,000	394	-	5,602	-
(B) Real estate operating costs subtotal	20,000	28,000	14,959	17,818	32,987	17,126
Land lease and other rent expenses	-	-	-	2,700	-	-
Property taxes	6,000	6,000	5,937	4,285	13,118	6,085
Outsourcing expenses	0	1,000	420	600	807	600
Nonlife insurance	0	0	87	104	232	104
Depreciation and amortization	12,000	20,000	6,785	9,480	18,017	9,585
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	0	0	1,729	647	812	750
(C) Net real estate operating income = (A) – (B)	100,000	47,000	33,687	43,285	102,408	68,556
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	2	1	1	2	1

Property No.	24	25	26	29	30	31
Property name	Toyoko Inn Hakata-guchi Ekimae	Hotel Vista Kamata Tokyo	Chisun Inn Kamata	Hotel Keihan Universal City	Hotel Sunroute Shinbashi	Hilton Tokyo Bay
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	70,519	46,796	37,850	522,756	254,418	940,508
Fixed rent	70,519	46,767	-	Undisclosed (Note 3)	141,133	Undisclosed (Note 3)
Variable rent	-	-	37,850	Undisclosed (Note 3)	96,845	Undisclosed (Note 3)
Other revenue	-	29	-	Undisclosed (Note 3)	16,439	Undisclosed (Note 3)
(B) Real estate operating costs subtotal	17,182	19,209	9,423	81,636	38,296	235,750
Land lease and other rent expenses	-	-	-	10,555	-	66,128
Property taxes	5,190	6,019	2,317	22,566	12,458	68,872
Outsourcing expenses	540	600	540	2,445	2,355	11,448
Nonlife insurance	133	121	51	729	174	1,774
Depreciation and amortization	10,695	11,714	5,689	43,089	10,491	86,998
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	623	754	825	2,249	12,817	527
(C) Net real estate operating income = (A) – (B)	53,336	27,586	28,426	441,119	216,122	704,758
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	1	1	1	4	1

Property No.	32	33	34	35	36	37
Property name	ibis Styles Kyoto Station (Note 1)	ibis Styles Sapporo (Note 1)	Mercure Sapporo (Note 1)	Mercure Okinawa Naha (Note 1)	the b akasaka-mitsuke	the b ikebukuro
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	284,576	295,901	343,605	239,378	123,899	176,986
Fixed rent	21,167	13,133	33,025	-	68,191	108,986
Variable rent	261,608	262,295	250,446	233,922	55,708	67,999
Other revenue	1,800	20,472	60,133	5,456	-	-
(B) Real estate operating costs subtotal	45,754	99,018	139,010	67,672	20,078	26,809
Land lease and other rent expenses	-	-	-	150	-	-
Property taxes	9,031	18,237	24,151	11,452	7,516	9,944
Outsourcing expenses	17,268	22,864	30,361	28,795	600	600
Nonlife insurance	221	446	520	361	125	223
Depreciation and amortization	17,322	38,006	38,115	25,308	10,834	14,858
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	1,909	19,463	45,861	1,602	1,002	1,183
(C) Net real estate operating income = (A) - (B)	238,821	196,882	204,595	171,705	103,821	150,176
(Reference) Occupancy rate	100.0%	99.4%	98.1%	100.0%	100.0%	100.0%
(Reference) Number of tenants	2	5	14	1	2	4

Property No.	38	39	40	41	42	43
Property name	the b ochanomizu	the b hachioji	the b hakata	Hotel Francs	Mercure Yokosuka	Okinawa Marriott Resort & Spa
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	52,653	94,611	116,324	150,000	180,186	348,226
Fixed rent	34,500	60,210	44,761	150,000	-	274,999
Variable rent	18,153	31,215	71,563	-	159,974	73,226
Other revenue	-	3,184	-	-	20,212	-
(B) Real estate operating costs subtotal	9,050	26,380	15,972	55,957	70,138	159,216
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	3,091	10,773	4,678	30,078	18,242	41,543
Outsourcing expenses	600	900	600	900	8,751	1,200
Nonlife insurance	66	243	130	506	1,143	1,255
Depreciation and amortization	4,831	13,002	10,117	24,222	15,497	114,785
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	461	1,460	445	251	26,503	431
(C) Net real estate operating income = (A) - (B)	43,602	68,230	100,351	94,042	110,048	189,009
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	13	2	1	1	1

Property No.	44	45	46	47	48	49
Property name	ACTIVE-INTER CITY HIROSHIMA	CANDEO HOTELS UENO-KOEN	Hotel Centraza Hakata	Holiday Inn Osaka Namba	HOTEL ASCENT FUKUOKA	Hilton Nagoya
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	719,254	175,205	436,973	601,538	214,425	682,348
Fixed rent	386,689	Undisclosed (Note 3)	199,999	288,000	152,717	Undisclosed (Note 3)
Variable rent	199,790	-	236,973	313,538	-	Undisclosed (Note 3)
Other revenue	132,774	Undisclosed (Note 3)	-	-	61,707	Undisclosed (Note 3)
(B) Real estate operating costs subtotal	297,851	26,725	242,768	69,564	87,271	384,169
Land lease and other rent expenses	-	-	111,103	-	13,999	111,200
Property taxes	58,105	5,758	4,873	10,503	7,736	26,505
Outsourcing expenses	46,101	600	1,500	780	6,588	52,314
Nonlife insurance	1,781	257	628	669	254	2,705
Depreciation and amortization	91,930	19,681	123,435	57,185	17,234	67,217
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	99,932	428	1,228	426	41,458	124,226
(C) Net real estate operating income = (A) – (B)	421,403	148,480	194,205	531,974	127,153	298,178
(Reference) Occupancy rate	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	37	1	1	1	6	4

(Note 1) Variable rent includes income from management contracts. For details of the management contract, please refer to “D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing” on page 65.

(Note 2) Consent on disclosure of rent in units of thousand yen has not been obtained from the lessee and numbers are thus rounded down to the nearest million yen.

(Note 3) Rent income, etc. is not disclosed as consent on disclosure has not been obtained from the tenant with whom a lease contract has been concluded and thus considered to be a case where disclosure cannot be made due to unavoidable circumstances.

(Note 4) The property numbers of assets that were transferred before the end of the previous fiscal year are intentionally omitted.

C. Status of portfolio diversification

a. Diversification by hotel type

The total annual rent, the total of acquisition price and the investment ratio by the hotel type of the assets held at the end of the midterm period under review were as follows:

Hotel type (Note 1)	Total annual rent (Note 2) (JPY1M)	Acquisition price (Note 3) (JPY1M)	Investment ratio (Note 4) (%)
Limited-service hotel	9,671	129,798	45.3
Full-service hotel	7,091	79,422	27.7
Resort hotel	6,645	77,580	27.1
Total	23,407	286,801	100.0

b. Diversification by geographical area

The total annual rent, the total of acquisition price and the investment ratio by the geographical area of the assets held at the end of the midterm period under review were as follows:

Geographical area (Note 5)	Total annual rent (Note 2) (JPY1M)	Acquisition price (Note 3) (JPY1M)	Investment ratio (Note 4) (%)
Hokkaido	1,356	12,797	4.5
Tokyo	3,136	50,010	17.4
Kanto (excluding Tokyo)	4,638	54,775	19.1
Chubu	1,025	15,250	5.3
Kansai	5,515	67,550	23.6
Chugoku	1,640	21,420	7.5
Kyushu (excluding Okinawa)	1,958	20,538	7.2
Okinawa	4,136	44,460	15.5
Total	23,407	286,801	100.0

c. Diversification by hotel grade

The total annual rent, the total of acquisition price and the investment ratio by the hotel grade of the assets held at the end of the midterm period under review were as follows:

Hotel grade	Total annual rent (Note 2) (JPY1M)	Acquisition price (Note 3) (JPY1M)	Investment ratio (Note 4) (%)
Luxury	6,044	77,520	27.0
Upper-middle	2,863	29,950	10.4
Mid-price	13,164	160,311	55.9
Economy	1,335	19,019	6.6
Total	23,407	286,801	100.0

d. Diversification by building age

The total annual rent, the total of acquisition price and the investment ratio by the building age of the assets held at the end of the midterm period under review were as follows. The building age is the period from the date stated as the date of new construction on the registration or registration record to the last day of June 2017:

Building age	Total annual rent (Note 2) (JPY1M)	Acquisition price (Note 3) (JPY1M)	Investment ratio (Note 4) (%)
More than 5 years, less than 10 years (inclusive)	6,004	84,302	29.4
More than 10 years, less than 20 years (inclusive)	4,264	56,204	19.6
More than 20 years	13,138	146,295	51.0
Total	23,407	286,801	100.0

e. Diversification by remaining contract term

The total annual rent and the ratio of the total annual rent of the concerned properties to the total annual rent of all assets held at the end of the midterm period under review by the remaining contract term of the assets held at the end of the midterm period under review were as follows, where the remaining contract term is the period from the last day of June 2017 to the lease contract expiration date:

Remaining contract term	Total annual rent (Note 2) (JPY1M)	Ratio of total annual rent to total (%)
Less than 5 years (inclusive)	16,392	70.0
More than 5 years, less than 10 years (inclusive)	3,400	14.5
More than 10 years, less than 20 years (inclusive)	3,614	15.4
Total	23,407	100.0

f. Diversification by rent type

The total annual rent and the ratio of the total annual rent of the concerned properties to the total annual rent of all assets held at the end of the midterm period under review by the rent type of the assets held at the end of the midterm period under review were as follows, where fixed rent refers to fixed rent contracts and variable rent, etc. refers to variable rent contracts and management contracts:

Rent type	Total annual rent (Note 2) (JPY1M)	Ratio of total annual rent to total (%)
Fixed rent	12,523	53.5
Variable rent, etc.	10,884	46.5
Total	23,407	100.0

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

(Note 2) “Total annual rent” is the amount of (i) the amount arrived at when monthly fixed rent (rent of the building itself only, excluding common area maintenance charges and signage and parking usage fees; not factoring in any change in rent during the fiscal year) in lease contracts at the end of the midterm period under review is multiplied by 12, plus (ii) revenue sharing, variable rent or income from management contracts.

In addition, the assumptions of the total annual rent of the hotels with revenue sharing, with variable rent or operated under a management contract structure are as follows:

The Nine HMJ Hotels	The amount of (i) the variable rent actually generated from January 1, 2017 to June 30, 2017 and the variable rent calculated based on forecast GOP from July 1, 2017 to December 31, 2017, plus (ii) the amount arrived at when the monthly fixed rent (including non-hotel tenant(s)) at the end of the midterm period under review is multiplied by 12.
The Six Accor Hotels	The amount of (i) the income from management contracts or variable rent actually generated in the six-month period from January 1, 2017 to June 30, 2017 and the total amount of the income from management contracts or variable rent calculated based on forecast GOP from July 1, 2017 to December 31, 2017 for the hotel portion, plus (ii) the amount arrived at when the monthly rent income for retail or other tenant(s) at the end of the midterm period under review is multiplied by 12.
The Six <i>the b</i> Hotels	The amount of (i) the variable rent actually generated from January 1, 2017 to June 30, 2017 and the variable rent calculated based on forecast GOP from July 1, 2017 to December 31, 2017, plus (ii) the amount arrived at when the monthly fixed rent (including non-hotel tenant(s)) at the end of the midterm period under review is multiplied by 12.
Hotel Vista Kamata Tokyo Hilton Tokyo Bay	The amount of (i) the total amount of the variable rent calculated based on forecast sales from January 1, 2017 to December 31, 2017, plus (ii) the amount arrived at when the monthly fixed rent at the end of the midterm period under review is multiplied by 12.
Chisun Inn Kamata	The amount of the variable rent actually generated in the six-month period from January 1, 2017 to June 30, 2017 and the total amount of the variable rent calculated based on forecast GOP from July 1, 2017 to December 31, 2017.
Smile Hotel Nihombashi Mitsukoshimae Hotel Keihan Universal City Hotel Sunroute Shinbashi	The amount of (i) the variable rent actually generated in the six-month period from January 1, 2017 to June 30, 2017, plus (ii) the amount arrived at when the monthly fixed rent (including non-hotel tenant(s)) at the end of the midterm period under review is multiplied by 12.
Hilton Nagoya	The amount of (i) the variable rent actually generated in the six-month period from January 1, 2017 to June 30, 2017 and the variable rent calculated based on forecast sales from July 1, 2017 to December 31, 2017 for the hotel portion, plus (ii) the amount arrived at when the monthly fixed rent

	for retail or other tenant(s) at the end of the midterm period under review is multiplied by 12.
--	--

For details of the rent of the hotels with revenue sharing, with variable rent or operated under a management contract structure, please refer to “D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing” on page 65.

- (Note 3) “Acquisition price” is the acquisition price stated on the purchase and sale agreement for beneficial interest in trust, etc. (consumption tax, local consumption tax and the acquisition expense such as broker’s fee are not included). The acceptance prices are indicated for the properties that have been accepted through Merger.
- (Note 4) “Investment ratio” is the ratio of total acquisition price of the assets held at the end of the midterm period under review that are of the respective type to the total of acquisition price of all assets held at the end of the midterm period under review, rounded off to one decimal place.
- (Note 5) Tokyo means Tokyo metropolitan area. Kanto (excluding Tokyo) means Kanagawa, Chiba, Saitama, Ibaraki, Gunma, Tochigi and Yamanashi prefectures. Chubu means Aichi, Mie, Shizuoka, Nagano, Gifu, Niigata, Toyama, Ishikawa and Fukui prefectures. Kansai means Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Chugoku means Hiroshima, Okayama, Tottori, Yamaguchi and Shimane prefectures. Kyushu (excluding Okinawa) means Fukuoka, Nagasaki, Miyazaki, Kumamoto, Saga, Oita and Kagoshima prefectures. Okinawa means Okinawa prefecture.

D. Overview of the hotel business

(1) Rent structures of hotels with variable rent, management contract or revenue sharing

	Property No.	Name	Rent type	Method of calculating variable rent and income from management contracts
The Nine HMJ Hotels	1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	When total GOP of the five HMJ hotels exceeds GOP base amount (set at ¥3,351 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 85.0%. GOP base amount is set individually for each hotel for such purposes as payment of variable rent from each hotel. The breakdown of GOP base amount is presented below (Note 1).
	2	Oriental Hotel tokyo bay		
	3	Namba Oriental Hotel		
	4	Hotel Nikko Alivila		
	5	Oriental Hotel Hiroshima		
	43	Okinawa Marriott Resort & Spa	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥700 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 90.0%
	44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed (Note 2)	When hotel GOP exceeds GOP base amount (set at ¥468 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 82.5%
	46	Hotel Centraza Hakata	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥425 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 90.0%
	47	Holiday Inn Osaka Namba	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥650 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 92.5%
The Six Accor Hotels	6	ibis Tokyo Shinjuku	Management contract (Note 3)	Amount equivalent to GOP
	32	ibis Styles Kyoto Station		Amount equivalent to GOP
	33	ibis Styles Sapporo		Amount equivalent to GOP
	34	Mercure Sapporo		Amount equivalent to GOP
	35	Mercure Okinawa Naha		Amount equivalent to GOP
	42	Mercure Yokosuka	Variable	Amount linked to GOP
The Six the b Hotels	12	the b suidobashi	Variable/Fixed	Amount linked to GOP (Note 4)
	36	the b akasaka-mitsuke		
	37	the b ikebukuro		
	38	the b ochanomizu		
	39	the b hachioji		
	40	the b hakata		
Other hotels with variable rent or revenue sharing	22	Smile Hotel Nihombashi Mitsukoshimae	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 4)
	25	Hotel Vista Kamata Tokyo	Fixed + Revenue sharing	When hotel total sales from January 1 to December 31 of every year exceeds ¥270 million, the amount arrived at when the amount exceeding ¥270 million is multiplied by 32.5%
	26	Chisun Inn Kamata	Variable	Amount that is the monthly GOP multiplied by 85.0% (¥0 if the amount is below ¥0). (Note 5)
	29	Hotel Keihan Universal City	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 4)
	30	Hotel Sunroute Shinbashi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 4)
	31	Hilton Tokyo Bay	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 4)
	49	Hilton Nagoya	Variable	Variable rents linked to hotel sales, etc. (Note 4)

(Note 1) Breakdown of the GOP base amount set individually for the five HMJ hotels

Hotel name	Annual GOP base amount
Kobe Meriken Park Oriental Hotel	¥599,900 thousand
Oriental Hotel tokyo bay	¥693,200 thousand
Namba Oriental Hotel	¥832,200 thousand
Hotel Nikko Alivila	¥995,700 thousand
Oriental Hotel Hiroshima	¥230,000 thousand
Total	¥3,351,000 thousand

(Note 2) The indicated figures are for Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA.

(Note 3) The management contract structure is a structure for hotel real estate owned by JHR in which JHR entrusts an operator to operate the hotel and takes in the outcome of that business as real estate operating revenue. Specifically, JHR, the owner of the hotel real estate, concludes a management contract with an operator and entrusts the operator with the tasks necessary to run the hotel business. JHR receives the hotel revenue achieved from the hotel business (operation) by the operator and, at the same time, pays a management fee to the operator. This hotel revenue achieved is recognized as “real estate operating revenue through management contract” and is equivalent to the rent that is the real estate operating revenue under the leasing structure.

(Note 4) The detailed content of the contract is not disclosed as consent on disclosure has not been obtained from the lessee.

(Note 5) The fixed-term building lease agreement for Chisun Inn Kamata was concluded on May 17, 2017. The calculation of variable rent was changed on July 1, 2017 to amount arrived at when the amount exceeding GOP base amount is multiplied by 86.0% every month (¥0 if the amount is below ¥0).

(2) Major indicators of the hotel business

The following tables indicate the figures related to the hotel business of the nine HMJ hotels, the six Accor hotels and the six *the b* hotels for the operating period from January 1, 2017 through June 30, 2017, based on the data provided by the hotel lessees etc. Furthermore, while these indicators of the hotels are among the indicators that show the operating status of the rooms departments, they do not necessarily represent the operating revenue and the ability to bear rent, etc. of the respective hotels, as the daily rates and profit margins, etc. of the respective rooms available for sale are not uniform, among other reasons. As such, the indicators are no more than the reference figures.

(a) The Nine HMJ Hotels

	Kobe Meriken Park Oriental Hotel		Oriental Hotel tokyo bay		Namba Oriental Hotel		Hotel Nikko Alivila		Oriental Hotel Hiroshima		The Five HMJ Hotels Total/Average	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	82.4%	—	98.7%	—	94.8%	—	88.3%	—	81.9%	—	90.4%	—
ADR (Note 1)	15,443	—	18,491	—	19,285	—	20,811	—	9,510	—	17,539	—
RevPAR (Note 2)	12,718	—	18,247	—	18,276	—	18,385	—	7,789	—	15,854	—
Total sales	2,431	100.0	3,319	100.0	1,394	100.0	2,568	100.0	993	100.0	10,706	100.0
Rooms department	810	33.3	1,833	55.2	940	67.4	1,455	56.7	352	35.4	5,389	50.3
Food & beverage department	1,485	61.1	1,251	37.7	61	4.4	891	34.7	610	61.4	4,298	40.1
Tenant department	30	1.2	122	3.7	373	26.7	1	0.0	11	1.1	537	5.0
Other departments (Note 3)	106	4.4	114	3.4	20	1.4	221	8.6	20	2.0	481	4.5
GOP	437	18.0	891	26.8	864	62.0	706	27.5	167	16.8	3,064	28.6

	Okinawa Marriott Resort & Spa		Sheraton Grand Hiroshima Hotel (Note 4)		Hotel Centraza Hakata		Holiday Inn Osaka Namba		The Nine HMJ Hotels Total/Average (Note 5)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	87.0%	—	87.0%	—	93.7%	—	96.2%	—	90.5%	—
ADR (Note 1)	15,920	—	17,069	—	11,153	—	18,127	—	16,915	—
RevPAR (Note 2)	13,854	—	14,844	—	10,449	—	17,432	—	15,315	—
Total sales	1,692	100.0	1,601	100.0	1,266	100.0	1,011	100.0	16,276	100.0
Rooms department	999	59.0	703	43.9	404	32.0	991	98.0	8,487	52.1
Food & beverage department	494	29.2	859	53.6	738	58.3	—	—	6,389	39.3
Tenant department	26	1.6	—	—	114	9.0	14	1.4	692	4.3
Other departments (Note 3)	173	10.2	39	2.4	8	0.7	6	0.6	708	4.3
GOP	431	25.5	466	29.1	476	37.6	664	65.7	5,101	31.3

(Note 1) ADR: Represents average daily rate, which is calculated by dividing total rooms revenue for a certain period (excluding service charges) by the total number of rooms sold during the period. Holiday Inn Osaka Namba, the six Accor hotels and the six *the b* hotels do not request service charges. The same shall apply hereinafter.

(Note 2) RevPAR: Represents revenue per available room, which is calculated by dividing total rooms revenue for a certain period (excluding service charges) by the total number of rooms available for sale during the period. Revenue per available room equals the product of ADR and occupancy rate. The same shall apply hereinafter.

(Note 3) Figures for the other departments include sales of the department for sale of goods.

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

(Note 5) For Total/Average of the nine HMJ hotels, figures are calculated by the Asset Management Company as reference since no figures have been provided by the hotel operators or hotel lessees.

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

(b) The Six Accor Hotels

	ibis Tokyo Shinjuku		ibis Styles Kyoto Station		ibis Styles Sapporo		Mercure Sapporo		Mercure Okinawa Naha		Mercure Yokosuka		Total/Average (Note)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	70.1%	-	95.8%	-	91.7%	-	81.8%	-	81.8%	-	87.1%	-	84.8%	-
ADR	12,736	-	11,462	-	9,391	-	11,987	-	11,332	-	12,579	-	11,383	-
RevPAR	8,924	-	10,981	-	8,613	-	9,805	-	9,267	-	10,961	-	9,652	-
Total sales	365	100.0	482	100.0	548	100.0	596	100.0	532	100.0	551	100.0	3,074	100.0
Rooms department	333	91.2	427	88.7	433	79.1	506	84.8	436	82.0	317	57.6	2,453	79.8
Food & beverage department	26	7.0	50	10.4	102	18.7	85	14.3	82	15.3	225	40.8	569	18.5
Other departments	7	1.8	4	0.9	12	2.2	5	0.9	14	2.7	9	1.6	52	1.7
GOP	178	48.7	262	54.3	262	47.9	250	42.0	239	45.0	189	34.3	1,380	44.9

(Note) For Total/Average, figures are calculated by JHR since no figures have been provided by the hotel operators or hotel lessees.

(c) The Six the b Hotels

	the b suidobashi		the b akasaka-mitsuke		the b ikebukuro		the b ochanomizu		the b hachioji		the b hakata		Total/Average (Note)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	90.1%	-	86.2%	-	88.8%	-	93.0%	-	88.0%	-	91.1%	-	89.2%	-
ADR	10,705	-	11,203	-	10,774	-	10,686	-	7,054	-	8,374	-	9,450	-
RevPAR	9,647	-	9,660	-	9,565	-	9,937	-	6,210	-	7,631	-	8,433	-
Total sales	173	100.0	215	100.0	306	100.0	130	100.0	266	100.0	244	100.0	1,333	100.0
Rooms department	173	99.7	213	99.3	303	99.1	130	99.7	220	82.8	242	99.2	1,281	96.0
Food & beverage department	-	-	-	-	-	-	-	-	44	16.5	-	-	44	3.3
Other departments	1	0.3	2	0.7	3	0.9	0	0.3	2	0.7	2	0.8	9	0.7
GOP	80	46.2	116	54.1	163	53.3	58	44.3	88	33.0	123	50.6	628	47.1

(Note) For Total/Average, figures are calculated by JHR since no figures have been provided by the hotel lessees.

E. Status of capital expenditures

a. Planned capital expenditures (Note)

The following table shows major estimated capital expenditures items for renovation work during the fiscal year planned as of the end of the midterm period under review for real estate properties under management by JHR. Capital expenditures are expected to total ¥2,259 million for the second half and, in aggregate with the capital expenditures for the first half, capital expenditures are expected to total ¥3,144 million for the full year.

Name of property, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (JPY1M)		
			Total amount	Payment for the first half	Total amount paid
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renewal of disaster prevention switchboard	From July 2017 to December 2017	34	—	—
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Relocation of bridal salon	From April 2017 to December 2017	95	—	—
Oriental Hotel tokyo bay (Urayasu-shi, Chiba)	Renewal of automatic fire alarm equipment	From January 2017 to July 2017	50	—	—
ibis Tokyo Shinjuku (Shinjuku-ku, Tokyo)	Replacement of piping	From May 2017 to August 2017	136	—	—
ibis Tokyo Shinjuku (Shinjuku-ku, Tokyo)	Replacement of interior fittings and furniture in guest rooms on the 3rd through 10th floors	From May 2017 to August 2017	310	1	1
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of disaster prevention facilities	From May 2017 to July 2017	69	—	—
Total			696	1	1

(Note) New construction and renewal work include those for buildings, attached facilities, etc. as well as items classified as furniture and fixtures. The scheduled period of the above planned renovation work and whether or not the renovation work will be performed may change.

b. Capital expenditures during the period (Note)

For real estate properties under management by JHR, major construction work conducted during the midterm period under review that represents capital expenditures is as below. Capital expenditures for the midterm period under review totaled ¥885 million, and repair expenses that were accounted for as expense in the period totaled ¥18 million. In aggregate, ¥903 million of construction work was carried out.

Name of property, etc. (Location)	Purpose	Period	Construction costs (JPY1M)
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renewal of disaster prevention switchboard	From May 2017 to June 2017	10
Namba Oriental Hotel (Osaka-shi, Osaka)	Renewal of guest rooms on the 7th floor, etc.	From February 2017 to March 2017	77
Hakone Setsugetsuka (Ashigarashimo-gun, Kanagawa)	Replacement of air-conditioning facilities within the building	From June 2017 to June 2017	99
Total			187

(Note) New construction and renewal work include those for buildings, attached facilities, etc. as well as items classified as furniture and fixtures.