



JAPAN HOTEL REIT

**Japan Hotel REIT Investment Corporation**

**Financial Results Briefing 17th Period (FY12/2016)**

February 24, 2017

(TSE:8985)  
<http://www.jhrth.co.jp/en/>

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Former Nippon Hotel Fund Investment Corporation ("former NHF") and former Japan Hotel and Resort, Inc. ("former JHR") merged on April 1, 2012. The surviving company is the former NHF. The new name after the merger is Japan Hotel REIT Investment Corporation ("JHR"). The asset management company of JHR is Japan Hotel REIT Advisors Co., Ltd. ("Asset Management Company").

## **I. Settlement of Accounts for FY12/2016 - Highlights**

# 1. FY12/2016 Highlights

## 1. External Growth

- Ongoing Acquisitions of High-Quality Properties

End of FY12/2014 **30 properties / JPY173.4 billion**

- 2015**
- Public offering in January  
Acquired **6** properties / JPY**23.1** billion
  - Public offering in June  
Acquired **2** properties / JPY**16.6** billion
  - Sold (October)  
**-3** properties / - JPY**4.7** billion

Actual Results (2015)

Total Acquisition Price	Total Funds Raised through Public Offerings
JPY <b>39.7B</b>	JPY <b>26.4B</b>

End of FY12/2015 **36 properties / JPY225.7 billion**

- 2016**
- Public offering in January  
Acquired **2** properties / JPY**24.0** billion<sup>(\*)</sup>
  - Public offering in July  
Acquired **4** properties / JPY**54.3** billion<sup>(\*)</sup>

Actual Results (2016)

Total Acquisition Price <sup>(1, 2)</sup>	Total Funds Raised through Public Offerings
JPY <b>78.3B</b>	JPY <b>49.3B</b>

End of FY12/2016 **41 properties / JPY286.8 billion**

<sup>(\*)</sup>1 Includes JPY17.3 billion of ACTIVE-INTER CITY HIROSHIMA acquired in December 2015

<sup>(\*)</sup>2 Includes JPY 7.1 billion of Hotel Centraza Hakata acquired in April 2016.

<sup>(\*)</sup>3 The Five HMJ Hotels are Kobe Meriken Park Oriental Hotel, Oriental Hotel tokyo bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima.

<sup>(\*)</sup>4 The Six Accor Hotels are ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka.

<sup>(\*)</sup>5 The Five the b Hotels are the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji, and the b hakata.

<sup>(\*)</sup>6 Costs for interest-bearing debt are rounded off to one decimal place.

## 2. Internal Growth (\*3, 4, 5)

- Improvement in hotel performance and an increase in variable rent, etc. through active asset management

		2015	2016	Variance
(Unit: JPY)				
<b>RevPAR</b>	The Five HMJ Hotels	16,843	<b>17,807</b>	5.7%
	The Six Accor Hotels	9,130	<b>9,868</b>	8.1%
	The Five the b Hotels	8,124	<b>8,482</b>	4.4%
	Total of 3 Hotel Groups	12,352	<b>13,116</b>	6.2%

(Unit: JPY M)

<b>GOP</b>	Total of 3 Hotel Groups	10,532	<b>11,671</b>	10.8%
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(Unit: JPY M)

<b>Revenue Sharing</b>	Total of Revenue Sharing	406	<b>556</b>	36.9%
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## 3. Strengthening of Financial Base

- Reduce financial costs while carrying out conservative financial management
- Improvement in financial stability (End of FY12/2015→End of FY12/2016)

LTV	Costs for Interest-Bearing Debt <sup>(*)</sup>	Average Life of Debt
42.8% ⇒ <b>39.7%</b>	1.5% ⇒ <b>1.2%</b>	3.7 years ⇒ <b>5.0 years</b>

- Diversified funding methods and reduction in interest rate costs by issuance of investment corporation bonds (total amount JPY13.1 billion)

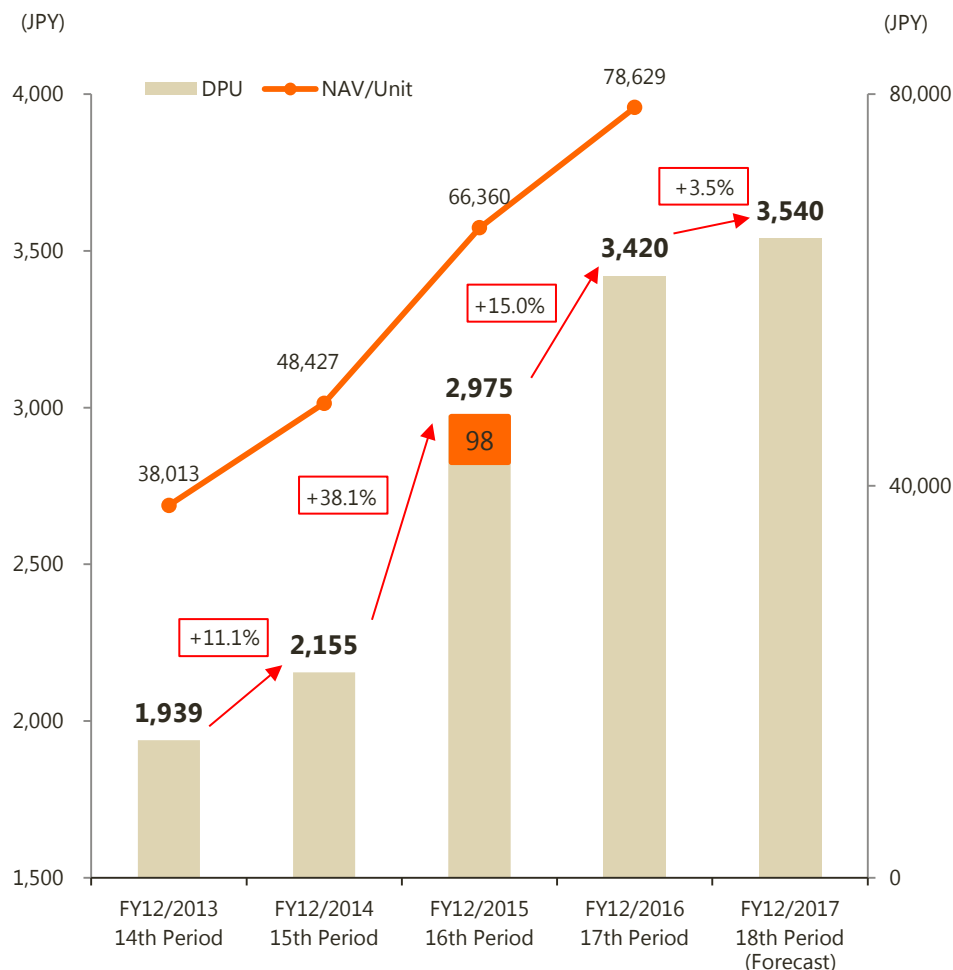
- Improvement in credit rating

JCR	R&I
A (Positive) ⇒ <b>A+</b> (Stable)	A- (Positive) ⇒ <b>A</b> (Stable)

# 1 . FY12/2016 Highlights (Cont.)

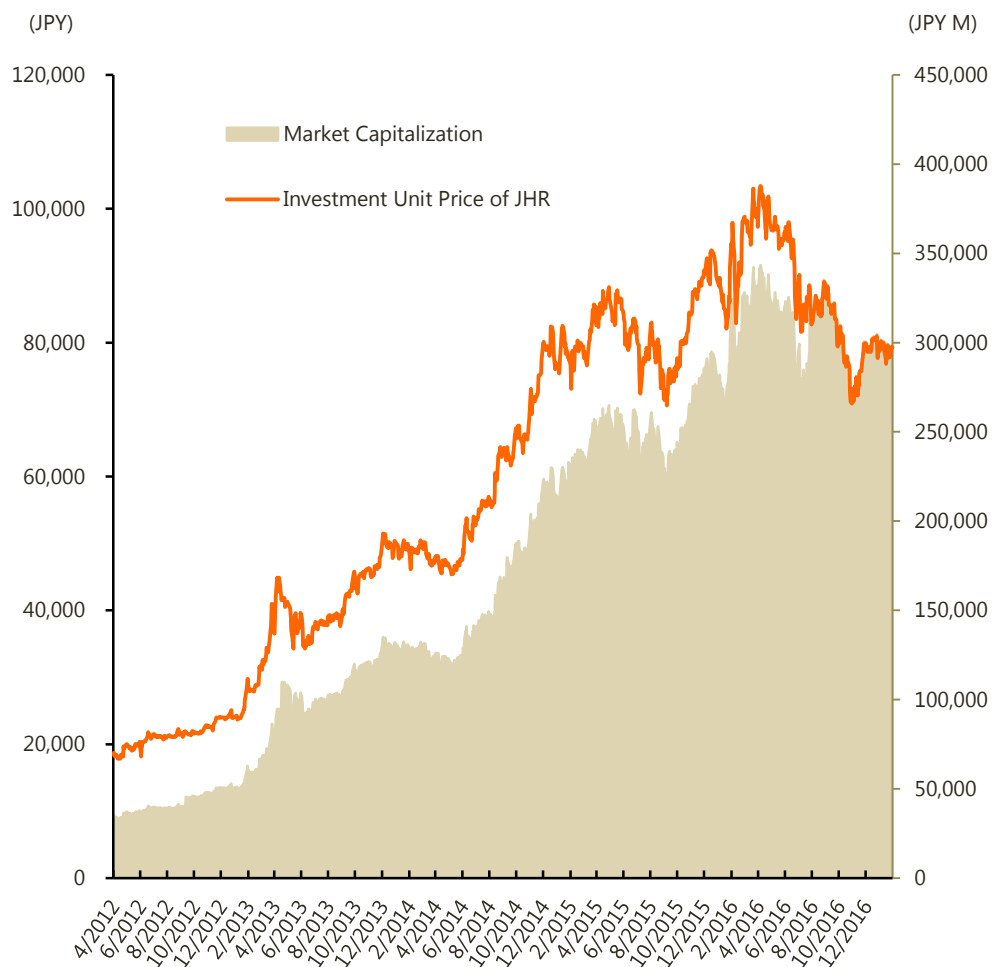
## Realized Steady Growth of Dividends

### Changes in Dividends and NAV/Unit



(\*) Dividends for 16th period include JPY98, which is equivalent to gain on sale.

### Changes in Market Capitalization and Investment Unit Price



## **II. Summary of Settlement of Accounts**

# 1. Operational Performance

(Unit: JPY M)

		FY12/2015 (16th Period)	FY12/2016 (17th Period)	Comparison with Previous Period		Major Factors Causing the Variance			
		Actual (A)	Actual (B)	(B)-(A)	Variance	Property Acquisition in 17th Period (*1)	Property Acquisition in 16th Period (*2)	Property Disposition in 16th Period (*3)	Other Properties (*4)
Properties	No. of Properties	36	41	5	13.9%				
	Acquisition Price	225,723	286,801	61,077	27.1%				
Profit and Loss	Operating Revenue	17,343	22,107	4,763	27.5%	2,038	2,043	-599	1,281
	Real Estate Operating Revenue	17,033	22,107	5,073	29.8%	2,038	2,043	-293	1,285
	Fixed Rent	Composition 60.5% 10,311	Composition 57.5% 12,714	2,403	23.3%	1,161	1,432	-293	102
	Variable Rent	39.5% 6,722	42.5% 9,392	2,670	39.7%	876	610	-	1,183
	Gain on Sale of Real Estate Properties	309	-	-309	-	-	-	-305	-4
	NOI (*5)	14,829	18,829	4,000	27.0%	1,601	1,457	-257 (*6)	1,199
	NOI Yield	6.6%(7.2%)	6.6%(7.1%)	0.0%	-	-	-	-	-
	Depreciation	-2,772	-3,294	-521	-	-314	-315	73	35
	Loss on Retirement of Noncurrent Assets	-25	-16	9	-	-	-0	-	9
	NOI after Depreciation (*5)	12,031	15,517	3,486	29.0%	1,285	1,141	-184 (*6)	1,243
	NOI Yield after Depreciation	5.3%(5.8%)	5.4%(5.9%)	0.1%	-	-	-	-	-
	Other Operating Expenses	-1,352	-1,632	-279	-				
	Operating Income	10,988	13,885	2,896	26.4%				
	Non-Operating Income	18	5	-12	-				
	Non-Operating Expenses	-1,711	-1,671	40	-				
Dividend	Ordinary Income	9,295	12,220	2,924	31.5%				
	Extraordinary Losses or Income, etc.	-1	-97	-95	-				
	Net Income	9,294	12,123	2,828	30.4%				
	Use of Negative Goodwill	60	740	679	1116.3%				
Dividend	Total Dividends	9,354	12,865	3,511	37.5%				
	Number of Units Issued (Unit)	3,144,227	3,761,907	617,680	19.6%				
	Dividend per Unit (JPY)	2,975	3,420	445	15.0%				

## Major Causes of Variance

### ① Operating Revenue – Fixed Rent, etc.

- Receipt of termination charge due to replacement of tenants in 17th period: JPY126M

### ② Operating Revenue – Variable Rent, etc.

- The five HMJ hotels – increase in variable rent: JPY677M
- The five Accor hotels – increase in income from management contracts, etc.: JPY321M
- Increase in revenue sharing, etc.: JPY149M and others

### ③ Extraordinary Losses, etc.

- Repair expenses in the amount of JPY95M for damage caused by the Kumamoto earthquakes, and others.

(\*1) Stating the impact on the statements of income by properties acquired during fiscal year ended December 2016 (17th period), namely CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata, Holiday Inn Osaka Namba, HOTEL ASCENT FUKUOKA, and Hilton Nagoya.

(\*2) Stating the impact on the statements of income by properties acquired during fiscal year ended December 2015 (16th period), namely the five *the b* hotels, Hotel Francs, Mercure Yokosuka, Okinawa Marriott Resort & Spa, and ACTIVE-INTER CITY HIROSHIMA.

(\*3) Stating the impact on the statements of income by three properties, Comfort Hotel Shin-Yamaguchi, Daiwa Roynet Hotel Akita, and Hotel Sunroute Niigata, sold on October 30, 2015.

(\*4) Twenty-seven properties excluding three properties sold during the fiscal year ended December 2015 from thirty properties JHR owned as of December 31, 2014.

(\*5) Each is calculated using the following formula.

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

The sum of (NOI of each property ÷ operating days x 365) ÷ acquisition price is indicated as an annualized NOI yield in parenthesis.

The sum of (NOI after depreciation of each property ÷ operating days x 365) ÷ acquisition price is indicated as an annualized NOI after depreciation in parenthesis. Please note that depreciation is calculated as the sum of (depreciation of each property ÷ operating months x 12).

(\*6) NOI and NOI after depreciation do not include gain on sale of real estate properties, etc. The factors causing the variance on NOI and NOI after depreciation with consideration of the effect by gain on sale are -¥563 million and -¥489 million, respectively.

## 2. Revenue Forecast

(Unit: JPY M)

		FY12/2016 (17th Period)	FY12/2017 (18th Period)	Comparison with Previous Period		Major Factors Causing the Variance	
		Actual (A)	Forecast (*1) (B)	(B)-(A)	Variance	Property Acquisition in 17th Period (*2)	Existing Properties
<b>Properties</b>	No. of Properties	41	41	-	-		
	Acquisition Price	286,801	286,801	-	-		
<b>Profit and Loss</b>	<b>Operating Revenue</b>	<b>22,107</b>	<b>24,530</b>	<b>2,422</b>	<b>11.0%</b>	<b>2,376</b>	<b>46</b>
	Real Estate Operating Revenue	22,107	24,530	2,422	11.0%	2,376	46
	Fixed Rent	Composition	Composition				
		57.5% 12,714	55.9% 13,718	1,004	7.9%	1,120	-116
	Variable Rent	42.5% 9,392	44.1% 10,811	1,418	15.1%	1,255	163
	Gain on Sale of Real Estate Properties	-	-	-	-	-	-
	NOI (*4)	18,829	20,312	1,482	7.9%	1,618	-135
	NOI Yield	6.6%(7.1%)	7.1%	0.5%			
	Depreciation	-3,294	-3,639	-345		-269	-75
	Loss on Retirement of Noncurrent Assets	-16	-70	-53		-	-53
	NOI after Depreciation (*4)	15,517	16,600	1,082	7.0%	1,347	-265
	NOI Yield after Depreciation	5.4%(5.9%)	5.8%	0.4%			
	Other Operating Expenses	-1,632	-1,880	-248		-	-
	Operating Income	13,885	14,719	833	6.0%		
	Non-Operating Income	5	3	-2			
<b>Dividend</b>	Non-Operating Expenses	-1,671	-1,734	-63			
	Ordinary Income	12,220	12,987	767	6.3%		
	Extraordinary Losses or Income, etc.	-97	-1	95			
	Net Income	12,123	12,986	863	7.1%		
<b>Dividend</b>	Use of Negative Goodwill (*5)	740	332	-407	-55%		
	Total Dividends	12,865	13,317	451	3.5%		
	Number of Units Issued (Unit)	3,761,907	3,761,907	-			
	Dividend per Unit (JPY)	3,420	3,540	120	3.5%		

### Major Causes of Variance

#### ① Operating Revenue – Fixed Rent, etc.

- Decrease in receipt of termination charge due to replacement of tenants in 17th period: -JPY126M

#### ② Operating Revenue – Variable Rent, etc.

- The seven HMJ group hotels (\*3) – increase in variable rent: JPY154M
- The six Accor hotels – increase in income from management contracts, etc.: JPY110M
- The six *the b* hotels – increase in variable rent: JPY8M
- Decrease in revenue sharing, etc.: -JPY111M and others

- (\*1) For details, please refer to the "Financial Report for the Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)" dated February 23, 2017.
- (\*2) Stating the impact on the statements of income by properties acquired during fiscal year ended December 2016 (17th period), namely CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata, Holiday Inn Osaka Namba, HOTEL ASCENT FUKUOKA, and Hilton Nagoya in the fiscal year ended December 2016 (17th period).
- (\*3) The seven HMJ group hotels are the five HMJ hotels plus Okinawa Marriott Resort & Spa and Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA.
- (\*4) Each is calculated using the following formula: 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. The sum of (NOI of each property ÷ operating days x 365) ÷ acquisition price is indicated as an annualized NOI yield in parenthesis. The sum of (NOI after depreciation of each property ÷ operating days x 365) ÷ acquisition price is indicated as an annualized NOI after depreciation in parenthesis. Please note that depreciation is calculated as the sum of (depreciation of each property ÷ operating months x 12).
- (\*5) Please refer to P25 for the use of negative goodwill.

### 3. Balance Sheet

(Unit: JPY M)

	FY12/2015 End of Fiscal Year	FY12/2016 End of Fiscal Year	Variance
(As of)	12.31.2015	12.31.2016	
<b>ASSETS</b>			
<b>Current Assets</b>	<b>15,633</b>	<b>29,050</b>	<b>13,417</b>
Cash and Deposits (*1)	13,698	26,373	12,675
Operating Accounts Receivables	1,269	2,071	802
Others	665	605	-60
<b>Property and Equipment, at Cost</b>	<b>224,588</b>	<b>288,441</b>	<b>63,853</b>
Net Property and Equipment	203,488	250,690	47,202
Buildings in Trust (*2)	81,660	94,608	12,948
Land in Trust	120,918	154,841	33,923
Others (*3)	908	1,240	332
Intangible Assets	19,884	34,278	14,394
Other Assets	1,214	3,472	2,258
Leasehold and Security Deposits	170	170	0
Others	1,043	3,301	2,258
<b>Deferred Assets</b>	<b>135</b>	<b>387</b>	<b>252</b>
<b>TOTAL ASSETS</b>	<b>240,356</b>	<b>317,878</b>	<b>77,522</b>

	FY12/2015 End of Fiscal Year	FY12/2016 End of Fiscal Year	Variance
(As of)	12.31.2015	12.31.2016	
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>	<b>25,073</b>	<b>14,364</b>	<b>-10,709</b>
Operating Accounts Payable	875	666	-209
Short-Term Loans Payable	9,000	1,800	-7,200
Current Portion of Investment Corporation Bonds	2,500	0	-2,500
Current Portion of Long-Term Loans Payable	11,393	9,679	-1,714
Accounts Payable	502	1,107	605
Advances Received	692	899	207
Others	109	211	102
<b>Long-Term Liabilities</b>	<b>85,368</b>	<b>121,524</b>	<b>36,156</b>
Investment Corporation Bonds	9,500	22,600	13,100
Long-Term Loans Payable	70,379	92,099	21,720
Tenant Leasehold and Security Deposits	4,955	5,660	705
Derivative Assets	533	676	143
Others	0	487	487
<b>TOTAL LIABILITIES</b>	<b>110,442</b>	<b>135,889</b>	<b>25,447</b>
<b>NET ASSETS</b>			
Unitholders' Capital	85,470	134,829	49,359
Capital Surplus	21,746	21,746	0
Dividend Reserve	13,928	13,867	-61
Unappropriated Retained Earnings (midterm/year)	9,296	12,126	2,830
Others	-526	-580	-54
<b>TOTAL NET ASSETS</b>	<b>129,914</b>	<b>181,989</b>	<b>52,075</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>240,356</b>	<b>317,878</b>	<b>77,522</b>

(\*1) Cash and deposits in trust is included.

(\*2) The sum of buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, and construction in progress in trust.

(\*3) The sum of machinery and equipment, tools, furniture and fixtures, and construction in progress.

### **III. Portfolio**

# 1. Portfolio

- Consists of highly competitive hotels in markets with strong leisure demand with a focus on strategic investment areas

## Portfolio Summary

**Total Assets** (\*1)

JPY **286.8** Billion

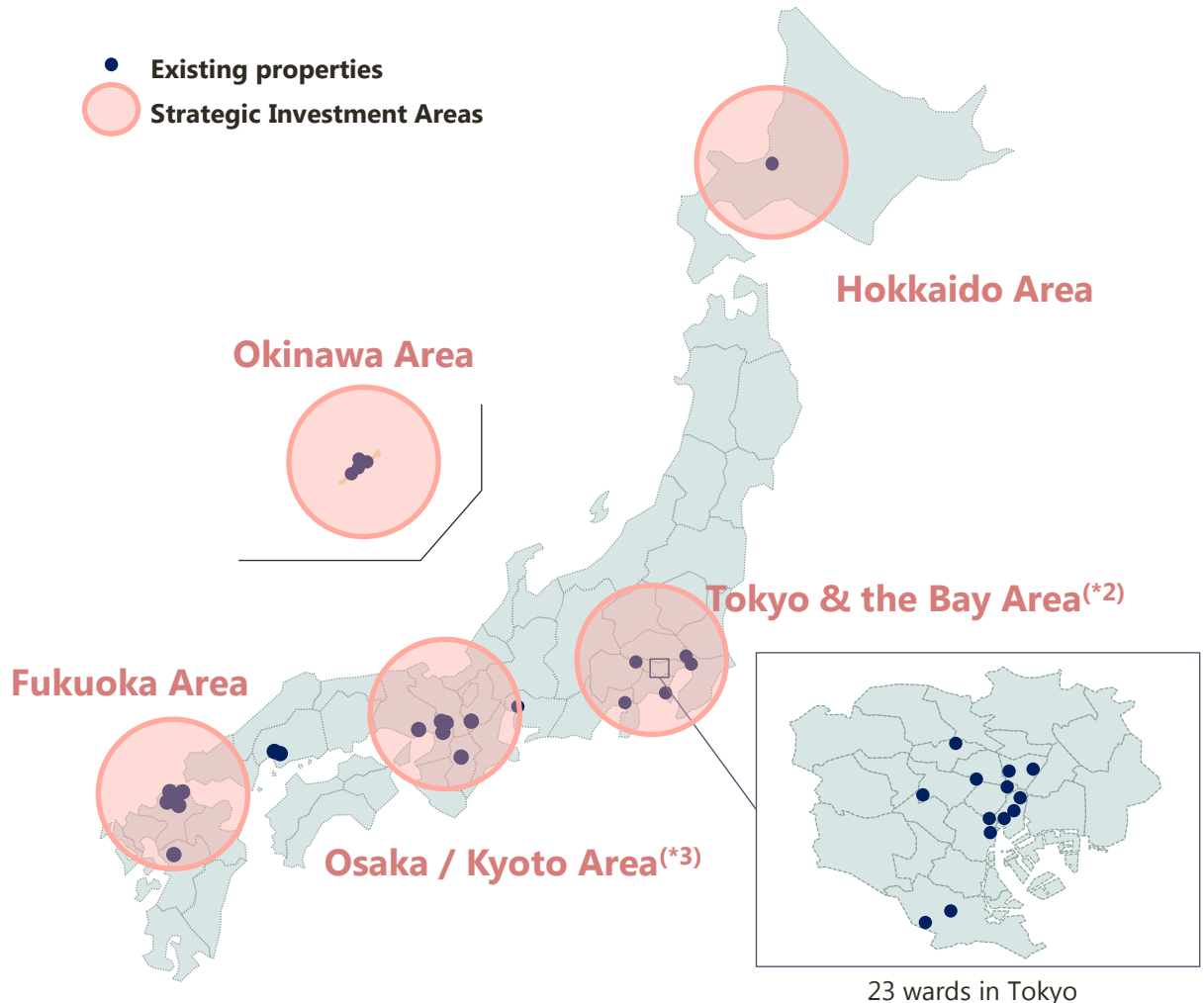
**No. of Hotels**

**41** Hotels

**No. of Guest Rooms**

**10,140** Rooms

## Strategic Investment Areas and Locations of Properties



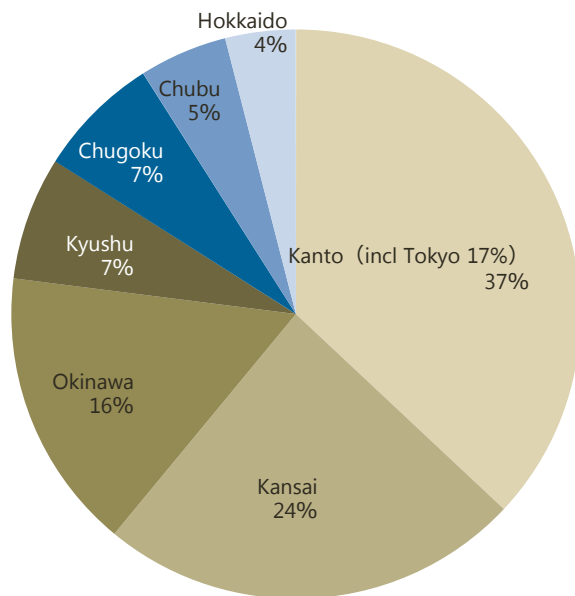
(\*1) Total Assets refers to the total acquisition price.

(\*2) Tokyo & the Bay Area includes Tokyo, Kanagawa and Chiba prefectures.

(\*3) Osaka / Kyoto Area includes Osaka and Kyoto prefectures.

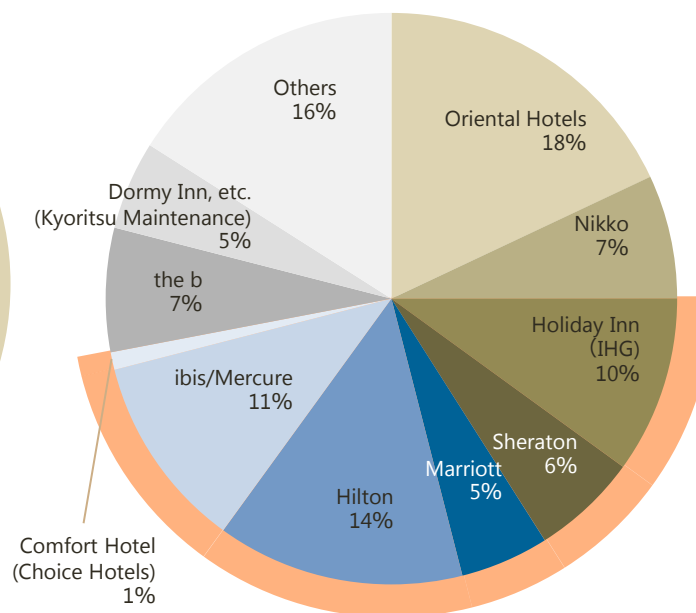
## 2. Diversification of Portfolio

**Diversification in Areas**



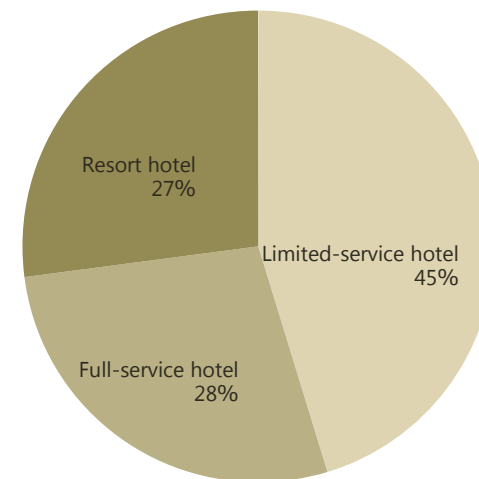
**Strategic Investment Areas**  
35 Hotels / 82%

**Diversification in Brands**

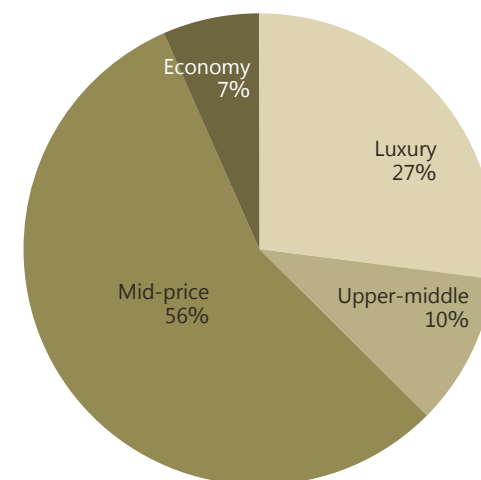


**International Brands**  
47%

**Diversification in Hotel Types**



**Diversification in Grades**



(\*) Ratio calculated based on acquisition price as of the end of December 2016.

## **IV. External Growth**

# 1. Properties Acquired in 2016

## CANDEO HOTELS UENO-KOEN



Acquisition Price	JPY6,705M
No. of Rooms	268
NOI Yield <sup>(*)</sup>	4.8%
Brand / Operator	CANDEO / Candeo Hospitality Management, Inc.
Rent Structure	Fixed
Location	<ul style="list-style-type: none"> <li>Located at three-minute walk from Uguisudani Station on the JR Yamanote Line</li> </ul>
Feature	<ul style="list-style-type: none"> <li>A relatively new limited-service hotel</li> <li>Approximately over 90% of its guest rooms are available for two or more guests</li> </ul>
Investment Strategy	<ul style="list-style-type: none"> <li>Enhance the stability of portfolio by receiving fixed rent income</li> </ul>

## Hotel Centraza Hakata



Acquisition Price	JPY7,197M
No. of Rooms	194
NOI Yield <sup>(*)</sup>	7.1%
Brand / Operator	Centraza / HMJ Group
Rent Structure	Fixed + Variable
Location	<ul style="list-style-type: none"> <li>Directly connected to major JR Lines and Hakata airport subway station</li> </ul>
Feature	<ul style="list-style-type: none"> <li>Mid-price full-service hotel</li> <li>Operated by HMJ group</li> </ul>
Investment Strategy	<ul style="list-style-type: none"> <li>Improve RevPAR by attracting increasing inbound demand and renovating guest rooms, etc.</li> </ul>

## HOTEL ASCENT FUKUOKA

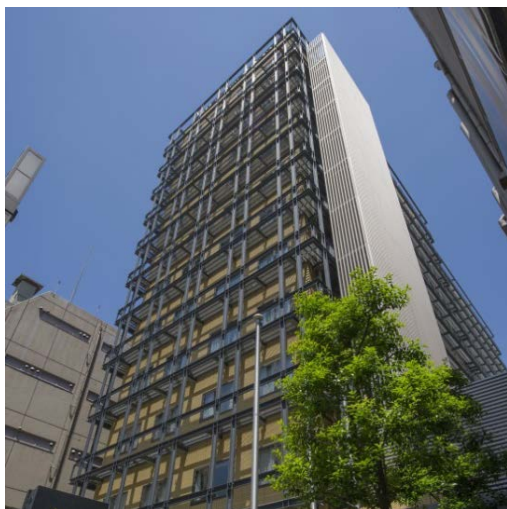


Acquisition Price	JPY4,925M
No. of Rooms	263
NOI Yield <sup>(*)</sup>	5.8%
Brand / Operator	Ascent / NIKOH SANGYO co.,Ltd.
Rent Structure	Fixed
Location	<ul style="list-style-type: none"> <li>Center of the business and commercial area of Fukuoka, where a growing number of Asian tourists visit</li> </ul>
Feature	<ul style="list-style-type: none"> <li>Limited-service hotel with stable fixed rent</li> </ul>
Investment Strategy	<ul style="list-style-type: none"> <li>Enhance the stability of portfolio by receiving fixed rent income</li> </ul>

(\*) NOI yield is calculated as annualized NOI forecast for FY12/2017 divided by acquisition price.

# 1. Properties Acquired in 2016 (Cont.)

## Holiday Inn Osaka Namba



Acquisition Price	JPY27,000M
No. of Rooms	314
NOI Yield <sup>(*)</sup>	4.9%
Brand / Operator	Holiday Inn / HMG Group
Rent Structure	Fixed + Variable
Location	<ul style="list-style-type: none"> <li>Center of the Namba area in Osaka, a popular destination for inbound tourists</li> </ul>
Feature	<ul style="list-style-type: none"> <li>Limited-service hotel built only 8 years ago</li> <li>Operated by HMJ group</li> </ul>
Investment Strategy	<ul style="list-style-type: none"> <li>Additional investment in Namba market in Osaka</li> <li>Rebranded to Holiday Inn Osaka Namba</li> <li>Seek synergies with neighboring Namba Oriental Hotel</li> </ul>

## Hilton Nagoya



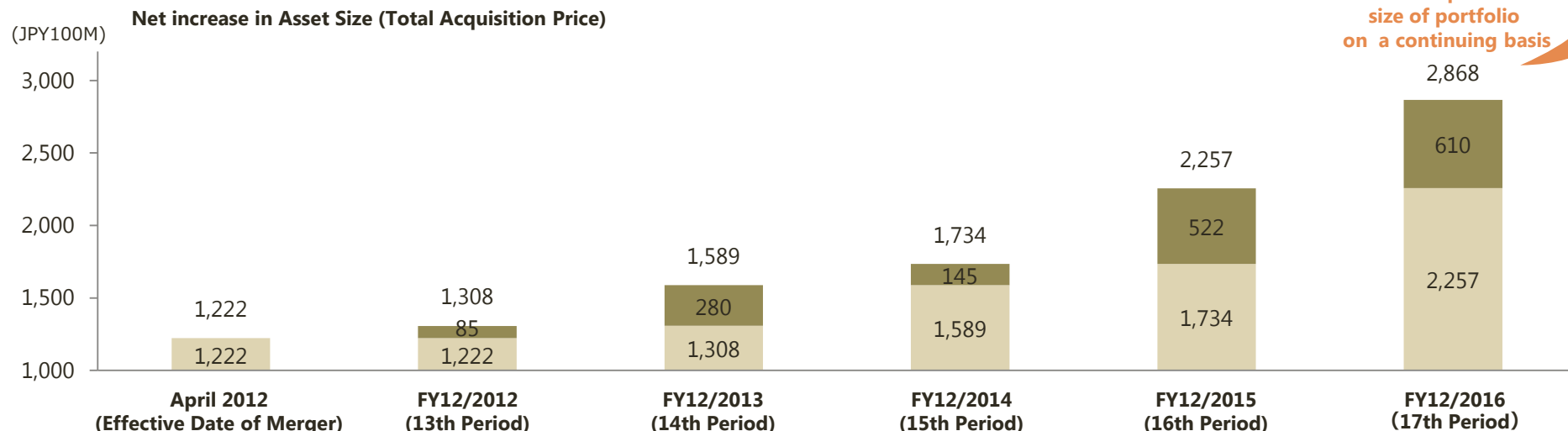
Acquisition Price	JPY15,250M
No. of Rooms	460
NOI Yield <sup>(*)</sup>	4.8%
Brand / Operator	Hilton / Nagoya Hilton
Rent Structure	Variable
Location	<ul style="list-style-type: none"> <li>Center of a business district in Nagoya, the third largest Japanese metropolitan area</li> </ul>
Feature	<ul style="list-style-type: none"> <li>One of only a few full-service hotels with the international brand in Nagoya</li> </ul>
Investment Strategy	<ul style="list-style-type: none"> <li>Completed full renovation in March 2016 to increase ADR</li> </ul>

(\*) NOI yield is calculated as annualized NOI forecast for FY12/2017 divided by acquisition price.

## 2. Changes in Asset Size

- Improved the quality of portfolio and continued to realize external growth by taking advantage of JHR's strength as REIT specializing in hotels
- Acquired **21 hotel assets, around JPY177.3 billion** in total acquisition price since the merger

### Changes in Asset Size



Aim to expand the size of portfolio on a continuing basis

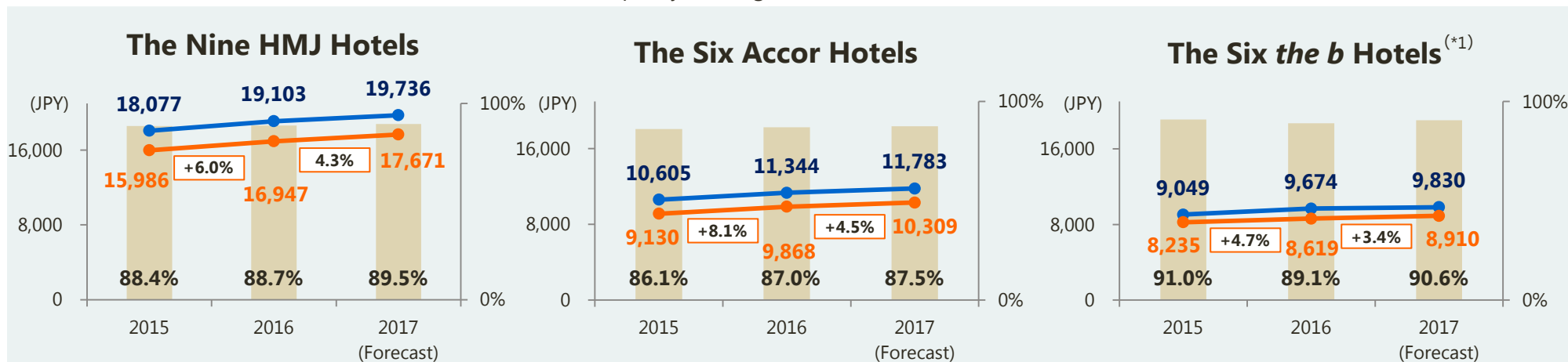
Acquisition	2		2		3		9		5	
	<ul style="list-style-type: none"> <li>Hotel Keihan Universal City</li> <li>Hotel Sunroute Shinbashi</li> </ul>		<ul style="list-style-type: none"> <li>Hilton Tokyo Bay</li> <li>ibis Styles Kyoto Station</li> </ul>		<ul style="list-style-type: none"> <li>ibis Styles Sapporo</li> <li>Mercure Sapporo</li> <li>Mercure Okinawa Naha</li> </ul>		<ul style="list-style-type: none"> <li>the b akasaka-mitsuke</li> <li>the b ikebukuro</li> <li>the b ochanomizu</li> <li>the b hachioji</li> <li>the b hakata</li> <li>Hotel Francs</li> <li>Mercure Yokosuka</li> <li>Okinawa Marriott Resort &amp; Spa</li> <li>ACTIVE-INTER CITY HIROSHIMA</li> </ul>		<ul style="list-style-type: none"> <li>CANDEO HOTELS UENO-KOEN</li> <li>Hotel Centraza Hakata</li> <li>Holiday Inn Osaka Namba</li> <li>HOTEL ASCENT FUKUOKA</li> <li>Hilton Nagoya</li> </ul>	
Disposition	2		2		1		3			
Total Properties	28		28		30		36		41	

**V. Internal Growth**

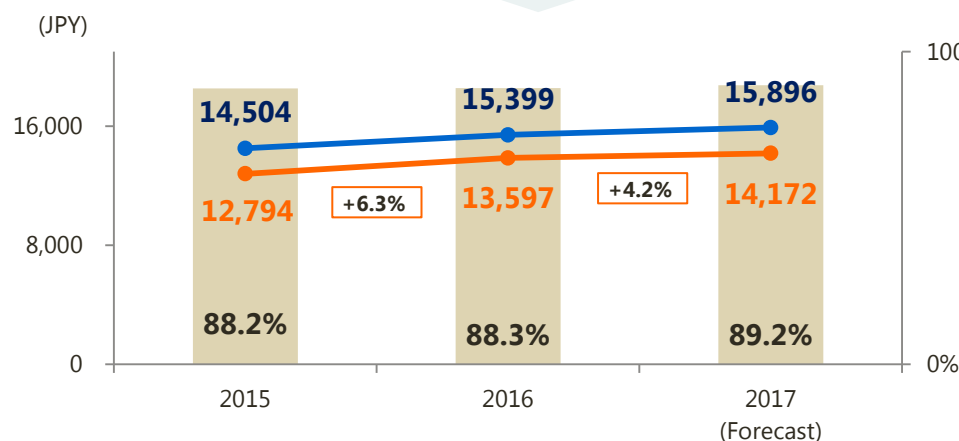
# 1. Performance of Major Hotels Adopting Variable Rent Scheme, etc.

## Indicators of Rooms Department

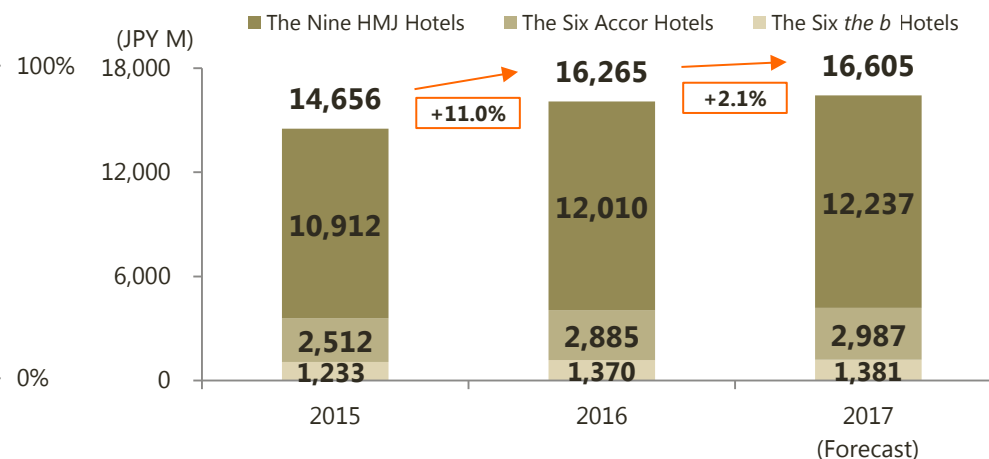
● ADR (left axis) ● RevPAR (left axis) ■ Occupancy rate (right axis)



## Total of Three Hotel Groups



## Changes in GOP



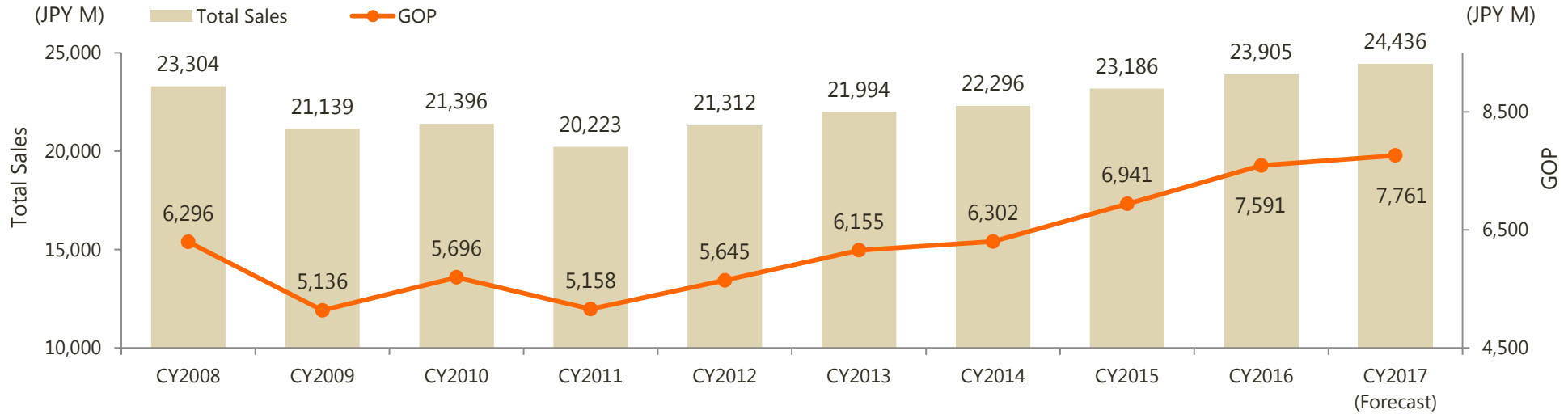
(\*) The Six the b Hotels are the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji, the b hakata, and the b suidobashi.

(\*) The numbers of the six the b hotels and total of three hotel groups for 2015 are calculated by annualizing the actual number of the b suidobashi for six months.

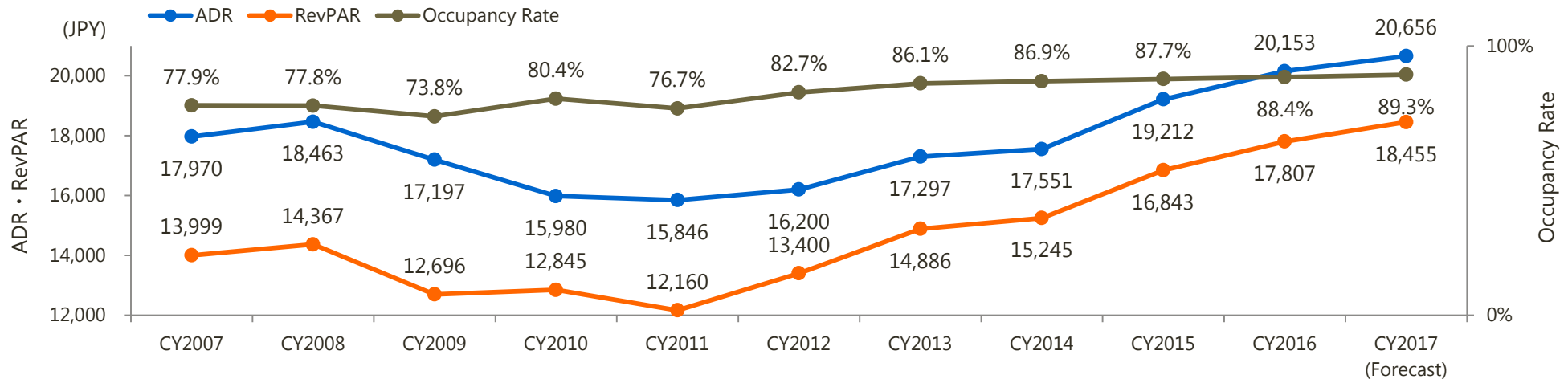
(\*) For properties acquired in 2015 and 2016, numbers prior to acquisition which were obtained from hotel lessees, etc. are used for the calculation.

## 2. The Five HMJ Hotels - Highlights

### Changes in Total Sales and GOP



### Changes in KPI



### 3. Case Studies of Internal Growth Strategy

- Aggressively implemented **active asset management** approach to actively improve profitability of properties and to increase asset value

#### Revision of Rent Schemes

##### ● The Five HMJ Hotels

Changed the variable rent rate from 81.5% to 85.0% from January 2016

➔ **rent increase by JPY148M (4.3%)**

##### ● CANDEO HOTELS UENO-KOEN

Revised to new rent from July 2016

➔ **NOI yield 4.3% (\*1) → 4.8% (\*2)**

(\*1) Assumed yield at the time of acquisition.

(\*2) Annualized NOI yield for FY12/2017.

#### Renovation by Strategic Capital Expenditures

Renovated guest rooms, etc. to increase RevPAR

● **Kobe Meriken Park Oriental Hotel:** guest rooms on 7F (51 rooms) balconies, bar

● **Namba Oriental Hotel:** guest rooms on 9F (42 rooms)

● **Oriental Hotel tokyo bay:** guest rooms on 4F (54 rooms)

● **ibis Tokyo Shinjuku:** guest rooms on 3F-10F (67 rooms)

#### Rebranding

● **Holiday Inn Osaka Namba** (Former HOTEL VISTA GRANDE OSAKA)  
Completed rebranding in November 2016 after the acquisition in August 2016

• Increase the number of international brands

➔ Plan to attract more inbound visitors

➔ International brands account for 47% of the portfolio, which is a big improvement in quality



#### Pursuit of Synergy Effects by Operating Hotels of the Same Group Located Nearby

Create synergy effects from both sales and costs perspective and maximize GOP

##### ● HMJ group

Namba Oriental Hotel, Holiday Inn Osaka Namba

➔ Share guests, integrate back office

Hotel Centraza Hakata

➔ Share staff among HMJ group to complement positions in shortage

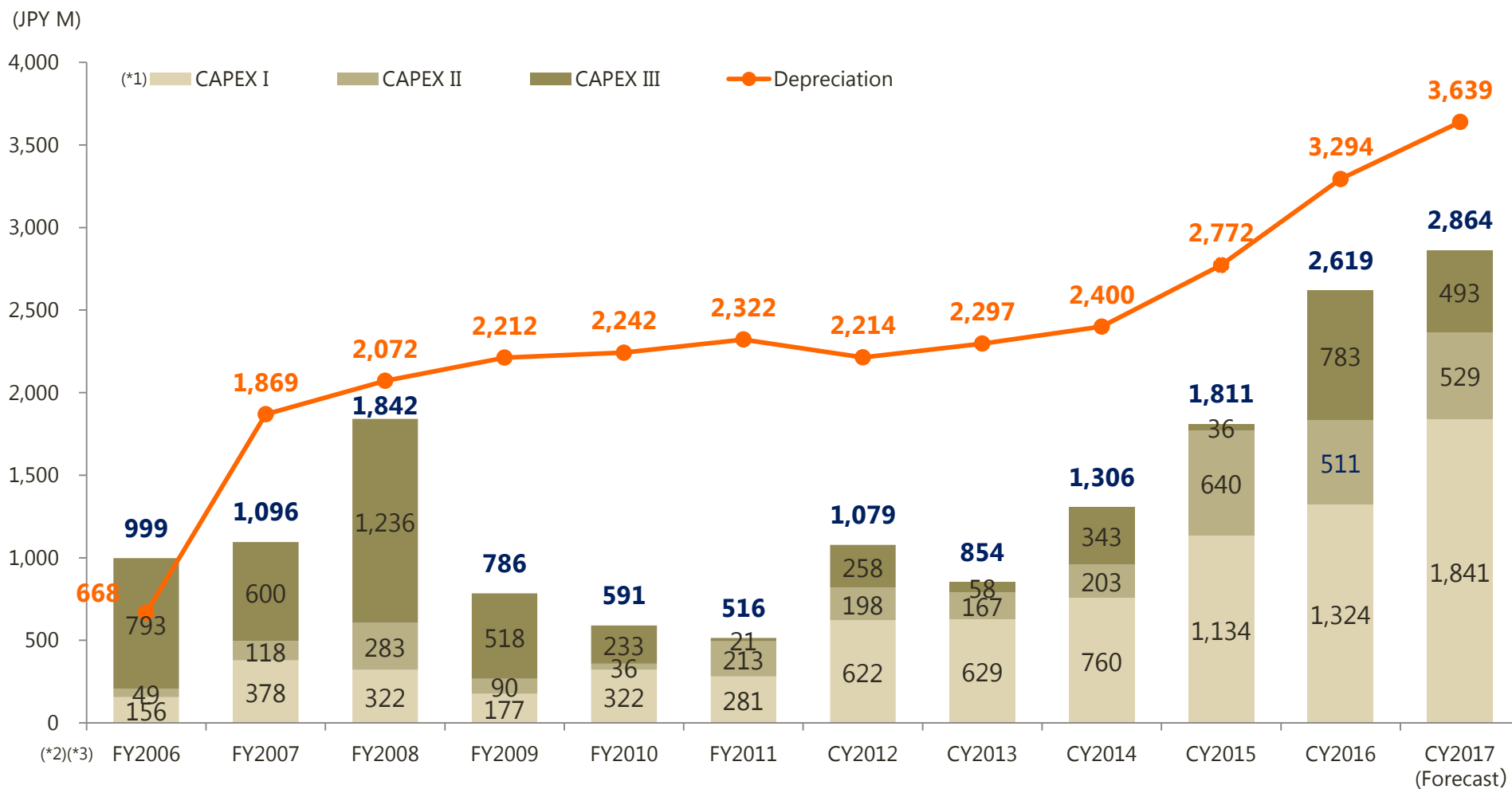
##### ● Accor group

Mercure Sapporo, ibis Styles Sapporo

➔ Share guests, integrate back office, share purchasing items

## 4. Capital Expenditures and Depreciation

- Strengthen competitiveness and improve asset value by continuing investment in CAPEX



(\*1) CAPEX I is capital investment related to renewal of buildings, facilities, and equipment which is required to maintain proper values of properties. CAPEX II is capital investment for fixtures and furnishings that are not directly related to building structures or facilities but necessary for operating hotels. CAPEX III is strategic capital investment for renewing guest rooms, banquet rooms and restaurant for maintaining/improving the competitiveness of the hotels.

(\*2) The actual for FY2006 is the actual of the former JHR for the period from IPO to August 2006 (6.5 months). The actual for FY2007 is the sum of the actual of the former JHR from September 2006 through August 2007 and that of the former NHF from IPO to September 2007 (15.5 months). The actual for FY2008 is the sum of the actual of former JHR from September 2007 through August 2008 and that of former NHF from October 2007 through September 2008 (the same method applies for FY2009 to FY2011). The sum of CY2012 is the actual from January 2012 through December 2012 (depreciation is the annualized number for the 13th period), and the actual for CY2013 through CY2016 is actual number for the period from January through December each year. The plan for CY2017 for the period from January 2017 through December 2017 is based on the operating forecast in the Financial Report dated February 23, 2017.

(\*3) The former NHF spent JPY31M (from October 2011 through December 2011) and former JHR spent JPY90M (from September 2011 through December 2011), respectively, in addition to the amount indicated above.

## 5. Rent Structures

Stability

Upside

(As of end of December 2016)

Rent structure	Fixed rent	Fixed rent + Revenue sharing	Fixed rent + Variable Rent	Variable rent	Management contract	Total
Type of contract	Lease contract	Lease contract	Lease contract	Lease contract	Management contract	
Type of rent	Fixed	○	○	-	-	-
	Variable	-	A certain percentage of sales exceeding the threshold	A certain percentage of hotel GOP	GOP of hotel	-
Involvement in hotel operation	Low	Low	High	High	High	
CAPEX paid by JHR	1) Renewal of building and facilities	1) Renewal of building and facilities < 3) Strategic investment >	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	
No. of properties	13	5	15	3	5	41
Acquisition price (JPY M)	42,580	40,470	156,387	17,723	29,640	286,801
(%)	14.8%	14.1%	54.5%	6.2%	10.3%	100%
Hotels	Hakone Setsugetsuka The Beach Tower Okinawa Dormy Inn Kumamoto Hotel Francs HOTEL ASCENT FUKUOKA (8 other hotels)	Smile Hotel Nihombashi Mitsukoshimae Hotel Vista Kamata Tokyo Hotel Keihan Universal City Hotel Sunroute Shinbashi Hilton Tokyo Bay	<b>HMJ group</b> Kobe Meriken Park Oriental Hotel Oriental Hotel tokyo bay Namba Oriental Hotel Hotel Nikko Alivila Oriental Hotel Hiroshima Okinawa Marriott Resort & Spa ACTIVE-INTER CITY HIROSHIMA Hotel Centraza Hakata Holiday Inn Osaka Namba  <b>the b group</b> The Six the b Hotels (akasaka-mitsuke, ikebukuro, ochanomizu, hachioji, hakata, suidobashi)	Chisun Inn Kamata Mercure Yokosuka Hilton Nagoya	<b>Accor group</b> ibis Tokyo Shinjuku ibis Styles Kyoto Station ibis Styles Sapporo Mercure Sapporo Mercure Okinawa Naha	

### Breakdown of Real Estate Operating Revenue

(As of December 2016)

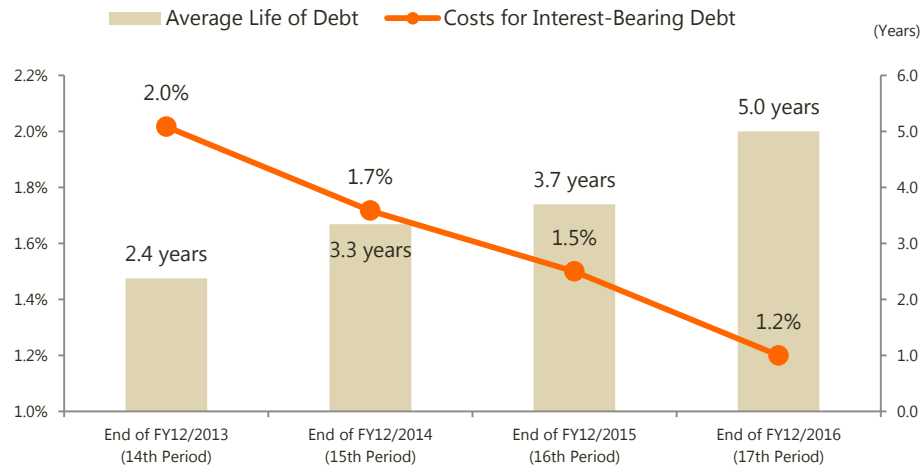
Real estate operating revenue	Variable rent	Fixed rent, etc.	Total
	JPY2,856M (12.9%)	JPY2,989M (13.5%)	JPY5,845M (26.4%)
	JPY591M (2.7%)	JPY189M (0.9%)	JPY780M (3.6%)
	JPY2,584M (11.7%)	JPY580M (2.6%)	JPY3,164M (14.3%)
<b>Total</b>	<b>JPY2,856M (12.9%)</b>	<b>JPY3,545M (16.0%)</b>	<b>JPY6,401M (28.9%)</b>

(\*) Ratios of fixed rent and variable rent and acquisition price are ratios by each rent structure against total amount (rounded down to the first decimal place).

## **VI. Financial Status**

# 1. Financial Status

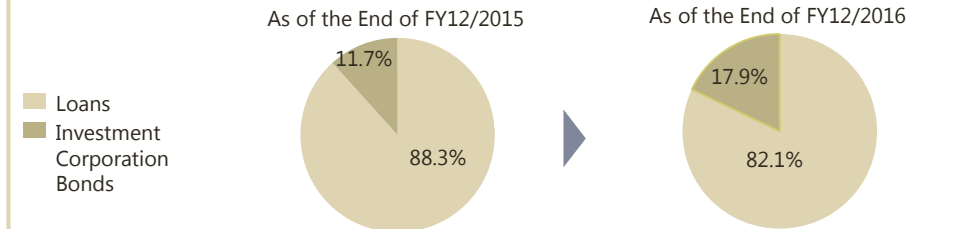
## Changes in Costs for Interest-Bearing Debt(\*1) and Average Life of Debt(\*2)



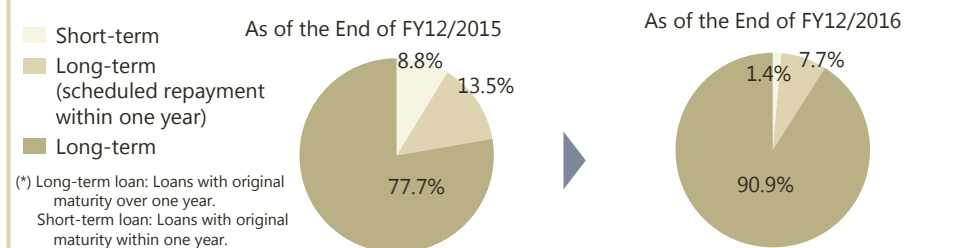
(\*1) Weighted-average costs for interest-bearing debt (including up-front fee, etc.) as of the end of each period/year. Rounded off to one decimal place.

(\*2) Average life of debt as of the end of each period/year.

## Breakdown of Interest-Bearing Debt

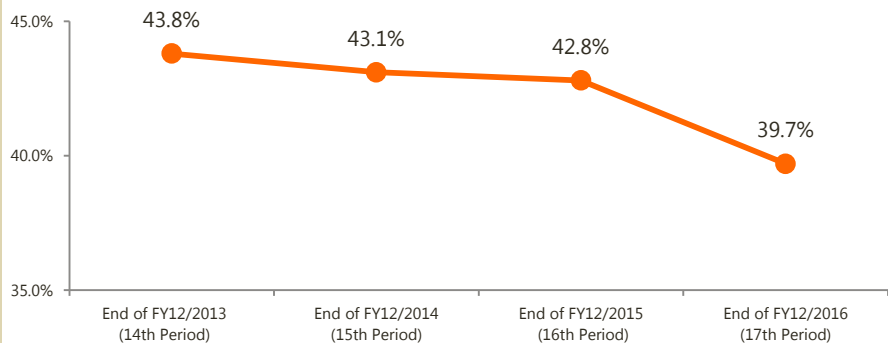


## Term of Interest-Bearing Debt



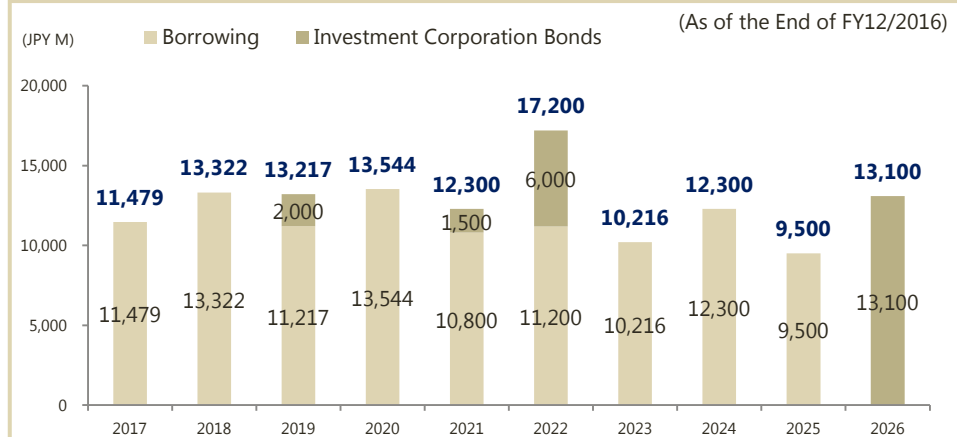
(\*1) Long-term loan: Loans with original maturity over one year.  
Short-term loan: Loans with original maturity within one year.

## Changes in LTV (Total Asset Base)



(\*) LTV as of the end of each period/year.

## Repayment Schedule of Interest-Bearing Debt



# 1. Financial Status (Cont.)

## Lender List for Interest-Bearing Debt

Lenders	(JPY M)				
	Balance As of the End of Previous Period (As of the End of Dec. 2015)		Balance As of the End of Previous Period (As of the End of Dec. 2016)		Variance
	Balance	Percentage	Balance	Percentage	Balance
Sumitomo Mitsui Banking Corporation	25,052	24.4%	25,556	20.3%	504
Shinsei Bank, Limited	13,528	13.2%	14,210	11.3%	682
Mizuho Bank, Ltd.	13,295	12.9%	13,980	11.1%	684
Sumitomo Mitsui Trust Bank, Limited	8,096	7.9%	10,163	8.1%	2,067
Resona Bank, Limited	8,113	7.9%	9,593	7.6%	1,480
The Tokyo Star Bank, Limited	8,109	7.9%	8,570	6.8%	460
The Nomura Trust and Banking Co., Ltd.	3,892	3.8%	4,868	3.9%	975
Mitsubishi UFJ Trust and Banking Corporation	1,435	1.4%	3,435	2.7%	2,000
Development Bank of Japan Inc.	1,788	1.7%	2,980	2.4%	1,191
The Bank of Fukuoka, Ltd.	1,418	1.4%	2,610	2.1%	1,191
The Hiroshima Bank, Ltd.	1,927	1.9%	2,427	1.9%	500
The Chiba Bank, Ltd.	1,734	1.7%	2,213	1.8%	478
Aozora Bank, Ltd.	1,435	1.4%	1,935	1.5%	500
Sompo Japan Nipponkoa Insurance Inc.	945	0.9%	937	0.7%	- 8
The Higo Bank, Ltd.	-	-	100	0.1%	100
<b>Borrowing (Sub-Total)</b>	<b>90,772</b>	<b>88.3%</b>	<b>103,579</b>	<b>82.1%</b>	<b>12,806</b>
2nd Investment Corporation Bonds without Collateral	2,500	2.4%	0	0.0%	- 2,500
3rd Investment Corporation Bonds without Collateral	2,000	1.9%	2,000	1.6%	0
4th Investment Corporation Bonds without Collateral	1,500	1.5%	1,500	1.2%	0
5th Investment Corporation Bonds without Collateral	6,000	5.8%	6,000	4.8%	0
6th Investment Corporation Bonds without Collateral	-	-	3,000	2.4%	3,000
7th Investment Corporation Bonds without Collateral	-	-	9,000	7.1%	9,000
8th Investment Corporation Bonds without Collateral	-	-	1,100	0.9%	1,100
<b>Investment Corporation Bonds (Sub-Total)</b>	<b>12,000</b>	<b>11.7%</b>	<b>22,600</b>	<b>17.9%</b>	<b>10,600</b>
<b>Total Interest-Bearing Debt</b>	<b>102,772</b>	<b>100.0%</b>	<b>126,179</b>	<b>100.0%</b>	<b>23,406</b>

## Status of Credit Rating

Japan Credit Rating Agency, Ltd. (JCR) **A+** (stable)

Rating and Investment Information, Inc. (R&I) **A** (stable)

## Fixed Interest Rate Ratio

As of end of Dec. 2015  
**84.8%**



As of end of Dec. 2016  
**98.0%**

## Investment Corporation Bonds (Issued in FY12/2016)

	Date of Issuance	Total Amount of Investment Corporation Bonds	Period	Rate
6th Investment Corporation Bonds (Wholesale Bonds)	March 22, 2016	JPY3B	10 years	0.935%
7th Investment Corporation Bonds (Retail Bonds)	November 29, 2016	JPY9B	10 years	0.6%
8th Investment Corporation Bonds (Wholesale Bonds)	November 29, 2016	JPY1.1B	10 years	0.6%

## Negative Goodwill

### <Policy for Use of Negative Goodwill>

1. Add JPY262M (50-year amortization amount of negative goodwill) to dividends every period.

2. In addition to above, dividends will be increased in response to the following.

- Cope with losses caused by property dispositions
- Cope with loss on retirement of noncurrent assets
- Cope with dilution of dividend per unit
- Cope with inconsistency between tax and accounting treatments\*  
(\*Amortization of fixed-term leasehold of land, amortization of asset retirement obligations, etc.)

### <Amount to be Used in FY12/2017>

50-year amortization amount of negative goodwill : JPY262M

Cope with loss on retirement of noncurrent assets : JPY70M

Total amount of negative goodwill to be used in FY12/2017 : **JPY332M**

**Balance of Negative Goodwill as of the End of December 2017 (Forecast)**

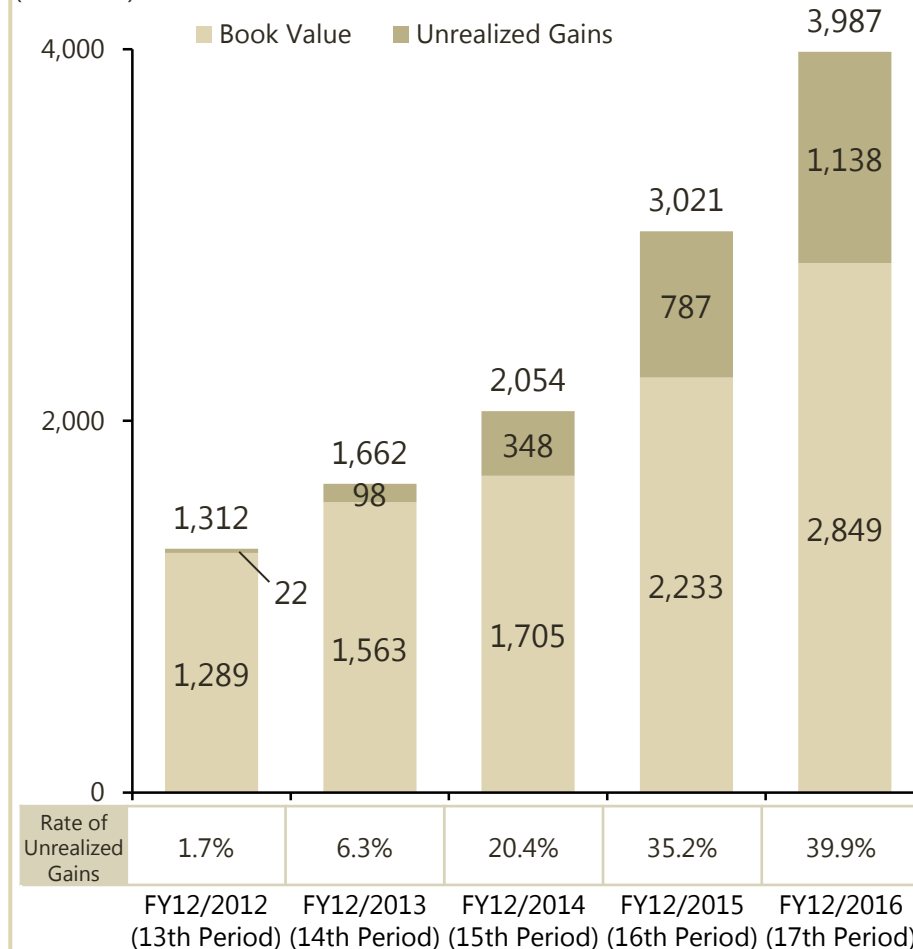
**JPY12.7B**

(\*) The "50-year amortization amount of negative goodwill" includes amortization, etc. of fixed-term leasehold of land, asset retirement obligations, etc. of Hotel Centraza Hakata and HOTEL ASCENT FUKUOKA, which were purchased in the year ended December 2016 (17th Period).

JHR expects the amount of amortizations, etc. to be JPY152M for the fiscal year ending December 2017 (18th Period).

## Changes in Unrealized Gains

(JPY100M)



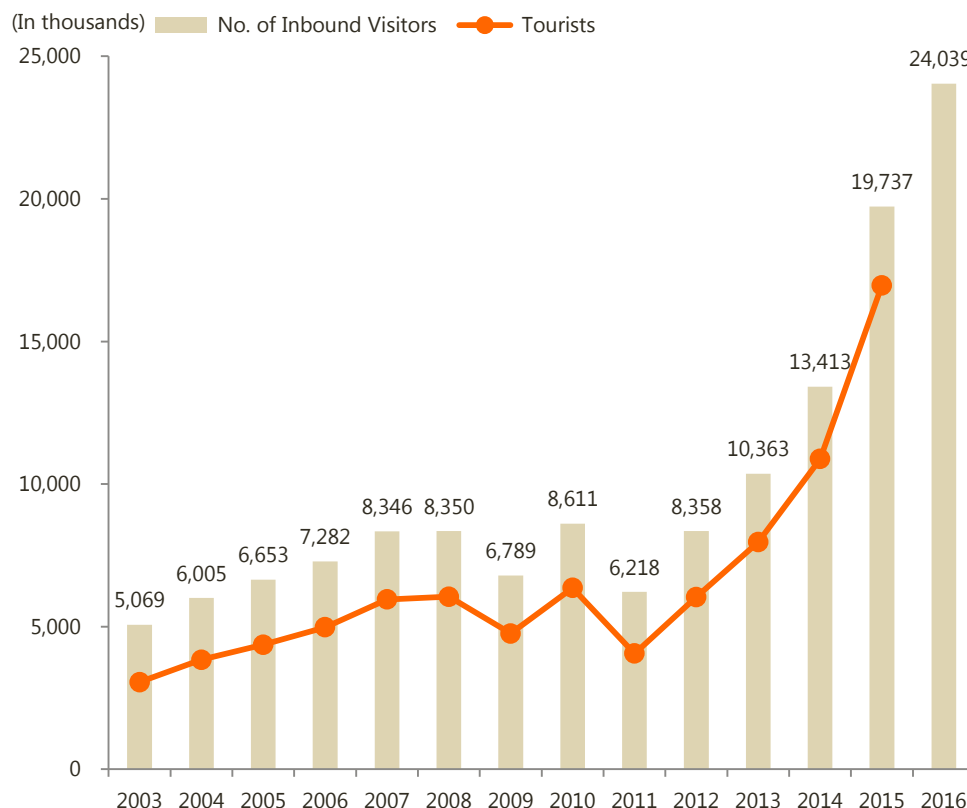
(\*) Appraisal value is book value plus unrealized gains.

## **VII. Market Environment**

# 1. Market Environment

- Number of inbound visitors in 2016 increased to over 24 million  
Government's goal: 40 million in 2020, 60 million in 2030

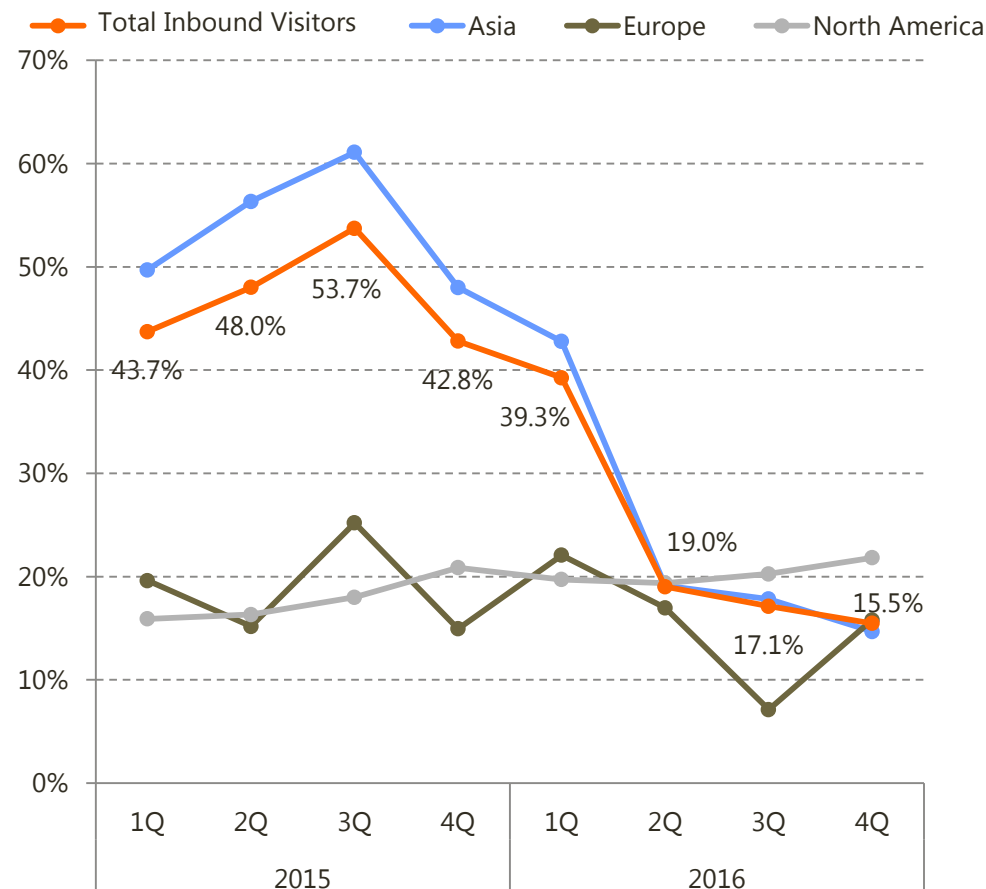
## Changes in the Number of Inbound Visitors



Source: Number of International Visitors to Japan by Japan National Tourism Organization (JNTO)

- Number of inbound visitors from the entire areas continued to grow from 15% to around 20% on an annual basis

## Rate of Increase of the Number of Inbound Visitors by Area (Year-on-Year)

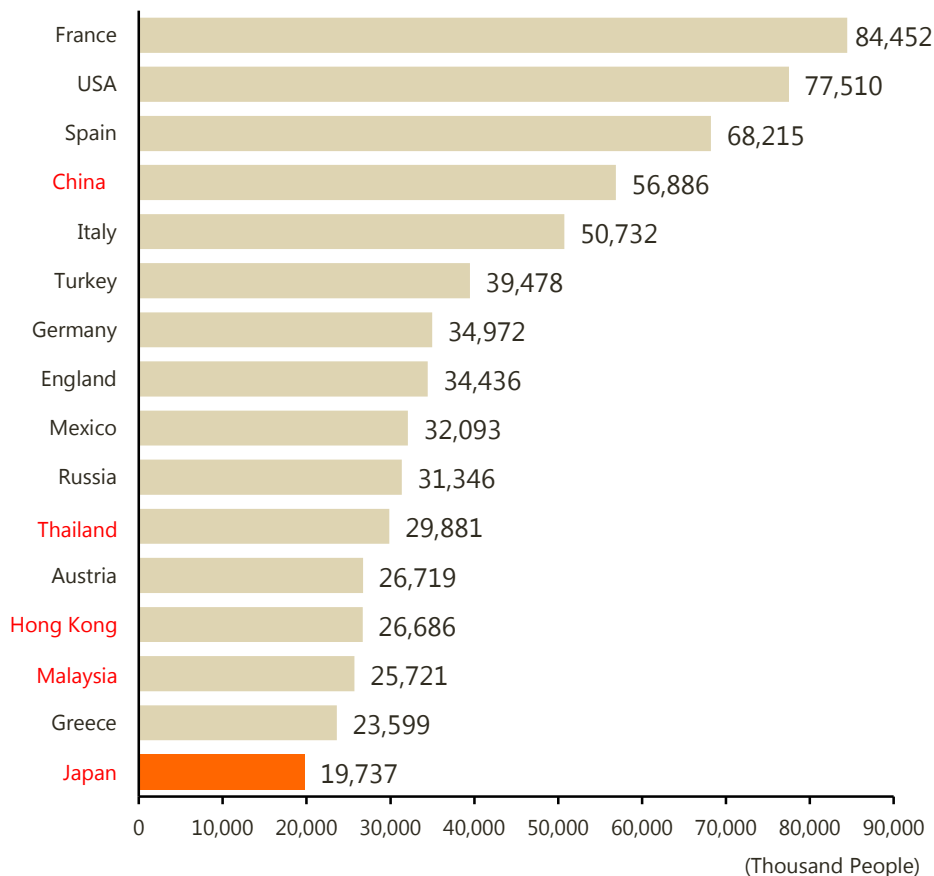


Source: Number of International Visitors to Japan by Japan National Tourism Organization (JNTO)  
(\*) Rates in 4Q 2016 for Asia, Europe, and North America are compared to those in the same period (October and November) of the previous year.

# 1. Market Environment (Cont.)

- Japan ranks 16th in the world, 5th in Asia.

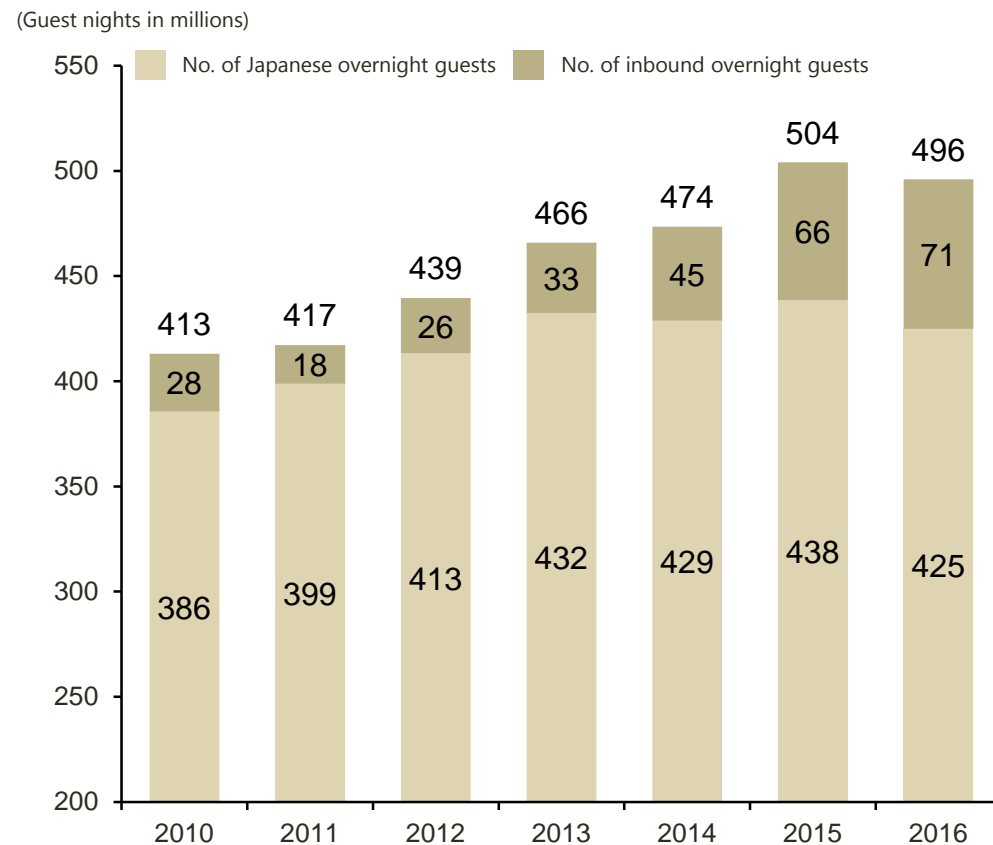
Number of Inbound Visitors by Country (2015)



Source: UNWTO and Japan National Tourism Organization (JNTO)

- Number of overnight guests declined slightly in 2016

Changes in the Number of Overnight Guests in Japan



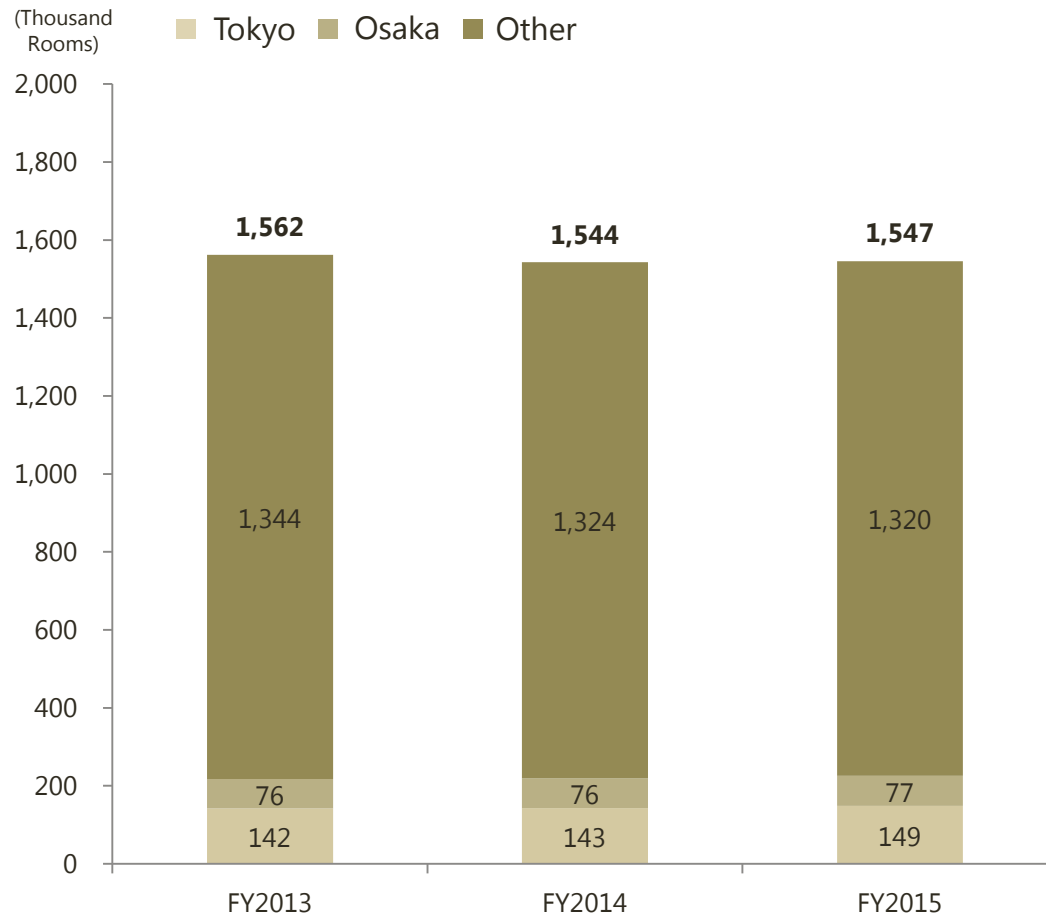
Source: Statistics of Overnight Travel by Japan Tourism Agency

(\*) Rounded off to the nearest millions of yen.

# 1. Market Environment (Cont.)

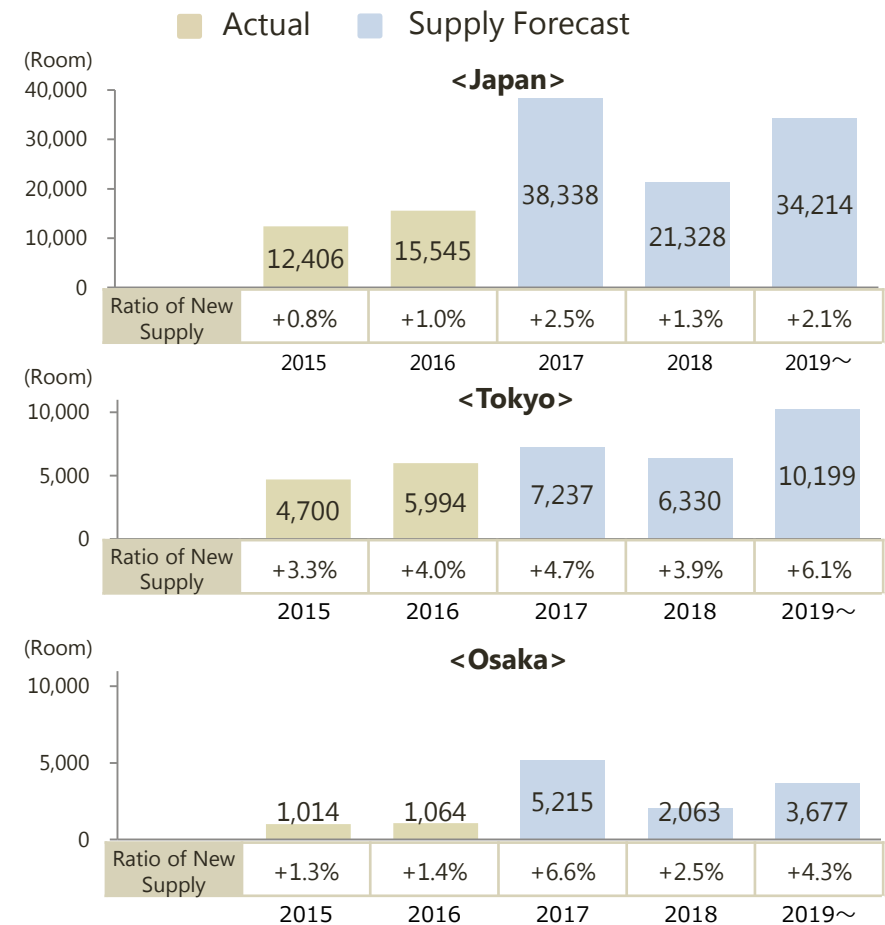
- New supply of hotel rooms is increasing in response to strong market environment

Changes in Number of Rooms in Hotels/Ryokans in Japan



Source: "Public Health Administration Report" by Ministry of Health, Labour and Welfare (MHLW)

Number of New Supply of Rooms in Hotels/Ryokans in Japan



Source: "Calculated by the Asset Management Company using data from "Public Health Administration Report" by Ministry of Health, Labour and Welfare (MHLW), a weekly hotel & restaurant magazine (HOTERES), and Nikkei Telecom.

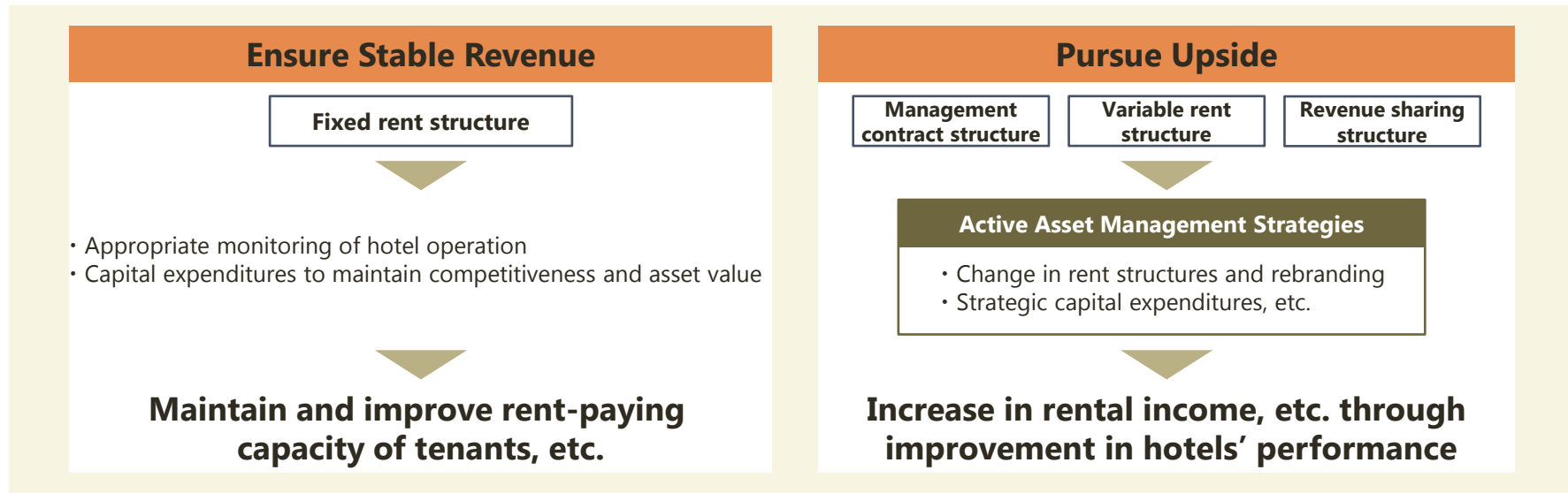
(\*) Ratio of new supply is the number of new rooms to be supplied in a year to the stock of rooms at the beginning of the year. With regard to the above data, please note that the number of rooms given "not determined" by hotels, the asset management company has used 180, the average number of new supply of hotel rooms, for calculation.

# **Appendix 1**

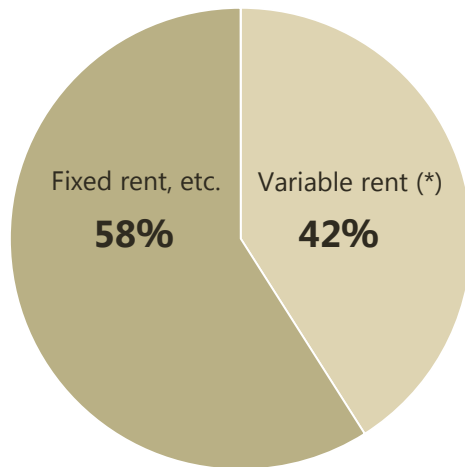
## **JHR's Characteristics**

# 1. Simultaneous Pursuit of Stability and Upside Potential

JHR pursues both stability and upside potential by steadily implementing growth strategies.



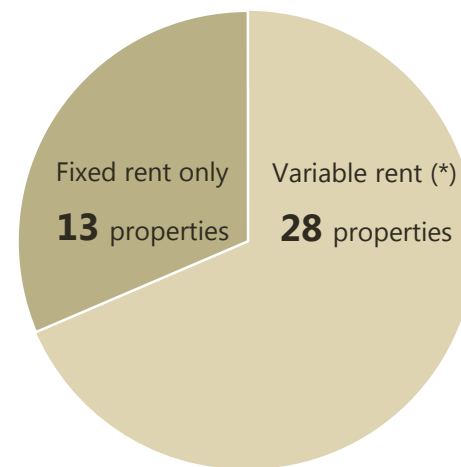
**Proportion of Rental Income**



(\*) Variable rent  
Revenue sharing  
Income from management contracts

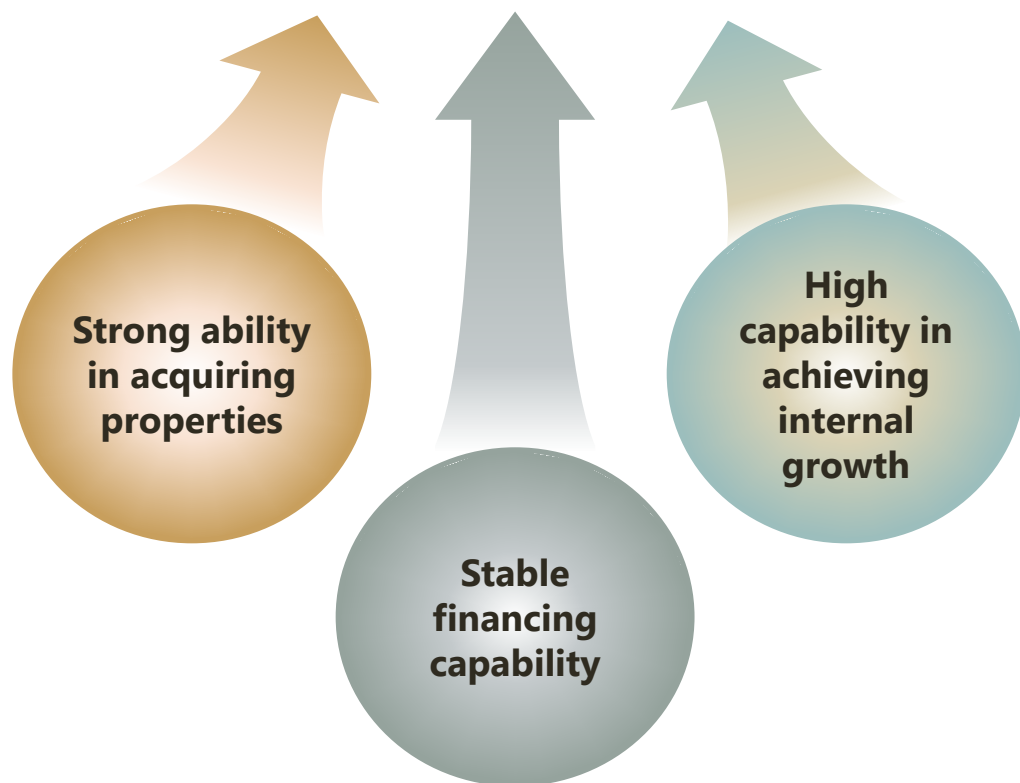
**Proportion of Rent Structures**

(As of the end of December 2016)



(\*) Fixed rent + variable rent structure  
Fixed rent + revenue sharing structure  
Variable rent structure, Management contract structure

### Aim to increase dividend



#### **Strong ability in acquiring properties**

- Highly recognized as Japan's largest J-REIT specializing in hotels
- High presence and credibility in the property market by continuously acquiring properties
- Capability to propose various acquisition schemes and to execute acquisitions

#### **High capability in achieving internal growth**

- Management approach that achieves a good balance between stability and upside potential
- Increase in hotel revenue through active asset management strategies and collaboration with high-quality operators
- Attract inbound demand through enhanced international brand portfolio
- Strengthen and maintain competitiveness by investing in appropriate capital expenditures

#### **Stable financing capability**

- Secure sound and stable finance
- Diversification of financing methods

## Recognition of External Environment

### Trend of the Hotel Investment Market

- Amid gradually recovering economy, hotel assets have gained a firm position as an investment target due to stable domestic demand and an increase in hotel revenue resulting from growing inbound demand mainly from Asian countries. On the other hand, since the yields of other asset classes are decreasing and investors, including new REITs specializing in hotels, are increasing, competition to acquire hotel assets has become intense.
- New supply of hotels is on the rise, responding to the increasing number of inbound visitors. But depending on specifications, locations, capability of hotel operators, the superiority or inferiority in competitiveness of hotel may be seen more clearly.

## Basic Policies

- Acquire highly competitive hotel real estate, etc. in areas that have potential to attract “domestic and inbound leisure customers” in the medium to long-term.
- Improve profitability, stability, and quality of the overall portfolio.



## Key Measures

- Emphasize the superiority of buildings and facilities (infrastructure), operations (services), and locations of hotel real estate, etc.
  - The prime investment targets are “full-service hotels” and “resort hotels” that have high barriers to entry due to operation and management know-how, capital outlay and locations.
  - In the case of “limited-service hotels,” the creditworthiness of the hotel lessee, the age of the building, location, guest room composition and profitability are important.
  - Hotels specialized in selling single rooms are carefully chosen.
  - Especially, proactively review the purchase of hotels that have potential for internal growth by implementing active asset management.
- Strategic investment areas
  - Hokkaido area, Tokyo and bay area, Osaka/Kyoto area, Fukuoka area, and Okinawa area.
- Investigation and planning of the internal growth strategy upon property acquisition.
  - Investigate the appropriate rent level and rent structure upon renewal, etc., cost reduction possibilities, and possibilities to improve buildings and facilities.
  - If the hotel pays variable rent, etc., promote internal growth through collaboration with lessees and/or operators.

### Recognition of External Environment

#### Hotel Market Environment

- In addition to stable domestic leisure demand, the number of inbound tourists, mainly from Asian countries, is continuing to rise. Amid such growth expectation for Japan's tourism and hotel industries, although there is some impact by supply of new hotels, demand for accommodation is expected to continue strongly, driven by domestic and inbound leisure demand.

### Basic Policies

- Pursue both stability and upside potential by steadily implementing growth strategies



### Key Measures

- Monitoring and planning and execution of the active asset management strategy based on in-depth understanding of the hotel business which realizes pursuit in upside revenue.
  - Make strategic investments which will improve profitability and strengthen competitiveness
  - Change to rent structures that can achieve upside revenue
  - Make proactive proposals to build effective hotel operating structures which aim to maximize GOP, from the perspective of both hotel sales and expenses
  - Attract inbound demand through rebranding to international brands
  - Increase hotel revenue through collaboration with high-quality operators
- Planning and execution of strategic CAPEX which secure steady revenue.
  - Analyze the creditworthiness of hotel lessees, understand and improve hotel income and expenditures
  - Maintain and improve rent-paying capacity of tenants, etc. through capital expenditures, which lead to maintenance of competitiveness and asset value

## Recognition of the External Environment

### Continuing Favorable Environment for Financing in Both Direct and Indirect Financing Markets

- Expanded investor base through continuous access to both equity and bond markets.
- Financial institutions are still positive to provide loans.
- Due to the Bank of Japan's monetary easing policy, short-term interest rates are expected to be stable at a low level for the time being.
- On the other hand, long-term interest rates, which are at a historical low, need to be paid close attention to unforeseeable circumstances.

## Basic Policies

- Ensure healthy and stable finance
- Strengthen bank formation and relationships with financial institutions
- Diversify financing methods



## Key Measures

- Maintain LTV level at a maximum of 50% (total asset base) for the time being
- Diversify financing methods such as public offerings and issuance of investment corporation bonds
- Improve financial stability by extending and diversifying repayment periods and fixing interest rates, etc.
- Optimize borrowing costs

## 6. Benefits Program for Unitholders

JHR offers a benefits program to unitholders to improve their satisfaction and expand the investor base  
JHR expanded the benefits program from FY2015 by adding the six Accor hotels as subject hotels for the program

- **Eligible recipients of complimentary coupons**

Complimentary coupons will be sent to those who hold ten or more JHR units at the end of June every year (end of the midterm settlement)  
<FY2015>

Eligible unitholders: 14,901 unitholders

Valid period: Between October 2015 and September 2016

- **Hotels that offer the benefits program**

The five HMJ hotels and the six Accor hotels

- **Details of the benefits program**

The five HMJ hotels—50% off the rack rates for hotel accommodation and 20% discount for restaurants

The six Accor hotels—10% discount from the best-offered accommodation rates  
Five complimentary coupons for accommodations and five complimentary coupons for restaurants (\*)

(\*) Complimentary coupons for restaurants are only available at the five HMJ hotels

- **Record of coupon redemption (October 2015 through September 2016)**

Accommodation		Restaurants	
No. of Coupons Used	No. of People Who Used Coupons	No. of Coupons Used	No. of People Who Used Coupons
2,635	3,511	3,523	9,946

- **The Five HMJ Hotels**



Kobe Meriken Park Oriental Hotel



Oriental Hotel Tokyo Bay



Namba Oriental Hotel



Oriental Hotel Hiroshima



Hotel Nikko Alivila

- **The Six Accor Hotels**



ibis Tokyo Shinjuku



ibis Styles Kyoto Station



ibis Styles Sapporo



Mercure Sapporo



Mercure Okinawa Naha



Mercure Yokosuka

## **Appendix 2**

### **Information on Properties**

# 1. Property List (1/2)

(As of end of December 2016)

No.	Property Name	Hotel Type (*1)	Grade (*2)	No. of Guest Rooms	Location	Age (*3)	Acquisition Price (JPY M) (*4)	Book Value (JPY M) (*5)	Appraisal Value				Investment Ratio (*7)	Revenue from Real Estate Operation (JPY1000) (*8)	NOI (JPY1000) (*8)	P/L from Real Estate Operation (JPY1000) (*8)	NOI Yield (Actual) (*9)
									16th Period (as of 12.31.2015)		17th Period (as of 12.31.2016)						
									Appraisal Value (JPY M) (*6)	CAP Rate	Appraisal Value (JPY M)	CAP Rate					
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	319	Hyogo	21.5	10,900	10,137	13,300	5.5%	14,400	5.2%	3.8%	1,103,646	825,464	502,205	7.6%
2	Oriental Hotel tokyo bay	Full-service	Mid-price	503	Chiba	21.7	19,900	18,460	32,600	4.6%	34,100	4.5%	6.9%	1,879,183	1,758,566	1,315,833	8.8%
3	Namba Oriental Hotel	Limited-service	Mid-price	258	Osaka	20.8	15,000	14,765	27,000	4.4%	32,000	4.3%	5.2%	1,574,336	1,474,633	1,309,019	9.8%
4	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Hiroshima	23.3	4,100	4,123	4,180	7.5%	4,250	7.3%	1.4%	469,494	423,958	340,279	10.3%
5	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	22.8	18,900	18,545	25,400	5.3%	29,200	5.0%	6.6%	1,804,507	1,654,475	1,336,126	8.8%
6	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	12.8	7,610	6,837	9,070	4.9%	9,420	4.7%	2.7%	511,023	467,562	342,456	6.1%
7	Hakone Setsugetsuka	Resort	Mid-price	158	Kanagawa	10.3	4,070	3,756	4,730	5.6%	5,020	5.2%	1.4%	294,946	270,378	187,135	6.6%
8	Dormy Inn Kumamoto	Limited-service	Mid-price	291	Kumamoto	8.9	2,334	2,199	2,950	5.8%	2,950	5.8%	0.8%	194,460	153,486	113,627	6.6%
9	the b sudobashi	Limited-service	Mid-price	99	Tokyo	30.4	1,120	1,231	1,750	4.5%	2,040	4.3%	0.4%	121,929	110,542	86,732	9.9%
10	Dormy Inn EXPRESS Asakusa	Limited-service	Economy	77	Tokyo	19.8	999	951	1,220	4.4%	1,300	4.1%	0.3%	63,995	55,275	42,947	5.5%
11	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Fukuoka	21.9	2,130	2,054	3,680	5.1%	4,350	4.7%	0.7%	240,000	225,000	199,000	10.6%
12	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Nara	16.8	2,050	1,876	2,330	5.5%	2,430	5.2%	0.7%	151,000	134,000	93,000	6.5%
13	R&B Hotel Ueno Hirokoji	Limited-service	Economy	187	Tokyo	14.8	1,720	1,764	1,810	4.4%	1,920	4.1%	0.6%	98,342	83,238	70,071	4.8%
14	R&B Hotel Higashi Nihonbashi	Limited-service	Economy	202	Tokyo	18.8	1,534	1,512	1,960	4.9%	2,050	4.7%	0.5%	122,207	105,397	86,505	6.9%
15	Comfort Hotel Tokyo Higashi Nihombashi	Limited-service	Economy	259	Tokyo	8.9	3,746	3,625	5,110	4.7%	5,320	4.5%	1.3%	270,114	240,514	204,679	6.4%
16	Smile Hotel Nihombashi Mitsukoshimae	Limited-service	Economy	164	Tokyo	19.8	2,108	2,047	2,850	4.5%	3,060	4.2%	0.7%	152,951	137,312	118,315	6.5%
17	Toyoko Inn Hakata-guchi Ekimae	Limited-service	Economy	257	Fukuoka	15.3	1,652	1,477	2,490	5.1%	2,680	4.7%	0.6%	141,039	128,052	106,661	7.8%
18	Hotel Keihan Universal City	Resort	Mid-price	330	Osaka	15.5	6,000	5,983	13,600	5.5%	14,600	5.2%	2.1%	914,058	835,099	750,721	13.9%
19	Chisun Inn Kamata	Limited-service	Economy	70	Tokyo	13.7	823	800	1,270	4.7%	1,410	4.5%	0.3%	79,090	71,501	59,848	8.7%
20	Hotel Vista Kamata Tokyo	Limited-service	Economy	105	Tokyo	24.9	1,512	1,468	1,870	4.7%	1,990	4.5%	0.5%	115,215	100,402	77,465	6.6%
21	Hotel Sunroute Shinbashi	Limited-service	Mid-price	220	Tokyo	8.8	4,800	4,854	7,420	4.2%	8,730	3.9%	1.7%	403,274	346,792	325,667	7.2%
22	Hilton Tokyo Bay	Resort	Luxury	823	Chiba	28.5	26,050	26,180	34,400	4.5%	36,000	4.3%	9.1%	1,959,866	1,660,728	1,493,243	6.4%
23	ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	36.4	7,243	7,778	8,830	4.4%	9,290	4.2%	2.5%	722,167	532,085	456,602	7.3%
24	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kyoto	7.8	6,600	6,731	8,590	4.6%	10,900	4.3%	2.3%	587,035	502,140	468,122	7.6%

# 1. Property List (2/2)

(As of end of December 2016)

No.	Property Name	Hotel Type (*1)	Grade (*2)	No. of Guest Rooms	Location	Age (*3)	Acquisition Price (JPY M) (*4)	Book Value (JPY M) (*5)	Appraisal Value				Investment Ratio (*7)	Revenue from Real Estate Operation (JPY1000) (*8)	NOI (JPY1000) (*8)	P/L from Real Estate Operation (JPY1000) (*8)	NOI Yield (Actual) (*9)
									16th Period (as of 12.31.2015)		17th Period (as of 12.31.2016)						
									Appraisal Value (JPY M) (*6)	CAP Rate	Appraisal Value (JPY M)	CAP Rate					
25	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	6.4	6,797	6,754	7,940	5.3%	10,200	4.8%	2.4%	635,792	511,369	438,794	7.5%
26	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	7.7	6,000	5,964	7,840	5.1%	10,300	4.8%	2.1%	745,017	491,733	413,750	8.2%
27	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	7.4	3,000	2,933	5,730	5.1%	7,620	4.8%	1.0%	475,303	384,519	334,316	12.8%
28	the b akasaka-mitsuke	Limited-service	Mid-price	122	Tokyo	14.1	6,250	6,305	6,730	4.2%	6,740	4.1%	2.2%	285,436	270,544	249,765	4.3%
29	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	34.5	6,520	6,586	7,040	4.6%	7,590	4.4%	2.3%	369,739	350,723	321,109	5.4%
30	the b ochanomizu	Limited-service	Mid-price	72	Tokyo	17.4	2,320	2,349	2,540	4.4%	2,590	4.2%	0.8%	115,112	107,620	98,106	4.6%
31	the b hachioji	Limited-service	Mid-price	196	Tokyo	30.4	2,610	2,687	2,920	5.5%	3,070	5.2%	0.9%	221,312	199,214	174,515	7.6%
32	the b hakata	Limited-service	Mid-price	175	Fukuoka	19.3	2,300	2,354	2,700	4.9%	3,960	4.5%	0.8%	230,433	218,530	199,181	9.5%
33	Hotel Francs	Full-service	Mid-price	222	Chiba	25.4	3,105	3,145	3,900	4.9%	4,090	4.7%	1.1%	300,000	250,823	202,684	8.1%
34	Mercure Yokosuka	Full-service	Mid-price	160	Kanagawa	23.2	1,650	1,658	1,760	4.8%	2,040	4.7%	0.6%	271,678	174,702	144,712	10.6%
35	Okinawa Marriott Resort & Spa	Resort	Upper-middle	361	Okinawa	11.8	14,950	14,971	16,700	5.2%	17,200	5.0%	5.2%	1,066,669	992,311	770,978	6.6%
36	ACTIVE-INTER CITY HIROSHIMA	Full-service	Luxury	238	Hiroshima	6.4	17,320	17,795	17,900	4.8%	18,700	4.6%	6.0%	1,378,205	979,232	797,604	5.7%
37	CANDEO HOTELS UENO-KOEN	Limited-service	Mid-price	268	Tokyo	7.0	6,705	6,761	6,820	4.0%	7,630	4.0%	2.3%	309,721	305,749	269,815	5.0%
38	Hotel Centraza Hakata	Full-service	Mid-price	194	Fukuoka	31.5	7,197	7,581	7,240	4.8%	7,690	4.7%	2.5%	599,351	391,388	213,623	7.2%
39	Holiday Inn Osaka Namba (*10)	Limited-service	Mid-price	314	Osaka	8.4	27,000	27,203	28,500	4.5%	28,800	4.4%	9.4%	539,345	537,478	491,814	4.7%
40	HOTEL ASCENT FUKUOKA	Limited-service	Economy	263	Fukuoka	17.7	4,925	5,211	5,220	4.9%	5,340	4.8%	1.7%	158,704	121,181	106,719	6.7%
41	Hilton Nagoya	Full-service	Luxury	460	Nagoya	27.9	15,250	15,534	15,900	4.2%	15,800	4.2%	5.3%	430,893	245,728	203,507	4.8%
Total or Average		-	-	10,140	-	18.1	286,801	284,965	365,790	-	398,770	-	100.0%	22,107,470	18,829,678	15,517,561	6.6%

(\*1) Under the category of Hotel Type, "Full-service" is full-service hotel, "Resort" is resort hotel, and "Limited-service" is limited-service hotel.

(\*2) Mainly based on ADR, etc., JHR has classified the hotels into four categories as "luxury," "upper-middle," "mid-price," and "economy."

(\*3) Average age: The sum of (acquisition price of each property x property age) ÷ Total acquisition price.

(\*4) The acquisition price in the Purchase & Sale Agreement for the Beneficial Interest in Trust or Real Estate Purchase & Sale Agreement is indicated. (Consumption tax, amount equivalent to consumption tax, brokerage fee, and other purchase-related costs are excluded.)

(\*5) Book value as of the end of December 2016.

(\*6) Value for No. 37-41 are appraisal value at the time of acquisition.

(\*7) Percentage of the acquisition price of the each asset to the total acquisition price. Numbers beyond one decimal place is rounded off.

(\*8) Actual for one year from January through December 2016. Since the lessees did not agree to disclose numbers in units of JPY1000 for Nos. 11 and 12, amounts are rounded down to the nearest JPY 1M.

(\*9) Since No. 37-41 were acquired in FY12/2016, NOI yield is the sum of (NOI of each property ÷ operating days x 365) ÷ acquisition price.

(\*10) HOTEL VISTA GRANDE OSAKA was rebranded to Holiday Inn Osaka Namba on November 1, 2016.

## 2. Summary of Lease Contracts (1/2)

(As of the end of December 2016)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/Hotel Consulting and Management Company	Lease / MC Term	Remaining Contract Term (*2)	Contractual Rent (*3)	Rent Summary	Rent Modification Summary (Acquisition to End of December 2016)		Rent Modification Schedule (2017~2018)		
										Timing	Condition (*4)	2017	2018	
1	Kobe Meriken Park Oriental Hotel	Fixed-lease	Fixed+Variable	Hotel Management Japan Co., Ltd.	Okura Nikko Hotel Management Co., Ltd.	8	3	(Fixed rent) JPY3,221M/year (Variable rent) When the total GOP of the five HMJ hotels exceeds GOP base amount (JPY3,351M), the excess x 85% is paid.	In principle, the same rent will be applied until expiration of the contract.	Jan. 2016	Structure is modified.	-	-	
2	Oriental Hotel tokyo bay													
3	Namba Oriental Hotel													
4	Oriental Hotel Hiroshima													
5	Hotel Nikko Alivila													
6	The Beach Tower Okinawa	Fixed-lease	Fixed	Kyoritsu Maintenance Co., Ltd.		20	10	JPY42M/month	The same rent will be applied until expiration of the contract.	-	-	-	-	
7	Hakone Setsugetsuka	Fixed-lease	Fixed			20	10	JPY24M/month	The same rent will be applied until expiration of the contract.	-	-	-	-	
8	Dormy Inn Kumamoto	Fixed-lease	Fixed			12	6	JPY16M/month	Rent can be modified through mutual agreement every three years.	-	-	To be discussed (April)	-	
9	Dormy Inn EXPRESS Asakusa	Lease	Fixed			20	0	JPY5M/month	Rent can be modified through mutual agreement every three years.	Apr. 2012	Same	To be expired (March)	-	
10	Hakata Nakasu Washington Hotel Plaza	Lease	Fixed	Washington Hotel K.K.		3	1	JPY20M/month	Rent can be modified through mutual agreement.	Apr. 2015	Contract is renewed. (same)	-	To be expired (March)	
11	Nara Washington Hotel Plaza	Lease	Fixed			20	3	JPY11M/month	Rent can be modified through mutual agreement.	-	-	-	-	
12	R&B Hotel Ueno Hirokoji	Lease	Fixed			20	5	JPY8M/month	Rent can be modified through mutual agreement.	Apr. 2011	Increased (+3.0%)	-	-	
13	R&B Hotel Higashi Nihonbashi	Lease	Fixed			20	1	JPY10M/month	Rent can be modified through mutual agreement.	Apr. 2013	Same	-	To be expired (March)	
14	Comfort Hotel Tokyo Higashi Nihombashi	Fixed-lease	Fixed	Greens Co., Ltd.		20	11	JPY21M/month	Rent can be modified through mutual agreement every five years.	Jan. 2013	Same	-	To be discussed (January)	
15	Smile Hotel Nihombashi Mitsukoshimae	Lease	Fixed+Revenue sharing	The Kamogawa Grand Hotel, Ltd.		20	0	JPY11M/month + Revenue sharing	Rent can be modified through mutual agreement.	Apr. 2014	Structure is modified.	To be expired (March)	-	
16	Toyoko Inn Hakata-guchi Ekimae	Lease	Fixed	Toyoko Inn Co., Ltd.		30	15	JPY11M/month	No rule has been stipulated.	Oct. 2007	Increased (+9.4%)	-	-	
17	Hotel Keihan Universal City	Lease	Fixed+Revenue sharing	K.K. Hotel Keihan		20	4	Nondisclosure (*6)	Nondisclosure	Jul. 2014	Structure is modified.	-	-	
18	Chisun Inn Kamata	Fixed-lease	Variable	Solare Hotels & Resorts Co., Ltd.	SHR Hotels, Co., Ltd.	5	0	Hotel GOP x 85% (If it is below zero, it will be JPY0.-)	-	Jul. 2012	Structure is modified.	To be expired (June)	-	
19	Hotel Vista Kamata Tokyo	Lease	Fixed+Revenue sharing	Vista Hotel Management Co., Ltd.		4	2	JPY7M/month + Revenue sharing	In principle, the same rent will be applied until expiration of the contract.	Jul. 2015	Contract is renewed (Modify the calculation method of revenue sharing.)	-	To be expired (December)	
20	Hotel Sunroute Shinbashi	Fixed-lease	Fixed+Revenue sharing	Sunroute Co., Ltd.		15	6	JPY18M/month + Revenue sharing	No rule has been stipulated.	-	-	-	-	
21	Hilton Tokyo Bay	Fixed-lease	Fixed+Revenue sharing	THE DAI-ICHI BUILDING CO., LTD.	Hilton International Company	4	2	JPY157M/month + Revenue sharing	Rent can be modified through mutual agreement.	Jul. 2015	Contract is renewed.	-	To be expired (December)	
22	ibis Tokyo Shinjuku	-	Management contract	-	AAPC Japan K.K.	12	8	Amount equivalent to hotel GOP	-	Jul. 2012	Structure is modified.	-	-	
23	ibis Styles Kyoto Station	-	Management contract			5	2	Amount equivalent to hotel GOP	-	-	-	-	To be expired (December)	
24	ibis Styles Sapporo	-	Management contract			5	3	Amount equivalent to hotel GOP	-	-	Dec. 2014	Structure is modified.	-	-
25	Mercure Sapporo	-	Management contract			15	13	Amount equivalent to hotel GOP	-	-	-	-	-	-
26	Mercure Okinawa Naha	-	Management contract			10	7	Amount equivalent to hotel GOP	-	-	-	-	-	-

## 2. Summary of Lease Contracts (2/2)

(As of the end of December 2016)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/Hotel Consulting and Management Company	Lease / MC Term	Remaining Contract Term (*2)	Contractual Rent (*3)	Rent Summary	Rent Modification Summary (Acquisition to End of December 2016)		Rent Modification Schedule (2017~2018)	
										Timing	Condition (*4)	2017	2018
27	Mercure Yokosuka	Fixed-lease	Variable	AAPC Japan K.K.		5	3	Linked to hotel GOP	The same rent will be applied until expiration of the contract.	—	—	—	—
28	the b akasaka-mitsuke	Fixed-lease	Fixed+Variable	Ishin Akasaka Operations, K.K.		7	5	JPY102M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	—	—	—	—
29	the b ikebukuro	Fixed-lease	Fixed+Variable	Ishin Ikebukuro Operations K.K.		7	5	JPY163M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	—	—	—	—
30	the b ochanomizu	Fixed-lease	Fixed+Variable	Ishin Ochanomizu Operations K.K.		7	5	JPY69M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	—	—	—	—
31	the b hachioji	Fixed-lease	Fixed+Variable	Ishin Hachioji Operations, Y.K.		7	5	JPY98M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	—	—	—	—
32	the b hakata	Fixed-lease	Fixed+Variable	Ishin Hakata Operations K.K.		7	5	JPY82M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	—	—	—	—
33	the b suidobashi	Fixed-lease	Fixed+Variable	Ishin Suidobashi Operations K.K.		5	3	JPY85M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	Jul. 2015	Rebranded	—	—
34	Hotel Francs	Fixed-lease	Fixed	K.K. Bridal Produce		19	8	JPY25M/month	The same rent will be applied until expiration of the contract.	—	—	—	—
35	Okinawa Marriott Resort & Spa	Fixed-lease	Fixed+Variable	Lagoon resort Nago Co., Ltd.		5	4	(Fixed rent) JPY550M/year (Variable rent) When the total GOP exceeds GOP base amount (JPY700M), the excess x 90% is paid.	In principle, the same rent will be applied until expiration of the contract.	—	—	—	—
36	ACTIVE-INTER CITY HIROSHIMA	Fixed-lease	Fixed+Variable	K.K. A.I.C Hiroshima Management	STARWOOD ASIA PACIFIC HOTELS & RESORTS PTE. LTD.	11	10	(Fixed rent) JPY348M/year (Variable rent) When the total GOP exceeds GOP base amount (JPY468M), the excess x 82.5% is paid.	In principle, the same rent will be applied until expiration of the contract.	—	—	—	—
37	CANDEO HOTELS UENO-KOEN	Fixed-lease	Fixed	Candeo Hospitality Management, Inc.		20	13	Nondisclosure (*6)	Rent can be modified through mutual agreement every three years.	2016	Renewed (*6)	—	—
38	Hotel Centraza Hakata	Fixed-lease	Fixed+Variable	Hotel Centraza Co., Ltd.		4	2	(Fixed rent) JPY400M/year (Variable rent) When the total GOP exceeds GOP base amount (JPY425M), the excess x 90% is paid.	In principle, the same rent will be applied until expiration of the contract.	—	—	—	—
39	Holiday Inn Osaka Namba (*5)	Fixed-lease	Fixed+Variable	OW Hotel Operations KK		15	14	(Fixed rent) JPY576M/year (Variable rent) When the total GOP exceeds GOP base amount (JPY650M), the excess X 92.5% is paid.	In principle, the same rent will be applied until expiration of the contract.	—	—	—	—
40	HOTEL ASCENT FUKUOKA	Lease	Fixed	NIKOH SANGYO co.,Ltd.		20	2	Nondisclosure (*6)	Rent can be modified through mutual agreement every three years.	—	—	—	—
41	Hilton Nagoya	Lease	Variable	Nagoya Hilton Co., Ltd.	Hilton International Company	41	13	Nondisclosure (*6)	Rent can be modified through mutual agreement.	—	—	—	—

(\*1) Rent structure is as follows:

Fixed: Fixed rent

Variable: Variable rent

Management contract: Management contract

Fixed + Variable: Property paying both fixed and variable rent

Fixed + Revenue sharing: When the sales of the hotel (lessee) exceed pre-determined amount, additional rent is paid.

(\*2) Remaining contract term as of the end of December 2016

(\*3) Amount including car park and CAM without tax.

(\*4) Details of "Modified Structure" is as follows.

No. 1 to No. 5: Variable rent was modified from 81.5% to 85%.

No. 15, 17: Revenue sharing structure has been applied in addition to fixed rent.

No. 18: Fixed rent has been replaced with the variable rent due to the replacement of the lessee.

No. 22, 24: JHR has commenced direct management contract structures.

(\*5) HOTEL VISTA GRANDE OSAKA was rebranded to Holiday Inn Osaka Namba on November 1, 2016.

(\*6) Information is undisclosed since the lessees did not agree to disclose the rent.

### 3. Major CAPEX III by Hotel

Unit: JPY M \* (Numbers in parentheses are CAPEX amounts)

	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2012 (New) Actual	CY2013 Actual	CY2014 Actual	CY2015 Actual	CY2016 Actual	CY2017 Forecast
Former JHR	1 <sup>st</sup> period (IPO-8/2006)	2 <sup>nd</sup> period (9/2006-8/2007)	3 <sup>rd</sup> period (9/2007-8/2008)	4 <sup>th</sup> period (9/2008-8/2009)	5 <sup>th</sup> period (9/2009-8/2010)	6 <sup>th</sup> period (9/2010-8/2011)	7 <sup>th</sup> period (9/2011-3/2012)	13 <sup>th</sup> period 4/2012-12/2012	14 <sup>th</sup> period 1/2013-12/2013	15 <sup>th</sup> period 1/2014-12/2014	16 <sup>th</sup> period 1/2015-12/2015	17 <sup>th</sup> period 1/2016-12/2016	18 <sup>th</sup> period 1/2017-12/2017
Former NHF	-	2 <sup>nd</sup> to 3 <sup>rd</sup> period (IPO-9/2007)	4 <sup>th</sup> to 5 <sup>th</sup> period (10/2007-9/2008)	6 <sup>th</sup> to 7 <sup>th</sup> period (10/2008-9/2009)	8 <sup>th</sup> to 9 <sup>th</sup> period (10/2009-9/2010)	10 <sup>th</sup> to 11 <sup>th</sup> period (10/2010-9/2011)	12 <sup>th</sup> period (10/2011-3/2012)						
Kobe Meriken Park Oriental Hotel	<ul style="list-style-type: none"> <li>Guest rooms on 12<sup>th</sup> and 13<sup>th</sup> floors (189)</li> <li>Restaurant (51)</li> </ul>	<ul style="list-style-type: none"> <li>Guest rooms on 10<sup>th</sup> and 11<sup>th</sup> floors (222)</li> <li>Pier (98)</li> </ul>	<ul style="list-style-type: none"> <li>Bride's room (68)</li> <li>Banquet room (46)</li> </ul>	-	-	-	-	-	-	-	<ul style="list-style-type: none"> <li>Chapel (30)</li> </ul>	<ul style="list-style-type: none"> <li>Guest rooms on 7<sup>th</sup> floor (50)</li> <li>Balconies on each floor (62)</li> <li>Bar (85)</li> </ul>	<ul style="list-style-type: none"> <li>Bridal salon (95)</li> </ul>
Oriental Hotel tokyo bay	<ul style="list-style-type: none"> <li>Guest rooms on 9<sup>th</sup> and 10<sup>th</sup> floors (145)</li> <li>Banquet room (59)</li> </ul>	<ul style="list-style-type: none"> <li>Guest rooms on 7<sup>th</sup> and 8<sup>th</sup> floors (171)</li> <li>Restaurant (58)</li> </ul>	<ul style="list-style-type: none"> <li>Guest rooms on 5<sup>th</sup> and 6<sup>th</sup> floors (210)</li> <li>Lobby (60)</li> </ul>	-	<ul style="list-style-type: none"> <li>Chapel (77)</li> <li>Guest rooms, etc. on 12<sup>th</sup> floor (135)</li> </ul>	-	<ul style="list-style-type: none"> <li>Restaurant (79)</li> </ul>	-	<ul style="list-style-type: none"> <li>Restaurant (45)</li> </ul>	-	-	<ul style="list-style-type: none"> <li>Guest rooms on 4<sup>th</sup> floor (101)</li> </ul>	-
Namba Oriental Hotel	<ul style="list-style-type: none"> <li>Guest rooms on 7<sup>th</sup> and 8<sup>th</sup> floors (93)</li> </ul>	<ul style="list-style-type: none"> <li>Restaurant (40)</li> </ul>	-	-	<ul style="list-style-type: none"> <li>Guest rooms on 4<sup>th</sup> floor and corridors on 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> floors (20)</li> </ul>	-	-	-	<ul style="list-style-type: none"> <li>Corner rooms on 5<sup>th</sup> to 8<sup>th</sup> floors (10)</li> </ul>	-	-	<ul style="list-style-type: none"> <li>Guest rooms on 9<sup>th</sup> floor (91)</li> </ul>	<ul style="list-style-type: none"> <li>Guest rooms on 7<sup>th</sup> (77)</li> </ul>
Hotel Nikko Alivila	<ul style="list-style-type: none"> <li>Suite (32)</li> <li>Restaurant (155)</li> </ul>	-	<ul style="list-style-type: none"> <li>Guest rooms on 3<sup>rd</sup> to 8<sup>th</sup> floors (479)</li> </ul>	<ul style="list-style-type: none"> <li>Guest rooms on 1<sup>st</sup> to 6<sup>th</sup> floors of South and West wings (361)</li> </ul>	-	-	-	-	-	<ul style="list-style-type: none"> <li>Guest rooms on 3<sup>rd</sup> to 8<sup>th</sup> floors of North building and 3<sup>rd</sup> to 5<sup>th</sup> floors of central building (333)</li> </ul>	-	<ul style="list-style-type: none"> <li>Guest rooms on 9<sup>th</sup> floor (55)</li> <li>Restaurant (30)</li> </ul>	-
Oriental Hotel Hiroshima	-	(Acquired in Oct. 2007)	<ul style="list-style-type: none"> <li>Guest rooms on 7<sup>th</sup> to 18<sup>th</sup> floors (347)</li> <li>Tenant floor (23)</li> </ul>	<ul style="list-style-type: none"> <li>Banquet rooms on 3<sup>rd</sup> and 4<sup>th</sup> floors (138)</li> </ul>	-	<ul style="list-style-type: none"> <li>Renovation of banquet room on 3<sup>rd</sup> floor. Renovation of corner double room to twin room (21)</li> </ul>	-	-	-	<ul style="list-style-type: none"> <li>Banquet rooms on 23<sup>rd</sup> floor (10)</li> </ul>	-	<ul style="list-style-type: none"> <li>Guest rooms on 7<sup>th</sup> to 10<sup>th</sup> floors (43)</li> <li>Banquet room on 4<sup>th</sup> floor (38)</li> </ul>	-
ibis Tokyo Shinjuku	-	-	-	-	-	-	-	<ul style="list-style-type: none"> <li>Lobby and restaurant on 2<sup>nd</sup> floor, and guest rooms on 3<sup>rd</sup>, 5<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> floors (170)</li> </ul>	-	-	-	<ul style="list-style-type: none"> <li>Guest rooms on 3<sup>rd</sup> to 10<sup>th</sup> floor (192)</li> </ul>	<ul style="list-style-type: none"> <li>Guest rooms on 3<sup>rd</sup> to 10<sup>th</sup> floor (249)</li> </ul>
Okinawa Marriott Resort & Spa	-	-	-	-	-	-	-	-	-	-	-	-	-

# 4. Portfolio Map

**Total Assets**

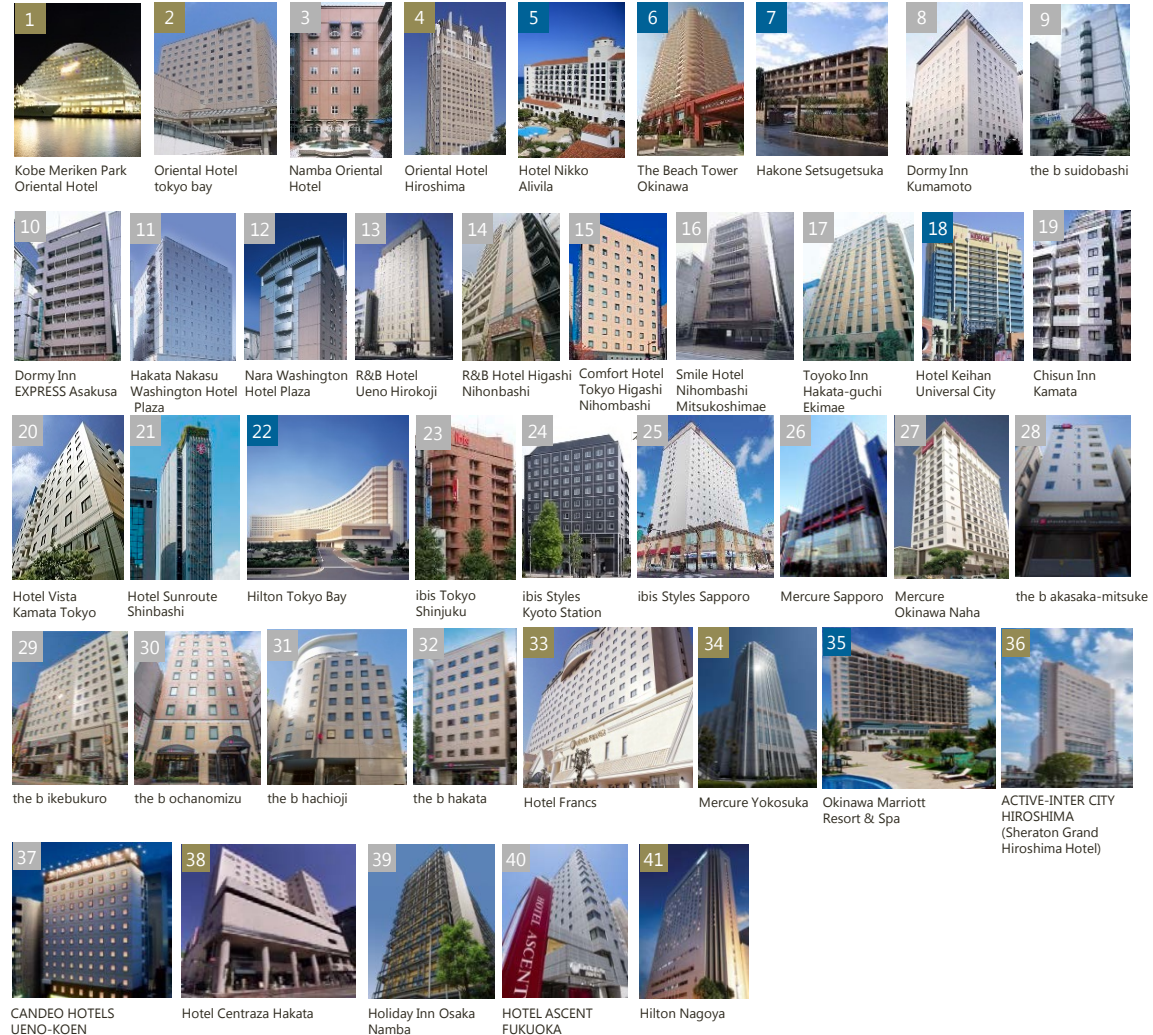
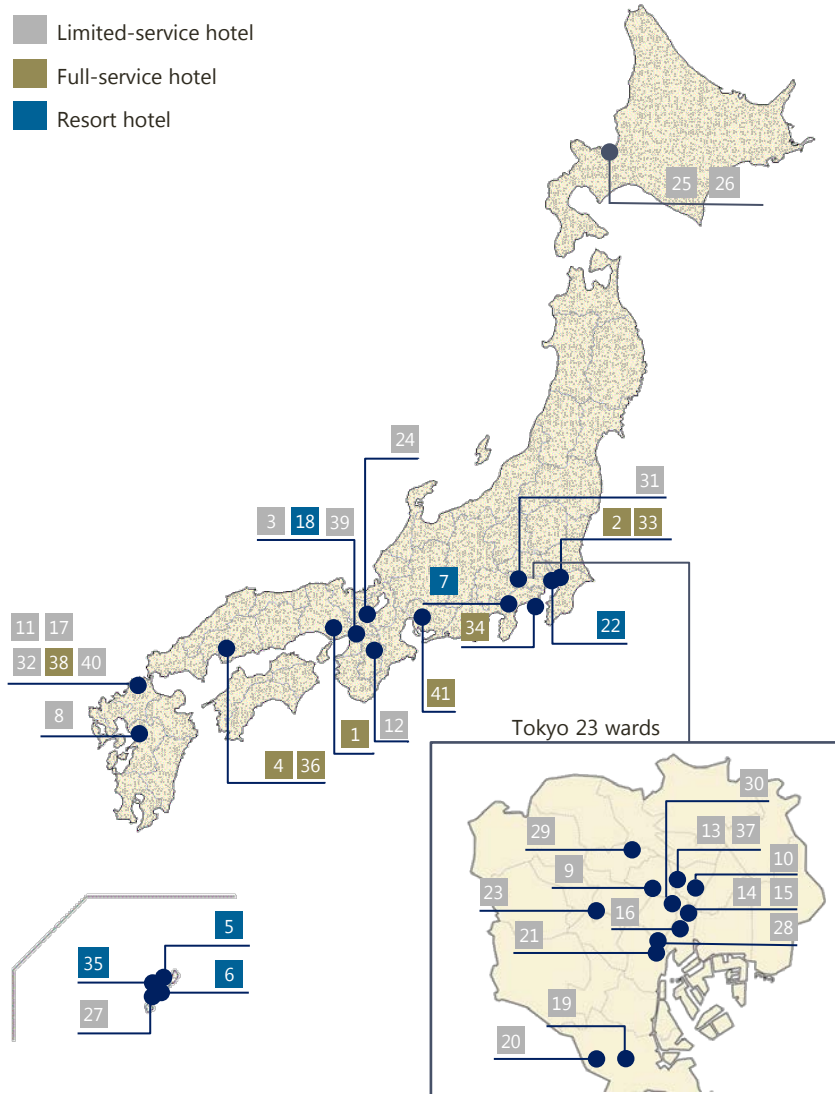
JPY**286.8**Billion

**No. of Hotels**

**41** Hotels

**No. of Guest Rooms**

**10,140** Rooms



## **Appendix 3**

### **Investors Composition and Investment Unit Price**

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# 1. Major Unitholders and Unitholders of Investment Units

## Top Ten Major Unitholders

### As of the End of June 2016

Ranking	Name	No. of Units	Percentage(*)
1	Japan Trustee Service Bank, Ltd. (Trust)	515,357	15.51
2	The Master Trust Bank of Japan, Ltd. (Trust)	391,418	11.78
3	Trust and Custody Services Bank, Ltd. (Securities Investment Trust)	318,754	9.59
4	Nomura Bank (Luxembourg) S.A.	179,316	5.39
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	137,273	4.13
6	State Street Bank & Trust Company 505001	60,121	1.80
7	Shikoku Railway Company	58,311	1.75
8	NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	53,789	1.61
9	Goldman Sachs International	47,020	1.41
10	Nomura PB Nominees TK1 Limited	38,269	1.15
<b>Total</b>		<b>1,799,628</b>	<b>54.17</b>

### As of the End of December 2016

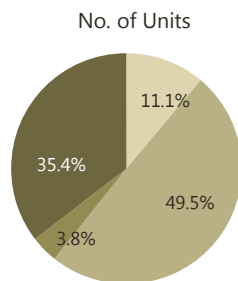
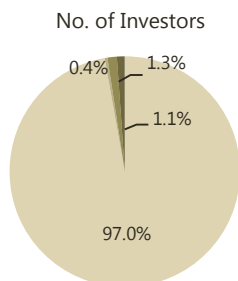
Ranking	Name	No. of Units	Percentage(*)
1	Japan Trustee Service Bank, Ltd. (Trust)	626,276	16.64
2	The Master Trust Bank of Japan, Ltd. (Trust)	398,094	10.58
3	Trust and Custody Services Bank, Ltd. (Securities Investment Trust)	328,425	8.73
4	Nomura Bank (Luxembourg) S.A.	165,981	4.41
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	145,006	3.85
6	The Bank of New York, Non-Treaty JASDEC Account	65,440	1.73
7	Shikoku Railway Company	58,311	1.55
8	State Street Bank & Trust Company 505012	57,881	1.53
9	NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	54,701	1.45
10	State Street Bank & Trust Company	54,685	1.45
<b>Total</b>		<b>1,954,800</b>	<b>51.96</b>

(\*) The total units held by each investor to the total units issued by JHR as of the end of June 2016 and the end of December 2016. (Rounded off to two decimal places.)

## Owners of the Investment Units

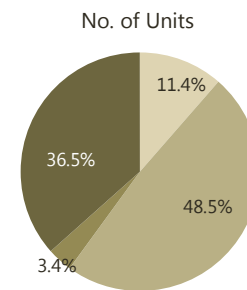
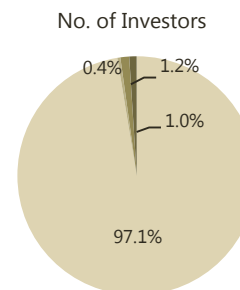
### As of the End of June 2016

Owners	No. of Investors	No. of Units
Individuals and Others	26,642	371,109
Financial Institutions (including Securities Firms)	126	1,646,530
Other Domestic Firms	368	126,662
Foreign Firms and Individuals	306	1,177,606
<b>Total</b>	<b>27,442</b>	<b>3,321,907</b>



### As of the End of December 2016

Owners	No. of Investors	No. of Units
Individuals and Others	30,491	429,225
Financial Institutions (including Securities Firms)	149	1,824,980
Other Domestic Firms	406	131,234
Foreign Firms and Individuals	325	1,376,468
<b>Total</b>	<b>31,371</b>	<b>3,761,907</b>



Individuals and Others
  Financial Institutions (including Securities Firms)
  Other Domestic Firms
  Foreign Firms and Individuals

(\*) Percentage of investors is percentage of owners in each segment to the total number of investors in JHR, and percentage of investment units is percentage of investment units owned by each segment to the total investment units issued. (Both rounded off to one decimal place.)

## 2. Changes in Investment Unit Price and Market Capitalization

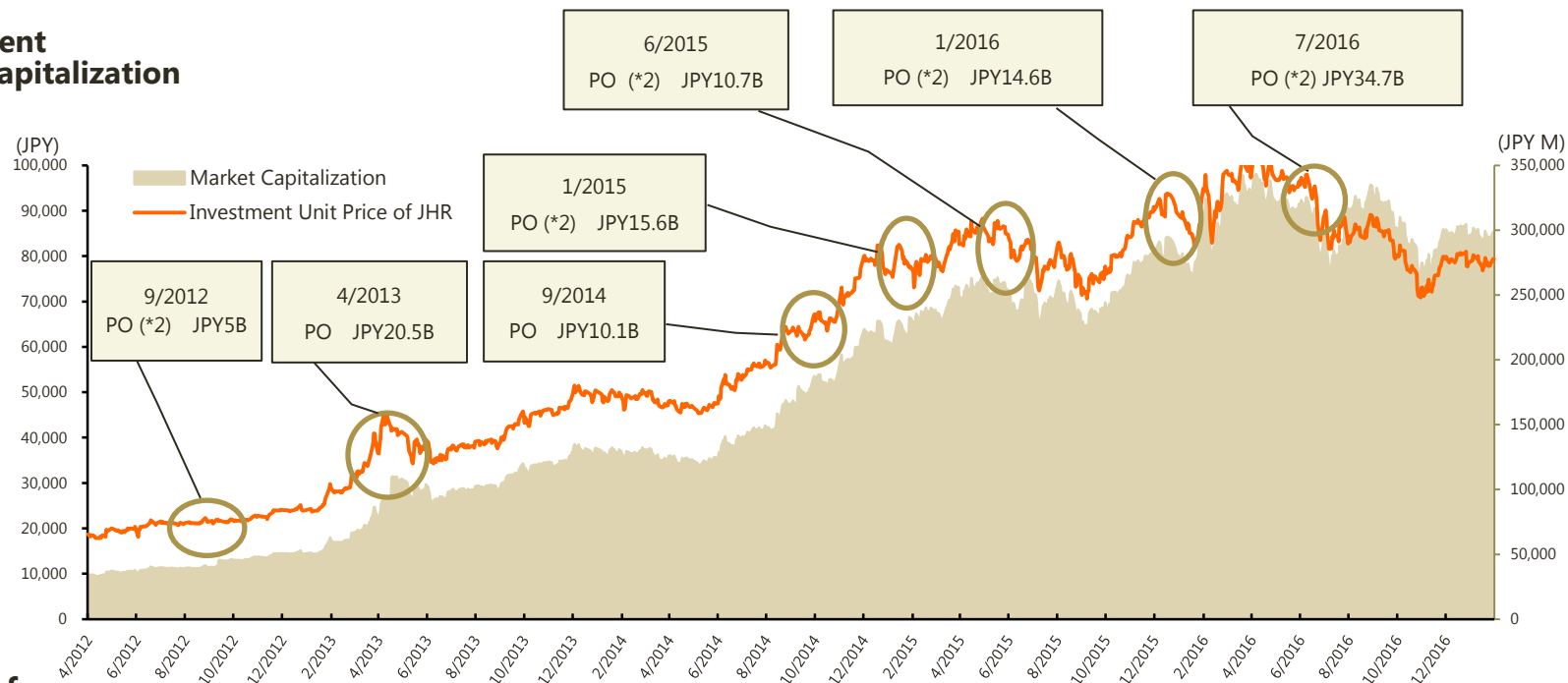
### Changes in the investment unit price and market capitalization (Based on the closing price)

Price of the investment unit: **JPY79,300.-**

Total market capitalization: **JPY298.3B**  
(Based on the closing price of January 31, 2017)

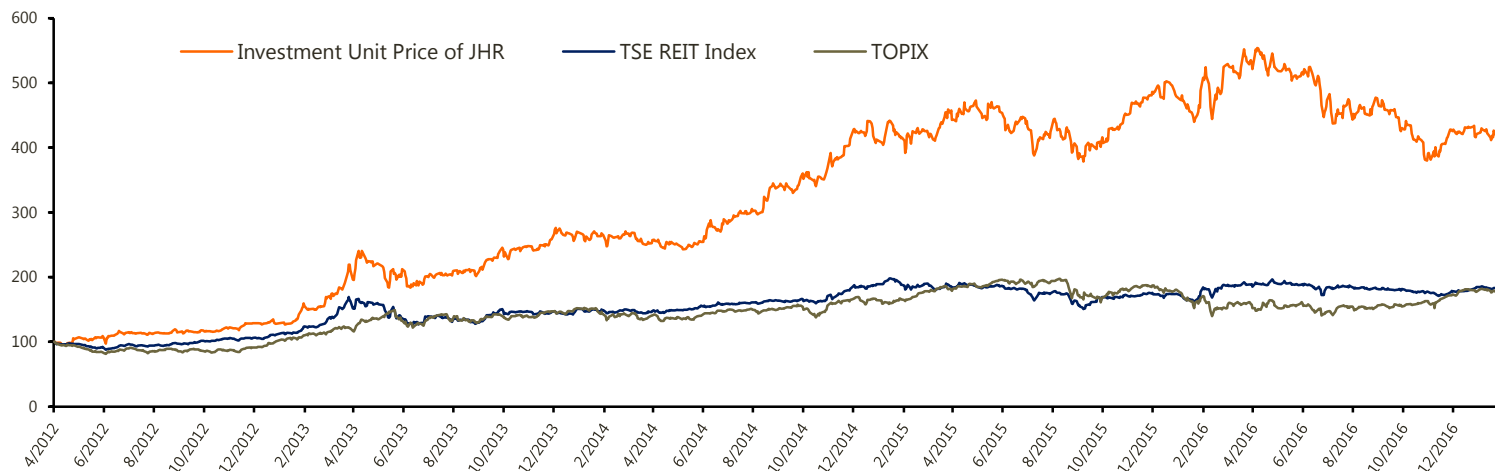
(\*1) Price of the real estate investment securities may fall depending on the fluctuations of price of the real estate under management or profitability, etc., and investors may suffer losses. Investors may also suffer losses through the bankruptcy or deteriorated financial condition of the issuer. With reference to the risk of investment in JHR units, see Securities Registration Statement of JHR dated July 7, 2016.

(\*2) Includes OA.



### Comparison with REIT Index and TOPIX of Tokyo Stock Exchange (TSE)

(\*) 100 is the closing price of JHR unit, REIT index and TOPIX at TSE dated April 2, 2012. REIT Index of TSE is an index of a weighted average of the market capitalization of all REITs listed on TSE.



## **Appendix 4**

### **Summary of the Asset Management Company**

# 1. Summary of the Asset Management Company

Company	Japan Hotel REIT Advisors Co., Ltd.
Location	Ebisu Neonato 4F, 4-1-18 Ebisu, Shibuya-ku, Tokyo 150-0013
Establishment	August 10, 2004
Capital	JPY300M as of December 31, 2016
Shareholders	Rockrise Sdn Bhd, Kyoritsu Maintenance Co., Ltd., ORIX Corporation
Representative Director	Hisashi Furukawa
Registration and Licenses	Building Lots and Buildings Transaction Business Operator, Governor of Tokyo (3) No. 83613 Discretionary Transaction Agent by Minister of Land, Infrastructure, Transport and Tourism No. 38 Financial Instruments Trading Company, Director-General of Kanto Local Finance Bureau No. 334 Member of The Investment Trusts Association, Japan

Organization Chart



## 2. Features of the Asset Management Company

- Japan Hotel REIT Advisors Co., Ltd. is an asset manager of Japan Hotel REIT Investment Corporation, a real estate investment trust in Japan (J-REIT), specializing in hotel assets.
- JHRA holds up a mission statement which is to continue its challenge and creation, and provide investors with attractive hotel investment opportunities.

It manages JHR's assets with high degree of professionalism and determined independence.

### Advanced Expertise

- Know-how and track record of planning and executing unprecedented measures of asset management based on in-depth understanding of hotel operation.
- Extensive experience and track record of renovation and rebranding through collaboration with many hotel lessees and hotel operators.
- Strong and long-term relationships with a large number of hotel lessees and hotel operators.
- Highly analytical skills and accurate judgement based on rich information and data obtained through a broad network.

### Ensured Independence

- JHRA secures high independence from its main sponsor and clarifies its strong commitment to profit and growth of JHR.
  - No full-time director and employee of the asset management company is a seconded employee of the main sponsor, SC CAPITAL PARTNERS, except for part-time directors.
  - Non-sponsor-related directors account for half of JHRA's board of directors.
  - With regard to transactions with sponsor-related parties and JHR, JHRA has set strict decision-making rules. In principle, in addition to obtaining approval by Compliance Committee which includes an outside specialist, who is authorized to dismiss proposals, JHRA is required to obtain approval from JHR's board of directors' meetings (directors consist of third-party members who do not have any relationship with the sponsor-related parties).

This material is prepared and provided solely for the purpose of providing information and not to offer, solicit, or do business, etc. with specific products including purchase of investment units, investment unit subscription rights, or investment corporation bonds of Japan Hotel REIT Investment Corporation ("JHR") or any other particular products. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

This material is neither a disclosure document nor an investment report required under or prepared pursuant to the Financial Instruments and Exchange Act, Act on Investment Trusts and Investment Corporations and related government ordinances, Cabinet Office regulations, listing rules by Tokyo Stock Exchange, Regulations of The Investment Trusts Association, Japan, or other related rules and regulations.

This material contains forward-looking statements about financial conditions, operational results, and businesses of JHR, as well as plans and intentions of JHR and its asset management company, Japan Hotel REIT Advisors Co., Ltd ("JHRA"). Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or performance of JHR to materially differ from those expressed or implied forecasts. Those forecasts are made based on JHR's present and future business strategies and assumptions relating to the political and economic circumstances surrounding JHR in the future.

Every effort has been made to ensure the accuracy of the information contained in this material. However, there can be no assurance that the information is accurate, complete, appropriate or fair. The information may be revised or retracted without prior notice.

Regarding the offering and trading of investment units, investment unit subscription rights or investment corporation bonds, financial institutions may charge you pre-determined handling fees and other charges aside from the price of the investment units, investment unit subscription rights or investment corporation bonds. Since neither JHR nor JHRA handles the offering and trading of investment units, investment unit subscription rights or investment corporation bonds, please ask financial institutions for the amount, upper limit, and calculation methods of such fees and other charges.

JHR mainly invests in real estate-related assets, primarily hotels which are subject to change in values. Therefore, unitholders, holders of investment unit subscription rights and investment corporation bonds may suffer losses due to economic conditions of the real estate market or securities market, economic situations including interest rate environment, the nature of investment units, investment unit subscription rights, and investment corporation bonds, dependency on mechanisms and related persons of investment corporations, changes in legal systems related to real estate (such as tax regulations and building regulations), damage caused to the real estate-related assets by natural disasters, fluctuation in prices or profitability of the real estate-related assets, nature of the trust beneficiary rights under management, delisting of the investment units, or worsening financial position or insolvency of JHR. For details, please refer to the Articles of Incorporation, Securities Registration Statement, Annual Securities Report and Extraordinary Report, etc. of JHR.

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Japan Hotel REIT Advisors Co., Ltd.  
Financial Instruments Trading Company  
Director-General of Kanto Local Finance Bureau No. 334  
Member of The Investment Trust Association, Japan