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August 24, 2016

Midterm Financial Report for the Fiscal Year Ending December 31, 2016 (January 1, 2016 – June 30, 2016)

Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange
Securities code: 8985
URL: <http://www.jhrth.co.jp/en/>
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Asset Management Company: Japan Hotel REIT Advisors Co., Ltd.
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Scheduled date to file midterm Securities Report: September 20, 2016

Preparation of supplementary material on midterm financial report: Yes
Schedule for presentation of midterm financial results: Yes (Analysts and institutional investors 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, 2016 (January 1, 2016 – June 30, 2016)

(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, 2016	9,390	29.7	5,682	33.5	4,868	40.2	4,778	37.6
June 30, 2015	7,242	31.6	4,257	41.3	3,472	55.4	3,472	55.4
Fiscal year ended								
December 31, 2015	17,343	35.9	10,988	45.6	9,295	60.9	9,294	61.0

	Net income per unit
Midterm period ended	JPY
June 30, 2016	1,446
June 30, 2015	1,166
Fiscal year ended	
December 31, 2015	3,036

(Note 1) Net income per unit is calculated based on the period-average number of investment units issued.

(Note 2) Net income for the fiscal year ended December 31, 2015 includes gain on sale of real estate properties (¥305 million).

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
Midterm period ended	JPY1M	JPY1M	%	JPY
June 30, 2016	258,515	139,230	53.9	41,912
June 30, 2015	222,668	124,071	55.7	39,509
Fiscal year ended				
December 31, 2015	240,356	129,914	54.1	41,318

(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 (fiscal year)
Midterm period ended	JPY1M	JPY1M	JPY1M	JPY1M
June 30, 2016	4,963	(16,461)	14,005	16,205
June 30, 2015	5,073	(24,829)	30,476	25,145
Fiscal year ended				
December 31, 2015	15,862	(58,598)	42,009	13,698

**2. Operating forecast for the fiscal year ending December 31, 2016
(January 1, 2016 – December 31, 2016)**

(Percentages: 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	22,281	28.5	13,760	25.2	11,980	28.9	11,890	27.9	3,356	0

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2016 (full year) ¥3,396

(Calculated based on the estimate of period-average number of investment units of 3,501,175.)

(Note) Reversal of reserve for dividends in the amount of ¥736 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, 2016 3,321,907 units

As of June 30, 2015 3,140,322 units

As of December 31, 2015 3,144,227 units

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

As of June 30, 2016 0 units

As of June 30, 2015 0 units

As of December 31, 2015 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 41.

*** Status of midterm audit procedures**

At the time of disclosure of this 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 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 these forecasts. 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 6 and “Assumptions of the operating forecast for the full year of the fiscal year ending December 31, 2016 (17th 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 23, 2016).

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 23, 2016).

(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 the social infrastructure and profitability 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, 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 through the end of the midterm of the 17th fiscal period, JHR has carried out six public offerings for capital increase and continuously acquired hotels that are “highly competitive being located in areas where domestic and inbound leisure demand is expected over the medium to long term.”

By implementing aforementioned growth strategy, JHR has steadily expanded its asset size with new acquisitions totaling ¥130,174 million (acquisition price base) for 18 properties since its restart by the Merger and during over 4-year period, having its portfolio with a combined acquisition price of ¥239,626 million for 38 properties as of the end of the midterm of the 17th fiscal period. In addition, after the end of the midterm period, JHR implemented capital increase in July through the seventh public offering after the Merger to fund or will fund the acquisition of three properties (total (anticipated) acquisition price of ¥47,175 million).

The number of JHR’s investment units issued and outstanding was 3,321,907 as of June 30, 2016.

(b) Investment performance

During the midterm period under review (6-month period from January 1, 2016 through June 30, 2016), the Japanese economy witnessed a high level of corporate earnings; however, corporations retained cautions in their business sentiment largely due to yen appreciation in the foreign exchange rate since the beginning of this calendar year, the Kumamoto Earthquake occurred in April 2016, an increasingly uncertain global economy influenced by the referendum of Brexit held in June, etc. While consumer sentiment in relation to consumer spending remained stagnant, the employment situation has been improved, and the domestic economy has been showing a modest recovery trend. Under these circumstances, the leisure demand among Japanese in the tourism industry has been growing steadily, and the number of foreign visitors (hereinafter called “inbound”), backed by the effects of the Japanese government’s nationwide measures aiming to become a major tourism nation, primarily Asian countries and regions marking high rate of economic growth, recorded 19.73 million in 2015, an increase by 47.1% year-on-year and the highest ever.

Consequently, the Japanese government established a new goal aiming to increase the number of inbound tourists by up to 40 million by 2020 and 60 million by 2030 in the “Council for the Development of a Tourism Vision to Support the Future of Japan” held in March 2016. Despite the appreciating status of the yen since the beginning of 2016, the number of inbound tourists has been continuing unabated with a cumulative total of 11.71 million, rising 28.2% year-on-year, during

the first half of the year (January through June), and as such, the upward trend has been continuing. Given such a strong wind behind Japan's tourism industry and hotel industry, many of the hotels owned by JHR have achieved a rise in operating performance, mainly in the rooms department, allowing JHR to feel again how strong the leisure demand was both in and outside Japan. Also in the investment market for hotels, a great number of investors had anticipated future growth of hotel properties; however, transactions of hotel properties remained brisk as a large number of investment funds, etc. started to dispose hotel properties to realize profit through hotel investment.

In such an environment, in January 2016, JHR implemented capital increase through public offering, the sixth since the Merger, to complement a decrease in cash on hand, a decrease equivalent to the cash on hand used to fund the acquisition of ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) in December 2015, for an acquisition price of ¥17,320 million. JHR also used the proceeds from the public offering to newly acquire CANDEO HOTELS UENO-KOEN, located in the Ueno area in central Tokyo which benefits from an increase in inbound tourism demand, for an acquisition price of ¥6,705 million. JHR has been contemplating expansion of its asset size through continuous acquisitions of properties with its consistent growth strategy such as the acquisition of Hotel Centraza Hakata, for an acquisition price of ¥7,197 million in April this year and other measures.

For its owned hotels, JHR endeavored to expand its earnings by continuously discussing with the hotel operators for increasing revenue, after assessing the business environment and operation conditions at each hotel on a monthly basis. For hotels with variable rent structures including revenue sharing structures and management contracts, hotel earnings increased against the backdrop of strong domestic and overseas leisure demand, which achieved an increase in JHR's rent revenue, etc.

With respect to capital expenditures in portfolio properties, JHR invested in the renewal of its facilities in order to maintain the value of its assets, and for hotels with variable rent structures, etc., JHR practically implemented active asset management such as strategic refurbishment, etc. to accomplish strong internal growth and to achieve improvement of profitability.

With regard to status of operations of the five hotels (hereinafter referred to as the "five HMJ hotels") (Note 1) which JHR leases to Hotel Management Japan Co., Ltd. (hereinafter referred to as "HMJ") under variable rent contracts, and hotels which JHR leases to HMJ Group companies under variable rent contracts, namely, Okinawa Marriott Resort & Spa, ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) and Hotel Centraza Hakata, together they have produced a year-on-year increase both in sales and GOP (gross operating profit), led by the rooms department, during the midterm period under review. The rooms department achieved an increase in not only guest room occupancy rate but also the ADR (average daily rate), allowing JHR to feel how strong the leisure demand was. For further details of sales, GOP and other management indicators for the HMJ Group Hotels (Note 1), please refer to "<Reference Materials 2> <1> Sales and GOP of the HMJ Group Hotels" on page 21 and "D. Overview of the hotel business; (2) Major indicators of the hotel business; (a) The Eight HMJ Hotels" on page 69. Furthermore, as announced in the "Notice Concerning Revision of Fixed-Term Lease Agreement" dated December 18, 2015, JHR negotiated with HMJ to modify the terms and conditions of the fixed-term lease agreement for the five HMJ hotels, as JHR believed that HMJ's profitability would increase in accordance with a shift to independent hotel operations by HMJ. As a result, the variable rent ratio was changed from 81.5% to 85.0% effective January 1, 2016 while JHR returned part of the security deposits to HMJ. This has made it possible for JHR to obtain the enhanced performance of the hotels as its earnings.

Moreover, inbound guests and domestic leisure demand were successfully attracted by 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"). These hotels posted a year-on-year increase both in sales and GOP, mainly led by an increase in the ADR. 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 23 and "D. Overview of the hotel business; (2) Major indicators of the hotel business; (b) The Six Accor Hotels" on page 70.

Furthermore, efforts were made to attract inbound tourists at the six *the b* hotels (Note 3), which are leased to the subsidiaries of the Ishin Hotels Group with a variable rent structure, and consequently a year-on-year increase was achieved 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 24 and “D. Overview of the hotel business; (2) Major indicators of the hotel business; (c) The Six *the b* Hotels” on page 70.

In addition, JHR not only increased the size of its asset portfolio by acquiring new properties, but also made steady progress in reducing real estate management costs, general and administrative expenses, and borrowing costs. Meanwhile, repair costs caused by the Kumamoto Earthquake, in the amount of ¥90 million, were appropriated in extraordinary loss.

(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 Alivila and Oriental Hotel Hiroshima. The eight HMJ hotels represent the eight 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, and Hotel Centraza Hakata. The HMJ Group Hotels represent the nine hotels comprising the eight HMJ hotels plus HOTEL VISTA GRANDE OSAKA which was acquired in August 2016. 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 five hotels comprising the *b* akasaka-mitsuke, the *b* ikebukuro, the *b* ochanomizu, the *b* hachioji and the *b* hakata (hereinafter referred to as “the five *the b* hotels”) plus the *b* suidobashi, which was rebranded from the former Dormy Inn Suidobashi on July 1, 2015. The same shall apply hereinafter.

(c) Funding

JHR acquired ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hotel Hiroshima) in December 2015, the previous fiscal year. The acquisition price was ¥17,320 million and was procured by the combination of short-term loans of ¥9,000 million and cash on hand. In this fiscal year, JHR procured total of ¥14,618 million by way of capital increase through public offering in January 2016 and capital increase through third-party allotment in February 2016, as well as the ¥2,000 million in long-term loans to complement a decrease in cash on hand, which is a decrease equivalent to the cash on hand used to fund the acquisition of ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) and to acquire CANDEO HOTELS UENO-KOEN. JHR reduced a part of ¥11,214 million (¥114 million) in existing long-term loans and refinanced during the period from February and March this year, and JHR also refinanced ¥9,000 million short-term loans for the acquisition of ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) to long-term loans by procuring ¥6,000 millions in long-term loans and ¥3,000 million in the investment corporation bonds. Also, in April this year, JHR acquired Hotel Centraza Hakata with ¥7,000 million short-term loans and cash on hand.

Consequently, as of the end of this midterm period, interest-bearing debt totaled ¥111,558 million, including short-term loans payable of ¥8,700 million, current portion of long-term loans payable of ¥633 million, long-term loans payable of ¥87,224 million, investment corporation bonds of ¥2,500 million which are due within one year, investment corporation bonds of ¥12,500 million, and the ratio of interest-bearing debt to total assets at the end of this midterm period (Note 4) stood at 43.2%. Additionally, through refinancing of the loans and new borrowing, JHR was able to lower its funding costs, extend and diversify its repayment period.

Concurrently, JHR concluded interest rate swap contracts to fix the interest on ¥18,700 million in total on loans in March in order to benefit from the current negative interest rate environment and to avoid the increase in interest payment resulting from future interest rate rises. These actions brought the fixed rate ratio (including the interest rate cap purchase portion) on JHR’s total interest-bearing debt to around 88%.

Furthermore, JHR also concluded interest swap contract as of July 27, 2016 which is after the end of the midterm period to fix the interest on existing ¥2,900 million on loans.

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

As of June 30, 2016, JHR’s issuer ratings were as follows.

Rating agency	Rating	Outlook
R&I	A-	Positive
JCR	A	Positive

(d) Financial results

As a result of the abovementioned asset management, operating revenue, operating income and ordinary income were ¥9,390 million, ¥5,682 million and ¥4,868 million, respectively, for the midterm period under review (six-month period from January 1 to June 30, 2016). Net income for the midterm period was ¥4,778 million.

Variable rent from the hotels with variable rent from the eight HMJ hotels in the amount of ¥1,251 million is included in operating revenue, but this amount is calculated based on the eight HMJ hotels' GOP for the midterm period under review. The variable rent to be ultimately received from the eight HMJ hotels will be determined by the eight HMJ hotels' GOP for the full year (12-month period).

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, 2016 to December 31, 2016). 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 dividends (amount of use of negative goodwill, such as the amount equivalent to losses on retirement of existing facilities incurred by the replacement of equipment) to unappropriated retained earnings would all be distributed except for fractions of less than one yen of dividend per unit.

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

(a) Investment policies and issues to be addressed

The Japanese economy is expected to moderately recover due to postponement of the hike in consumption tax rate to 10% and effects of various governmental policies including prompt and steady implementation of the FY2016 supplementary budget under the circumstances where employment and income environment showing a continuing improvement trend. While having such expectation, attention must be paid, however, to the downward risks on the Japanese economy which might be caused by rising uncertainty in the world economy and instability in financial markets including the Brexit issue and the downside swing, etc. of emerging Asian economies including China and resource-rich countries, etc. Moreover, in the environment surrounding the hotel industry, it is expected JHR will continue to benefit from a further increase in the number of inbound tourists thanks to nationwide various measures, etc. in relation to tourism promotion besides the solid domestic leisure demand.

Under such circumstances, JHR intends to manage assets based on the approach described below aiming to make JHR's portfolio more appealing by simultaneously pursuing stability centered on fixed rent revenue and upside potential derived from variable rent, etc.

Internal growth

With regard to properties under fixed rent contracts, JHR aim for setting appropriate rent based on market rent levels where each hotel is located and capability of each tenant to bear the rent, along with aim for increasing rent level including adoption of variable rent structures under robust accommodation market these days. For properties under variable rent contract structures including management contract structure, JHR will, on the back of strong accommodation market, undertake to improve profitability through implementation of strong internal growth, and consequently, will act to increase variable rent, etc. by practicing active asset management which aims for improvement in quality of portfolio. More specifically, JHR's intention is to implement measures such as strategic capital expenditures (CAPEX) such as room renovation, etc. to improve ADR, changing operators to the ones with optimum skills corresponding to the characteristic in each hotel or rebranding, changing rent structure to which capable to capture upside and replacement of hotel assets (disposition), etc. to improve the quality of portfolio. JHR, as an asset management company, will not only simply rely on voluntary efforts for improvement of performance made by operating companies such as HMJ but also implement measures of internal growth promotion by executing specific strategies in each hotel under management based on high level discussions in cooperation with the operators such as "HMJ."

In addition to the primary hotel groups with variable rent structures, namely the eight HMJ hotels, the six Accor hotels and the six *the b* hotels, and properties with upside sharing structure, through acquisition of HOTEL VISTA GRANDE OSAKA (Note 5) in August 2016 and anticipated acquisition of Hilton Nagoya in September this year, JHR will aim to further increase variable rent level through expansion and enhancement as core of internal growth.

(Note 5) After the acquisition of HOTEL VISTA GRANDE OSAKA, the subject hotel will be rebranded to "Holiday Inn Osaka Namba," which is an international brand of InterContinental Hotels Group.

External growth

In terms of external growth strategies, it is JHR's basic policy to acquire Real Estate for Hotels, etc., with prospects for attracting domestic and inbound leisure demand, mainly located in strategic investment areas of JHR which include

Hokkaido Area, Tokyo and Bay Area, Osaka and Kyoto Area, and Fukuoka and Okinawa Area. Based on such policy, JHR ensures stabilized profitability and establish portfolio consciously with growth potential in order to achieve operational upside. In the process of property acquisitions, JHR places emphasis on physical aspects (infrastructure) of such hotel properties such as buildings and facilities, soft aspects (service) such as creditworthiness, operational and management skills of lessees and operators of the hotels and locational predominance which provides the basis for stability for demands and future potential.

More specifically, our investment is targeted on full-service hotels and resort hotels which know-how in operational and management skills are required for hotel operations and barriers to entry are seen as high when newly opened due to limitations of invested-capital and locations. For limited-service hotels, JHR's focus is placed on creditworthiness and operational abilities of lessee and operators of hotels, age of the properties, locations, room configurations and profitability. For hotels specializing in budget-type (low priced) accommodation mostly consist of single rooms where competitiveness is only traced in its pricing, JHR particularly becomes more selective. Additionally, JHR aims for improving the quality of portfolio in order to make the most of this competitiveness by diversifying hotel brands including expansion of international brands as necessary.

In the hotel investment market, competition in acquisition is intensifying. Under such circumstances; however, JHR keeps maintaining superiority in the investment market for hotels by its high recognition and creditworthiness as the REIT specializing hotels, proposals and implementations for diversified rent structures including a management contract structure reflecting high level of expertise as the asset management company, flexibility in property acquisitions utilizing warehousing function and strengthened availability in property acquisition opportunities using HML's platform. In this manner, JHR newly acquires properties contemplating further measures for improving profitability by executing active asset management after property acquisitions.

Finance strategy

JHR seeks to maintain and enhance the relationships of trust with financial institutions with which it does business, while implementing operations with a conservative financial strategy as a basic policy putting importance on ensuring financial stability and strength by continuously diversifying the means of financing. 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 diversify further funding methods while seeking to spread out the maturity dates of its debt and considering the balance of 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. Consequently, after the anticipated acquisition of an asset "Hilton Nagoya" in September this year, it is anticipated that the LTV ratio to total assets to be around 40.1%, average remaining term of the loans to be 4.5 years and the fixed interest rate ratio to be around 92%.

(b) Significant subsequent events

1. Acquisition of assets

On August 1, 2016 and August 19, 2016, JHR acquired two assets for ¥31,925 million in total acquisition price as follows.

Property name	HOTEL VISTA GRANDE OSAKA
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	5-15 Soemon-cho, Chuo-ku, Osaka-shi, Osaka
Acquisition date	August 1, 2016
Seller	GK APOLLO
Acquisition price (Note)	¥27,000 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 ASCENT FUKUOKA
Asset category	Real estate beneficial interest in trust

Asset type	Hotel
Address	3-3-14 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka
Acquisition date	August 19, 2016
Seller	Godo Kaisha Tenjin 1
Acquisition price (Note)	¥4,925 million

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

2. Contract conclusion on acquisition of asset

On July 7, 2016, JHR concluded a purchase and sale agreement regarding acquisition of the following asset.

Name of property for anticipated acquisition	Hilton Nagoya
Asset category	Real estate beneficial interest in trust
Asset type	Hotel
Address	1-3-3 Sakae, Naka-ku, Nagoya-shi, Aichi
Anticipated acquisition date	September 1, 2016
Planned seller	GK HN Project
Anticipated acquisition price (Note)	¥15,250 million

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

3. Execution of the loan agreements

On August 10, 2016, JHR concluded the loan agreements as described below to partly fund the acquisition of the real estate beneficial interest in trust and movable assets attached to the hotel as stated in “1. Acquisition of assets” and “2. Contract conclusion on acquisition of asset” above.

(1) Term Loan 26

Planned lenders	Sumitomo Mitsui Banking Corporation / Shinsei Bank, Limited / Mizuho Bank, Ltd. / Resona Bank, Ltd. / The Nomura Trust and Banking Co., Ltd. / The Chiba Bank, Ltd. / The Bank of Fukuoka, Ltd.
Planned amount of the loan	¥9,500 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.65%
Scheduled date of borrowing	September 1, 2016
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(2) Term Loan 27

Planned lender	Sumitomo Mitsui Trust Bank, Limited
Planned amount of the loan	¥1,300 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.50%
Scheduled date of borrowing	September 1, 2016
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2024
Collateral	Unsecured/Unguaranteed

(3) Term Loan 28

Planned lender	Mitsubishi UFJ Trust and Banking Corporation
Planned amount of the loan	¥2,000 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.50%
Scheduled date of borrowing	September 1, 2016

Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2024
Collateral	Unsecured/Unguaranteed

(4) Term Loan 29

Planned lender	Development Bank of Japan Inc.
Planned amount of the loan	¥700 million
Interest rate	0.59%
Scheduled date of borrowing	September 1, 2016
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2024
Collateral	Unsecured/Unguaranteed

(5) Term Loan 30

Planned lender	Aozora Bank, Ltd.
Planned amount of the loan	¥500 million
Interest rate	To be determined (Fixed interest rate)
Scheduled date of borrowing	September 1, 2016
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2024
Collateral	Unsecured/Unguaranteed

4. Issuance of new investment units

JHR resolved to issue new investment units at the Board of Directors meetings held on July 7, 2016 and July 20, 2016. Payment for the new investment units was completed on July 27, 2016 and August 23, 2016, and the investment units were issued under the following terms and conditions. As a result, JHR's unitholders' capital increased to ¥134,829,448,209, with the number of investment units issued and outstanding totaling 3,761,907 units.

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

Number of investment units issued:	428,260 units
Of which domestic public offering:	164,260 units
Of which overseas offering:	264,000 units
Issue price:	¥81,536 per unit
Total issue price:	¥34,918,607,360
Paid-in amount (issue value):	¥78,956 per unit
Total paid-in amount (total issue value):	¥33,813,696,560
Payment date:	July 27, 2016

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

Number of investment units issued:	11,740 units
Paid-in amount (issue value):	¥78,956 per unit
Total paid-in amount (total issue value):	¥926,943,440
Payment date:	August 23, 2016
Allottee:	SMBC Nikko Securities Inc.

(c) Use of funds

JHR allocated the proceeds in the amount of ¥33,813,696,560 procured from the domestic public offering and overseas offering to cash on hand in order to complement part of a decrease in cash on hand, which is a decrease that occurred when JHR had used cash on hand to partly fund the acquisition of Hotel Centraza Hakata (including expenses for acquisition) that it acquired on April 1, 2016. JHR also uses the subject proceeds to partly fund the acquisition of HOTEL VISTA GRANDE OSAKA, Hilton Nagoya and HOTEL ASCENT FUKUOKA as described above in "1. Acquisition of assets" and "2. Contract conclusion on acquisition of asset." In addition, with regard to the remaining proceeds procured from the domestic public offering and overseas offering together with the proceeds

procured from the third-party allotment in the amount of ¥926,943,440 will be cash on hand and will be used to partly fund the future acquisition of specified assets, partly repay the loan amount or appropriate to repairs and capital expenditures to maintain and improve competitiveness of the existing properties.

(c) Operating forecast

The following is the JHR's operating forecast for the full year of the fiscal year ending December 31, 2016 (17th period). For the assumptions of the operating forecast, please refer to "Assumptions of the operating forecast for the full year of the fiscal year ending December 31, 2016 (17th period)" on page 12.

In addition, the dividend per unit based on the annualized effect of the acquisition of CANDEO HOTELS UENO-KOEN acquired on February 1, 2016, Hotel Centraza Hakata acquired on April 1, 2016, HOTEL VISTA GRANDE OSAKA acquired on August 1, 2016, HOTEL ASCENT FUKUOKA acquired on August 19, 2016 and Hilton Nagoya to be acquired on September 1, 2016, is assumed to be ¥3,500. For the annualized effect of the new acquisitions of such properties above, please refer to "<Reference Materials 1> Highlights of the operating forecast and forecast of dividend" on page 20. 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 25.

Full year of the fiscal year ending December 31, 2016 (17th period)	Forecast this time	Previous forecast (Note 1)	Increase (Decrease)
Operating revenue	¥22,281 million	¥22,095 million	¥186 million
Operating income	¥13,760 million	¥13,621 million	¥139 million
Ordinary income	¥11,980 million	¥11,841 million	¥139 million
Net income	¥11,890 million	¥11,751 million	¥139 million
Dividend per unit	¥3,356	¥3,318	¥38
Dividend per unit resulting from excess of earnings	¥0	¥0	¥0

(Note 1) These are figures announced in the "Notice Concerning Revision of Operating Forecast for Fiscal Year Ending December 2016 (17th Period)" dated July 7, 2016.

(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 fiscal year ending December 2016 (17th period)

Item	Assumptions																								
Calculation period	<ul style="list-style-type: none">Full year (17th Period): January 1, 2016 through December 31, 2016 (366 days)																								
Assets under management	<ul style="list-style-type: none">The 38 properties owned by JHR as of the end of June 2016, plus the following three assets (Acquired Assets and Asset for Anticipated Acquisition), to total 41 properties are assumed. <p><Acquired Assets and Asset for Anticipated Acquisition ></p> <table><tr><td>Acquisition date (Scheduled acquisition date)</td><td>Name of asset</td></tr><tr><td>August 1, 2016</td><td>HOTEL VISTA GRANDE OSAKA</td></tr><tr><td>August 19, 2016</td><td>HOTEL ASCENT FUKUOKA</td></tr><tr><td>September 1, 2016</td><td>Hilton Nagoya</td></tr></table> <ul style="list-style-type: none">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 2016 (17th period). However, the actual results may fluctuate depending on the changes in assets under management that may take place.	Acquisition date (Scheduled acquisition date)	Name of asset	August 1, 2016	HOTEL VISTA GRANDE OSAKA	August 19, 2016	HOTEL ASCENT FUKUOKA	September 1, 2016	Hilton Nagoya																
Acquisition date (Scheduled acquisition date)	Name of asset																								
August 1, 2016	HOTEL VISTA GRANDE OSAKA																								
August 19, 2016	HOTEL ASCENT FUKUOKA																								
September 1, 2016	Hilton Nagoya																								
Operating revenue	<ul style="list-style-type: none">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, etc., operating revenue calculated on the said lease contracts is included.Rents, etc. of the main hotels are calculated based on the following assumptions. <p>(1) The Five HMJ Hotels</p> <p>The assumptions of the fixed rent and variable rent for the five HMJ hotels are as follows. Annual rent (¥6,792 million) = Fixed rent (¥3,221 million/year) + Variable rent Variable rent = [(a) Total GOP of the five HMJ hotels – (b) GOP base amount] × 85.0%</p> <p>The five HMJ hotels for the fiscal year ending December 2016 (17th period) (Unit: millions of yen)</p> <table><tr><td></td><td>Total GOP of the five HMJ hotels (a)</td><td>GOP base amount (b)</td><td>Variable rent ((a) – (b)) × 85.0%</td></tr><tr><td>Midterm</td><td>2,884</td><td>1,675</td><td>1,027</td></tr><tr><td>Full year</td><td>7,553</td><td>3,351</td><td>3,571</td></tr></table> <p>(*1) 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 five HMJ hotels.</p> <p>(2) Okinawa Marriott Resort & Spa</p> <p>The fixed rent and variable rent of Okinawa Marriott Resort & Spa are calculated as follows. Annual rent (¥1,111 million) = Fixed rent (¥550 million/year) + Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0%</p> <p>(Unit: millions of yen)</p> <table><tr><td></td><td>Hotel GOP (a)</td><td>GOP base amount (b)</td><td>Variable rent ((a) – (b)) × 90.0%</td></tr><tr><td>Midterm</td><td>347</td><td>350</td><td>—</td></tr><tr><td>Full year</td><td>1,323</td><td>700</td><td>561</td></tr></table> <p>(*) Please refer to “<Reference Materials 2> <1> Sales and GOP of the HMJ Group Hotels” below for sales and GOP of Okinawa Marriott Hotel Resort & Spa.</p>		Total GOP of the five HMJ hotels (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 85.0%	Midterm	2,884	1,675	1,027	Full year	7,553	3,351	3,571		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%	Midterm	347	350	—	Full year	1,323	700	561
	Total GOP of the five HMJ hotels (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 85.0%																						
Midterm	2,884	1,675	1,027																						
Full year	7,553	3,351	3,571																						
	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%																						
Midterm	347	350	—																						
Full year	1,323	700	561																						

Item	Assumptions												
Operating revenue	(3) ACTIVE-INTER CITY HIROSHIMA ACTIVE-INTER CITY HIROSHIMA is a complex facility composed of a hotel building, an office building, and a retail zone. Rent for each facility is calculated as follows. (a) Hotel building (Sheraton Grand Hiroshima Hotel) Annual rent (¥632 million) = Fixed rent (¥348 million/year)+ Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 82.5% <div>(Unit: millions of yen)</div> <table><tr><td></td><td>Hotel GOP (a)</td><td>GOP base amount (b)</td><td>Variable rent ((a) – (b)) × 82.5%</td></tr><tr><td>Midterm</td><td>388</td><td>234</td><td>127</td></tr><tr><td>Full year</td><td>812</td><td>468</td><td>284</td></tr></table>		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 82.5%	Midterm	388	234	127	Full year	812	468	284
		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 82.5%									
	Midterm	388	234	127									
	Full year	812	468	284									
	(*) Please refer to “<Reference Materials 2> <1> Sales and GOP of the HMJ Group Hotels” below for sales and GOP of Sheraton Grand Hiroshima Hotel.												
	(b) Office building and retail zone Rent from the office building and the retail zone for the fiscal year ending December 2016 (17th period) is expected to be ¥220 million for the midterm (actual) and ¥447 million for the full year. These figures include ¥8 million for the midterm (actual) and ¥16 million for the full year as variable rent pursuant to an agreement for revenue sharing with some retail tenants.												
	(4) Hotel Centraza Hakata The fixed and variable rent of Hotel Centraza Hakata is calculated as follows. Rent for the fiscal year ending December 2016 (17th period) (*1) (¥560 million) = Fixed rent (¥300 million) + Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0% <div>(Unit: millions of yen)</div> <table><tr><td></td><td>Hotel GOP (a)</td><td>GOP base amount (b)</td><td>Variable rent ((a) – (b)) × 90.0%</td></tr><tr><td>Midterm</td><td>213</td><td>106</td><td>96</td></tr><tr><td>Full year</td><td>607</td><td>318</td><td>260</td></tr></table>		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%	Midterm	213	106	96	Full year	607	318	260
		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%									
	Midterm	213	106	96									
	Full year	607	318	260									
(*1) Rent for the fiscal year ending December 2016 (17th period) shows the estimated figure to incur during the 275 days from April 1, 2016 to December 31, 2016. For your information, it is expected that the GOP base amount after the fiscal year ending December 2017 will be ¥425 million and the annual fixed rent will be ¥400 million.													
(*2) Please refer to “<Reference Materials 2> <1> Sales and GOP of the HMJ Group Hotels” below for sales and GOP of Hotel Centraza Hakata.													
(5) HOTEL VISTA GRANDE OSAKA The fixed and variable rent of HOTEL VISTA GRANDE OSAKA is calculated as follows. Rent for the fiscal year ending December 2016 (17th period) (*1) (¥594 million) = Fixed rent (¥240 million) + Variable rent Variable rent = [(a) Hotel GOP - (b) GOP Base Amount] × 92.5% <div>(Unit: millions of yen)</div> <table><tr><td></td><td>Hotel GOP (a)</td><td>GOP Base Amount (b)</td><td>Variable rent ((a) – (b)) × 92.5%</td></tr><tr><td>Full year</td><td>652</td><td>270</td><td>354</td></tr></table>		Hotel GOP (a)	GOP Base Amount (b)	Variable rent ((a) – (b)) × 92.5%	Full year	652	270	354					
	Hotel GOP (a)	GOP Base Amount (b)	Variable rent ((a) – (b)) × 92.5%										
Full year	652	270	354										
(*1) Rent for the fiscal year ending December 2016 (17th period) shows the estimated figure to incur during the 153 days from August 1, 2016 to December 31, 2016. For your information, it is expected that the GOP base amount from the fiscal year ending in December 2017 will be ¥650 million and the annual fixed rent will be ¥576 million.													
(*2) Please refer to “<Reference Materials 2> <1> Sales and GOP of the HMJ Group Hotels” below for sales and GOP of HOTEL VISTA GRANDE OSAKA.													

Item	Assumptions							
Operating revenue	(6) The Six Accor Hotels							
	Income from management contracts and variable rent of the six Accor hotels (Unit: millions of yen)							
		ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total
	Midterm	216	247	238	212	210	141	1,267
	Full year	453	536	610	596	470	228	2,896
	(*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 area rent.							
	(*3) Mercure Sapporo includes rent which is linked to the sales of tenant(s) other than the hotel.							
	(7) The Six <i>the b</i> Hotels							
	Fixed and variable rent of the six <i>the b</i> hotels (midterm) (Unit: millions of yen)							
		the b suidobashi	the b akasaka- mitsuke	the b ikebukuro	the b ochanomizu	the b hachioji	the b hakata	Total
	Fixed (*1)	42	68	108	34	62	43	359
	Variable	19	81	79	20	47	64	314
	Total	62	149	188	55	109	108	673
	Fixed and variable rent of the six <i>the b</i> hotels (full year) (Unit: millions of yen)							
		the b suidobashi	the b akasaka- mitsuke	the b ikebukuro	the b ochanomizu	the b hachioji	the b hakata	Total
	Fixed (*1)	84	136	217	69	122	88	719
	Variable	40	174	168	46	100	133	663
	Total	125	310	386	115	222	222	1,382
	(*1) Fixed rent includes rent from non-hotel tenant(s).							
	(*2) Please refer to “<Reference Materials 2> <3> Sales and GOP of the Six <i>the b</i> Hotels” below for the comparison of sales and GOP of the six <i>the b</i> hotels.							
	(8) Other hotels subject to variable rent							
	Variable rent from other hotels subject to variable rent (Unit: millions of yen)							
		Midterm		Full year				
	Smile Hotel Nihombashi Mitsukoshimae	18		18				
Hotel Vista Kamata Tokyo	—		28					
Chisun Inn Kamata	38		79					
Hotel Keihan Universal City	Undisclosed (*)		Undisclosed (*)					
Hotel Sunroute Shinbashi	87		87					
Hilton Tokyo Bay	Undisclosed (*)		Undisclosed (*)					
Hilton Nagoya	—		Undisclosed (*)					
Total	497		937					
(*) Undisclosed since tenants that concluded lease agreements did not agree to disclose rent revenue, etc.								

Item	Assumptions																														
Operating revenue	<ul style="list-style-type: none">• The following is the breakdown of variable rent and income from management contracts. <p><Breakdown of variable rent for the fiscal year ending December 2016 (17th period)> (Unit: millions of yen)</p> <table><tr><th></th><th>Midterm</th><th>Full year</th></tr><tr><td>The Five HMJ Hotels</td><td>1,027</td><td>3,571</td></tr><tr><td>Okinawa Marriott Resort & Spa</td><td>—</td><td>561</td></tr><tr><td>ACTIVE-INTER CITY HIROSHIMA</td><td>135</td><td>300</td></tr><tr><td>Hotel Centraza Hakata</td><td>96</td><td>260</td></tr><tr><td>HOTEL VISTA GRANDE OSAKA</td><td>—</td><td>354</td></tr><tr><td>The Six Accor Hotels</td><td>1,267</td><td>2,896</td></tr><tr><td>The Six <i>the b</i> Hotels</td><td>314</td><td>663</td></tr><tr><td>Other seven hotels with variable rent</td><td>497</td><td>937</td></tr><tr><td>Total (28 hotels)</td><td>3,338</td><td>9,545</td></tr></table>		Midterm	Full year	The Five HMJ Hotels	1,027	3,571	Okinawa Marriott Resort & Spa	—	561	ACTIVE-INTER CITY HIROSHIMA	135	300	Hotel Centraza Hakata	96	260	HOTEL VISTA GRANDE OSAKA	—	354	The Six Accor Hotels	1,267	2,896	The Six <i>the b</i> Hotels	314	663	Other seven hotels with variable rent	497	937	Total (28 hotels)	3,338	9,545
		Midterm	Full year																												
	The Five HMJ Hotels	1,027	3,571																												
	Okinawa Marriott Resort & Spa	—	561																												
	ACTIVE-INTER CITY HIROSHIMA	135	300																												
	Hotel Centraza Hakata	96	260																												
	HOTEL VISTA GRANDE OSAKA	—	354																												
	The Six Accor Hotels	1,267	2,896																												
	The Six <i>the b</i> Hotels	314	663																												
	Other seven hotels with variable rent	497	937																												
Total (28 hotels)	3,338	9,545																													
	(*) For details of variable rent and income from management contract, please refer to page 68, “D. Overview of the hotel business (1) Rent structures of hotels with variable rent, management contract or revenue sharing”.																														
Operating expenses	<ul style="list-style-type: none">• With respect to real estate leasing expenses, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation. Operating expenses of the Acquired Assets and Asset for Anticipated Acquisition are calculated based on historical data as provided by previous owners, etc., and variable factors are reflected in the calculation.• It is assumed that the ¥1,216 million will be recognized as expenses for fixed asset tax, city planning tax and other taxes and public dues.• In general, fixed asset tax and city planning tax and other taxes and public dues on acquired assets are settled with the previous owners at the time of acquisition, calculated on a pro rata basis of the holding period. For JHR, such settlement amount is included in the acquisition price, and it will not be recognized as expenses for the calculation period. Therefore, the fixed asset tax, city planning tax and other taxes and public dues for CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata and the Acquired Assets and Asset for Anticipated Acquisition will not be recognized as expenses for the fiscal year ending December 2016 (17th period). The annual fixed asset tax and city planning tax and other taxes and public dues for CANDEO HOTELS UENO-KOEN are expected to be ¥23 million, and the annual fixed asset tax and city planning tax and other taxes and public dues for Hotel Centraza Hakata are expected to be ¥21 million and the annual fixed asset tax and city planning tax and other taxes and public dues for the Acquired Assets and Asset for Anticipated Acquisition are expected to be ¥175 million. Moreover, the fixed asset tax and city planning tax and other taxes and public dues to be recorded as expenses for the fiscal year ending December 2016 (17th period) for the nine properties (the five <i>the b</i> hotels, Hotel Francs, Mercure Yokosuka, Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA) acquired in the fiscal year ended December 2015 (16th period) are assumed to be ¥276 million (equivalent for nine months).• Depreciation is calculated using the straight-line method, and is estimated to be ¥3,358 million, after taking into consideration the acquisition price of the Acquired Assets and Asset for Anticipated Acquisition (including incidental costs) as well as the planned capital expenditures (¥2,885 million) (capital expenditure (1) for ¥1,387 million, capital expenditure (2) for ¥710 million, and capital expenditure (3) for ¥788 million)(*) for the fiscal year ending December 2016 (17th period). <p>(*) JHR classifies capital expenditures into the following three categories. (1) Capital investment related to renewal of buildings, facilities, and equipment which is required to maintain proper values of properties, (2) capital investment for fixtures and furniture that are not directly related to building structure or facilities but necessary for operating hotels, and (3) strategic capital investment for renovating guest rooms, etc. for maintaining/improving the competitiveness of the hotels.</p> <ul style="list-style-type: none">• Repair expenses for buildings are recognized as expenses in the estimated amount necessary for each operating period. Please note that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as: (1) Emergency repair expenses may be necessary due to damage to buildings																														

	from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required on a regular basis.
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Item	Assumptions																
Non-operating expenses	<ul style="list-style-type: none"> • ¥1,779 million is expected for all non-operating expenses, including interest expense, arrangement fee, amortization for the following (1) handling fees and (2) 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 ¥111,558 million as of June 30, 2016, and the balance of interest-bearing debt will be ¥125,518 million as of September 30, 2016 after the completion of acquisitions of the Acquired Assets and acquiring Asset for Anticipated Acquisition and ¥125,479 million as of December 31, 2016. • Loans for the Acquired Assets and Asset for Anticipated Acquisition in the amount of ¥14,000 million are assumed. • It is assumed that the contractual repayment of the above-mentioned loans on or after July 1, 2016 in the amount of ¥79 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 (3,761,907 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 2016 (17th period). 																
Extraordinary loss	<ul style="list-style-type: none"> • The Kumamoto earthquake, occurred since April 14, 2016, caused damage to part of exterior and facilities of Dormy Inn Kumamoto. Expenses for repairing such damage are preliminarily estimated to be ¥90 million. The expenses are expected to be recorded for the midterm of the fiscal year ending December 2016 and recorded as extraordinary loss. 																
Dividend per unit	<ul style="list-style-type: none"> • Dividend per unit for the fiscal year ending December 2016 (17th period) is calculated based on the following assumptions. <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Net income</td><td style="text-align: right;">¥11,890 million</td></tr> <tr> <td>Use of dividend reserve (negative goodwill)</td><td></td></tr> <tr> <td> Loss on retirement of noncurrent assets (*1)</td><td style="text-align: right;">¥18 million</td></tr> <tr> <td> Amortization of fixed-term leasehold of land and asset retirement obligations (*2)</td><td style="text-align: right;">¥106 million</td></tr> <tr> <td> Adjustment for dilution (*3)</td><td style="text-align: right;">¥611 million</td></tr> <tr> <td style="border-top: 1px solid black;">Distributable Amount</td><td style="text-align: right; border-top: 1px solid black;">¥12,626 million</td></tr> <tr> <td style="border-top: 1px solid black;">Total number of investment units issued</td><td style="text-align: right; border-top: 1px solid black;">3,761,907 units</td></tr> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black;">Dividend per unit</td><td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;">¥3,356</td></tr> </table> <ul style="list-style-type: none"> (*1) Amount recognized as a loss on retirement of noncurrent assets will be appropriated by dividend reserve (negative goodwill) and is expected to have no impact on dividend per unit. (*2) As Hotel Centraza Hakata is a property subject to a fixed-term leasehold of land, amortization, etc. of the fixed-term leasehold rights of land and asset retirement obligations (hereinafter collectively called the “amortization of land leasehold rights, etc.”) will arise. The amount for amortization of land leasehold rights, etc. is expected to be added to the dividends through appropriation of the dividend reserve. (*3) Although dilution of investment units due to the issuance of new investment units for the Acquired Assets and Asset for Anticipated Acquisition is expected, allocation of reserve for dividend from negative goodwill is planned to avoid the impact of said dilution on dividend per unit for fiscal year ending December 2016. • 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 at hotels, change in the business environment for hotel business, unexpected repairs, and actual number of new units issued. • The balance of the dividend reserve (negative goodwill) after the appropriation of the dividend reserve (negative goodwill) for dividends for the fiscal year ending December 2016 (17th period) is expected to be ¥13,131 million. 	Net income	¥11,890 million	Use of dividend reserve (negative goodwill)		Loss on retirement of noncurrent assets (*1)	¥18 million	Amortization of fixed-term leasehold of land and asset retirement obligations (*2)	¥106 million	Adjustment for dilution (*3)	¥611 million	Distributable Amount	¥12,626 million	Total number of investment units issued	3,761,907 units	Dividend per unit	¥3,356
Net income	¥11,890 million																
Use of dividend reserve (negative goodwill)																	
Loss on retirement of noncurrent assets (*1)	¥18 million																
Amortization of fixed-term leasehold of land and asset retirement obligations (*2)	¥106 million																
Adjustment for dilution (*3)	¥611 million																
Distributable Amount	¥12,626 million																
Total number of investment units issued	3,761,907 units																
Dividend per unit	¥3,356																

Item	Assumptions															
Acquired Assets and Asset for Anticipated Acquisition	<ul style="list-style-type: none">• The operating status for the fiscal year ending December 2016 of Hotel Centraza Hakata, acquired on April 1, 2016, and the Acquired Assets and Asset for Anticipated Acquisition is estimated as follows.															
	<p><Hotel Centraza Hakata> (Unit: millions of yen)</p>															
	<table><tr><th></th><th>Fiscal year ending December 2016</th><th>Annualized (*3)</th></tr><tr><td>Operating days</td><td>275 days</td><td>366 days</td></tr><tr><td>Operating revenue</td><td>560</td><td>726</td></tr><tr><td>NOI (*1)</td><td>381</td><td>470</td></tr><tr><td>NOI yield (%) (*2)</td><td>-</td><td>6.5</td></tr></table>		Fiscal year ending December 2016	Annualized (*3)	Operating days	275 days	366 days	Operating revenue	560	726	NOI (*1)	381	470	NOI yield (%) (*2)	-	6.5
		Fiscal year ending December 2016	Annualized (*3)													
	Operating days	275 days	366 days													
	Operating revenue	560	726													
	NOI (*1)	381	470													
	NOI yield (%) (*2)	-	6.5													
	<p><HOTEL VISTA GRANDE OSAKA> (Unit: millions of yen)</p>															
	<table><tr><th></th><th>Fiscal year ending December 2016</th><th>Annualized (*3)</th></tr><tr><td>Operating days</td><td>153 days</td><td>366 days</td></tr><tr><td>Operating revenue</td><td>594</td><td>1,411</td></tr><tr><td>NOI (*1)</td><td>592</td><td>1,367</td></tr><tr><td>NOI yield (%) (*2)</td><td>-</td><td>5.1</td></tr></table>		Fiscal year ending December 2016	Annualized (*3)	Operating days	153 days	366 days	Operating revenue	594	1,411	NOI (*1)	592	1,367	NOI yield (%) (*2)	-	5.1
		Fiscal year ending December 2016	Annualized (*3)													
	Operating days	153 days	366 days													
	Operating revenue	594	1,411													
	NOI (*1)	592	1,367													
	NOI yield (%) (*2)	-	5.1													
	<p><HOTEL ASCENT FUKUOKA> (Unit: millions of yen)</p>															
<table><tr><th></th><th>Fiscal year ending December 2016</th><th>Annualized (*3)</th></tr><tr><td>Operating days</td><td>135 days</td><td>366 days</td></tr><tr><td>Operating revenue</td><td>129</td><td>351</td></tr><tr><td>NOI (*1)</td><td>112</td><td>274</td></tr><tr><td>NOI yield (%) (*2)</td><td>-</td><td>5.6</td></tr></table>		Fiscal year ending December 2016	Annualized (*3)	Operating days	135 days	366 days	Operating revenue	129	351	NOI (*1)	112	274	NOI yield (%) (*2)	-	5.6	
	Fiscal year ending December 2016	Annualized (*3)														
Operating days	135 days	366 days														
Operating revenue	129	351														
NOI (*1)	112	274														
NOI yield (%) (*2)	-	5.6														
(*) Operating revenue of HOTEL ASCENT FUKUOKA includes fixed rent calculated based on the lease contracts with respect to retail facilities other than hotel.																
<p><Hilton Nagoya> (Unit: millions of yen)</p>																
<table><tr><th></th><th>Fiscal year ending December 2016</th><th>Annualized (*3)</th></tr><tr><td>Operating days</td><td>122 days</td><td>366 days</td></tr><tr><td>Operating revenue</td><td>471</td><td>1,511</td></tr><tr><td>NOI (*1)</td><td>257</td><td>763</td></tr><tr><td>NOI yield (%) (*2)</td><td>-</td><td>5.0</td></tr></table>		Fiscal year ending December 2016	Annualized (*3)	Operating days	122 days	366 days	Operating revenue	471	1,511	NOI (*1)	257	763	NOI yield (%) (*2)	-	5.0	
	Fiscal year ending December 2016	Annualized (*3)														
Operating days	122 days	366 days														
Operating revenue	471	1,511														
NOI (*1)	257	763														
NOI yield (%) (*2)	-	5.0														
(*) Operating revenue of Hilton Nagoya includes fixed rent calculated based on the lease contracts with respect to retail facilities and offices other than hotel.																
(*)1) NOI = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + asset retirement obligations expenses																
(*)2) NOI yield = NOI ÷ (Anticipated) acquisition price																
NOI yields of Hotel Centraza Hakata and the Acquired Assets and Asset for Anticipated Acquisition for the fiscal year ending December 2016 are not indicated as these are acquisitions in the middle of the period.																
(*)3) For the assumptions of calculating the annualized effect, please refer to “<Reference Materials 3> Assumptions of the forecast of the annualized effect” below.																

Item	Assumptions
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 with the operating forecast (previous forecast) announced in the “Notice Concerning Revision of Operating Forecast for Fiscal Year Ending December 2016 (17th Period)” dated July 7, 2016 and major factors causing the variance with the previous forecast on annualized effect.

(millions of yen)

		17th Period				Comparison with Previous Forecast		Factors for the variance
		Previous Forecast (*1)		Forecast This Time				
		(A)	Annualized	(B)	Annualized (*2)	(B)-(A)	Variance	
Properties	No. of properties	41	41	41	41	-	-	
	Acquisition price	286,801	286,801	286,801	286,801	-	-	
Profit and Loss	Operating revenue	22,095	24,357	22,281	24,567	186	0.8%	
	Real estate operating revenue	22,095	24,357	22,281	24,567	186	0.8%	
	Fixed rent	Composition 57.7% 12,745	Composition 56.6% 13,774	Composition 57.2% 12,736	Composition 56.1% 13,778	(9)	(0.1%)	Increase in fixed rent, etc. JPY13M Decrease in utilities income, etc. -JPY22M
	Variable rent	42.3% 9,349	43.4% 10,582	42.8% 9,545	43.9% 10,788	195	2.1%	Increase in variable rent, income from management contracts, and revenue sharing: The HMJ Group Hotels JPY96M, the Six Accor Hotels JPY70M, the Six the b Hotels JPY23M, and others.
	Gain on sale of real estate properties	-	-	-	-	-	-	
	NOI (*3)	18,742	20,178	18,918	20,378	175	0.9%	
	NOI yield	6.5%	7.0%	6.6%	7.1%	0.1%		
	NOI after depreciation (*3)	15,402	16,581	15,541	16,744	139	0.9%	Increase in operating expenses: JPY47M
	NOI yield after depreciation	5.4%	5.8%	5.4%	5.8%	0.0%		
	Operating income	13,621	14,637	13,760	14,800	139	1.0%	
	Net income	11,751	12,869	11,890	13,008	139	1.2%	
Dividend	Use of negative goodwill	730	155	736	160	5	0.7%	
	Total dividends	12,482	13,023	12,624	13,166	142	1.1%	
	No. of units issued	3,761,907	3,761,907	3,761,907	3,761,907	-	-	
	Dividend per unit (JPY)	3,318	3,462	3,356	3,500	38	1.1%	

(*1) Operating forecast for the fiscal year ending December 2016 (17th period) announced in “Notice Concerning Revision of Operating Forecast for Fiscal Year Ending December 2016 (17th Period)” dated July 7, 2016 and annualized effect based on “<Reference Materials 3> Assumptions of the forecast of annualized effect” in the same press release.

(*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 the annualized effect” below. The annualized effect is shown for reference purpose only calculated based on the assumption that if the asset acquired and asset anticipated to be acquired during the Fiscal Year Ending December 2016 (17th Period) are contributed for a full year basis, and does not represent any forecasts for the operating status and dividend of JHR in a specific calculation period.

(*3) 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 ÷ (Anticipated) acquisition price

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

NOI yield after depreciation = NOI after depreciation ÷ (Anticipated) 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 numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of the numbers 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 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
		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	2,424	(0.0%)	2,646	2,465	(6.9%)	1.7%
	Second half of the year	2,828	1.1%	3,204	2,961	(7.6%)	4.7%
	Full year	5,252	0.6%	5,850	5,426	(7.2%)	3.3%
Oriental Hotel tokyo bay	First half of the year	3,395	0.9%	3,500	3,454	(1.3%)	1.7%
	Second half of the year	3,927	2.2%	4,045	3,976	(1.7%)	1.3%
	Full year	7,322	1.6%	7,544	7,431	(1.5%)	1.5%
Namba Oriental Hotel	First half of the year	1,189	19.1%	1,358	1,386	2.1%	16.6%
	Second half of the year	1,341	16.6%	1,474	1,531	3.9%	14.1%
	Full year	2,530	17.8%	2,832	2,917	3.0%	15.3%
Hotel Nikko Alivila	First half of the year	2,377	8.6%	2,554	2,421	(5.2%)	1.8%
	Second half of the year	3,571	8.2%	3,709	3,723	0.4%	4.3%
	Full year	5,948	8.3%	6,264	6,144	(1.9%)	3.3%
Oriental Hotel Hiroshima	First half of the year	991	(5.2%)	1,062	1,025	(3.5%)	3.4%
	Second half of the year	1,142	(3.0%)	1,135	1,147	1.0%	0.4%
	Full year	2,134	(4.0%)	2,197	2,171	(1.2%)	1.8%
Total of the Five HMJ Hotels	First half of the year	10,376	3.5%	11,121	10,751	(3.3%)	3.6%
	Second half of the year	12,810	4.4%	13,566	13,338	(1.7%)	4.1%
	Full year	23,186	4.0%	24,688	24,089	(2.4%)	3.9%
Okinawa Marriott Resort & Spa	First half of the year	1,614	0.9%	1,696	1,607	(5.2%)	(0.4%)
	Second half of the year	2,402	8.7%	2,505	2,462	(1.7%)	2.5%
	Full year	4,016	5.4%	4,201	4,068	(3.2%)	1.3%
Sheraton Grand Hiroshima Hotel	First half of the year	1,346	(1.0%)	1,356	1,369	0.9%	1.7%
	Second half of the year	1,502	(0.6%)	1,514	1,505	(0.5%)	0.3%
	Full year	2,847	(0.8%)	2,870	2,874	0.2%	0.9%
Hotel Centraza Hakata	First half of the year	1,124	2.0%	1,124	1,155	2.8%	2.8%
	Second half of the year	1,205	6.6%	1,192	1,228	3.0%	1.8%
	Full year	2,330	4.4%	2,316	2,383	2.9%	2.3%
HOTEL VISTA GRANDE OSAKA	First half of the year	832	47.9%	1,110	1,110	0.0%	33.5%
	Second half of the year	1,133	57.6%	1,180	1,180	0.0%	4.1%
	Full year	1,965	53.4%	2,290	2,290	0.0%	16.6%
Total of HMJ Group Hotels	First half of the year	15,291	4.4%	16,407	15,991	(2.5%)	4.6%
	Second half of the year	19,053	6.8%	19,957	19,713	(1.2%)	3.5%
	Full year	34,343	5.7%	36,364	35,704	(1.8%)	4.0%

(*1) Although Okinawa Marriott Resort & Spa was acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) was acquired on December 18, 2015, the figures for the fiscal year ending in December 2015 are for the entire year including prior to the acquisition.

- (*2) Hotel Centraza Hakata was acquired on April 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ending December 2016 are for the entire year including prior to the acquisition.
- (*3) HOTEL VISTA GRANDE OSAKA was acquired on August 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ending December 2016 are for the entire year including prior to the acquisition.
- (*4) Renovation of HOTEL VISTA GRANDE OSAKA was completed by the previous owner in March 2014. The number of guest rooms has increased from 304 to 314. Therefore, the numbers of guest rooms available for sale in the first half or full year of 2015 and the first half or full year of 2014 are different.

(2) Hotel GOP

(Unit: millions of yen)

GOP of the HMJ Group Hotels		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
		Actual	Comparison with previous period	Previous forecast	Forecast this time	Comparison with the previous forecast	Comparison with previous period
Total of the Five HMJ Hotels	GOP	6,941	10.1%	7,558	7,553	(0.1%)	8.8%
	Ratio of GOP to sales	29.9%	1.7%	30.6%	31.4%	0.7%	1.4%
Okinawa Marriott Resort & Spa	GOP	1,230	11.3%	1,313	1,324	0.9%	7.7%
	Ratio of GOP to sales	30.6%	1.6%	31.2%	32.5%	1.3%	1.9%
Sheraton Grand Hiroshima Hotel	GOP	716	10.0%	766	813	6.0%	13.5%
	Ratio of GOP to sales	25.1%	2.5%	26.7%	28.3%	1.6%	3.1%
Hotel Centraza Hakata	GOP	715	8.7%	714	788	10.3%	10.1%
	Ratio of GOP to sales	30.7%	1.2%	30.8%	33.1%	2.2%	2.3%
HOTEL VISTA GRANDE OSAKA	GOP	1,309	73.1%	1,553	1,553	0.0%	18.6%
	Ratio of GOP to sales	66.6%	7.6%	67.8%	67.8%	0.0%	1.2%
Total of the HMJ Group Hotels	GOP	10,912	15.2%	11,905	12,031	1.1%	10.3%
	Ratio of GOP to sales	31.8%	2.6%	32.7%	33.7%	1.0%	1.9%

- (*1) Although Okinawa Marriott Resort & Spa was acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) was acquired on December 18, 2015, the figures for the fiscal year ending in December 2015 are for the entire year including prior to the acquisition.
- (*2) Hotel Centraza Hakata was acquired on April 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ending December 2016 are for the entire year including prior to the acquisition.
- (*3) HOTEL VISTA GRANDE OSAKA was acquired on August 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ending December 2016 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 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
		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	453	6.1%	435	406	(6.7%)	(10.3%)
	Second half of the year	421	(5.5%)	440	454	3.2%	8.0%
	Full year	873	0.2%	875	860	(1.7%)	(1.5%)
ibis Styles Kyoto Station	First half of the year	357	17.1%	429	464	8.1%	30.0%
	Second half of the year	457	18.8%	500	512	2.3%	12.0%
	Full year	814	18.0%	930	976	5.0%	19.9%
ibis Styles Sapporo	First half of the year	429	7.9%	482	490	1.7%	14.3%
	Second half of the year	591	13.1%	647	662	2.3%	12.0%
	Full year	1,019	10.9%	1,128	1,151	2.1%	12.9%
Mercure Sapporo	First half of the year	499	17.5%	562	546	(2.9%)	9.3%
	Second half of the year	672	17.4%	756	759	0.4%	12.8%
	Full year	1,172	17.4%	1,318	1,305	(1.0%)	11.3%
Mercure Okinawa Naha	First half of the year	407	12.1%	484	489	1.0%	20.2%
	Second half of the year	516	24.5%	572	560	(2.2%)	8.5%
	Full year	923	18.7%	1,056	1,049	(0.7%)	13.7%
Mercure Yokosuka	First half of the year	550	1.0%	580	569	(1.9%)	3.5%
	Second half of the year	512	4.3%	517	521	0.9%	1.9%
	Full year	1,062	2.6%	1,097	1,091	(0.6%)	2.7%
Total	First half of the year	2,696	9.5%	2,973	2,965	(0.3%)	10.0%
	Second half of the year	3,168	12.0%	3,432	3,467	1.0%	9.4%
	Full year	5,863	10.8%	6,405	6,432	0.4%	9.7%

(*) Although Mercure Yokosuka was acquired on April 2, 2015, the figures for the fiscal year ended December 2015 are the figures for the entire year including prior to the acquisition.

(2) Hotel GOP

(Unit: millions of yen)

GOP of the Six Accor Hotels	FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
	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	2,512	21.0%	2,882	2,955	2.5%	17.6%
Ratio of GOP to sales	42.8%	3.6%	45.0%	45.9%	0.9%	3.1%

(*) Although Mercure Yokosuka was acquired on April 2, 2015, the figures for the fiscal year ended December 2015 are for the entire year including prior to the acquisition.

<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 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
		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	221	69.4%	250	242	(3.3%)	9.4%
	Second half of the year	242	13.8%	271	263	(3.0%)	8.7%
	Full year	464	35.0%	522	506	(3.1%)	9.0%
the b ikebukuro	First half of the year	301	7.7%	335	323	(3.8%)	7.3%
	Second half of the year	324	14.5%	350	348	(0.3%)	7.5%
	Full year	625	11.1%	685	671	(2.0%)	7.4%
the b ochanomizu	First half of the year	132	9.0%	145	131	(9.4%)	(0.8%)
	Second half of the year	130	4.8%	149	140	(6.0%)	7.5%
	Full year	262	6.9%	294	271	(7.7%)	3.3%
the b hachioji	First half of the year	267	10.4%	300	291	(3.1%)	9.0%
	Second half of the year	291	13.8%	316	307	(3.0%)	5.3%
	Full year	558	12.2%	616	597	(3.1%)	7.1%
the b hakata	First half of the year	191	10.9%	202	230	13.8%	20.6%
	Second half of the year	215	12.8%	218	244	11.8%	13.2%
	Full year	406	11.9%	420	473	12.7%	16.6%
Total of the Five <i>the b</i> Hotels	First half of the year	1,111	17.7%	1,233	1,216	(1.3%)	9.4%
	Second half of the year	1,203	12.8%	1,304	1,302	(0.2%)	8.2%
	Full year	2,315	15.1%	2,537	2,518	(0.7%)	8.8%
the b suidobashi	First half of the year	—	—	182	177	(2.9%)	—
	Second half of the year	—	—	189	187	(1.4%)	—
	Full year	—	—	372	364	(2.1%)	—
Total of the Six <i>the b</i> Hotels	First half of the year	—	—	1,415	1,394	(1.5%)	—
	Second half of the year	—	—	1,494	1,489	(0.3%)	—
	Full year	—	—	2,909	2,882	(0.9%)	—

(*1) Although the five *the b* hotels were acquired on January 30, 2015, the figures for the fiscal year ended December 2015 are the figures for the entire year including prior to the acquisition.

(*2) The b akasaka-mitsuke completed its renovation work by the previous owner in April 2014. The number of guest rooms has increased from 91 to 122. Therefore, the numbers of guest rooms available for sale in the first half or full year of 2015 and the first half or full year of 2014 are different.

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

(2) Hotel GOP

(Unit: millions of yen)

GOP of the Five <i>the b</i> Hotels	FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
	Actual	Comparison with previous period	Previous forecast	Forecast this time	Comparison with the previous forecast	Comparison with previous period
Total of the Five <i>the b</i> Hotels	1,079	26.4%	1,215	1,240	2.1%	15.0%
Ratio of GOP to sales	46.6%	4.2%	47.9%	49.3%	1.4%	2.6%

(Unit: millions of yen)

GOP of the Six <i>the b</i> Hotels	FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
	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	—	—	1,395	1,421	1.8%	—
Ratio of GOP to sales	—	—	48.0%	49.3%	1.3%	—

(*1) Although the five *the b* hotels were acquired on January 30, 2015, the figures for the five *the b* hotels for the fiscal year ended December 2015 are for the entire year including prior to the acquisition.

(*2) The *b* *suidobashi* was rebranded from Dormy Inn Suidobashi on July 1, 2015. Therefore, no figures for the six *the b* hotels are indicated for the fiscal year ended December 2015 and comparison with the previous period for the fiscal year ending December 2016.

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

- The operating revenue and operating expenses for existing properties (properties other than CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata and the Acquired Assets and Asset for Anticipated Acquisition) remain unchanged, except for fixed asset tax and city planning tax and other taxes and public dues from “Assumptions of the operating forecast for the full year of the fiscal year ending December 2016 (17th period)” above.
- The fixed rent for CANDEO HOTELS UENO-KOEN and HOTEL ASCENT FUKUOKA is assumed to be ¥648 million including the retail facilities.
- The annual fixed rent and annualized variable rent for Hotel Centraza Hakata is calculated as follows.
Annual rent for the fiscal year ending December 2016 (17th period) (¥726 million) = Fixed rent (¥400 million) + Variable rent
Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%
Full year	787	425	326

- The annual fixed rent and annualized variable rent for HOTEL VISTA GRANDE OSAKA are calculated as follows.

Annual rent for the fiscal year ending December 2016 (17th period) (¥1,411 million) = Fixed rent (¥576 million) + Variable rent
Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 92.5%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 92.5%
Full year	1,553	650	835

- The annualized variable rent of Hilton Nagoya is the variable rent based on hotel sales in consideration of the impact of renovation of guest rooms (end of suspension of sales due to renovation construction and increase in ADR(*) due to the renovation of guest rooms) during the fiscal year ending December 2016. The annual fixed rent for the retail facilities and offices is assumed to be ¥104 million.
- For the fixed asset tax, city planning tax and other taxes and public dues for the relevant period, the fixed asset tax and city planning tax and other taxes and public dues for the nine properties (the five *the b* hotels, Hotel Francs, Mercure Yokosuka,

Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA) acquired in the fiscal year ended December 2015 (16th period) are assumed to be ¥364 million (for twelve months), and the fixed asset tax and city planning tax and other taxes and public dues for CANDEO HOTELS UENO-KOEN and Hotel Centraza Hakata, acquired in the fiscal year ending December 2016 (17th Period) are assumed to be ¥23 million (for twelve months) and ¥21 million (for twelve months), respectively. The fixed asset tax and city planning tax and other taxes and public dues for the Acquired Assets and Asset for Anticipated Acquisition are assumed to be ¥175 million (for twelve months).

- (7) For non-operating expenses, borrowing costs, expenses incurred in the issuance of new investment units and others is assumed on an annualized basis (twelve months). However, the major financial costs expensed all at once upon property acquisition are not included in the annualized effect.
- (8) The extraordinary loss of ¥90 million for the repair expenses for Dormy Inn Kumamoto relating to the damage from the Kumamoto earthquake is not included in the annualized effect.

(*) ADR: Represents average daily rate, which is calculated by dividing total rooms revenue for a certain period by the total number of rooms sold during the period.

< Reference Materials 4 > Annualized ADR Sensitivity Analysis (*1)

For the 28 properties with variable rent or management contracts, including the Acquired Assets and Asset for Anticipated Acquisition, the sensitivity of annualized NOI and dividend per unit to increases and decreases in the ADR forecasted this time is as follows.

Assumed ADR Increase/decrease (%)	(30.0%)	(20.0%)	(10.0%)	±0%	10.0%	20.0%	30.0%
NOI (JPY1M)	(5,491)	(3,754)	(1,910)	0	1,890	3,731	5,571
Increase/decrease (%)	(26.9%)	(18.4%)	(9.4%)	0.0%	9.3%	18.3%	27.3%
Dividend per unit (JPY)	(1,428)	(976)	(497)	0	491	970	1,449
Increase/decrease (%)	(40.8%)	(27.9%)	(14.2%)	0.0%	14.0%	27.7%	41.4%

- (*1) The annualized effect is shown for reference purpose only calculated based on the assumption that the Acquired Assets and Asset for Anticipated Acquisition contributed on a full year basis, and does not represent any forecasts for the operating status and dividend of JHR in a specific calculation period.
- (*2) Change in hotel sales and hotel GOP caused by change in ADR is assumed based on historical results etc. of hotels owned by JHR. NOI and dividend per unit are calculated based on calculation of the variable rent and income from management contracts with assumed hotel sales and GOP of JHR above.
- (*3) NOI is rounded off to the nearest millions of yen. Increase/decrease is rounded off to one decimal place.

3. Semi-annual financial statements

(1) Semi-annual balance sheets

(thousands of yen)

	As of December 31, 2015	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	5,450,696	8,617,983
Cash and deposits in trust	8,247,600	7,587,589
Operating accounts receivable	1,269,572	1,196,937
Prepaid expenses	410,241	461,976
Consumption taxes receivable	245,509	-
Income taxes receivable	3,057	-
Other current assets	6,473	15,265
Total current assets	15,633,151	17,879,752
Noncurrent assets		
Property and equipment, at cost		
Machinery and equipment	184,717	197,169
Accumulated depreciation	(68,766)	(81,347)
Machinery and equipment, net	115,951	115,822
Tools, furniture and fixtures	1,428,232	1,746,544
Accumulated depreciation	(637,865)	(749,525)
Tools, furniture and fixtures, net	790,367	997,018
Construction in progress	2,676	755
Buildings in trust	*1 88,642,547	*1 93,367,410
Accumulated depreciation	(9,276,696)	(10,650,407)
Buildings in trust, net	79,365,851	82,717,002
Structures in trust	2,006,145	2,026,363
Accumulated depreciation	(172,064)	(204,861)
Structures in trust, net	1,834,081	1,821,502
Machinery and equipment in trust	456,282	490,212
Accumulated depreciation	(52,883)	(63,581)
Machinery and equipment in trust, net	403,399	426,631
Tools, furniture and fixtures in trust	125,266	137,266
Accumulated depreciation	(68,340)	(73,082)
Tools, furniture and fixtures in trust, net	56,926	64,184
Land in trust	120,918,641	125,849,630
Construction in progress in trust	606	1,794
Net property and equipment	203,488,501	211,994,342
Intangible assets		
Software	100,333	141,652
Leasehold rights in trust	19,774,039	19,774,039
Fixed-term leasehold rights in trust	-	5,374,419
Other intangible assets	10,476	10,136
Total intangible assets	19,884,849	25,300,247
Investments and other assets		
Security deposits	12,520	12,520
Leasehold and security deposits in trust	158,323	158,323
Long-term prepaid expenses	993,340	2,958,959
Derivative assets	1,272	1,721
Reserve for repairs and maintenance	49,219	56,174
Total investments and other assets	1,214,676	3,187,699
Total noncurrent assets	224,588,027	240,482,289
Deferred assets		
Investment unit issuance costs	66,928	72,816
Investment corporation bond issuance costs	68,381	80,688

Total deferred assets	135,310	153,505
Total assets	240,356,489	258,515,547

(thousands of yen)

	As of December 31, 2015	As of June 30, 2016
Liabilities		
Current liabilities		
Operating accounts payable	875,465	314,680
Short-term loans payable	9,000,000	8,700,000
Current portion of investment corporation bonds	2,500,000	2,500,000
Current portion of long-term loans payable	11,393,603	633,750
Accrued expenses	500,859	479,478
Income taxes payable	1,210	605
Consumption taxes payable	-	113,020
Advances received	692,794	763,502
Allowance for loss on disaster	-	90,000
Dividends payable	12,381	18,215
Deposits received	71,442	45,810
Other current liabilities	25,452	58,505
Total current liabilities	25,073,210	13,717,569
Long-term liabilities		
Investment corporation bonds	9,500,000	12,500,000
Long-term loans payable	70,379,000	87,224,750
Tenant leasehold and security deposits	2,041,032	1,048,032
Tenant leasehold and security deposits in trust	2,914,912	3,175,454
Derivative liabilities	533,856	1,290,965
Asset retirement obligations	-	327,957
Other	-	2
Total long-term liabilities	85,368,801	105,567,162
Total liabilities	110,442,012	119,284,731
Net assets		
Unitholders' equity		
Unitholders' capital	85,470,541	100,088,808
Surplus		
Capital surplus	21,746,398	21,746,398
Voluntary reserve		
Dividend reserve	13,928,075	13,867,228
Total voluntary reserve	13,928,075	13,867,228
Unappropriated retained earnings (undisposed loss)	9,296,121	4,780,924
Total surplus	44,970,596	40,394,551
Total unitholders' equity	130,441,137	140,483,359
Valuation and translation adjustments		
Deferred gains (losses) on hedges	(526,660)	(1,252,543)
Total valuation and translation adjustments	(526,660)	(1,252,543)
Total net assets	*2 129,914,477	*2 139,230,816
Total liabilities and net assets	240,356,489	258,515,547

(2) Semi-annual statements of income

(thousands of yen)

	For the six months ended June 30, 2015	For the six months ended June 30, 2016
Operating revenue		
Real estate operating revenue	*1 7,048,534	*1 8,955,104
Other real estate operating revenue	*1 189,846	*1 435,866
Gain on investment in silent partnership	4,288	-
Total operating revenue	7,242,669	9,390,971
Operating expenses		
Real estate operating costs	*1, *2 2,362,448	*1, *2 2,985,368
Asset management fee	475,961	581,912
Asset custody fee	8,470	9,929
Administrative service fee	43,767	44,579
Directors' compensation	4,800	7,200
Other operating expenses	89,934	79,160
Total operating expenses	2,985,382	3,708,149
Operating income	4,257,286	5,682,822
Non-operating income		
Interest income	1,404	1,836
Gain on forfeiture of unclaimed dividends	429	2,296
Gain on insurance claims	278	52
Interest on tax refunds	177	219
Gain on derivative instruments	7,638	-
Total non-operating income	9,927	4,405
Non-operating expenses		
Interest expense	452,549	424,059
Interest expense on investment corporation bonds	26,692	59,026
Borrowing costs	273,997	271,160
Amortization of investment corporation bond issuance costs	5,723	9,217
Amortization of investment unit issuance costs	25,311	23,021
Loss on derivative instruments	9,981	30,779
Other	45	1,327
Total non-operating expenses	794,300	818,592
Ordinary income	3,472,913	4,868,635
Extraordinary loss		
Provisions for loss on disaster	-	90,000
Total extraordinary loss	-	90,000
Income before income taxes	3,472,913	4,778,635
Income taxes – current	605	605
Total income taxes	605	605
Net income	3,472,308	4,778,030
Retained earnings brought forward	1,444	2,894
Unappropriated retained earnings (undisposed loss)	3,473,753	4,780,924

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

For the six months ended June 30, 2015

(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, 2015	59,024,923	21,746,398	14,168,614	14,168,614	5,776,116	41,691,129	100,716,052
Changes of items during the period:							
Issuance of new investment units	26,152,715						26,152,715
Reversal of dividend reserve			(240,538)	(240,538)	240,538	-	-
Dividends paid					(6,015,210)	(6,015,210)	(6,015,210)
Net income					3,472,308	3,472,308	3,472,308
Net changes of items other than unitholders' equity							
Total changes of items during the period	26,152,715	-	(240,538)	(240,538)	(2,302,363)	(2,542,901)	23,609,814
Balance, June 30, 2015	^{*1} 85,177,639	21,746,398	13,928,075	13,928,075	3,473,753	39,148,227	124,325,866

(thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2015	(373,144)	(373,144)	100,342,908
Changes of items during the period:			
Issuance of new investment units			26,152,715
Reversal of dividend reserve			-
Dividends paid			(6,015,210)
Net income			3,472,308
Net changes of items other than unitholders' equity	119,066	119,066	119,066
Total changes of items during the period	119,066	119,066	23,728,880
Balance, June 30, 2015	(254,077)	(254,077)	124,071,789

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

(4) Semi-annual statements of cash flows

(thousands of yen)

	For the six months ended June 30, 2015	For the six months ended June 30, 2016
Cash flows from operating activities		
Income before income taxes	3,472,913	4,778,635
Depreciation and amortization	1,327,987	1,603,918
Loss on retirement of noncurrent assets	1,654	5,053
Loss on derivative instruments	2,343	30,779
Amortization of investment corporation bond issuance costs	5,723	9,217
Amortization of investment unit issuance costs	25,311	23,021
Gain on investment in silent partnership	(4,288)	-
Increase (decrease) in allowance for the loss on disaster	-	90,000
Interest income	(1,404)	(1,836)
Interest expense	479,241	483,085
Interest on tax refunds	(177)	(219)
(Increase) decrease in operating accounts receivable	270,801	72,635
(Increase) decrease in prepaid expenses	(20,195)	(51,735)
(Increase) decrease in consumption taxes receivable	-	245,509
(Increase) decrease in long-term prepaid expenses	(179,576)	(1,964,229)
Increase (decrease) in operating accounts payable	141,956	(40,710)
Increase (decrease) in accrued expenses	16,558	(8,575)
Increase (decrease) in consumption taxes payable	(154,842)	113,020
Increase (decrease) in advances received	65,533	70,707
Increase (decrease) in deposits received	139,747	(25,632)
Other – net	(27,133)	22,934
Subtotal	5,562,156	5,455,581
Interest received	1,404	1,836
Interest paid	(489,668)	(495,890)
Interest received on tax refunds	177	219
Income taxes – refunded (paid)	(781)	1,847
Net cash provided by operating activities	5,073,288	4,963,595
Cash flows from investing activities		
Proceeds from redemption of investment securities	607,013	-
Purchase of property and equipment in trust	(25,510,606)	(9,864,929)
Purchase of property and equipment	(81,905)	(384,032)
Purchase of intangible assets	(25,572)	(5,474,180)
Payments of reserve for repairs and maintenance	(41,637)	(6,955)
Proceeds from tenant leasehold and security deposits in trust	223,490	299,878
Reimbursements of tenant leasehold and security deposits in trust	-	(38,587)
Proceeds from tenant leasehold and security deposits	16	7,000
Reimbursements of tenant leasehold and security deposits	-	(1,000,000)
Net cash used in investing activities	(24,829,202)	(16,461,806)
Cash flows from financing activities		
Proceeds from short-term loans payable	1,000,000	8,700,000
Repayments of short-term loans payable	-	(9,000,000)
Proceeds from long-term loans payable	14,400,000	17,400,000
Repayments of long-term loans payable	(5,004,250)	(11,314,103)
Proceeds from investment corporation bonds	-	3,000,000
Proceeds from issuance of investment units	26,090,283	14,589,356
Payments for investment corporation bond issuance costs	-	(21,524)
Dividends paid	(6,009,696)	(9,348,241)
Net cash provided by financing activities	30,476,337	14,005,487
Net increase (decrease) in cash and cash equivalents	10,720,422	2,507,276
Cash and cash equivalents at beginning of period	14,424,774	13,698,296
Cash and cash equivalents at end of period	*1 25,145,197	*1 16,205,573

(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) 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 through public offerings on January 20, 2016 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 ¥858,900 thousand for the six month ended June 30, 2015 and ¥466,990 thousand for the six months ended June 30, 2016, representing the difference between the issue price and the issue value.</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 allowance	<p>Allowance for the loss on disaster</p> <p>Reasonable estimated amount for the period is posted to prepare for the restoration cost of tangible fixed assets in accordance with the Kumamoto Earthquake occurred in April 2016.</p>														
4. Standards for recognition of revenues and expenses	<p>Treatment of property taxes and other taxes</p> <p>For taxes imposed on properties 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 to the transferor of real properties at acquisition is not recorded as “Real estate operating costs” but capitalized as part of the acquisition cost of the relevant property.</p> <p>The amount of such taxes capitalized in the acquisition cost of real properties was ¥143,061 thousand for the six months ended June 30, 2015 and ¥37,685 thousand for the six months ended June 30, 2016.</p>														

<p>5. Method of hedge accounting</p>	<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>
<p>6. Scope of funds (cash and cash equivalents) in the semi-annual statements of cash flows</p>	<p>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.</p>
<p>7. Other significant matters serving as the basis for preparing semi-annual financial statements</p>	<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) 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 material necessity 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, 2015	As of June 30, 2016
Buildings in trust	¥24,921 thousand	¥24,921 thousand

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

	As of December 31, 2015	As of June 30, 2016
	¥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, 2015		For the six months ended June 30, 2016	
A. Real estate operating revenue				
Real estate operating revenue				
Fixed rent	4,778,940		5,616,251	
Variable rent	1,323,069		2,213,574	
Income from management contracts	946,524	7,048,534	1,125,278	8,955,104
Other real estate operating revenue				
Parking lots	38,428		71,399	
Other incidental revenue	10,428		14,461	
Utilities	120,580		218,328	
Other	20,409	189,846	131,677	435,866
Total real estate operating revenue		7,238,381		9,390,971
B. Real estate operating costs				
Real estate operating costs				
Land lease and other rent expenses	231,617		287,175	
Property taxes	461,310		561,728	
Outsourcing expenses (Note)	157,278		236,669	
Nonlife insurance	15,297		18,903	
Depreciation and amortization	1,327,987		1,603,918	
Loss on retirement of noncurrent assets	1,654		5,053	
Repairs	19,547		18,782	
Utilities	119,288		221,810	
Trust fees	21,534		21,177	
Other	6,931	2,362,448	10,149	2,985,368
Total real estate operating costs		2,362,448		2,985,368
C. Net real estate operating income				
(A-B)		4,875,932		6,405,603

(Note) Outsourcing expenses include management contract fees of ¥85,063 thousand for the midterm period ended June 30, 2015 and ¥107,464 thousand for the midterm period ended June 30, 2016.

*2. Depreciation was expensed as follows:

	For the six months ended June 30, 2015	For the six months ended June 30, 2016
Property and equipment	¥1,318,277 thousand	¥1,552,218 thousand
Intangible assets	¥9,710 thousand	¥51,700 thousand

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

	For the six months ended June 30, 2015	For the six months ended June 30, 2016
*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	3,140,322 units	3,321,907 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, 2015	For the six months ended June 30, 2016
Cash and deposits	¥18,597,032 thousand	¥8,617,983 thousand
Cash and deposits in trust	¥6,548,164 thousand	¥7,587,589 thousand
Cash and cash equivalents	¥25,145,197 thousand	¥16,205,573 thousand

[Notes on lease transactions]

Operating leases (as lessor)

Minimum rental revenue under non-cancellable operating leases

	As of December 31, 2015	As of June 30, 2016
Due within one year	¥1,788,631 thousand	¥1,750,274 thousand
Due after one year	¥7,565,169 thousand	¥6,708,573 thousand
Total	¥9,353,800 thousand	¥8,458,847 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, 2015

	Carrying amount (JPY1000)	Fair value (JPY1000)	Difference (JPY1000)
(1) Cash and deposits	5,450,696	5,450,696	-
(2) Cash and deposits in trust	8,247,600	8,247,600	-
Total assets	13,698,296	13,698,296	-
(3) Short-term loans payable	9,000,000	9,000,000	-
(4) Current portion of investment corporation bonds	2,500,000	2,507,000	7,000
(5) Current portion of long-term loans payable	11,393,603	11,393,603	-
(6) Investment corporation bonds	9,500,000	9,544,450	44,450
(7) Long-term loans payable	70,379,000	70,379,000	-
Total liabilities	102,772,603	102,824,053	51,450
(8) Derivative transactions (*)	(532,584)	(532,584)	-

As of June 30, 2016

	Carrying amount (JPY1000)	Fair value (JPY1000)	Difference (JPY1000)
(1) Cash and deposits	8,617,983	8,617,983	-
(2) Cash and deposits in trust	7,587,589	7,587,589	-
Total assets	16,205,573	16,205,573	-
(3) Short-term loans payable	8,700,000	8,700,000	-
(4) Current portion of investment corporation bonds	2,500,000	2,504,500	4,500
(5) Current portion of long-term loans payable	633,750	633,750	-
(6) Investment corporation bonds	12,500,000	12,777,700	277,700
(7) Long-term loans payable	87,224,750	87,224,750	-
Total liabilities	111,558,500	111,840,700	282,200
(8) Derivative transactions (*)	(1,289,244)	(1,289,244)	-

(*) 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 investment corporation bonds; (6) Investment corporation bonds

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

(5) Current portion of long-term loans payable; (7) 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.

(8) 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, 2015	As of June 30, 2016
Tenant leasehold and security deposits	2,041,032	1,048,032
Tenant leasehold and security deposits in trust	2,914,912	3,175,454
Total	4,955,944	4,223,486

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, 2015

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	(38,598)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	848,250	848,250	34	

As of June 30, 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	(60,968)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	848,250	-	20	

2. Derivative transactions to which hedge accounting is applied

As of December 31, 2015

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	63,581,950	58,028,750	(495,258)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	Long-term loans payable	8,565,250	4,286,250	1,238	

As of June 30, 2015

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	76,728,750	76,728,750	(1,229,987)	The fair value is measured at the quoted price, etc.

	Interest rate caps	Long-term loans payable	4,286,250	4,286,250	1,691	obtained from the counterparty financial institutions.
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[Notes on asset retirement obligations]

Asset retirement obligations recognized on the balance sheet

1. Outline of the subject asset retirement obligation

JHR recognizes asset retirement obligation 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.

2. Calculation method of the subject asset retirement obligation

Calculated the amount of asset retirement obligation estimating that the expected useful life is 34 years due to its aging and using the discount rate of 0.484%.

3. Increase and decrease of the subject asset retirement obligation.

(thousands of yen)

	For the year ended December 31, 2015	For the six months ended June 30, 2016
Balance at beginning of period	—	—
Increase due to acquisition of property and equipment	—	327,561
Adjustment due to passage of time	—	396
Balance at end of period	—	327,957

[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, 2015	For the six months ended June 30, 2016
Hotel	Carrying amount		
	Balance at beginning of period	169,847,788	222,362,750
	Net increase (decrease) during period	52,514,962	14,931,212
	Balance at end of period	222,362,750	237,293,963
	Fair value at end of period	302,110,000	343,310,000

(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 52.

(Note 2) With regards to net increase (decrease) during period, increase during the year ended December 31, 2015 principally represents the acquisition of the five *the b* hotels for ¥20,230 million, Hotel Francs for ¥3,181 million, Mercure Yokosuka for ¥1,649 million, Okinawa Marriott Resort & Spa for ¥15,094 million and ACTIVE-INTER CITY HIROSHIMA for ¥17,949 million. Decrease during the year ended December 31, 2015 represents the sale of Comfort Hotel Shin-Yamaguchi for ¥787 million, Daiwa Roynet Hotel Akita for ¥1,644 million and Hotel Sunroute Niigata for ¥1,967 million. Increase during the period ended June 30, 2016 principally represents the acquisition of CANDEO HOTELS UENO-KOEN for ¥6,784 million and Hotel Centraza Hakata for ¥7,614 million.

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

[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, 2015

(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.	2,341,761	Investment and management of hotel real estate
AAPC Japan K.K.	1,067,501	Investment and management of hotel real estate
THE DAI-ICHI BUILDING CO., LTD.	934,200	Investment and management of hotel real estate

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

[Notes on per unit information]

The net assets per unit is as follows:

	As of December 31, 2015	As of June 30, 2016
Net assets per unit	¥41,318	¥41,912

The basis of computation of net income per unit is as follows:

	For the six months ended June 30, 2015	For the six months ended June 30, 2016
Net income per unit (JPY)	¥1,166	¥1,446
[Basis of computation]		
Net income for midterm (JPY1000)	3,472,308	4,778,030
Amount not attributable to common unitholders (JPY1000)	-	-
Net income for midterm attributable to common investment units (JPY1000)	3,472,308	4,778,030
Average number of investment units during midterm period (units)	2,976,156	3,302,176

(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 August 1, 2016 and August 19, 2016, JHR acquired two assets for ¥31,925 million in total acquisition price as follows.

Property name	HOTEL VISTA GRANDE OSAKA
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	5-15 Soemon-cho, Chuo-ku, Osaka-shi, Osaka
Acquisition date	August 1, 2016
Seller	GK APOLLO
Acquisition price (Note)	¥27,000 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 ASCENT FUKUOKA
Asset category	Real estate beneficial interest in trust
Asset type	Hotel
Address	3-3-14 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka
Acquisition date	August 19, 2016
Seller	Godo Kaisha Tenjin 1
Acquisition price (Note)	¥4,925 million

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

2. Contract conclusion on acquisition of asset

On July 7, 2016, JHR concluded a purchase and sale agreement regarding acquisition of the following asset.

Name of property for anticipated acquisition	Hilton Nagoya
Asset category	Real estate beneficial interest in trust
Asset type	Hotel
Address	1-3-3 Sakae, Naka-ku, Nagoya-shi, Aichi
Anticipated acquisition date	September 1, 2016
Planned seller	GK HN Project
Anticipated acquisition price (Note)	¥15,250 million

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

3. Execution of the loan agreements

On August 10, 2016, JHR concluded the loan agreements as described below to partly fund the acquisition of the real estate beneficial interest in trust and movable assets attached to the hotels as stated in “1. Acquisition of assets” and “2. Contract conclusion on acquisition of asset” above.

Planned lenders	Sumitomo Mitsui Banking Corporation / Shinsei Bank, Limited / Mizuho Bank, Ltd. / Resona Bank, Ltd. / The Nomura Trust and Banking Co., Ltd. / The Chiba Bank, Ltd. / The Bank of Fukuoka, Ltd.
Planned amount of the loan	¥9,500 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.65%
Scheduled date of borrowing	September 1, 2016
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2025
Collateral	Unsecured/Unguaranteed

(2) Term Loan 27

Planned lender	Sumitomo Mitsui Trust Bank, Limited
Planned amount of the loan	¥1,300 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.50%
Scheduled date of borrowing	September 1, 2016
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2024
Collateral	Unsecured/Unguaranteed

(3) Term Loan 28

Planned lender	Mitsubishi UFJ Trust and Banking Corporation
Planned amount of the loan	¥2,000 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for three months) + 0.50%
Scheduled date of borrowing	September 1, 2016
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2024
Collateral	Unsecured/Unguaranteed

(4) Term Loan 29

Planned lender	Development Bank of Japan Inc.
Planned amount of the loan	¥700 million
Interest rate	0.59%
Scheduled date of borrowing	September 1, 2016
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	September 30, 2024
Collateral	Unsecured/Unguaranteed

(5) Term Loan 30

Planned lender	Aozora Bank, Ltd.
Planned amount of the loan	¥500 million
Interest rate	To be determined (Fixed interest rate)
Scheduled date of borrowing	September 1, 2016
Method of principal repayment	Lump-sum payment on the maturity date

Maturity date	September 30, 2024
Collateral	Unsecured/Unguaranteed

4. Issuance of new investment units

JHR resolved to issue new investment units at the Board of Directors meetings held on July 7, 2016 and July 20, 2016. Payment for the new investment units was completed on July 27, 2016 and August 23, 2016, and the investment units were issued under the following terms and conditions. As a result, JHR's unitholders' capital increased to ¥134,829,448,209, with the number of investment units issued and outstanding totaling 3,761,907 units.

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

Number of investment units issued:	428,260 units
Of which domestic public offering:	164,260 units
Of which overseas offering:	264,000 units
Issue price:	¥81,536 per unit
Total issue price:	¥34,918,607,360
Paid-in amount (issue value):	¥78,956 per unit
Total paid-in amount (total issue value):	¥33,813,696,560
Payment date:	July 27, 2016

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

Number of investment units issued:	11,740 units
Paid-in amount (issue value):	¥78,956 per unit
Total paid-in amount (total issue value):	¥926,943,440
Payment date:	August 23, 2016
Allottee:	SMBC Nikko Securities Inc.

(c) Use of funds

JHR allocated the proceeds in the amount of ¥33,813,696,560 procured from the domestic public offering and overseas offering to cash on hand in order to complement part of a decrease in cash on hand, which is a decrease that occurred when JHR had used cash on hand to partly fund the acquisition of Hotel Centraza Hakata (including expenses for acquisition) that it acquired on April 1, 2016. JHR also uses the subject proceeds to partly fund the acquisition of HOTEL VISTA GRANDE OSAKA, Hilton Nagoya and HOTEL ASCENT FUKUOKA as described above in "1. Acquisition of assets" and "2. Contract conclusion on acquisition of asset." In addition, with regard to the remaining proceeds procured from the domestic public offering and overseas offering together with the proceeds procured from the third-party allotment in the amount of ¥926,943,440 will be cash on hand and will be used to partly fund the future acquisition of specified assets, partly repay the loan amount or appropriate to repairs and capital expenditures to maintain and improve competitiveness of the existing properties.

(8) 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)

(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 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 of new properties, etc.

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		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 Jun. 2014 Oct. 2014 Nov. 2015 Mar. 2016</p>	<p>Registered as a lawyer (Daiichi Tokyo Bar Association) Joined Nishimura & Partners (Present Nishimura & Asahi) 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 Kando Co., Ltd. as Outside Director (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		Number of investment units held
Supervisory Director	Tetsuya Mishiku	Apr. 1993	Registered as a lawyer (Daiichi Tokyo Bar Association) Joined Iinuma Law Office	0
		Dec. 2000	Partner	
		Sep. 2002	Part-time lecturer at Chuo University	
		Nov. 2003	Changed registration to Shizuoka Bar Association Joined Aoba Law Office as Partner	
		Nov. 2005	Joined Japan Hotel REIT Investment Corporation (formerly, Nippon Hotel Fund Investment Corporation) as Supervisory Director (current)	
		Dec. 2005	Joined A-too Co., Ltd. as Part-time Corporate Auditor	
		Mar. 2007	Joined Healing Entertainment Co., Ltd. as Part-time Corporate Auditor (current)	
		Aug. 2010	Joined Mishiku & Nagamachi Law Office (formerly, Aoi Tower Law Office) as Representative (current)	
		Sep. 2010	Joined Koike Roof and Siding KK as Outside Corporate Auditor (current)	
		Aug. 2011	Outside Director of A-too Co., Ltd. (current)	
Supervisory Director	Hiroto Kashii	Apr. 1971	Joined Development Bank of Japan, Inc. (formerly, Japan Development Bank) responsible for lending and investment	0
		Apr. 1997	General Manager, Retail Department at Head Office	
		Apr. 1998	Joined K.K. Hotel Odakyu as Managing Director and General Manager of Accounting Department	
		Apr. 2002	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	
		Jun. 2003	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	
		Jun. 2009	Joined Kyowa Co., Ltd. as Representative Director	
		Jun. 2012	Joined Japan Carbon Finance, Ltd. as Managing Director	
		Mar. 2013	Representative Director	
		Jun. 2013	Joined DBJ Asset Management Co., Ltd. as Corporate Auditor	
		Nov. 2015	Joined Japan Hotel REIT Investment Corporation as Supervisory Director (current)	

(Note 1) Based on the resolutions made at the 7th General Meeting of Unitholders held on November 26, 2015, Yukio Isa resigned from office of Executive Director as of the date, and Kaname Masuda newly took office of Executive Director of JHR. In addition, Hiroto Kashii newly took office as Supervisory Director of JHR.

(Note 2) 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		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		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)</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>Mar. 2011</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)</p> <p>Appointed Director of Rockrise Sdn Bhd as Director (current)</p> <p>Appointed Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)</p> <p>Appointed Director of SCCP Asset Management Pte. Ltd. (formerly, SC Capital Partners Pte. Ltd.) (current)</p> <p>Appointed Director of SC J-Holdings Pte. Ltd. (current)</p> <p>Appointed Chairman (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)</p>	0

Title	Name	Major career		Number of shares held
Director	Ian George Winston Lien	May 1989 Jan. 2003 Oct. 2007 Aug. 2010 Mar. 2011	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 Appointed Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current) Joined SCCP Asset Management Pte. Ltd. (formerly, SC Capital Partners Pte. Ltd.) as Managing Director (current)	0
Director	Chua Keng Kim	Mar. 1988 Apr. 1995 Jun. 2007 Nov. 2007 Sep. 2008 Aug. 2010 Aug. 2013 Dec. 2015	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 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) Appointed Director of SCCP Asset Management Pte. Ltd. (formerly, SC Capital Partners Pte. Ltd.) (current)	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

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 STRs as of the end of the matching period under review.								
Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2015		As of June 30, 2016		
				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	7,487	3.1	7,472	2.9	
			CANDEO HOTELS UENO-KOEN	—	—	6,759	2.6	
			the b ikebukuro	6,591	2.7	6,583	2.5	
			the b akasaka-mitsuke	6,295	2.6	6,291	2.4	
			Hotel Sunroute Shinbashi	4,873	2.0	4,863	1.9	
			Comfort Hotel Tokyo Higashi Nihombashi	3,655	1.5	3,643	1.4	
			the b hachioji	2,670	1.1	2,665	1.0	
			the b ochanomizu	2,350	1.0	2,347	0.9	
			Smile Hotel Nihombashi Mitsukoshimae	2,056	0.9	2,051	0.8	
			R&B Hotel Ueno Hirokoji	1,761	0.7	1,754	0.7	
			R&B Hotel Higashi Nihonbashi	1,528	0.6	1,521	0.6	
			Hotel Vista Kamata Tokyo	1,473	0.6	1,479	0.6	
			the b suidobashi	1,204	0.5	1,206	0.5	
			Dormy Inn EXPRESS Asakusa	963	0.4	957	0.4	
			Chisun Inn Kamata	802	0.3	800	0.3	
		Osaka	Namba Oriental Hotel	14,689	6.1	14,702	5.7	
		Hokkaido	ibis Styles Sapporo	6,788	2.8	6,754	2.6	
			Mercure Sapporo	6,010	2.5	5,979	2.3	
		Kyoto	ibis Styles Kyoto Station	6,725	2.8	6,714	2.6	
			the b hakata	2,323	1.0	2,332	0.9	
		Fukuoka	Hakata Nakasu Washington Hotel Plaza	2,075	0.9	2,063	0.8	
			Toyoko Inn Hakata-guchi Ekimae	1,498	0.6	1,488	0.6	
			Mercure Okinawa Naha	2,953	1.2	2,936	1.1	
		Kumamoto	Dormy Inn Kumamoto	2,232	0.9	2,218	0.9	
		Nara	Nara Washington Hotel Plaza	1,910	0.8	1,891	0.7	
		Subtotal			90,924	37.8	97,480	37.7
		Full-service hotel	Chiba	Oriental Hotel tokyo bay	18,512	7.7	18,363	7.1
				Hotel Francs	3,165	1.3	3,147	1.2
				ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 4)	17,934	7.5	17,845	6.9
			Hiroshima	Oriental Hotel Hiroshima	4,043	1.7	4,059	1.6
				Kobe Meriken Park Oriental Hotel	9,963	4.1	9,933	3.8
			Fukuoka	Hotel Centraza Hakata	—	—	7,548	2.9
	Kanagawa		Mercure Yokosuka	1,659	0.7	1,650	0.6	
	Subtotal			55,277	23.0	62,548	24.2	
	Resort hotel	Okinawa	Hotel Nikko Alivila	18,325	7.6	18,332	7.1	
			Okinawa Marriott Resort & Spa	15,025	6.3	14,934	5.8	
			The Beach Tower Okinawa	6,882	2.9	6,869	2.7	
		Chiba	Hilton Tokyo Bay	26,109	10.9	26,115	10.1	
		Osaka	Hotel Keihan Universal City	6,019	2.5	5,984	2.3	
		Kanagawa	Hakone Setsugetsuka	3,788	1.6	3,762	1.5	
		Subtotal			76,150	31.7	75,998	29.4
	Real estate in trust – Total			222,352	92.5	236,027	91.3	
Deposits and other assets (Note 5)			18,003	7.5	22,488	8.7		
Total assets			240,356	100.0	258,515	100.0		

	Amount (JPY1M)	Ratio to total assets (%)	Amount (JPY1M)	Ratio to total assets (%)
Total liabilities	110,442	45.9	119,284	46.1
Total net assets	129,914	54.1	139,230	53.9

(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/S/RC 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	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 Nihonbashi	Nihonbashi-bakurocho, Chuo-ku, Tokyo	Ownership	Ownership	823.67	5,765.26	S 11F	January 2008	259

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)			
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
25	Hotel Vista Kamata Tokyo	Nishikamata, Ota-ku, Tokyo	Ownership	Ownership	743.46	3,831.80	SRC/S B1/9F	January 1992	106
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	823
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

(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 is 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. The acreage for which permission for use has been obtained is 2,804.18 square meters, of which 1,188.32 square meters is included in the acreage above. 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). Furthermore, regarding the portion of the building owned exclusively by the City of Kobe, the building for which JHR has obtained the permission for use is 694.00 square meters (part of the building for which the permission for use was obtained was returned on April 1, 2010, resulting in total floor area changing from 824.00 square meters to 694.00 square meters) and is included in the total floor area above of 48,701.82 square meters.
- (Note 8) The land of Hotel Nikko Alivila is 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 land leased or land subleased 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 land leased 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 land leased of 125.67 square meters.
- (Note 13) The land of Mercure Yokosuka comprises the entire joint ownership of right of site. The acreage is the area equivalent to JHR’s co-ownership interest 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, office spaces 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 is the area equivalent to JHR’s co-ownership interest 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, office spaces, 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, office spaces, 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) The omitted property numbers are the property numbers of assets that have been transferred before the end of the previous fiscal year.

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	10,116	14,300	N	4.5	Unsecured
2	Oriental Hotel tokyo bay	Mid-price	19,900	18,574	34,000	N	8.3	Unsecured
3	Namba Oriental Hotel	Mid-price	15,000	14,824	31,700	N	6.3	Unsecured
4	Hotel Nikko Alivila	Luxury	18,900	18,616	27,300	N	7.9	Unsecured
5	Oriental Hotel Hiroshima	Upper-middle	4,100	4,108	4,180	N	1.7	Unsecured
6	ibis Tokyo Shinjuku	Mid-price	7,243	7,537	9,310	N	3.0	Unsecured
8	The Beach Tower Okinawa	Mid-price	7,610	6,874	9,450	N	3.2	Unsecured
9	Hakone Setsugetsuka	Mid-price	4,070	3,771	4,990	N	1.7	Unsecured
10	Dormy Inn Kumamoto	Mid-price	2,334	2,218	2,870	M	1.0	Unsecured
12	the b suidobashi	Mid-price	1,120	1,232	1,960	N	0.5	Unsecured
13	Dormy Inn EXPRESS Asakusa	Economy	999	957	1,310	M	0.4	Unsecured
14	Hakata Nakasu Washington Hotel Plaza	Mid-price	2,130	2,064	4,260	N	0.9	Unsecured
15	Nara Washington Hotel Plaza	Mid-price	2,050	1,896	2,460	N	0.9	Unsecured
16	R&B Hotel Ueno Hirokoji	Economy	1,720	1,754	1,950	M	0.7	Unsecured
17	R&B Hotel Higashi Nihonbashi	Economy	1,534	1,521	2,050	M	0.6	Unsecured
18	Comfort Hotel Tokyo Higashi Nihombashi	Economy	3,746	3,643	5,350	M	1.6	Unsecured
22	Smile Hotel Nihombashi Mitsukoshimae	Economy	2,108	2,051	3,070	M	0.9	Unsecured
24	Toyoko Inn Hakata-guchi Ekimae	Economy	1,652	1,488	2,700	T	0.7	Unsecured
25	Hotel Vista Kamata Tokyo	Economy	1,512	1,479	1,990	T	0.6	Unsecured
26	Chisun Inn Kamata	Economy	823	804	1,410	T	0.3	Unsecured
29	Hotel Keihan Universal City	Mid-price	6,000	5,985	14,800	R	2.5	Unsecured
30	Hotel Sunroute Shinbashi	Mid-price	4,800	4,863	8,510	D	2.0	Unsecured
31	Hilton Tokyo Bay	Luxury	26,050	26,115	36,000	D	10.9	Unsecured
32	ibis Styles Kyoto Station	Mid-price	6,600	6,742	10,300	D	2.8	Unsecured
33	ibis Styles Sapporo	Mid-price	6,797	6,766	10,300	N	2.8	Unsecured
34	Mercure Sapporo	Mid-price	6,000	5,996	10,000	N	2.5	Unsecured
35	Mercure Okinawa Naha	Mid-price	3,000	2,954	6,880	N	1.3	Unsecured
36	the b akasaka-mitsuke	Mid-price	6,250	6,307	6,900	N	2.6	Unsecured
37	the b ikebukuro	Mid-price	6,520	6,590	7,600	N	2.7	Unsecured
38	the b ochanomizu	Mid-price	2,320	2,353	2,650	N	1.0	Unsecured
39	the b hachioji	Mid-price	2,610	2,681	3,090	N	1.1	Unsecured
40	the b hakata	Mid-price	2,300	2,355	3,110	N	1.0	Unsecured
41	Hotel Francs	Mid-price	3,105	3,147	4,070	D	1.3	Unsecured
42	Mercure Yokosuka	Mid-price	1,650	1,658	1,870	D	0.7	Unsecured
43	Okinawa Marriott Resort & Spa	Upper-middle	14,950	15,044	17,200	N	6.2	Unsecured
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Luxury	17,320	17,860	18,400	D	7.2	Unsecured
45	CANDEO HOTELS UENO-KOEN	Mid-price	6,705	6,769	7,630	D	2.8	Unsecured
46	Hotel Centraza Hakata	Mid-price	7,197	7,561	7,390	D	3.0	Unsecured
	Total		239,626	237,293	343,310		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 or real estate purchase and sale

agreement (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 from the former JHR.

- (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:
M: Morii Appraisal & Investment Consulting, Inc.
T: The Tanizawa Sōgō Appraisal Co., Ltd.
J: Japan Real Estate Institute
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 portfolio tenants)

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

	11th period September 2011	12th period March 2012	13th period December 2012	14th period December 2013	15th period December 2014	16th period December 2015	Midterm of 17th period June 2016
Number of tenants (Note 1)	21	24	37	38	57	113	117
Total leasable area (Note 2)	101,028.49 m 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	519,798.46 m ²
Total leased area (Note 3)	100,529.62 m ²	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	519,418.83 m ²
Occupancy rate (Note 4)	99.5%	100.0%	100.0%	100.0%	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, 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, 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. from 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 property assets 4 (information on major real estate)

Property name (Note 1)	Total number of tenants	Total annual rent	Total leased area	Total leasable area	Change in occupancy rate for the past five years (Note 2)	
Hilton Tokyo Bay	1	Fixed rent ¥1,872 million Variable rent (Note 3)	64,931.94 m ² (Note 4)	64,931.94 m ² (Note 4)	14th period December 2013	100.0%
					15th period December 2014	100.0%
					16th period December 2015	100.0%
					Midterm of 17th period June 2016	100.0%

- (Note 1) The information on major real estate, which are those where the annual rent total accounts for at least 10% of 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 65.
- (Note 2) "Change in occupancy rate for the past five years" states only the occupancy rate subsequent to the commencement of asset management by JHR, and 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.
- (Note 3) The variable rent of Hilton Tokyo Bay 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.

(Note 4) The building of Hilton Tokyo Bay is a building under co-ownership with other right holders. JHR's co-ownership interest is 64,931.94 square meters (9/10 of co-ownership interest).

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	401,804	260,942	80,314
2	Oriental Hotel tokyo bay	Variable/Fixed	798,421	738,141	491,835
3	Namba Oriental Hotel	Variable/Fixed	744,653	694,882	601,993
4	Hotel Nikko Alivila	Variable/Fixed	487,673	412,549	255,318
5	Oriental Hotel Hiroshima	Variable/Fixed	206,441	183,225	145,365
6	ibis Tokyo Shinjuku	Management contract	410,069	316,455	282,588
8	The Beach Tower Okinawa	Fixed	255,515	234,115	172,228
9	Hakone Setsugetsuka	Fixed	147,472	135,546	94,209
10	Dormy Inn Kumamoto	Fixed	97,230	86,271	66,369
12	the b suidobashi	Variable/Fixed	62,436	56,939	45,175
13	Dormy Inn EXPRESS Asakusa	Fixed	31,997	27,617	21,453
14	Hakata Nakasu Washington Hotel Plaza (Note 4)	Fixed	120,000	112,000	98,000
15	Nara Washington Hotel Plaza (Note 4)	Fixed	75,000	67,000	46,000
16	R&B Hotel Ueno Hirokoji	Fixed	48,647	41,428	34,883
17	R&B Hotel Higashi Nihonbashi	Fixed	61,103	52,731	43,309
18	Comfort Hotel Tokyo Higashi Nihombashi	Fixed	135,057	120,258	102,420
22	Smile Hotel Nihombashi Mitsukoshimae	Variable/Fixed (Note 5)	85,751	77,859	68,424
24	Toyoko Inn Hakata-guchi Ekimae	Fixed	70,519	64,024	53,329
25	Hotel Vista Kamata Tokyo	Variable/Fixed (Note 5)	46,802	39,522	28,079
26	Chisun Inn Kamata	Variable	38,665	34,828	28,952
29	Hotel Keihan Universal City	Variable/Fixed (Note 5)	631,559	593,543	551,552
30	Hotel Sunroute Shinbashi	Variable/Fixed (Note 5)	245,243	216,845	206,273
31	Hilton Tokyo Bay	Variable/Fixed (Note 5)	940,423	790,178	708,727
32	ibis Styles Kyoto Station	Management contract	270,798	243,363	226,508
33	ibis Styles Sapporo	Management contract	269,696	210,204	174,105
34	Mercure Sapporo	Management contract	301,742	204,469	165,249
35	Mercure Okinawa Naha	Management contract	216,207	173,164	148,123
36	the b akasaka-mitsuke	Variable/Fixed	149,809	143,814	133,492
37	the b ikebukuro	Variable/Fixed	188,222	181,456	166,883
38	the b ochanomizu	Variable/Fixed	55,477	52,491	47,752
39	the b hachioji	Variable/Fixed	112,230	104,218	92,194
40	the b hakata	Variable/Fixed	108,235	103,627	94,060
41	Hotel Francs	Fixed	150,000	133,307	109,473
42	Mercure Yokosuka	Variable	162,939	118,814	103,971
43	Okinawa Marriott Resort & Spa	Variable/Fixed	274,999	245,153	136,888
44	ACTIVE-INTER CITY HIROSHIMA	Variable/Fixed	656,203	474,369	383,934
45	CANDEO HOTELS UENO-KOEN (Note 6)	Fixed	134,736	133,146	116,828
46	Hotel Centraza Hakata (Note 7)	Variable/Fixed	196,364	136,016	78,093
	Total		9,390,971	8,014,971	6,405,603

(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 is 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) CANDEO HOTELS UENO-KOEN was acquired as of February 1, 2016.

(Note 7) Hotel Centraza Hakata was acquired as of April 1, 2016.

(Note 8) 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	6.3%	148,638.54 m ²	28.6%	645 (Note 7)	3,221 (Note 7)
	Oriental Hotel tokyo bay		April 1, 2012 December 31, 2019	44,833.11 m ²	8.6%			631 (Note 7)	
	Namba Oriental Hotel		April 1, 2012 December 31, 2019	19,364.33 m ²	3.7%			797 (Note 7)	
	Hotel Nikko Alivila		April 1, 2012 December 31, 2019	38,024.98 m ²	7.3%			804 (Note 7)	
	Oriental Hotel Hiroshima		April 1, 2012 December 31, 2019	13,752.22 m ²	2.6%			341 (Note 7)	
Accor (AAPC Japan K.K.)	ibis Tokyo Shinjuku	Ryokan/ Hotel	July 1, 2012 June 30, 2024	5,789.26 m ²	1.1%	65,148.46 m ²	12.5%	- (Note 8)	- (Note 8)
	ibis Styles Kyoto Station		October 31, 2013 December 31, 2018	4,628.32 m ²	0.9%			- (Note 8)	
	ibis Styles Sapporo		December 27, 2014 December 27, 2019	14,076.45 m ²	2.7%			- (Note 8)	
	Mercure Sapporo		September 30, 2014 September 30, 2029	12,888.36 m ²	2.5%			- (Note 8)	
	Mercure Okinawa Naha		September 30, 2014 April 26, 2024	10,884.25 m ²	2.1%			- (Note 8)	
	Mercure Yokosuka		April 2, 2015 August 30, 2019	16,881.82 m ²	3.3%			- (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	12.5%	64,931.94 m ²	12.5%	1,872 (Note 9)	1,872 (Note 9)
Total for major tenants				278,718.94 m ²	53.7%	278,718.94 m ²	53.7%	5,093 -	5,093 -
Total for entire portfolio				519,418.83 m ²	100.0%	519,418.83 m ²	100.0%	11,532 -	11,532 -

(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, 2016 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 persons.

(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) and Hotel Centraza Co., Ltd., which is the lessee and hotel operator of Hotel Centraza Hakata. Accordingly, Lagoon resort Nago Co., Ltd., K.K. A.I.C Hiroshima Management and Hotel Centraza Co., Ltd. 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 persons.

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) and Hotel Centraza Hakata. 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 and Hotel Centraza Co., Ltd. are 225,064.44 square meters, 43.3% and ¥4,519 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 rent Fixed rent Variable rent (JPY1M)
Lagoon resort Nago Co., Ltd.	Okinawa Marriott Resort & Spa	Hotel	July 10, 2015 December 31, 2020	36,430.15	7.0%	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	4.2%	348 (*)
Hotel Centraza Co., Ltd.	Hotel Centraza Hakata	Hotel	April 1, 2016, 2016 December 31, 2019	18,105.42	3.5%	400 (*)

(*) For details of the variable rent arrangements for Okinawa Marriott Resort & Spa, ACTIVE-INTER CITY HIROSHIMA and Hotel Centraza Hakata, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 68.

(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 68.

(Note 8) Variable rent for Accor (AAPC Japan K.K.) means income from management contracts and variable rent. For details of the income from management

contract arrangements, please refer to “D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing” on page 68.

(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, 2016 to June 30, 2016). 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	-	182	182	182	182	182
(A) Real estate operating revenue subtotal	9,390,971	401,804	798,421	744,653	487,673	206,441
Fixed rent	5,616,251	322,950	315,799	398,950	402,049	170,752
Variable rent	3,338,852	78,000	482,621	345,703	85,623	35,689
Other revenue	435,866	854	-	-	-	-
(B) Real estate operating costs subtotal	2,985,368	321,489	306,585	142,659	232,354	61,075
Land lease and other rent expenses	287,175	110,017	-	-	42,074	-
Property taxes	561,728	27,451	57,686	48,106	29,735	20,769
Outsourcing expenses	236,669	480	480	480	960	480
Nonlife insurance	18,903	1,672	1,606	677	1,187	546
Depreciation and amortization	1,603,918	180,628	246,306	91,064	154,072	37,859
Loss on retirement of noncurrent assets	5,053	-	-	1,823	3,158	-
Other costs	271,919	1,239	506	506	1,166	1,419
(C) Net real estate operating income = (A) – (B)	6,405,603	80,314	491,835	601,993	255,318	145,365
(Reference) Occupancy rate	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	117	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	182	182	182	182	182	182
(A) Real estate operating revenue subtotal	410,069	255,515	147,472	97,230	62,436	31,997
Fixed rent	45,786	255,504	147,169	97,230	42,499	31,697
Variable rent	216,178	-	-	-	19,936	-
Other revenue	148,105	11	302	-	-	300
(B) Real estate operating costs subtotal	127,481	83,286	53,262	30,860	17,261	10,544
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	16,716	19,537	11,171	9,720	3,994	2,993
Outsourcing expenses	46,681	-	-	-	600	600
Nonlife insurance	318	625	326	229	98	61
Depreciation and amortization	33,866	61,886	41,336	19,901	11,764	6,164
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	29,898	1,236	428	1,008	804	724
(C) Net real estate operating income = (A) – (B)	282,588	172,228	94,209	66,369	45,175	21,453
(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
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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	182	182	182	182	182	182
(A) Real estate operating revenue subtotal	120,000	75,000	48,647	61,103	135,057	85,751
Fixed rent	120,000	73,000	48,252	61,103	129,454	67,200
Variable rent	-	-	-	-	-	18,551
Other revenue	0	1,000	394	-	5,602	-
(B) Real estate operating costs subtotal	21,000	28,000	13,763	17,794	32,636	17,327
Land lease and other rent expenses	-	-	-	2,700	-	-
Property taxes	6,000	6,000	5,941	4,290	13,151	6,087
Outsourcing expenses	0	1,000	420	600	807	600
Nonlife insurance	0	0	88	107	216	106
Depreciation and amortization	13,000	20,000	6,544	9,421	17,837	9,434
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	0	0	768	675	623	1,098
(C) Net real estate operating income = (A) – (B)	98,000	46,000	34,883	43,309	102,420	68,424
(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	182	182	182	182	182	182
(A) Real estate operating revenue subtotal	70,519	46,802	38,665	631,559	245,243	940,423
Fixed rent	70,519	46,767	-	Undisclosed (Note 3)	141,133	Undisclosed (Note 3)
Variable rent	-	-	38,665	Undisclosed (Note 3)	87,805	Undisclosed (Note 3)
Other revenue	-	35	-	Undisclosed (Note 3)	16,305	Undisclosed (Note 3)
(B) Real estate operating costs subtotal	17,190	18,722	9,713	80,006	38,970	231,695
Land lease and other rent expenses	-	-	-	10,555	-	66,128
Property taxes	5,194	5,949	2,321	22,569	12,469	68,723
Outsourcing expenses	540	600	540	2,869	2,355	12,483
Nonlife insurance	136	120	51	721	176	1,824
Depreciation and amortization	10,695	11,442	5,876	41,991	10,571	81,451
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	624	609	924	1,299	13,397	1,084
(C) Net real estate operating income = (A) – (B)	53,329	28,079	28,952	551,552	206,273	708,727
(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	182	182	182	182	182	182
(A) Real estate operating revenue subtotal	270,798	269,696	301,742	216,207	149,809	188,222
Fixed rent	21,167	13,133	31,502	-	68,191	108,418
Variable rent	247,831	238,090	212,680	210,735	81,617	79,804
Other revenue	1,800	18,473	57,559	5,472	-	-
(B) Real estate operating costs subtotal	44,289	95,590	136,492	68,084	16,316	21,339
Land lease and other rent expenses	-	-	-	147	-	-
Property taxes	9,000	18,255	24,192	11,532	3,760	4,975
Outsourcing expenses	16,441	22,497	27,654	26,659	600	600
Nonlife insurance	211	437	521	331	124	221
Depreciation and amortization	16,854	36,098	39,220	25,041	10,321	14,573
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	1,780	18,301	44,904	4,371	1,509	969
(C) Net real estate operating income = (A) – (B)	226,508	174,105	165,249	148,123	133,492	166,883
(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	182	182	182	182	182	182
(A) Real estate operating revenue subtotal	55,477	112,230	108,235	150,000	162,939	274,999
Fixed rent	34,500	62,506	43,507	150,000	-	274,999
Variable rent	20,977	47,002	64,727	-	141,749	-
Other revenue	-	2,721	-	-	21,190	-
(B) Real estate operating costs subtotal	7,724	20,035	14,174	40,526	58,968	138,111
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	1,549	5,383	2,348	15,026	9,123	20,798
Outsourcing expenses	600	600	1,226	900	8,783	1,200
Nonlife insurance	66	241	125	515	1,148	1,295
Depreciation and amortization	4,739	12,023	9,496	23,834	14,842	108,265
Loss on retirement of noncurrent assets	-	-	70	-	-	-
Other costs	769	1,786	906	251	25,070	6,552
(C) Net real estate operating income = (A) – (B)	47,752	92,194	94,060	109,473	103,971	136,888
(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
Property name	ACTIVE-INTER CITY HIROSHIMA	CANDEO HOTELS UENO-KOEN (Note 4)	Hotel Centraza Hakata (Note 5)
Number of operating days	182	182	182
(A) Real estate operating revenue subtotal	656,203	134,736	196,364
Fixed rent	386,815	Undisclosed (Note 3)	99,999
Variable rent	135,780	-	96,364
Other revenue	133,606	Undisclosed (Note 3)	-
(B) Real estate operating costs subtotal	272,268	17,907	118,270
Land lease and other rent expenses	-	-	55,551
Property taxes	29,059	-	-
Outsourcing expenses	52,247	600	1,000
Nonlife insurance	1,851	218	330
Depreciation and amortization	90,434	16,318	57,526
Loss on retirement of noncurrent assets	-	-	-
Other costs	98,675	771	3,862
(C) Net real estate operating income = (A) – (B)	383,934	116,828	78,093
(Reference) Occupancy rate	100.0%	100.0%	100.0%
(Reference) Number of tenants	37	1	1

(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 68.

(Note 2) Consent on disclosure of rent in units of thousand yen has not been obtained from the lessee and is 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) CANDEO HOTELS UENO-KOEN was acquired as of February 1, 2016.

(Note 5) Hotel Centraza Hakata was acquired as of April 1, 2016.

(Note 6) 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	8,182	97,873	40.8
Full-service hotel	5,826	64,172	26.8
Resort hotel	6,480	77,580	32.4
Total	20,489	239,626	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	1,299	12,797	5.3
Tokyo	3,333	50,010	20.9
Kanto (excluding Tokyo)	4,693	54,775	22.9
Kansai	4,287	40,550	16.9
Chugoku	1,517	21,420	8.9
Kyushu (excluding Okinawa)	1,525	15,613	6.5
Okinawa	3,833	44,460	18.6
Total	20,489	239,626	100.00

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	4,756	62,270	26.0
Upper-middle	2,680	29,950	12.5
Mid-price	12,016	133,311	55.6
Economy	1,036	14,094	5.9
Total	20,489	239,626	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 2016:

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)	4,891	61,372	25.6
More than 10 years, less than 20 years (inclusive)	3,955	50,316	21.0

More than 20 years	11,643	127,938	53.4
Total	20,489	239,626	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 2016 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)	13,640	66.6
More than 5 years, less than 10 years (inclusive)	4,029	19.7
More than 10 years, less than 20 years (inclusive)	2,819	13.8
Total	20,489	100.00

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 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	11,532	56.3
Variable rent, etc.	8,957	43.7
Total	20,489	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 arrived at when the monthly rent income, etc. (rent of the building itself only, excluding signage and parking usage fees; not factoring in any change in rent during the fiscal period under review) of the assets under management at the end of the midterm period under review is multiplied by 12.

However, 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 Five HMJ Hotels Okinawa Marriott Resort & Spa Sheraton Grand Hiroshima Hotel	The amount of (i) the variable rent actually generated from January 1, 2016 to June 30, 2016 and the amount of variable rent calculated based on forecast GOP from July 1, 2016 to December 31, 2016, plus (ii) the amount arrived at when the monthly fixed rent at the end of the midterm period under review is multiplied by 12.
The Six Accor Hotels	The amount of (i) the total amount of income from management contracts or variable rent actually generated in the six-month period from January 1, 2016 to June 30, 2016 and income from management contracts or variable rent calculated based on forecast GOP from July 1, 2016 to December 31, 2016 for the hotel portion, plus (ii) the amount arrived at when the monthly rent income, etc. of each tenant for the retail tenant portion 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, 2016 to June 30, 2016, plus (ii) the amount of the variable rent calculated based on forecast GOP from July 1, 2016 to December 31, 2016, plus (iii) the amount arrived at when the monthly fixed rent at the end of the midterm period under review is multiplied by 12.
Hotel Centraza Hakata	The amount of (i) the variable rent calculated based on actual GOP from January 1, 2016 to June 30, 2016 and forecast GOP from July 1, 2016 to December 31, 2016, plus (ii) the amount arrived at when the monthly fixed rent at the end of the midterm period under review is multiplied by 12.
Hotel Vista Kamata Tokyo Hilton Tokyo Bay	The amount of (i) variable rent calculated based on sales forecast from January 1, 2016 to December 31, 2016, 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 (i) the amount arrived at when the variable rent actually generated during the six-month period from January 1, 2016 to June 30, 2016, plus (ii) the variable rent calculated based on sales forecast from July 1, 2016 to December 31, 2016, plus (iii) the amount arrived at when the monthly fixed rent as of the end of the midterm period under review is multiplied by 12.
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, 2016 to June 30, 2016, plus (ii) the amount arrived at when the monthly fixed rent at the end of the midterm period under review is multiplied by 12.

For details of the contracts 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 68.

(Note 3) “Acquisition price” is the acquisition price stated on the purchase and sale agreement for beneficial interest in trust or real estate purchase and sale agreement (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 from the former JHR.

- (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. Kansai means Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Chugoku means Hiroshima, Okayama, Tottori, Yamaguchi and Shimane prefecture. Kyushu (excluding Okinawa) means Fukuoka, Nagasaki, Miyazaki, Kumamoto, Saga, Oita and Kagoshima prefecture. 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 Eight 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% (Note 1). 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 2).
	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 3)	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%
The Six Accor Hotels	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%
	6	ibis Tokyo Shinjuku	Management contract (Note 4)	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
The Six the b Hotels	42	Mercure Yokosuka	Variable	Amount linked to GOP
	12	the b suidobashi	Variable/Fixed	Amount linked to GOP (Note 5)
	36	the b akasaka-mitsuke		
	37	the b ikebukuro		
	38	the b ochanomizu		
	39	the b hachioji		
Other hotels with variable rent or revenue sharing	40	the b hakata		
	22	Smile Hotel Nihombashi Mitsukoshimae	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	25	Hotel Vista Kamata Tokyo (Note 6)	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).
	29	Hotel Keihan Universal City	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	30	Hotel Sunroute Shinbashi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	31	Hilton Tokyo Bay	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)

(Note 1) Concerning a fixed-term lease agreement on the five HMJ hotels, the variable rent ratio was changed from 81.5% to 85.0% effective as of January 1, 2016.

(Note 2) 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 3) The indicated figures are for Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA.

(Note 4) 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 5) The detailed content of the contract is not disclosed as consent on disclosure has not been obtained from the lessee.

(2) Major indicators of the hotel business

The following tables indicate the figures related to the hotel business of the eight HMJ hotels, the six Accor hotels and the six *the b* hotels for the operating period from January 1, 2016 through June 30, 2016, 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 Eight 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	73.6%	—	94.9%	—	91.4%	—	81.4%	—	77.4%	—	84.9%	—
ADR (Note 1)	17,206	—	19,264	—	19,612	—	20,862	—	8,927	—	18,086	—
RevPAR (Note 2)	12,669	—	18,279	—	17,916	—	16,984	—	6,911	—	15,356	—
Total sales	2,465	100.0	3,454	100.0	1,386	100.0	2,421	100.0	1,025	100.0	10,751	100.0
Rooms department	810	32.9	1,845	53.4	927	66.8	1,350	55.8	314	30.7	5,246	48.8
Food & beverage department	1,510	61.2	1,390	40.3	72	5.2	861	35.6	679	66.2	4,512	42.0
Tenant department	30	1.2	122	3.5	369	26.6	1	0.0	11	1.1	533	5.0
Other departments (Note 3)	115	4.7	97	2.8	19	1.4	208	8.6	20	2.0	461	4.3
GOP	392	15.9	914	26.5	823	59.3	599	24.7	157	15.3	2,884	26.8

	Okinawa Marriott Resort & Spa (Note 4)		Sheraton Grand Hiroshima Hotel (Note 4)		Hotel Centraza Hakata (Note 5)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	83.2%	—	83.2%	—	89.6%	—
ADR (Note 1)	15,352	—	16,554	—	9,919	—
RevPAR (Note 2)	12,771	—	13,780	—	8,884	—
Total sales	1,607	100.0	1,369	100.0	1,155	100.0
Rooms department	926	57.6	657	48.0	345	29.9
Food & beverage department	494	30.7	676	49.4	687	59.4
Tenant department	26	1.6	5	0.3	114	9.9
Other departments (Note 3)	161	10.0	31	2.3	9	0.8
GOP	347	21.6	389	28.4	393	34.0

(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. 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 Hotel Centraza Hakata, which JHR acquired on April 1, 2016, the annual figures are for throughout the year including those prior to the acquisition.

(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 1)	
		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	77.5%	—	95.7%	—	88.3%	—	79.1%	—	81.2%	—	91.2%	—	85.0%	—
ADR	12,597	—	11,118	—	8,635	—	11,006	—	10,613	—	12,250	—	10,833	—
RevPAR	9,757	—	10,637	—	7,625	—	8,710	—	8,613	—	11,170	—	9,206	—
Total sales	406	100.0	464	100.0	490	100.0	546	100.0	489	100.0	569	100.0	2,965	100.0
Rooms department	365	90.0	416	89.7	386	78.7	452	82.8	408	83.3	325	57.1	2,352	79.3
Food & beverage department	33	8.3	45	9.8	92	18.8	89	16.2	69	14.0	231	40.6	559	18.9
Other departments	7	1.7	3	0.6	12	2.4	6	1.0	13	2.7	13	2.3	53	1.8
GOP	216	53.2	248	53.4	238	48.6	212	38.9	216	44.2	169	29.7	1,300	43.8

(Note 1) 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 1)	
		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	85.3%	—	88.4%	—	90.2%	—	89.7%	—	90.3%	—	95.3%	—	90.4%	—
ADR	11,450	—	12,240	—	11,122	—	11,098	—	7,361	—	7,519	—	9,646	—
RevPAR	9,768	—	10,818	—	10,034	—	9,952	—	6,645	—	7,167	—	8,720	—
Total sales	177	100.0	242	100.0	323	100.0	131	100.0	291	100.0	230	100.0	1,394	100.0
Rooms department	176	99.3	240	99.2	320	99.1	130	99.4	237	81.6	228	99.3	1,332	95.5
Food & beverage department	—	—	—	—	—	—	—	—	52	17.9	—	—	52	3.7
Other departments	1	0.7	2	0.8	3	0.9	1	0.6	2	0.5	2	0.7	10	0.7
GOP	89	50.5	144	59.7	176	54.5	61	46.2	105	36.1	116	50.3	691	49.6

(Note 3) 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 planned capital expenditures for renovation work during the fiscal year as of the end of the midterm period under review for real estate properties under management by JHR. The estimated construction costs below include the portion expensed in accounting. Capital expenditures are expected to total ¥1,753 million for the second half and, in aggregate with the capital expenditures for the first half, capital expenditures are expected to total ¥2,885 million for the full year.

Name of property, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (JPY1M)
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renewal of sky lounge “Kou’s” and renovation of elevator halls and pathways on the 14th floor	From June 2016 to August 2016	80
Hotel Nikko Alivila (Yomitan-son, Nakagami-gun, Okinawa)	Renewal of guest rooms on the 9th floor	From May 2016 to June 2016	55
ibis Tokyo Shinjuku (Shinjuku-ku, Tokyo)	Replacement of piping	From May 2016 to July 2016	83
ibis Tokyo Shinjuku (Shinjuku-ku, Tokyo)	Replacement of interior fittings and furniture and prefabricated bathrooms in guest rooms on the 3rd through 10th floors	From May 2016 to July 2016	164
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of disaster prevention facilities	From January 2016 to August 2016	92
Total			474

(Note) For 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 ¥1,132 million, and repair costs that were accounted for as expense in the current period totaled ¥18 million. In aggregate, ¥1,151 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 guest rooms on the 7th floor	From January 2016 to March 2016	50
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of guest room balconies	From January 2016 to April 2016	62
Oriental Hotel Tokyo Bay (Urayasu-shi, Chiba)	Renewal of guest rooms on the 4th floor	From January 2016 to March 2016	101
Namba Oriental Hotel (Osaka-shi, Osaka)	Renewal of guest rooms on the 9th floor	From January 2016 to February 2016	91
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Replacement of emergency power generator	From February 2016 to April 2016	60
Okinawa Marriott Resort & Spa (Nago-shi, Okinawa)	Renewal of hotel operation systems	From November 2015 to May 2016	55
Total			420

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