



JAPAN HOTEL REIT



Japan Hotel REIT Investment Corporation

August 21, 2015

Midterm Financial Results Briefing 16th Period (FY12/2015)

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

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

I. Midterm Settlement of Accounts for FY12/2015 – Highlights

1. Highlights of Midterm FY12/2015

1. External Growth

▶ Ongoing property acquisitions

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

Public offering in 1/2015 **6** properties / JPY23.1B

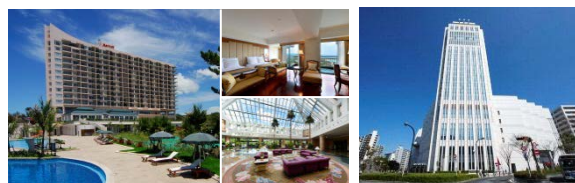
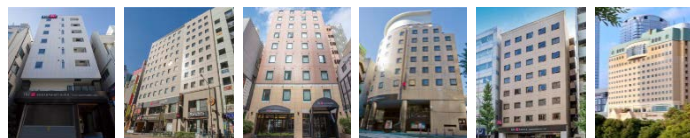
acquired

Public offering in 6/2015 **2** properties / JPY16.6B

acquired

After property acquisitions in 2015 **38** properties / JPY213.1B

▶ Property acquisitions unique to hotel REIT



Acquired with various purchase schemes from multiple sellers including directly negotiated transactions.

2. Internal Growth

▶ Improved performance of hotels with variable rent

◆ High growth of RevPAR in first half of 2015

(Unit: JPY)

	First half of 2014 ^(*)	First half of 2015	Variance
HMJ's five hotels ^{(*)1}	12,849	14,163	10.2%
Accor's six hotels ^{(*)2}	7,505	8,350	11.3%
Five "the b" hotels ^{(*)3}	6,824	7,852	15.1%
Total	9,757	10,828	11.0%

◆ Forecast of variable rent, etc. for full FY2015 compared with the same period last year

HMJ's five hotels	+JPY363M
ibis Tokyo Shinjuku & ibis Kyoto	+JPY75M
Upside sharing	+JPY300M

3. Improvement in Financial Conditions

▶ Improvement in financial indicators (after the purchase of Okinawa Marriott Resort & Spa / forecast at the end of 12/2015)

Lower borrowing costs **Management of LTV**
 1.7%⇒**1.6 %** 43.1%⇒**41.7%**

4. Others

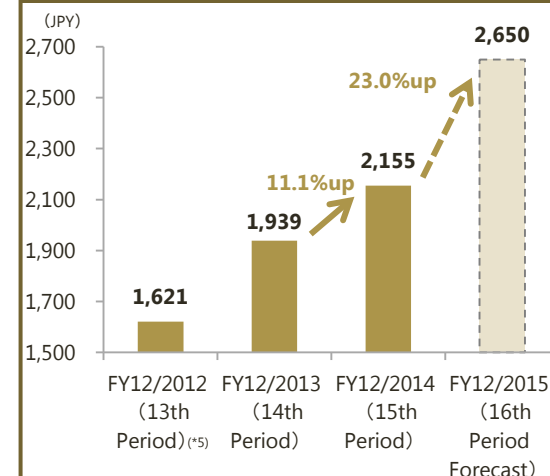
▶ AIFMD registration

Newly registered in the U.K. and the Netherlands

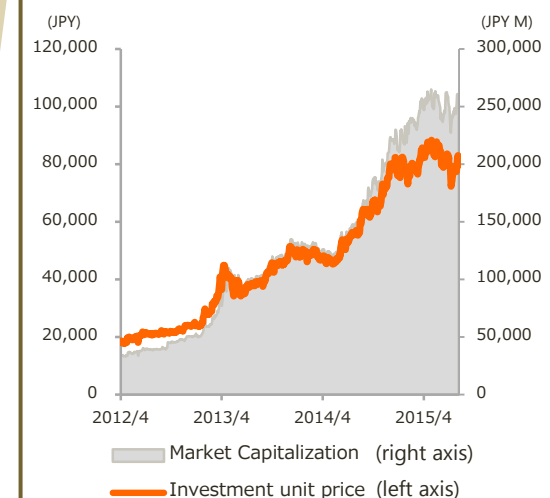
▶ Expansion of Benefits Program for Unitholders

Addition of Accor's six hotels to existing HMJ's five hotels

Steady growth of dividend



Rising market capitalization and investment unit price



(*)1 HMJ's five hotels are Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Aliviva, and Oriental Hotel Hiroshima (hereinafter called "HMJ's five hotels").

(*)2 Accor's six hotels are ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka (hereinafter called "Accor's six hotels").

(*)3 Five "the b" hotels are the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji, and the b hakata (hereinafter called "the five 'the b' hotels").

(*)4 Numbers for Hotel Nikko Aliviva and the b akasaka-mitsuke in 2014 are under the effect of variance in the number of rooms available for sale due to partial renovations, etc. (the same applies hereinafter).

(*)5 Fiscal year ending December 2012 (13th period) is irregular settlement of accounts of nine months. Therefore, the dividend of FY12/2012 is an annualized number based on certain conditions.

II. Summary of Midterm Settlement of Accounts and Revenue Forecast for Full Year

1. Midterm Operational Performance for FY12/2015

		(A)	(B)	(B) — (A)	
		FY12/2014	FY12/2015	FY12/2015	
		Midterm	Midterm	Midterm	
		Actual	Forecast Previous Time	Actual	Variance from Previous Time
Property	No. of properties	27	37	37	—
	Acquisition price	157,632	198,184	198,184	—
Profit and loss	Operating revenue	5,504	6,824	7,242	417
	Variable rent	1,011	1,845	2,269	424
	Fixed Rent	4,492	4,979	4,973	-6
	NOI	4,691	5,749	6,209	460
	Depreciation	1,168	1,364	1,327	-37
	Loss on retirement of noncurrent assets	2	6	1	-4
	NOI after depreciation	3,520	4,377	4,880	502
	Other operating expenses	508	668	622	-45
	Operating income	3,011	3,709	4,257	547
	Non-operating income	1	0	9	9
	Non-operating expenses	778	839	794	-44
	Ordinary income	2,235	2,870	3,472	602
	Net income (midterm)	2,234	2,870	3,472	601

(Unit: JPY M)

Major causes of variances

Operating revenue – variable rent, etc.

- HMJ's five hotels--increase in variable rent by JPY256M
- Accor's six hotels--increase in income from management contracts, etc. by JPY96M
- Five "the b" hotels--increase in variable rent by JPY18M
- Other increases such as upside sharing by JPY52M

Operating Expenses

- Decrease in operating expenses by JPY130M

(*1) For detail, please see Midterm Financial Report released on August 20, 2015.

(*2) NOI, etc. are calculated using the following formula.

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

NOI yield = NOI/total acquisition price of the properties owned as of the end of the fiscal period/year

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

NOI yield after depreciation = NOI after depreciation/total acquisition price of the properties owned as of the end of the fiscal period/year

2. Revenue Forecast for Full FY12/2015

		(A)	(B)	【Reference】		(B) - (A)
		FY12/2014 Actual	FY12/2015 Forecast Previous Time	FY12/2015 Forecast This Time		Variance from Previous Time
				Forecast This Time (Annualized)		
Property	No. of properties	30	38	38	38	-
	Acquisition price	173,429	213,134	213,134	213,134	-
Profit and loss	Operating revenue	12,760	16,050	16,655	17,220	604
	Variable rent	28.9% 3,693	35.5% 5,703	37.8% 6,303	37.5% 6,455	599
	Fixed Rent	71.1% 9,066	64.5% 10,347	62.2% 10,352	62.5% 10,764	5
	NOI	11,002 6.3%	13,736 6.4%	14,343 6.7%	14,646 6.9%	607 0.3%
	Depreciation	2,400	2,862	2,862	2,990	0
	Loss on retirement of noncurrent assets	4	13	13	13	0
	NOI after depreciation	8,597 5.0%	10,860 5.1%	11,467 5.4%	11,642 5.5%	607 0.3%
	Other operating expenses	1,051	1,485	1,438	1,480	-47
	Operating income	7,545	9,375	10,029	10,162	654
	Non-operating income	4	0	9	9	9
	Non-operating expenses	1,774	1,836	1,720	1,713	-116
	Ordinary income	5,776	7,539	8,319	8,458	780
	Net income	5,774	7,539	8,318	8,457	779
Dividend	Use of negative goodwill	240	13	13	13	0
	Total dividends	6,015	7,552	8,332	8,467	779
	Number of units issued (Units)	2,791,281	3,144,227	3,144,227	3,144,227	0
	Dividend per unit (JPY)	2,155	2,402	2,650	2,693	248

+10.3% ↑ +23.0% ↑

Major causes for variance

Operating revenue – variable rent, etc.

- HMJ's five hotels--increase in variable rent by JPY311M
- Accor's six hotels--increase in income from management contracts, etc. by JPY168M
- Six "the b" hotels--increase in variable rent by JPY36M
- Other increases such as upside sharing by JPY82M

Major assumptions for FY12/2015 ^(*)

- **Operating assets:** Thirty-eight properties. No property transfer (acquisition or disposition) is expected.
- **Operating revenue:** Based on lease contracts, etc., hotels' competitiveness and market environment have been considered for the calculation.
- **Operating expenses:** JPY946M for fixed asset tax and city planning tax, etc. is assumed. The taxes of the eight properties acquired during the midterm will not be posted as operating expenses since they will be posted as acquisition expenses. (The fixed asset tax and city planning tax for the eight properties is posted with the assumption of JPY255M in annualized number.) Straight-line method is applied to calculate depreciation.
- **Non-operating expenses:** JPY1,720M is assumed as interest payments, amortization of loan-related fees, loan-related costs and amortized expenses for issuing new investment units in January and June 2015.
- **Borrowing:** It is assumed that the balance of loans and investment corporation bonds at the beginning of FY12/2015 totals JPY81,089M. The amount is assumed to be JPY97,772M at the end of FY12/2015.
- **No. of investment units issued:** Assume 3,144,277 units issued in total.
- **Dividend per unit:** Negative goodwill is used for loss on retirement of noncurrent assets (JPY13M). Balance carried forward from the previous period is JPY1M.

(*) For detail, please see Midterm Financial Report released on August 20, 2015.

(*) NOI, etc. are calculated using the following formula.

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

NOI yield = NOI/total acquisition price of the properties owned as of the end of the fiscal period/year

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

NOI yield after depreciation = NOI after depreciation/total acquisition price of the properties owned as of the end of the fiscal period/year

3. Balance Sheet

(Unit: JPY M)

	FY12/2014 End of Fiscal Year 12/31/2014	FY12/2015 End of Midterm 6/30/2015	Variance
ASSETS			
Current assets	15,836	26,322	10,486
Cash and deposits ^(*1)	14,424	25,145	10,721
Operating accounts receivable	1,029	758	-271
Others	382	419	37
Property and equipment, at cost	172,160	196,219	24,059
Net property and equipment	150,736	175,166	24,430
Buildings in trust ^(*2)	61,007	65,402	4,395
Land in trust	89,055	109,077	20,022
Others ^(*3)	672	685	13
Intangible assets	19,842	19,840	-2
Other assets	1,582	1,212	-370
Investment securities	602	-	-602
Leasehold and security deposits	170	170	-
Others	808	1,041	233
Deferred assets	94	125	31
TOTAL ASSETS	188,091	222,668	34,577

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

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

(*3) The sum of machinery and equipment, tools, furniture and fixtures.

	FY12/2014 End of Fiscal Year 12/31/2014	FY12/2015 End of Midterm 6/30/2015	Variance
LIABILITIES AND NET ASSETS			
Current liabilities	13,474	23,581	10,107
Operating accounts payable	285	568	283
Short-term loans payable	-	1,000	1,000
Current portion of long-term loans payable	11,825	20,588	8,763
Accounts payable	691	558	-133
Advances received	651	717	66
Others	20	149	129
Long-term liabilities	74,274	75,015	741
Long-term loans payable	63,264	63,896	632
Investment corporation bond	6,000	6,000	-
Tenant leasehold and security deposits	4,650	4,864	214
Others	358	254	-104
TOTAL LIABILITIES	87,748	98,596	10,848
NET ASSETS			
Unitholders' capital	59,024	85,177	26,153
Capital surplus	21,746	21,746	-
Dividend reserve	14,168	13,928	-240
Unappropriated retained earnings (midterm/year)	5,776	3,473	-2,303
Others	-373	-254	119
TOTAL NET ASSETS	100,342	124,071	23,729
TOTAL LIABILITIES AND NET ASSETS	188,091	222,668	34,577

III. External Growth

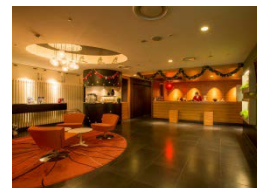
Portfolio of “the b” Hotels (Five “the b” Hotels)

the b akasaka-mitsuke



Address	Tokyo
Acquisition Price	JPY6,250M
Appraisal Value	JPY6,420M
Total No. of Guest Rooms	122 rooms
Completion	11/2002
NOI Yield	4.3%
Rent Scheme	Fixed+Variable

the b ikebukuro



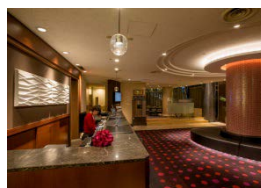
Address	Tokyo
Acquisition Price	JPY6,520M
Appraisal Value	JPY6,770M
Total No. of Guest Rooms	175 Rooms
Completion	6/1982
NOI Yield	4.7%
Rent Scheme	Fixed+Variable

the b ochanomizu



Address	Tokyo
Acquisition Price	JPY2,320M
Appraisal Value	JPY2,470M
Total No. of Guest Rooms	72 Rooms
Completion	8/1999
NOI Yield	4.6%
Rent Scheme	Fixed+Variable

the b hachioji

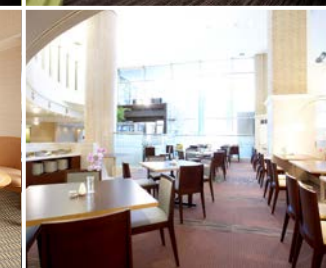


Address	Tokyo
Acquisition Price	JPY2,610M
Appraisal Value	JPY2,720M
Total No. of Guest Rooms	196 Rooms
Completion	8/1986
NOI Yield	6.3%
Rent Scheme	Fixed+Variable

the b hakata



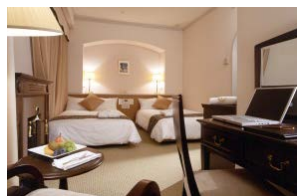
Address	Fukuoka
Acquisition Price	JPY2,300M
Appraisal Value	JPY2,370M
Total No. of Guest Rooms	175 Rooms
Completion	9/1997
NOI Yield	5.7%
Rent Scheme	Fixed+Variable



(*) NOI Yield is based on annualized NOI of FY12/2015 forecast

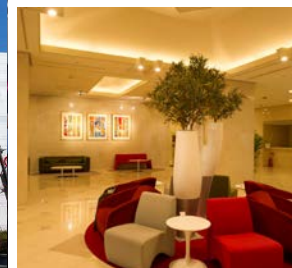
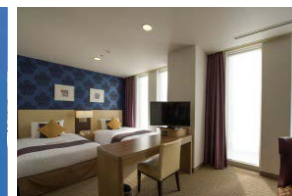
1. Properties Acquired in 2015(2)

Hotel Francs



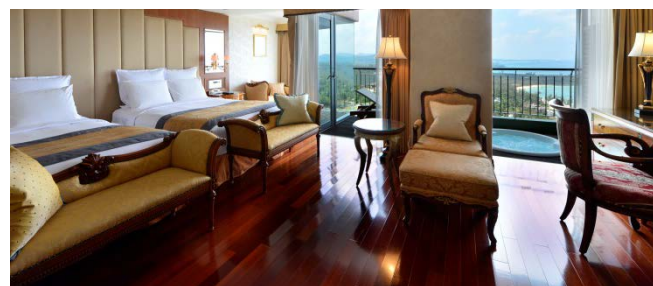
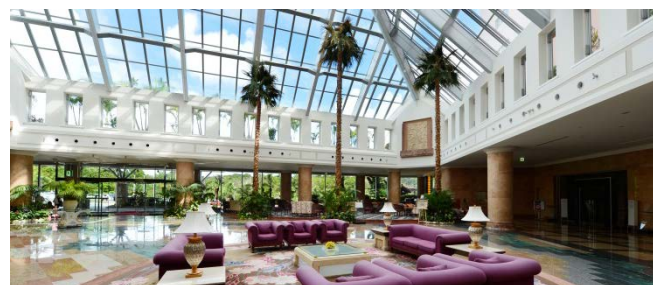
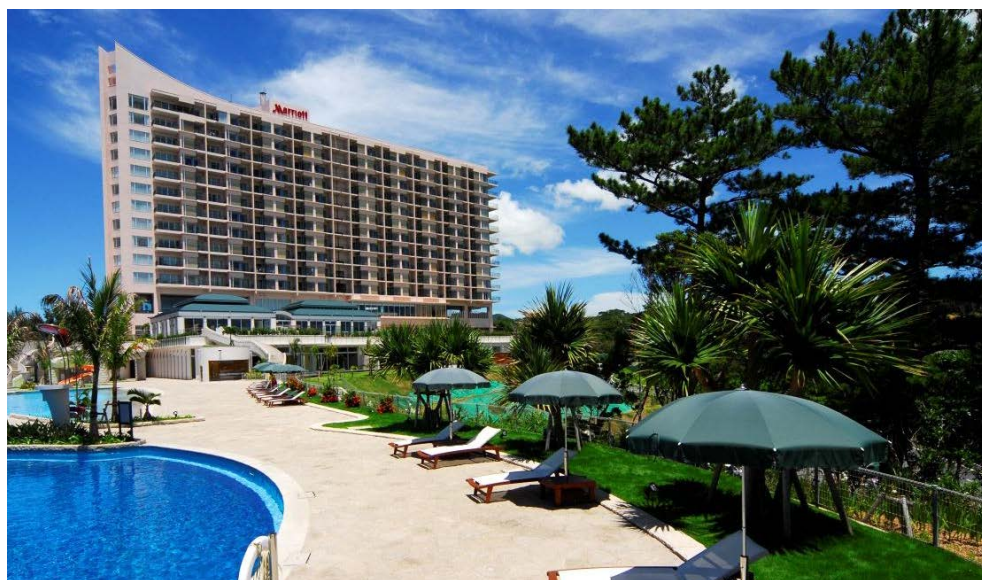
Address	Chiba
Acquisition Price	JPY3,105M
Appraisal Value	JPY3,500M
Total No. of Guest Rooms	222 Rooms
Completion	8/1991
NOI Yield	7.5%
Rent Scheme	Fixed

Mercure Yokosuka



Address	Kanagawa
Acquisition Price	JPY1,650M
Appraisal Value	JPY1,680M
Total No. of Guest Rooms	160 Rooms
Completion	11/1993
NOI Yield	7.3%
Rent Scheme	Variable

Okinawa Marriott Resort & Spa



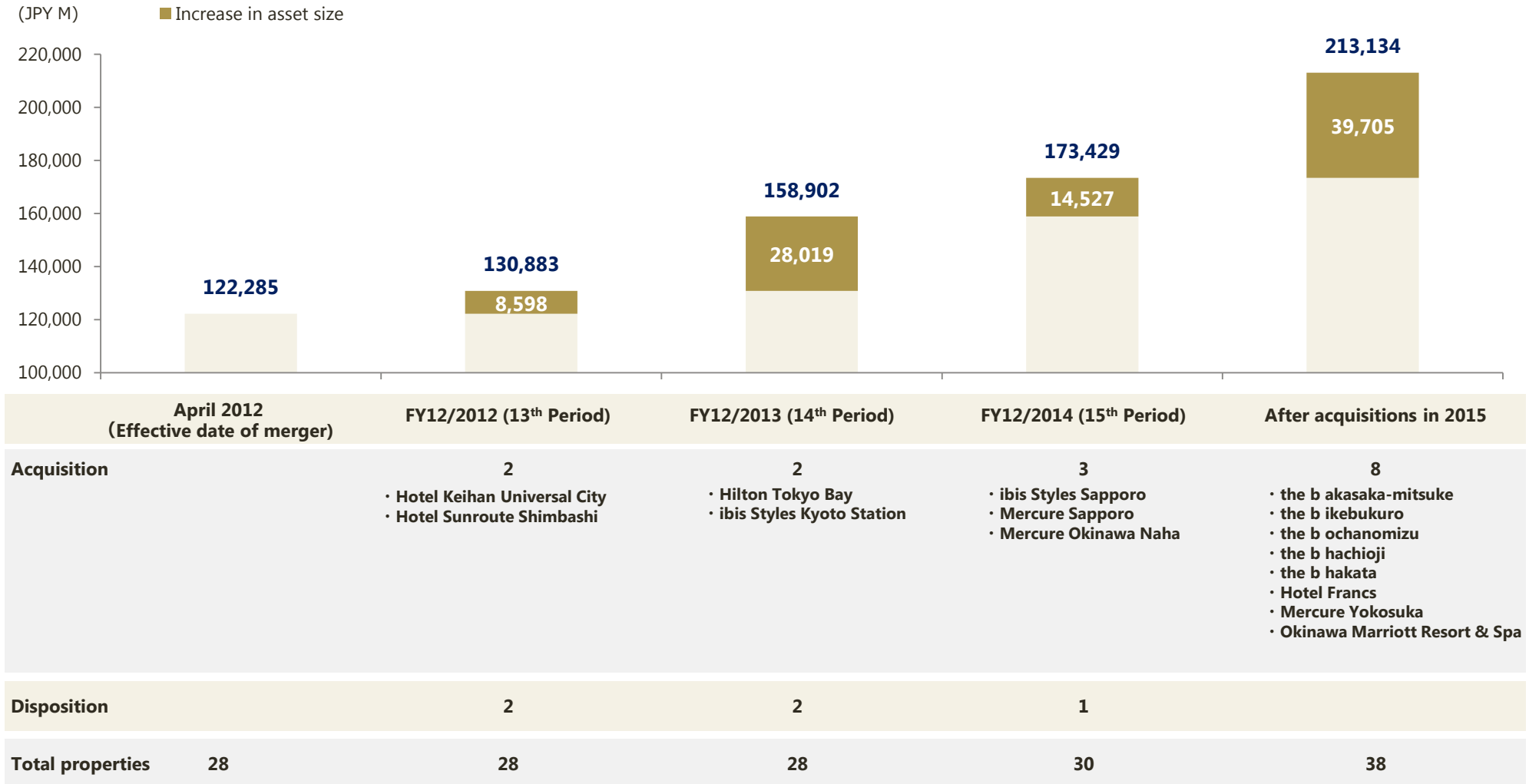
Address	Okinawa
Acquisition Price	JPY14,950M
Appraisal Value	JPY15,400M
Total No. of Guest Rooms	361 Rooms
Completion	2/2005
NOI Yield	6.1%
Rent Scheme	Fixed+Variable

(*) NOI Yield is based on annualized NOI of FY12/2015 forecast

2. Ongoing Property Acquisitions

Change in asset size (*)

◆ Realize external growth by steady property acquisitions

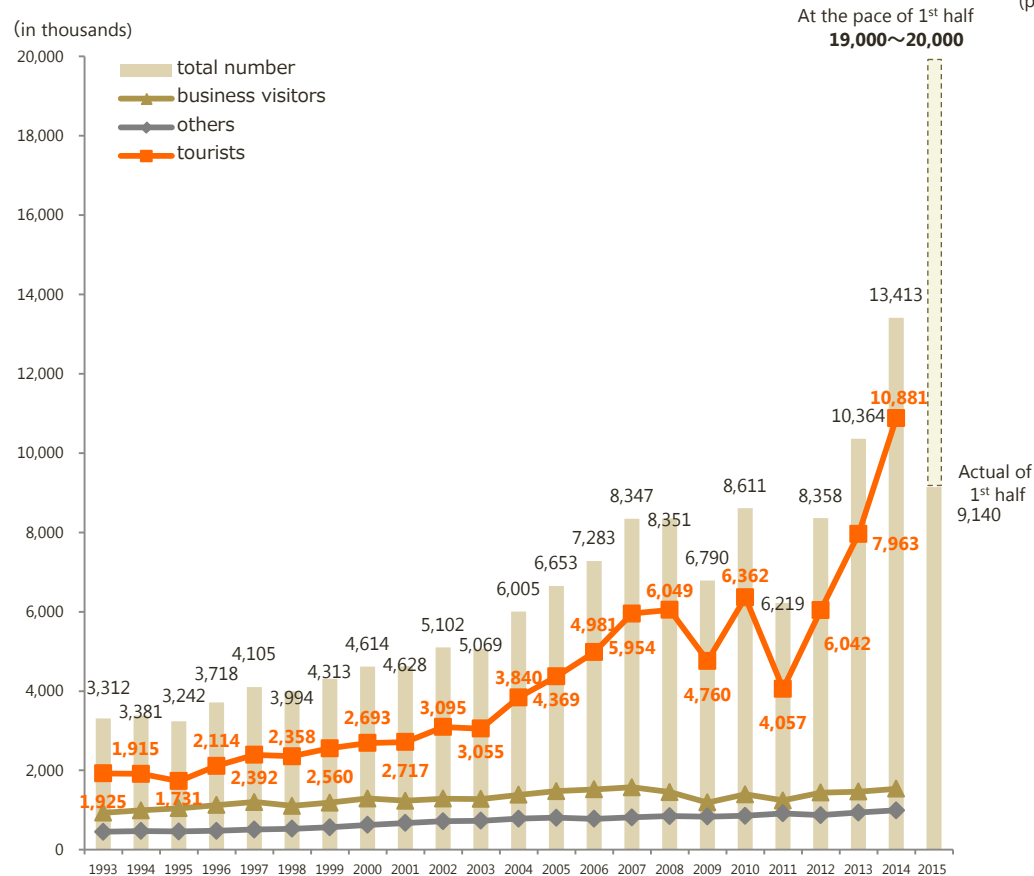


(*) Asset size refers to the total amount of acquisition price.

3. Market Environment –Inbound Visitors

Change in the number of inbound visitors by purpose

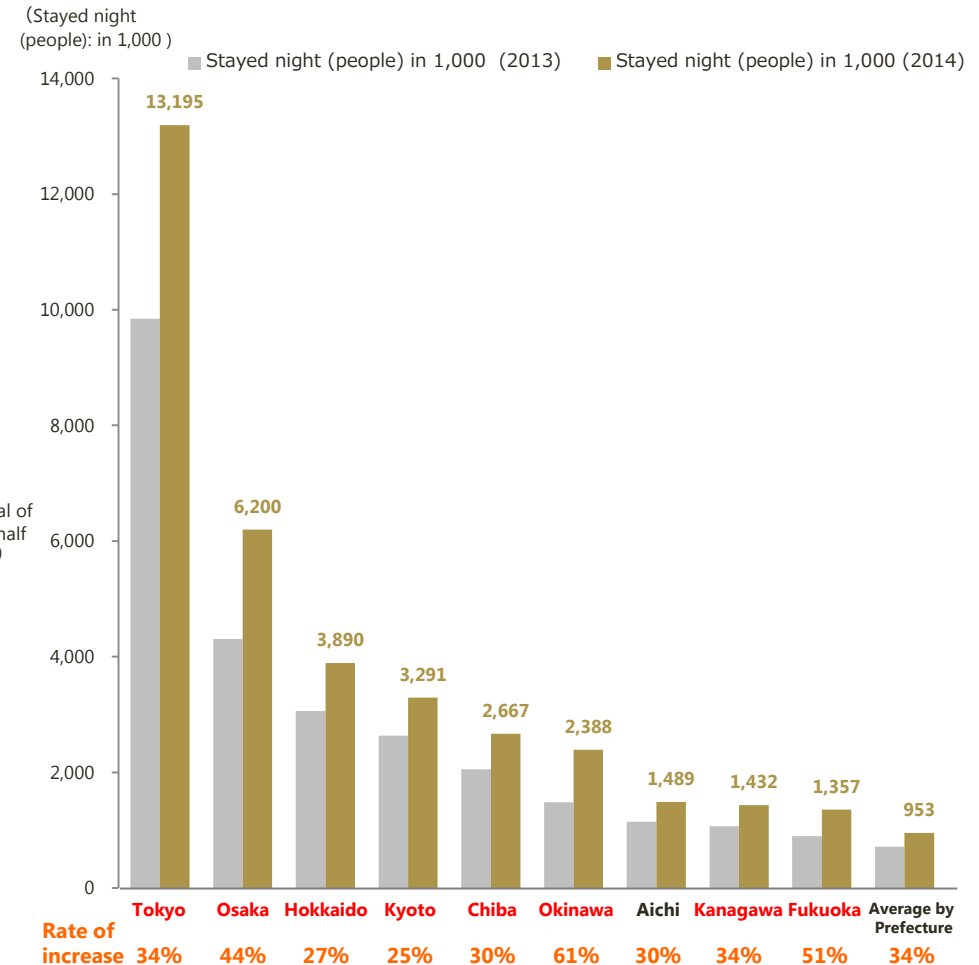
First half of 2015: up 46% from the same period last year.
The growth in the total number of inbound visitors is accelerating. The key driver of growth is inbound leisure tourists.



Source: "Trend of the number of inbound visitors" by Japan National Tourism Organization (JNTO)

Comparison of foreign lodgers by prefecture (2014 vs 2013)

Notable growth in areas where JHR-owned hotels locate

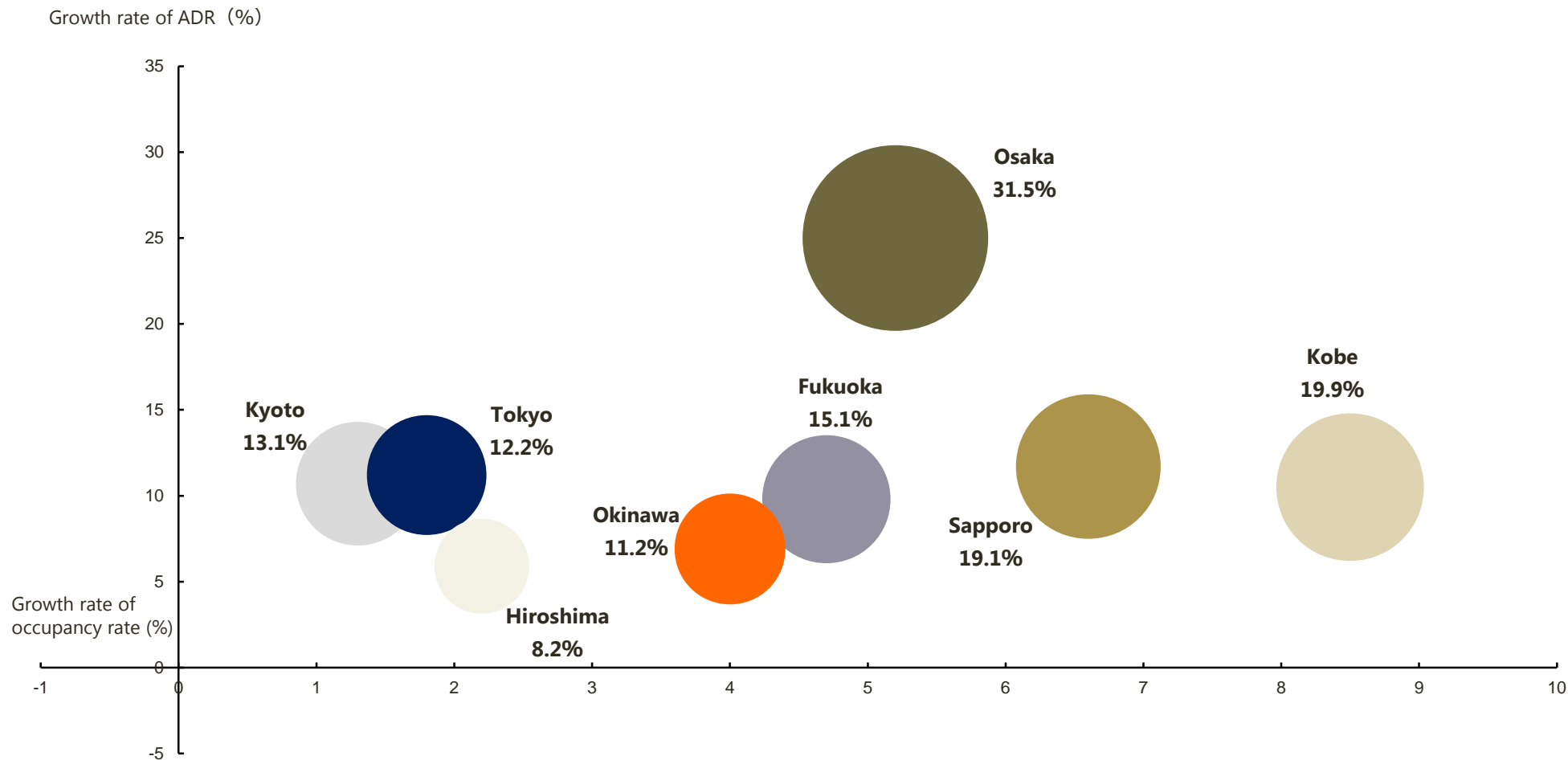


(*) In the order of the number of foreign lodgers (from left to right).
Prefectures in red means JHR has purchased hotels in those areas after the merger.

Source: "Overnight trips survey" by Japan Tourism Agency

4. Market Environment –Domestic Market

Comparison of key property indexes in major cities in the world (from January to June in 2015, compared with the same period in 2014)



(*) The size of circles show growth rate of RevPAR.

Source: Prepared by Asset Management Company using data of STR Global 

IV. Internal Growth

1. Rent Schemes

Stability

Upside

(As of the end of December 2015 (Forecast))

Type of rent	Fixed rent	Fixed rent + Upside sharing	Fixed rent + Variable rent	Variable rent	Management contract	Total
Type of contract	Lease contract	Lease contract	Lease contract	Lease contract	Management contract	
Rent schemes	Fixed	○	○	-	-	-
	Variable	-	A certain percentage of sales exceeded the threshold	A certain percentage of hotel GOP	A certain percentage of hotel GOP	GOP of hotel
Operating revenue (JPY M) (%)	2,672 (16.1%)	3,344 (20.1%)	7,779 (46.7%)	203 (1.2%)	2,650 (15.9%)	16,651 (100.0%)
(Break-down)	Fixed rent (%)	2,672 (16.1%)	2,987 (17.9%)	40 (0.2%)	488 (2.9%)	10,347 (62.2%)
	Variable rent (%)	—	356 (2.1%)	162 (1.0%)	2,162 (13.0%)	6,303 (37.8%)
Involvement in hotel operation	Low	Low	High	High	High	
CAPEX paid by JHR	1) Renewal of building and facilities	1) Renewal of building and facilities < 3) Strategic investment >	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	
No. of properties	14	5	12	2	5	38
Acquisition price (JPY M) (%)	35,681	40,470	104,870	2,473	29,640	213,134
	16.7%	19.0%	49.2%	1.2%	13.9%	100.0%
Hotels	Hakone Setsugetsuka The Beach Tower Okinawa Dormy Inn Kumamoto <u>Hotel Francs</u> (10 other hotels)	<u>Smile Hotel Nihombashi</u> <u>Mitsukoshimae</u> <u>Hotel Vista Kamata Tokyo</u> <u>Hotel Keihan Universal City</u> <u>Hotel Sunroute Shimbashi</u> <u>Hilton Tokyo Bay</u>	Kobe Meriken Park Oriental Hotel Oriental Hotel Tokyo Bay Namba Oriental Hotel Hotel Nikko Alivila Oriental Hotel Hiroshima <u>the b akasaka-mitsuke</u> <u>the b ikebukuro</u> <u>the b ochanomizu</u> <u>the b hachioji</u> <u>the b hakata</u> <u>the b suidobashi (*1)</u> <u>Okinawa Marriott Resort & Spa</u>	<u>Chisan Inn Kamata</u> <u>Mercure Yokosuka</u>	<u>ibis Tokyo Shinjuku</u> <u>ibis Styles Kyoto Station</u> <u>ibis Styles Sapporo</u> <u>Mercure Sapporo</u> <u>Mercure Okinawa Naha</u>	

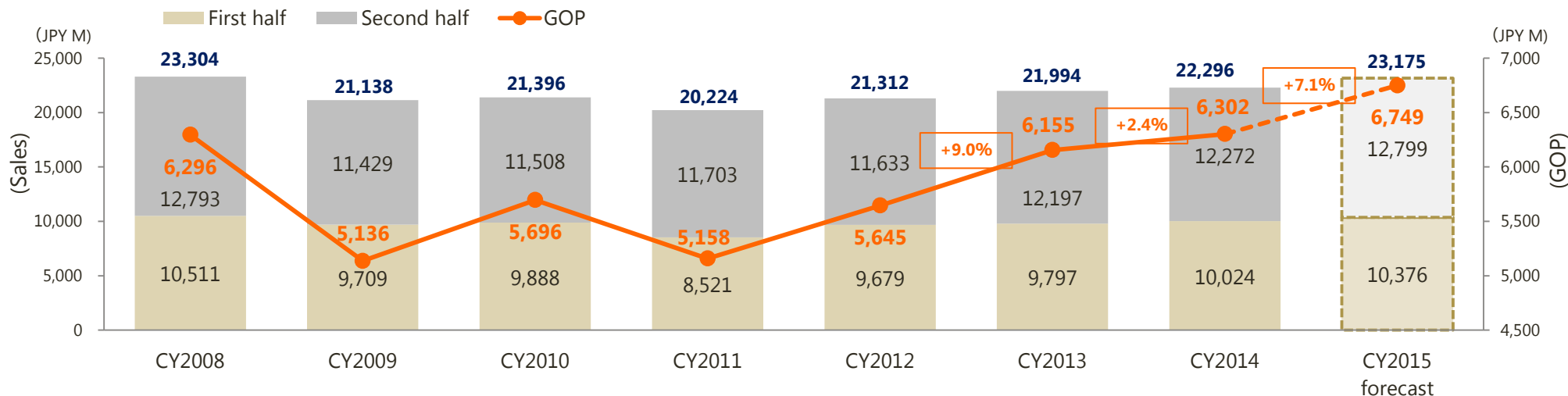
(*1) Dormy Inn Suidobashi was rebranded to the b suidobashi in July 2015. The rent scheme is changed from fixed rent to fixed rent + variable rent.

(*2) Underlined hotels are hotels that JHR purchased after the merger.

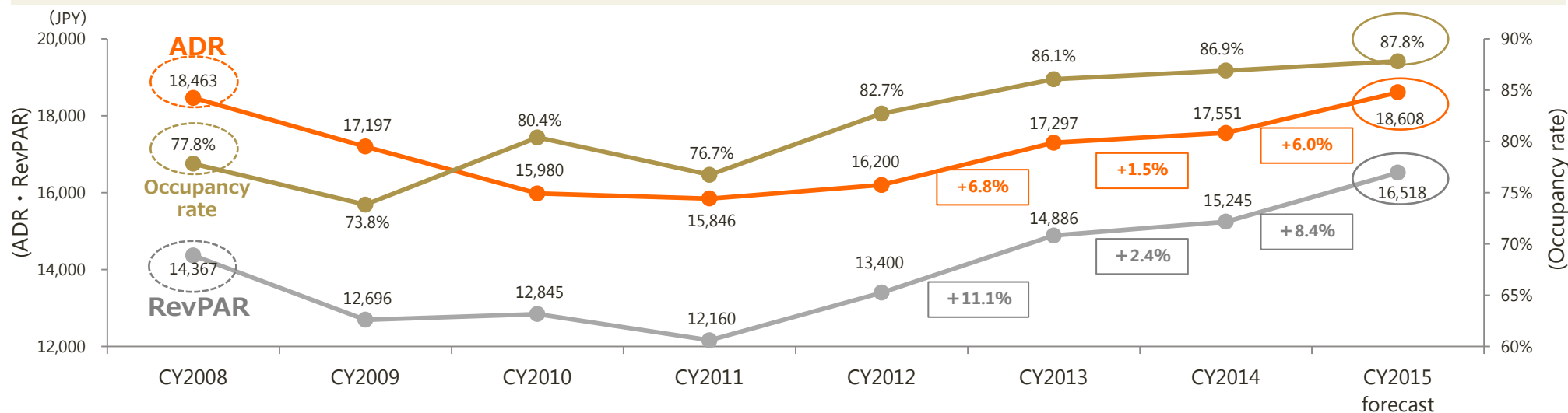
(*3) Hotels in red characters are those JHR adopted upside sharing or variable rent, etc. after the acquisitions.

2. HMJ's Five Hotels -- Highlights

Change in total sales and GOP



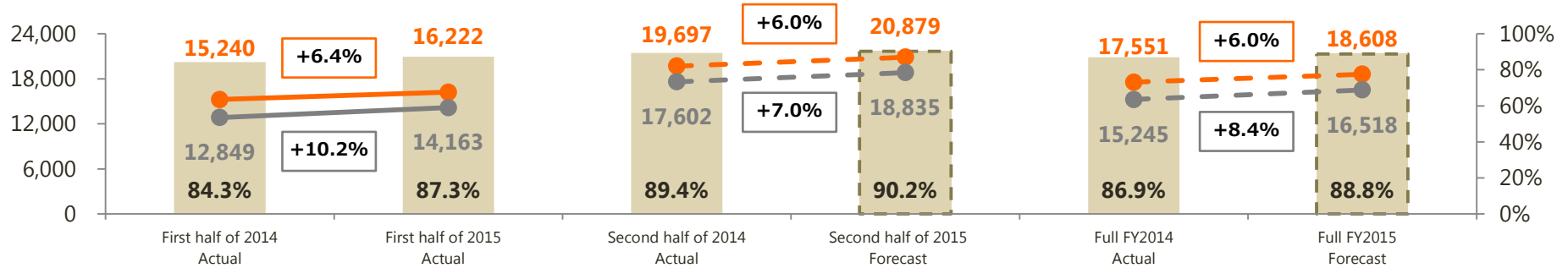
Change in KPI



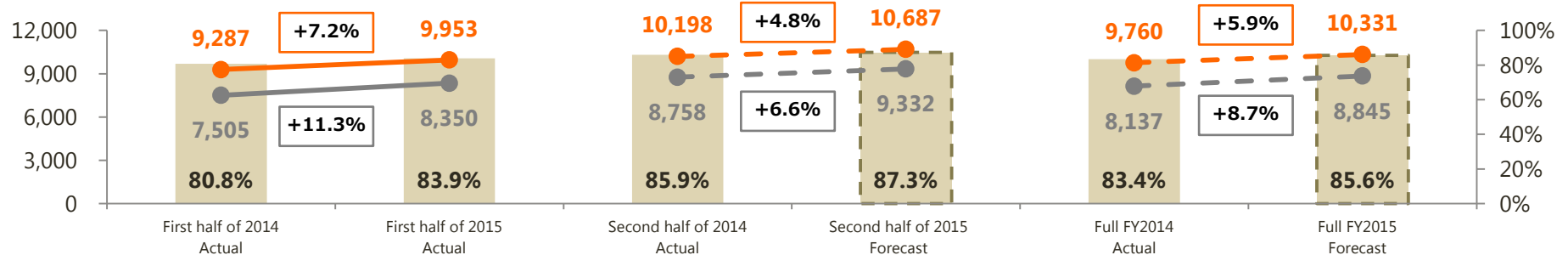
3. Major Indicators of Rooms Department of Hotels with Variable Rent (1)

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

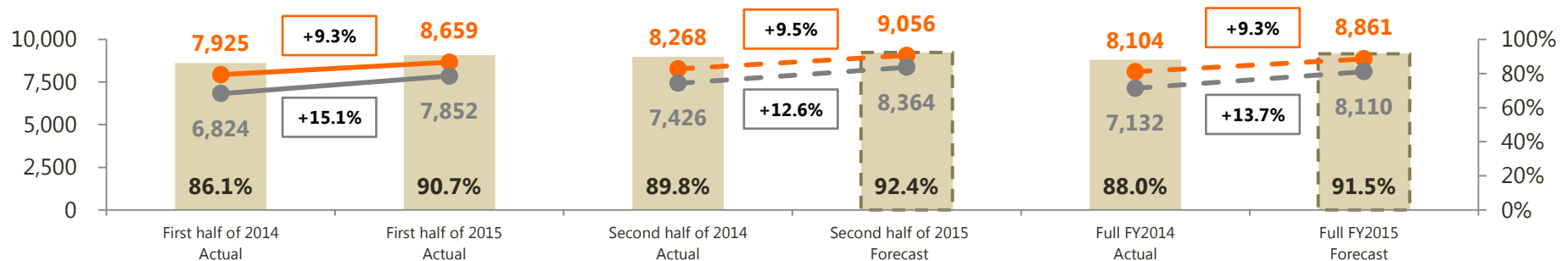
HMJ's Five Hotels



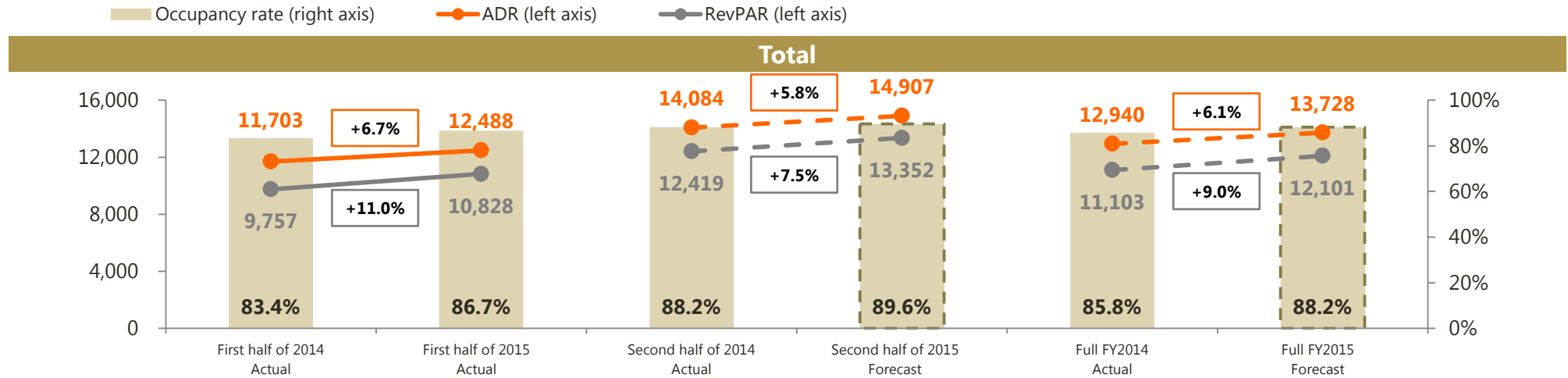
Accor's Six Hotels



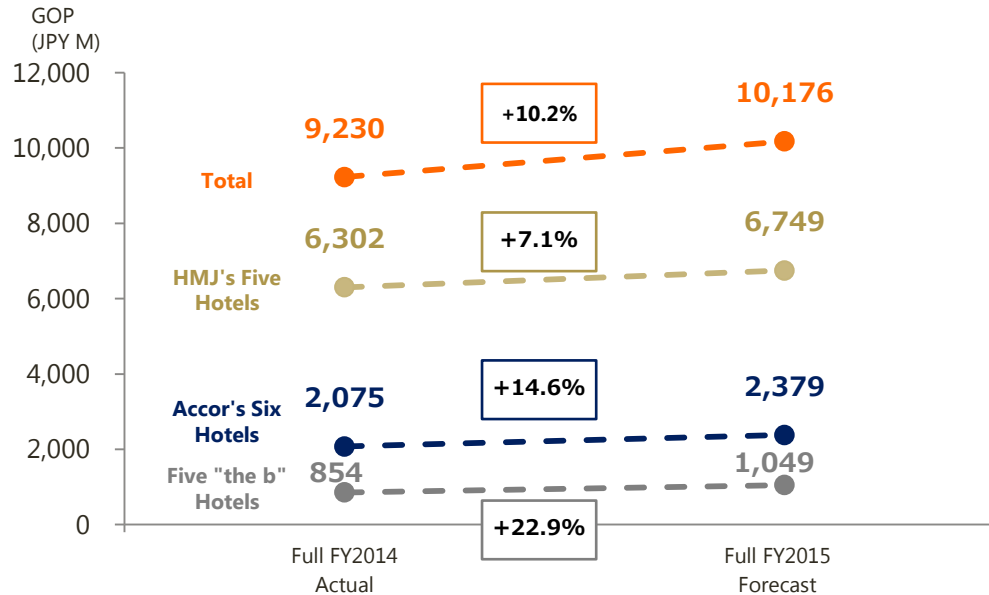
Five "the b" Hotels



3. Major Indicators of Rooms Department of Hotels with Variable Rent (2)

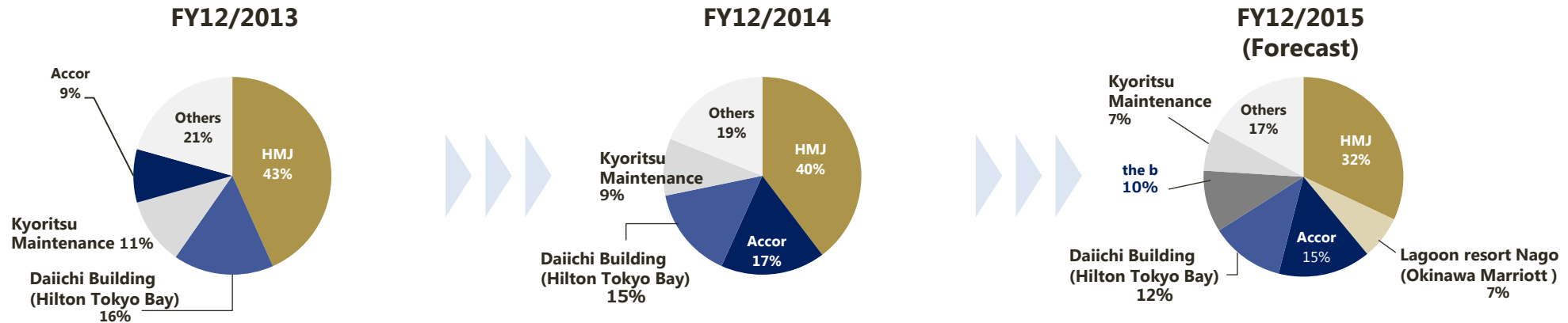


Forecast of GOP

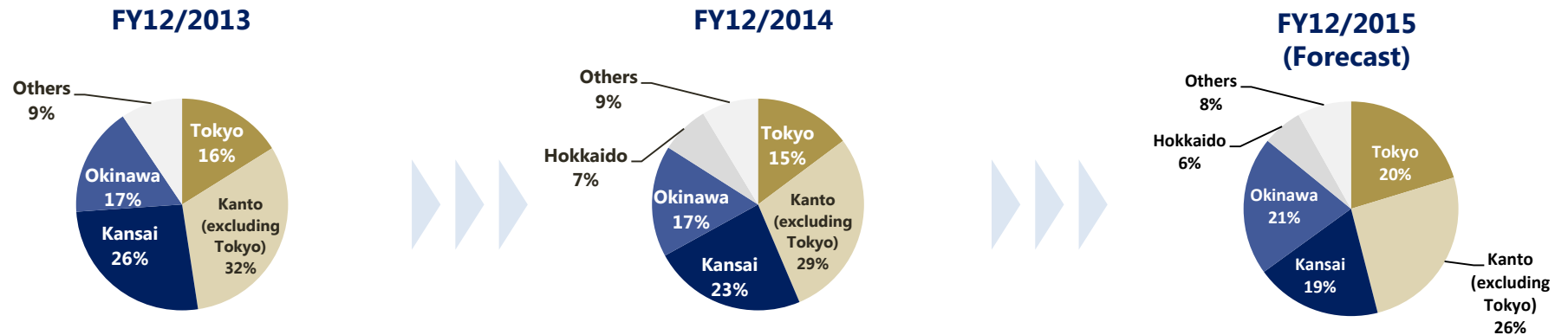


4. Portfolio Diversification

◆ Diversification of tenants (*)

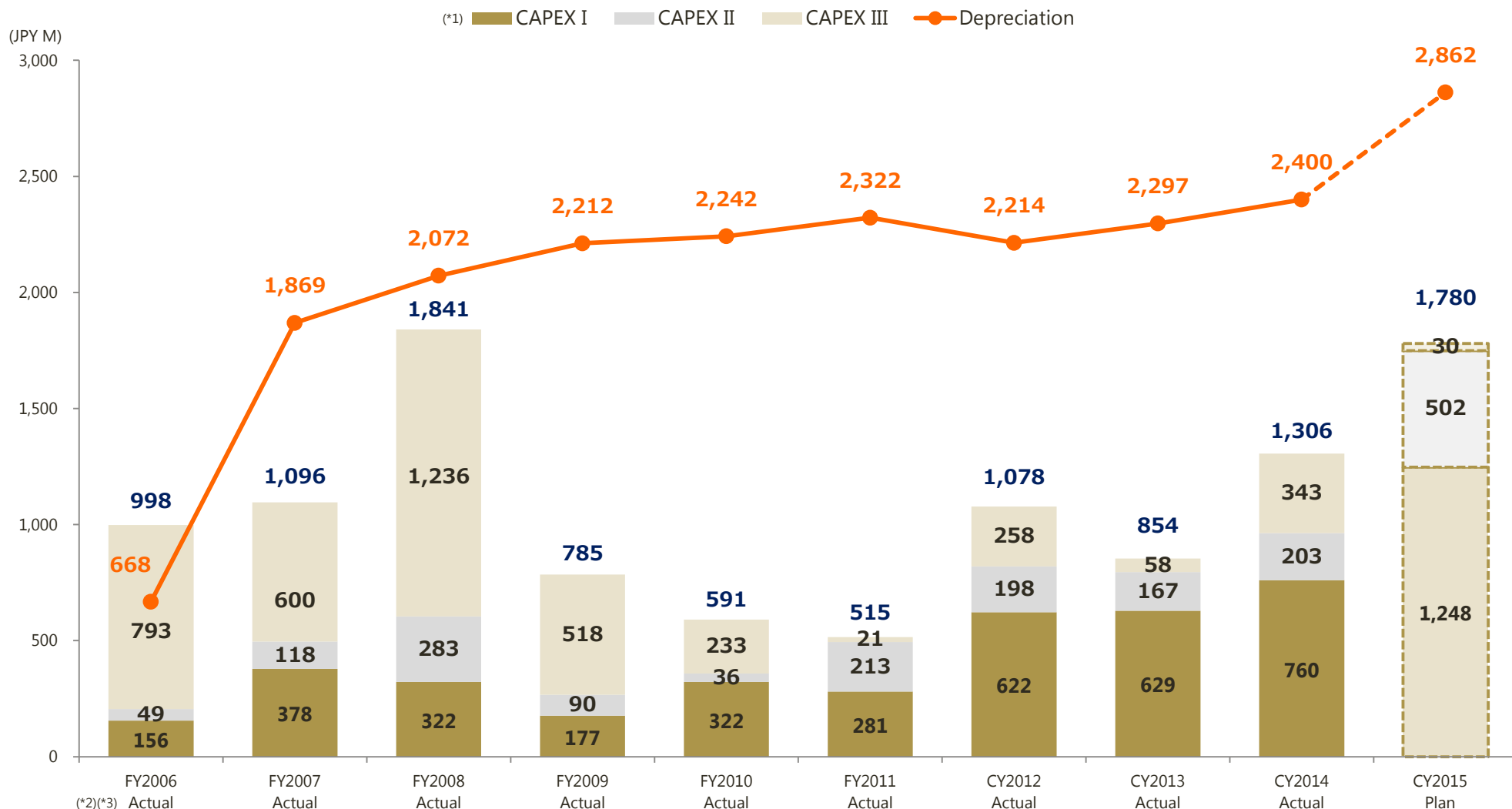


◆ Diversification of areas (*)



(*) Based on acquisition price

5. Capital Expenditure and Depreciation



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

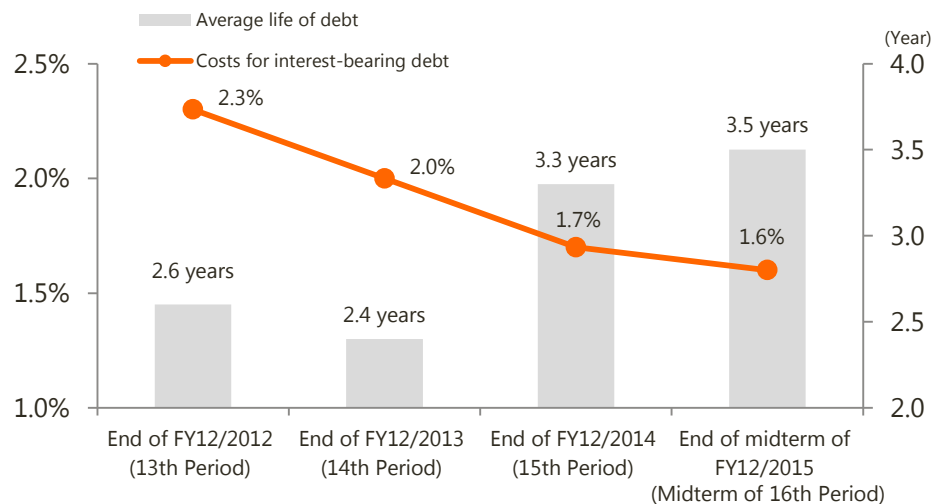
(*)2 The actual for FY2006 is the actual of the former JHR for the period from IPO to August 2006 (6.5 months). The actual for FY2007 is the sum of the actual of the former JHR from September 2006 through August 2007 and that of the former NHF from IPO to September 2007 (15.5 months). The actual for FY2008 is the sum of the actual of former JHR from September 2007 through August 2008 and that of former NHF from October 2007 through September 2008 (the same method applies for FY2009 to FY2011). The sum of CY2012 is the actual from January 2012 through December 2012 (Depreciation is the annualized number for the 13th period), and the actual for CY2013 and CY2014 is actual number for the period from January through December each year. The plan for CY2015 is the plan for the period from January through December 2015 based on the revenue forecast in the Midterm Financial Report for the Fiscal Year Ending December 2015 dated August 20, 2015.

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

V. Financial Strategy

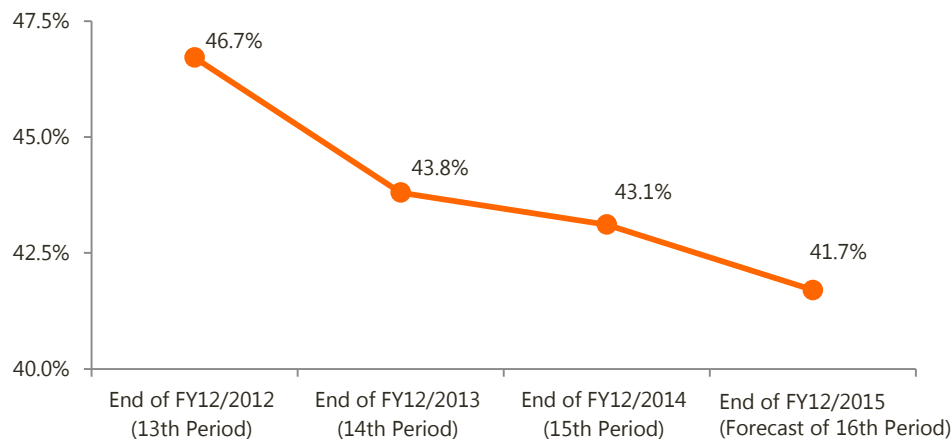
1. Financial Strategy (1)

Change in costs for interest-bearing debt ^{(*)1} and average life of debt ^{(*)2}

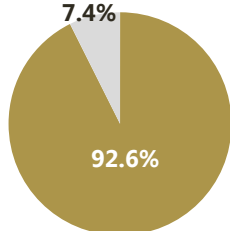
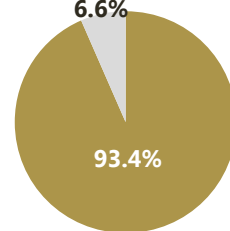
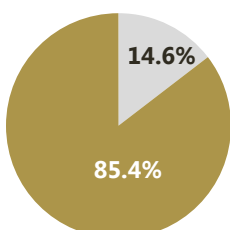
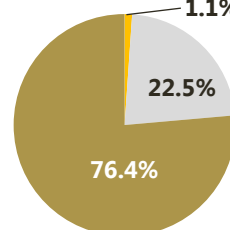


(*)1 Weighted-average number of costs for interest-bearing debt (including up-front fee, etc.) as of the end of each fiscal period/year.
 (*)2 Average life of debt as of the end of each fiscal period/year.

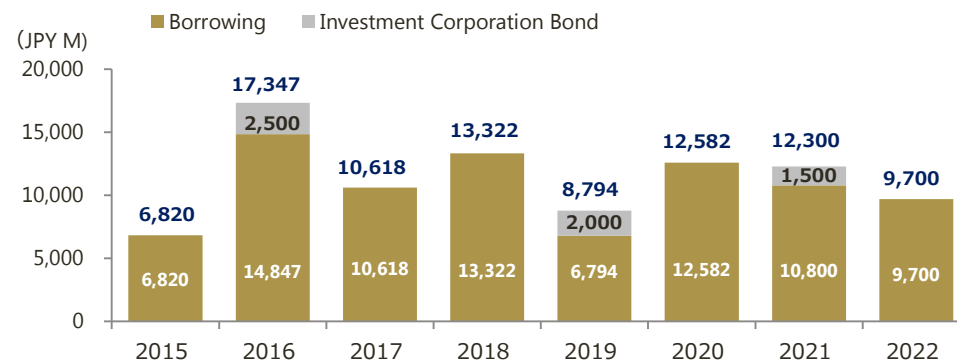
Change in LTV (total asset base)



(*) Change in LTV as of the end of each fiscal period/year.

	As of the end of Dec. 2014	As of the end of June 2015
Breakdown of the interest-bearing debt Loans Investment Corporation Bonds		
Term of interest-bearing debt Short-term Long-term (scheduled repayment within one year) Long-term		
LTV (Total asset base) (*)2 Percentage in 2015 is forecast amount for December	43.1%	41.7%
Interest rate fixation ratio (*)3 including purchase of cap contracts	89.0%	90.2%

Repayment schedule of interest-bearing debt (as of end of June 2015)



1. Financial Strategy (2)

Lender list for interest-bearing debts

(JPY M)

Lenders	Balance as of the end of last year (As of the end of December 2014)		Balance as of the end of midterm (As of the end of June 2015)		Variance
	Balance	Percentage	Balance	Percentage	Balance
Sumitomo Mitsui Banking Corporation	20,205	24.9%	23,205	25.4%	3,000
Shinsei Bank, Ltd.	10,318	12.7%	11,857	13.0%	1,539
Mizuho Bank, Ltd.	9,526	11.7%	11,707	12.8%	2,181
Resona Bank, Limited	7,002	8.6%	8,492	9.3%	1,490
The Tokyo Star Bank, Limited	8,199	10.1%	8,485	9.3%	286
Sumitomo Mitsui Trust Bank, Limited	6,998	8.6%	8,481	9.3%	1,483
The Nomura Trust and Banking Co., Ltd.	4,100	5.1%	4,085	4.5%	- 15
Development Bank of Japan Inc.	1,879	2.3%	1,875	2.1%	- 4
The Chiba Bank, Ltd.	1,531	1.9%	1,822	2.0%	291
The Hiroshima Bank, Ltd.	1,492	1.8%	1,492	1.6%	-
The Bank of Fukuoka, Ltd.	1,488	1.8%	1,486	1.6%	-2
Mitsubishi UFJ Trust and Banking Corporation	1,000	1.2%	1,000	1.1%	-
Sompo Japan Nipponkoa Insurance Inc.	996	1.2%	992	1.1%	- 4
Aozora Bank, Ltd.	350	0.4%	500	0.5%	150
Borrowing (Sub-Total)	75,089	92.6%	85,485	93.4%	10,395
2nd Investment Corporation Bond without collateral	2,500	3.1%	2,500	2.7%	-
3rd Investment Corporation Bond without collateral	2,000	2.5%	2,000	2.2%	-
4th Investment Corporation Bond without collateral	1,500	1.8%	1,500	1.6%	-
Investment Corporation Bond (Sub-Total)	6,000	7.4%	6,000	6.6%	-
Total Interest-Bearing Debt	81,089	100.0%	91,485	100.0%	10,395

Status of credit ratings

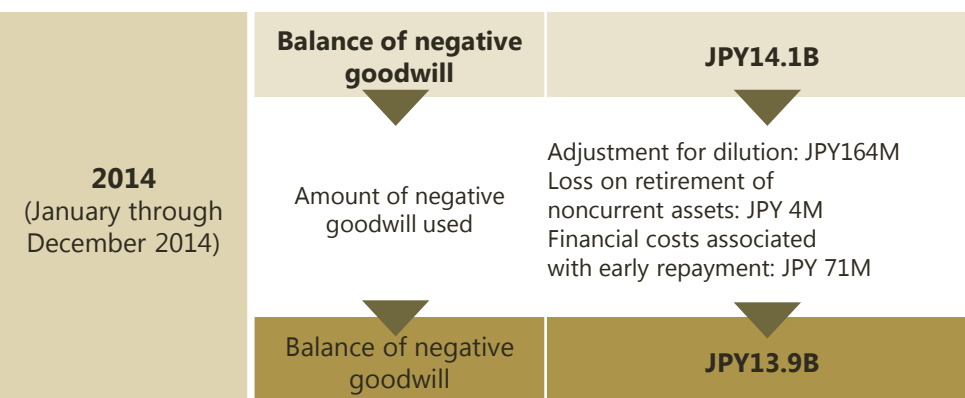
15th Period (end of FY12/2014)

Japan Credit Rating Agency, Ltd. (JCR)	A (prospectus: stable)
Rating and Investment Information, Inc. (R&I)	A- (prospectus: stable)

Use of negative goodwill

Major policies for using negative goodwill

- ◆ Cope with losses caused by property dispositions when replacing properties.
- ◆ Cope with dilution at issuance of investment units during the period.
- ◆ Cope with loss on retirement of noncurrent assets resulting from renovation, etc.

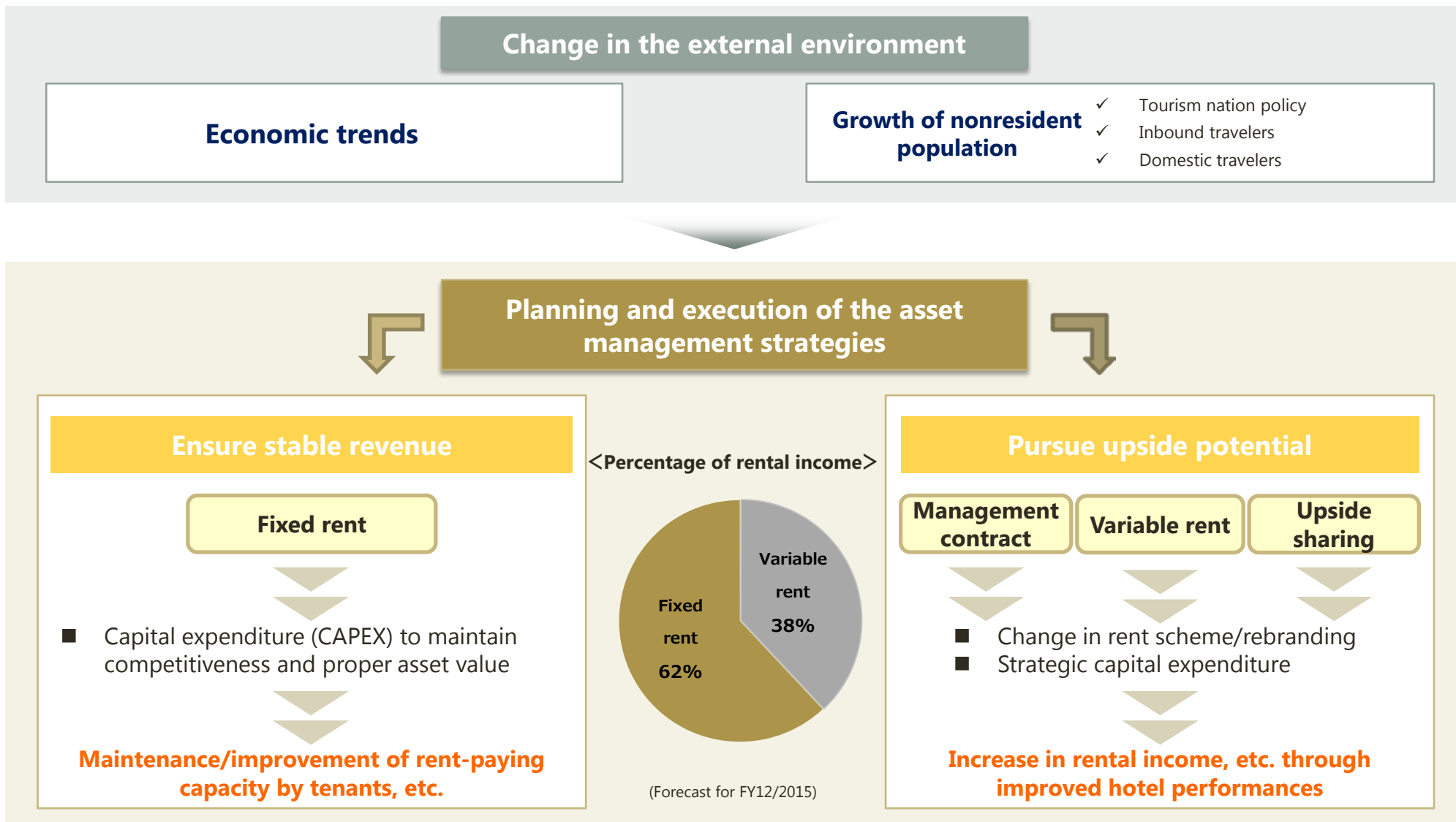


Appendix 1

JHR's Characteristics

1. Simultaneous Pursuit of Stability and Upside Potential

JHR pursues both stability and upside potential by implementing steady growth strategies



2. External Growth Strategy

Perception of the external environment

Trend of the hotel investment market

- ◆ Along with a rise in hotel revenue due to economic recovery and increase in domestic and inbound demand, hotel assets have gained investors' further attention. In addition, since the yields of other asset classes are decreasing and competitions to acquire hotel assets have become intense, yields on transactions are on a downward trend.
- ◆ This trend is predicted to continue for some time and transaction prices are expected to rise further.

Basic Policies

- ◆ Acquire hotel real estate that is capable of attracting "domestic and inbound leisure customers."
- ◆ Improve profitability, stability, and quality of the overall portfolio.



Key Measures

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

3. Internal Growth Strategy

Perception of the external environment

General market conditions

- ◆ Due to various measures implemented by the administration of Prime Minister Shinzo Abe to pull the nation out of deflation and realize the sustainable economic growth, corporate earnings are improving overall. Private consumption is also showing some sign of a recovery. Japan's economy continues to recover mildly.

Hotel market environment

- ◆ Demand for hotels is expected to continue favorably due to an increase in demand for domestic leisure and business by improvement of consumption confidence and corporate sentiments as well as inbound demand. Unit price is expected to increase continuously especially in the accommodation market.

Basic Policies

- ◆ Increase variable rent through improvement of hotel revenues
- ◆ Set, maintain, and increase proper fixed rent levels based on rent-paying capacity



Key Measures

- ◆ Monitoring, planning and execution of the asset management strategy based on an in-depth understanding of the hotel business.
 - Analyze the creditworthiness of hotel lessees, understand and improve hotel income and expenditures.
 - Understand the ever-changing needs of customers and diligently cope with changes.
 - Provide global level services to hotel users.
 - Differentiation strategy that enables "value competition," not "price competition."
 - Propose a structuring for hotel organization which can spur innovations.
- ◆ Plan and execute strategic CAPEX.
 - Strategic investment that will improve profitability and strengthen competitiveness.
 - Make investments to maintain asset value and daily revenue.
- ◆ Maximization of asset value through financial management including cost reduction and proper building maintenance.

Perception of the external environment

Continuing favorable environment for financing in both direct and indirect financial markets

- ◆ Expanded investor base due to continuous access to both equity and bond markets.
- ◆ Financial institutions are still eager to provide loans.
- ◆ Due to the Bank of Japan's monetary easing, short-term interest rates are expected to be stable at a low level from medium-perspective point of view.
- ◆ On the other hand, long-term interest rates, which are at a historical low, need to be paid close attention to unforeseeable circumstances.

Basic Policies

- ◆ Ensure healthy and stable finance
- ◆ Strengthen bank formation and relationships with financial institutions



Key Measures

- ◆ Maintain LTV level at a maximum of 50% (total asset base) for the time being
- ◆ Diverse fund procurement methods including issuance of the investment corporation bonds, etc.
- ◆ Diverse maturity
- ◆ Interest-rate risk management preparing for interest rate hike in the future

5. Benefits Program for Unitholders

JHR offers a benefits program to unitholders to improve their satisfaction and expand the investor base.

JHR expanded the benefits program from FY2015 by adding Accor's six hotels as subject hotels for the program.

◆ Eligible recipients of complimentary coupons

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

◆ Details of the benefits program

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

Accor's six hotels—10% discount from the best-offered accommodation rates

Five complimentary coupons for accommodations and five complimentary coupons for restaurants

(*) Complimentary coupons for restaurants are only available at HMJ's five hotels.

◆ Hotels that offer the benefits program

HMJ's five hotels and Accor's six hotels

◆ HMJ's five hotels



Kobe Meriken Park Oriental Hotel



Oriental Hotel Tokyo Bay



Namba Oriental Hotel



Oriental Hotel Hiroshima



Hotel Nikko Alivila

Coupon redemption (July 2014 through June 2015)

Hotels	Rooms		Restaurants	
	No. of coupons used	No. of people who used coupons	No. of coupons used	No. of people who used coupons
Kobe Meriken Park Oriental Hotel	316	355	719	1,972
Oriental Hotel Tokyo Bay	1,305	1,624	1,613	4,640
Namba Oriental Hotel	243	302	142	354
Hotel Nikko Alivila	269	530	533	1,429
Oriental Hotel Hiroshima	273	314	275	741
Total	2,406	3,125	3,282	9,136

(*) No. of eligible recipients: 18,145 (unitholders of 10 units or over as of June 2013)
12,211 (unitholders of 10 units or over as of June 2014)

◆ Accor's six hotels



ibis Tokyo Shinjuku



ibis Styles Kyoto Station



ibis Styles Sapporo



Mercure Sapporo



Mercure Okinawa Naha



Mercure Yokosuka

Appendix 2

Information on Properties

1. Property List (1/2)

No.	Property name	Hotel type	Grade	No. of guest rooms	Location	Age	Acquisition price	Book value	Appraisal Value				Investment ratio	Revenue from real estate operation	NOI	P/L from real estate operation	NOI yield (Forecast)
									15 th Period (as of 12.31.2014)		Midterm 16 th Period (as of 6.30.2015)						
									Appraisal value (JPY M) (*6)	CAP rate	Appraisal value	CAP rate					
		(*1)	(*2)			(*3)	(JPY M) (*4)	(JPY M) (*5)					(*7)	(JPY1000) (*8)	(JPY1000) (*8)	(JPY1000) (*8)	(*9)
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	319	Hyogo	20.0	10,900	10,164	12,500	5.8%	12,800	5.7%	5.5%	407,923	265,739	90,904	7.8%
2	Oriental Hotel tokyo bay	Full-service	Mid-price	503	Chiba	20.2	19,900	18,760	27,700	4.8%	29,100	4.8%	10.0%	729,750	669,671	426,980	7.8%
3	Namba Oriental Hotel	Limited-service	Mid-price	257	Osaka	19.3	15,000	14,769	19,200	4.7%	22,000	4.6%	7.6%	601,501	551,263	467,042	7.4%
4	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Hiroshima	21.8	4,100	4,035	4,150	7.8%	4,150	7.7%	2.1%	185,393	161,629	126,721	9.2%
5	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	21.3	18,900	18,658	21,300	5.7%	22,100	5.5%	9.5%	417,677	341,139	168,950	7.3%
6	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	11.3	7,610	6,914	8,400	5.3%	8,720	5.1%	3.8%	255,506	234,038	174,625	6.1%
7	Hakone Setsugetsuka	Resort	Mid-price	158	Kanagawa	8.8	4,070	3,822	4,480	5.9%	4,490	5.9%	2.1%	147,472	135,977	95,161	6.7%
8	Dormy Inn Kumamoto	Limited-service	Mid-price	294	Kumamoto	7.4	2,334	2,249	2,790	6.3%	2,830	6.2%	1.2%	97,230	86,514	66,725	7.2%
9	Dormy Inn Suidobashi (*10)	Limited-service	Economy	99	Tokyo	28.9	1,120	1,234	1,620	5.0%	1,670	4.7%	0.6%	42,000	33,957	27,629	6.7%
10	Dormy Inn EXPRESS Asakusa	Limited-service	Economy	77	Tokyo	18.3	999	968	1,080	4.8%	1,140	4.7%	0.5%	31,997	27,620	21,490	5.5%
11	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Fukuoka	20.3	2,130	2,089	2,780	5.6%	3,110	5.4%	1.1%	120,000	111,000	98,000	10.5%
12	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Nara	15.3	2,050	1,936	2,160	5.9%	2,200	5.8%	1.0%	75,000	67,000	46,000	6.5%
13	R&B Hotel Ueno-Hirokoji	Limited-service	Economy	187	Tokyo	13.2	1,720	1,753	1,670	4.8%	1,700	4.7%	0.9%	48,647	41,479	35,128	4.9%
14	R&B Hotel Higashi-Nihombashi	Limited-service	Economy	202	Tokyo	17.3	1,534	1,507	1,850	5.2%	1,890	5.1%	0.8%	61,103	52,614	43,960	6.8%
15	Comfort Hotel Tokyo Higashi Nihombashi	Limited-service	Economy	259	Tokyo	7.4	3,746	3,673	4,740	5.2%	4,830	5.1%	1.9%	135,057	119,735	101,952	6.4%
16	Comfort Hotel Shin-Yamaguchi	Limited-service	Economy	139	Yamaguchi	7.9	866	792	822	6.3%	834	6.2%	0.4%	30,264	25,619	18,448	5.4%
17	Daiwa Roynet Hotel Akita	Limited-service	Economy	221	Akita	9.1	1,760	1,654	1,820	6.5%	1,880	6.3%	0.9%	69,000	60,000	43,000	6.2%
18	Smile Hotel Nihombashi Mitsukoshimae	Limited-service	Economy	164	Tokyo	18.3	2,108	2,048	2,550	4.8%	2,680	4.7%	1.1%	83,310	75,568	66,578	6.4%
19	Hotel Sunroute Niigata	Limited-service	Mid-price	231	Niigata	22.9	2,105	1,977	1,900	6.4%	1,930	6.3%	1.1%	78,000	70,543	51,144	5.8%
20	Toyoko Inn Hakataguchi Ekimae	Limited-service	Economy	257	Fukuoka	13.8	1,652	1,509	2,280	5.6%	2,360	5.4%	0.8%	70,519	63,962	53,266	7.7%

1. Property List (2/2)

No.	Property name	Hotel type	Grade	No. of guest rooms	Location	Age	Acquisition price	Book value	Appraisal Value				Investment ratio	Revenue from real estate operation	NOI	P/L from real estate operation	NOI yield (Forecast)
									15 th Period (as of 12.31.2014)		Midterm 16 th Period (as of 6.30.2015)						
									Appraisal value (JPY M) (*6)	CAP rate	Appraisal value	CAP rate					
		(*1)	(*2)			(*3)	(JPY M) (*4)	(JPY M) (*5)					(*7)	(JPY1000) (*8)	(JPY1000) (*8)	(JPY1000) (*8)	(*9)
21	Hotel Keihan Universal City	Resort	Mid-price	330	Osaka	14.0	6,000	6,053	8,920	5.9%	12,000	5.7%	3.0%	513,117	474,854	433,065	11.8%
22	Chisan Inn Kamata	Limited-service	Economy	70	Tokyo	12.2	823	811	886	5.3%	1,070	5.1%	0.4%	33,216	29,276	23,510	6.4%
23	Hotel Vista Kamata Tokyo	Limited-service	Economy	106	Tokyo	23.4	1,512	1,484	1,520	5.1%	1,700	4.9%	0.8%	53,142	45,649	34,560	6.2%
24	Hotel Sunroute Shimbashi	Limited-service	Mid-price	220	Tokyo	7.3	4,800	4,882	6,360	4.7%	6,750	4.5%	2.4%	222,180	190,171	179,634	6.5%
25	Hilton Tokyo Bay	Resort	Luxury	818	Chiba	27.0	26,050	26,171	30,700	4.9%	32,100	4.7%	13.1%	940,459	784,729	705,326	6.1%
26	ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	34.8	7,243	7,424	7,740	4.8%	8,430	4.6%	3.7%	332,421	230,172	200,919	6.0%
27	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kyoto	6.3	6,600	6,751	7,020	5.0%	7,460	4.8%	3.3%	203,786	179,846	164,067	6.1%
28	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	4.9	6,797	6,823	7,080	5.7%	7,400	5.5%	3.4%	230,569	193,993	158,493	7.0%
29	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	6.2	6,000	6,056	6,170	5.5%	6,720	5.3%	3.0%	261,934	176,925	138,612	7.3%
30	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	5.9	3,000	2,991	3,220	5.4%	4,000	5.3%	1.5%	160,322	132,628	107,850	8.7%
31	the b akasaka-mitsuke	Limited-service	Mid-price	122	Tokyo	12.6	6,250	6,308	6,420	4.4%	6,420	4.4%	3.2%	115,761	113,812	104,417	4.2%
32	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	33.0	6,520	6,585	6,770	4.8%	6,790	4.8%	3.3%	146,443	143,872	130,525	4.7%
33	the b ochanomizu	Limited-service	Mid-price	72	Tokyo	15.9	2,320	2,346	2,470	4.5%	2,480	4.5%	1.2%	49,411	48,397	44,226	4.6%
34	the b hachioji	Limited-service	Mid-price	196	Tokyo	28.9	2,610	2,649	2,720	5.8%	2,740	5.7%	1.3%	89,148	87,127	77,219	6.8%
35	the b hakata	Limited-service	Mid-price	175	Fukuoka	17.8	2,300	2,326	2,370	5.2%	2,430	5.1%	1.2%	64,090	63,024	55,768	5.8%
36	Hotel Francs	Full-service	Mid-price	222	Chiba	23.9	3,105	3,165	3,500	5.3%	3,740	5.1%	1.6%	79,558	78,709	63,330	7.3%
37	Mercure Yokosuka	Full-service	Mid-price	160	Kanagawa	22.7	1,650	1,651	1,680	4.9%	1,680	4.9%	0.8%	54,581	35,541	28,642	4.7%
	Total or Average	-	-	8,631	-	18.6	198,184	195,005	231,338	-	246,324	-	100.0%	7,238,381	6,205,574	4,875,932	6.7%

(*1) "Full-service" is full-service hotel, "Resort" is resort hotel, and "Limited-service" is limited service hotel.

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

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

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

(*5) Book value as of the end of June 2015.

(*6) No. 31-37 are appraisal value at the time of acquisition.

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

(*8) Actual for six months from January through June 2015. The lessee did not agree to disclose numbers in units of JPY1000 for Nos. 11, 12, and 17. Amounts are rounded down to the nearest JPY 1M.

(*9) NOI yields (forecast) shows forecast for FY12/2015. Also, the total NOI yield = the NOI forecast as of FY12/2015 (including Okinawa Marriott Resort & Spa) ÷ total acquisition price.

(*10) "Dormy Inn Suidobashi" was rebranded to "the b suidobashi" on July 1, 2015.

2. Summary of Lease Contracts (1/2)

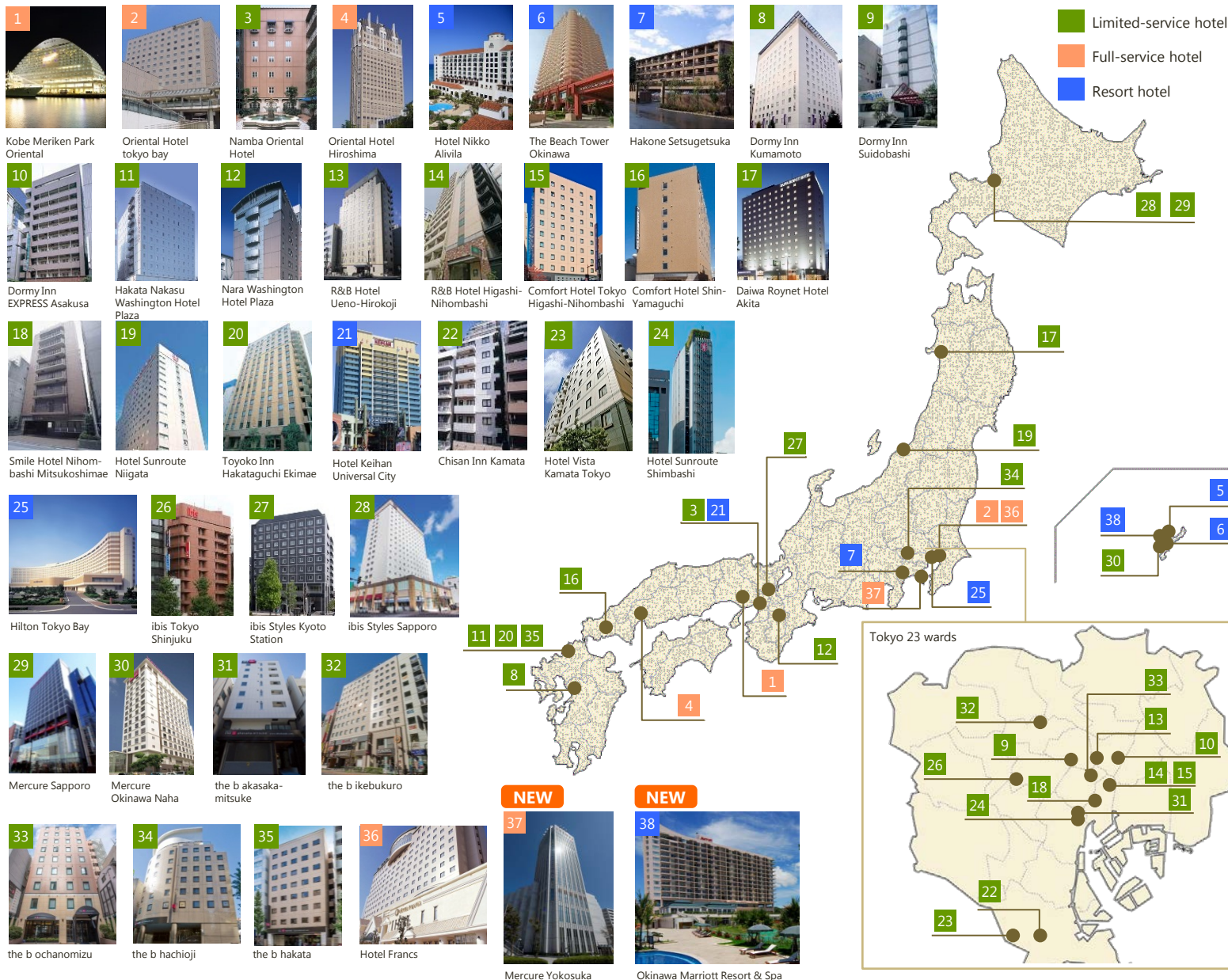
No.	Property name	Lease type	Rent type (*1)	Lessee	Hotel operator/Hotel consulting and management company	Lease /MC term	Remaining contract term(*2)	Contractual rent (*3)	Rent summary	Rent modification summary (Acquisition to end of June/2015)		Rent modification schedule (July 2015 through 2016)	
										Period	Condition (*4)	2015 (*4)	2016
1	Kobe Meriken Park Oriental Hotel	Fixed lease	Fixed + Variable	Hotel Management Japan Co., Ltd.	Abilitas Hospitality Co., Ltd.	8	5	(Fixed rent) JPY3,221M/year + (Variable rent) (When the total GOP of HMJ's five hotels exceeds GOP base amount (JPY3,351M), the excess x 81.5% is paid.)	In principle, the same rent will be applied until expiration of the contract.	Sep. 2011	Scheme is modified.	-	-
2	Oriental Hotel tokyo bay												
3	Namba Oriental Hotel												
4	Oriental Hotel Hiroshima												
5	Hotel Nikko Alivila												
6	The Beach Tower Okinawa	Fixed lease	Fixed	Kyoritsu Maintenance Co., Ltd.		20	11	JPY42M/month	The same rent will be applied until expiration of the contract.	-	-	-	-
7	Hakone Setsugetsuka	Fixed lease	Fixed			20	11	JPY24M/month	The same rent will be applied until expiration of the contract	-	-	-	-
8	Dormy Inn Kumamoto	Fixed lease	Fixed			12	8	JPY16M/month	Rent can be modified through mutual agreement every three years.	-	-	-	-
9	Dormy Inn Suidobashi (*5)	Fixed lease	Fixed			10	0	JPY7M/month	The same rent will be applied until expiration of the contract	-	-	Rebranded (Jul.)	-
10	Dormy Inn EXPRESS Asakusa	Lease	Fixed			20	2	JPY5M/month	Rent can be modified through mutual agreement every three years.	Apr. 2012	Same	Under discussion	-
11	Hakata Nakasu Washington Hotel Plaza	Lease	Fixed	Washington Hotel K.K.		20	0	JPY20M/month	The same rent is applied from April 21, 2012 through expiration of the contract.	Apr. 2012	Reduced (-7.5%)	Under discussion	-
12	Nara Washington Hotel Plaza	Lease	Fixed			20	5	JPY11M/month	Rent can be modified through mutual agreement.	-	-	-	-
13	R&B Hotel Ueno-Hirokoji	Lease	Fixed			20	7	JPY8M/month	Rent can be modified through mutual agreement.	Apr. 2011	Increased (+3.0%)	-	-
14	R&B Hotel Higashi-Nihombashi	Lease	Fixed			20	3	JPY10M/month	Rent can be modified through mutual agreement.	Apr. 2013	Same	-	-
15	Comfort Hotel Tokyo Higashi Nihombashi	Fixed lease	Fixed	Greens Co., Ltd.		20	13	JPY21M/month	Rent can be modified through mutual agreement every five years.	Jan. 2013	Same	-	-
16	Comfort Hotel Shin-Yamaguchi	Fixed lease	Fixed			20	12	JPY5M/month	Rent can be modified through mutual agreement every three years.	Sep. 2013	Same	-	To be renewed (Sep.)
17	Daiwa Roynet Hotel Akita	Lease	Fixed	DAIWAROYAL Co., Ltd.		20	11	JPY11M/month	Rent can be modified through mutual agreement every five years.	-	-	-	To be renewed (Jul.)
18	Smile Hotel Nihombashi Mitsukoshimae	Lease	Fixed + Upside sharing	The Kamogawa Grand Hotel, Ltd.		20	2	JPY11M/month + Upside sharing	Rent can be modified through mutual agreement.	Apr. 2014	Scheme is modified.	-	-
19	Hotel Sunroute Niigata	Fixed lease	Fixed	Sunroute Co., Ltd.		13	2	JPY13M/month	The same rent will be applied until expiration of the contract	-	-	-	-
20	Toyoko Inn Hakataguchi Ekimae	Lease	Fixed	Toyoko Inn Co., Ltd.		30	16	JPY11M/month	No rule has been stipulated.	Oct. 2007	Increased (+9.4%)	-	-

2. Summary of Lease Contracts (2/2)

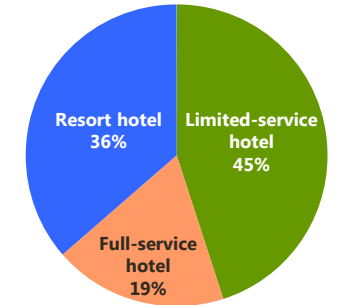
No.	Property name	Lease type	Rent type (*1)	Lessee	Hotel operator/Hotel consulting and management company	Lease /MC term	Remaining contract term(*2)	Contractual rent (*3)	Rent summary	Rent modification summary (Acquisition to end of June/2015)		Rent modification schedule (July 2015 through 2016)	
										Period	Condition (*4)	2015 (*4)	2016
21	Hotel Keihan Universal City	Lease	Fixed + Upside sharing	K.K. Hotel Keihan		20	6	Nondisclosure	Nondisclosure	Jul. 2014	Scheme is modified.	—	—
22	Chisan Inn Kamata	Fixed lease	Variable	Solare Hotels & Resorts Co., Ltd.	SHR Hotels, Co., Ltd.	5	2	Hotel GOP x 85% (If it is below zero, it will be JPY0.-)	-	Jul. 2012	Scheme is modified.	—	—
23	Hotel Vista Kamata Tokyo	Lease	Fixed + Upside sharing	Vista Hotel Management Co., Ltd.		4	4	JPY7M/month + Upside sharing	The same rent will be applied until expiration of the contract.	Jul. 2012	Scheme is modified.	Renewed (Jul.)	—
24	Hotel Sunroute Shimbashi	Fixed lease	Fixed + Upside sharing	Sunroute Co., Ltd.		15	8	JPY18M/month + Upside sharing	No rule has been stipulated.	—	—	—	—
25	Hilton Tokyo Bay	Fixed lease	Fixed + Upside sharing	THE DAIICHI BUILDING CO., LTD.	Hilton International Company	4	4	JPY157M/month + Upside sharing	Rent can be modified through mutual agreement.	—	—	Renewed (Jul.)	
26	ibis Tokyo Shinjuku	-	Management contract	—	A.A.P.C. Japan K.K.	12	9	Amount equivalent to hotel GOP	-	Jul. 2012	Scheme is modified.	—	—
27	ibis Styles Kyoto Station	-	Management contract			5	4	Amount equivalent to hotel GOP	-	—	—	—	—
28	ibis Styles Sapporo	-	Management contract			5	4	Amount equivalent to hotel GOP	-	Jul. 2014	Scheme is modified.	—	—
29	Mercure Sapporo	-	Management contract			15	14	Amount equivalent to hotel GOP	-	—	—	—	—
30	Mercure Okinawa Naha	-	Management contract			10	9	Amount equivalent to hotel GOP	-	—	—	—	—
31	Mercure Yokosuka	Fixed lease	Variable	A.A.P.C. Japan K.K.		4	4	Linked to hotel GOP	The same rent will be applied until expiration of the contract.	—	—	—	—
32	the b akasaka-mitsuke	Fixed lease	Fixed + Variable	Ishin Akasaka Operations, K.K.		7	7	JPY102M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	—	—	—	—
33	the b ikebukuro	Fixed lease	Fixed + Variable	Ishin Ikebukuro Operations K.K.		7	7	JPY163M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	—	—	—	—
34	the b ochanomizu	Fixed lease	Fixed + Variable	Ishin Ochanomizu Operations K.K.		7	7	JPY69M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	—	—	—	—
35	the b hachioji	Fixed lease	Fixed + Variable	Ishin Hachioji Operations, Y.K.		7	7	JPY98M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	—	—	—	—
36	the b hakata	Fixed lease	Fixed + Variable	Ishin Hakata Operations K.K.		7	7	JPY82M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	—	—	—	—
37	Hotel Francs	Fixed lease	Fixed	K.K. Bridal Produce		19	9	JPY25M/month	The same rent will be applied until expiration of the contract	—	—	—	—

(*1) Rent type is as follows: Fixed: Fixed monthly rent, Variable: Variable monthly rent, Management contract: Management contract, Fixed+Variable: Property paying both fixed and variable rent, Fixed+Upside sharing: When the sales of the hotel (lessee) exceed pre-determined amount, additional rent is paid. (*2) Remaining contract term as of June 30, 2015. (*3) Amount including car park and CAM without tax. (*4) Details of "Modified Scheme" is as follows. No. 1 to No. 5: Variable rent was modified from sales-base to GOP-linked. No. 18, 21: Upside sharing scheme has been applied in addition to fixed rent. No. 22: Fixed rent has been replaced with the variable rent due to the replacement of the lessee. No. 23: The fixed rent was reviewed and the upside sharing scheme has been applied. No. 26, 28: JHR has commenced direct management contract schemes. (*5) No. 9: Along with the change in the hotel lessee to Ishin Suidobashi Operations K.K. in July 2015, the hotel was rebranded to "the b suidobashi" and changed from fixed rent to fixed rent (JPY85M/year) + variable rent (linked with hotel GOP).

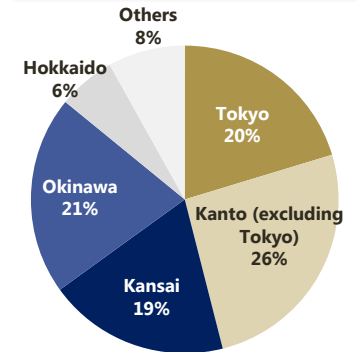
3. Portfolio Map



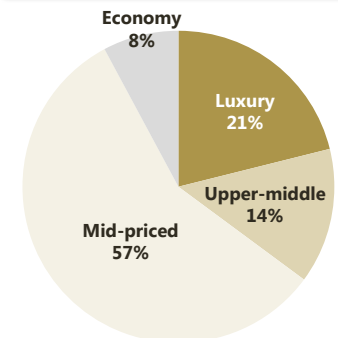
Hotel Type



Area



Grade



Appendix 3

Investors Composition and Investment Unit Price

1. Major Unitholders and Investors Composition

Top ten major unitholders

◆ As of the end of December 2014

Ranking	Name	No. of Units	Percentage ^(*)
1	Japan Trustee Service Bank, Ltd. (Trust)	524,068	18.77
2	The Master Trust Bank of Japan, Ltd. (Trust)	287,523	10.30
3	Trust and Custody Services Bank, Ltd. (Securities Investment Trust)	252,508	9.04
4	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	118,089	4.23
5	Nomura Bank (Luxembourg) S.A.	97,755	3.50
6	Shikoku Railway Company	58,311	2.08
7	Goldman Sachs International	41,638	1.49
8	Nomura PB Nominees TK1 Limited	38,269	1.37
9	NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	36,314	1.30
10	The Bank of New York Mellon SA/NV 10	29,695	1.06
Total		1,484,170	53.17

◆ As of the end of June 2015

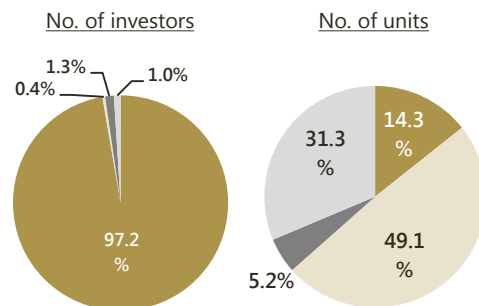
Ranking	Name	No. of Units	Percentage ^(*)
1	Japan Trustee Service Bank, Ltd. (Trust)	519,652	16.54
2	The Master Trust Bank of Japan, Ltd. (Trust)	400,644	12.75
3	Trust and Custody Services Bank, Ltd. (Securities Investment Trust)	306,585	9.76
4	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	120,068	3.82
5	Nomura Bank (Luxembourg) S.A.	107,333	3.41
6	Shikoku Railway Company	58,311	1.85
7	State Street Bank & Trust Company 505001	57,128	1.81
8	NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	51,890	1.65
9	Nomura PB Nominees TK1 Limited	38,269	1.21
10	BNYM SA/NV FOR BNYM CLIENT ACCOUNT MPCS JAPAN	33,744	1.07
Total		1,693,624	53.93

(*) The total units held by each investor to the total units issued by JHR as of the end of December 2014 and the end of June 2015 (Rounded off to two decimal places.)

Owners of the investment units

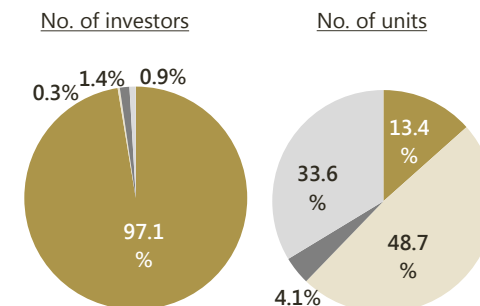
◆ As of the end of December 2014

Owners	No. of investors	No. of units
Individuals and others	22,227	399,789
Financial institutions (including securities firms)	95	1,370,607
Other domestic firms	313	145,417
Foreign firms and individuals	231	875,468
Total	22,866	2,791,281



◆ As of the end of June 2015

Owners	No. of investors	No. of units
Individuals and others	27,652	422,670
Financial institutions (including securities firms)	109	1,531,479
Other domestic firms	416	130,825
Foreign firms and individuals	281	1,055,348
Total	28,458	3,140,322



Individuals and others Financial institutions (including securities firms) Other domestic firms Foreign firms and individuals

(*) Percentage of the number of investors: Percentage of investors in each category to the total number of investors at the end of each period. Percentage of the number of investment units: Percentage of the number of investment units owned by investors in each category to the total number of investment units issued at the end of each period. (Rounded off to one decimal place.)

2. Changes in Investment Unit Price and Market Capitalization

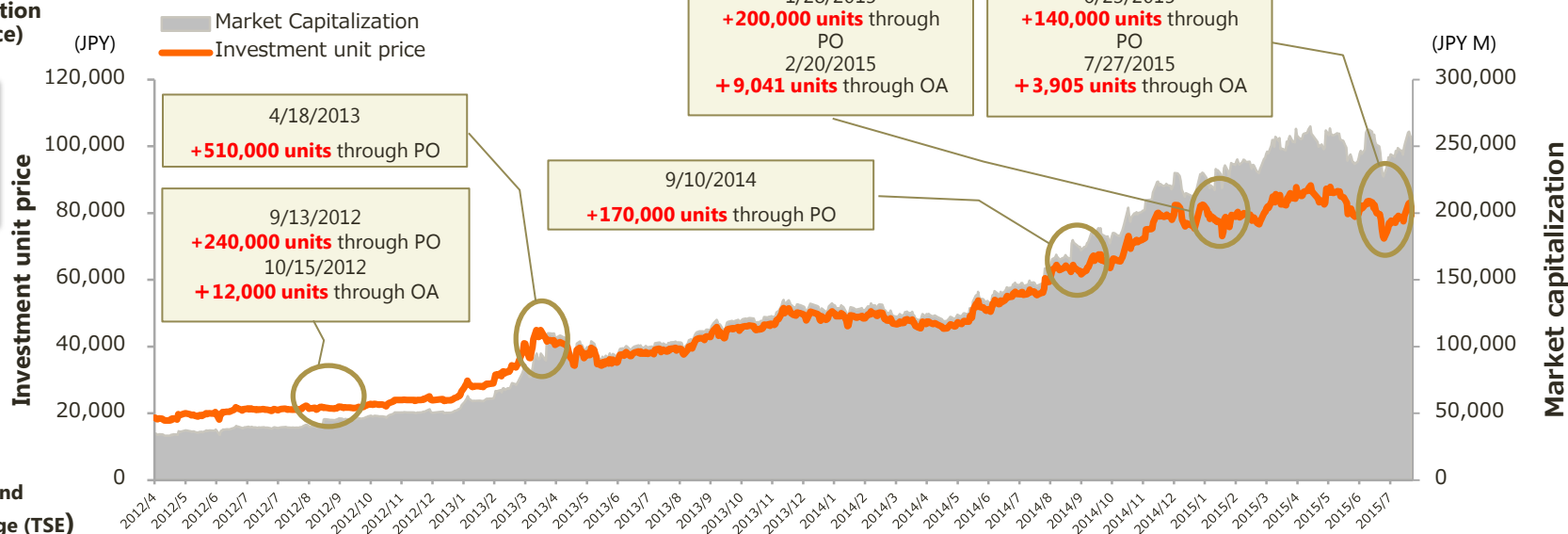
Change in the investment unit price and market capitalization (Based on the closing price)

Price of the investment unit:
JPY81,500.-

Total market capitalization:
JPY255.9B

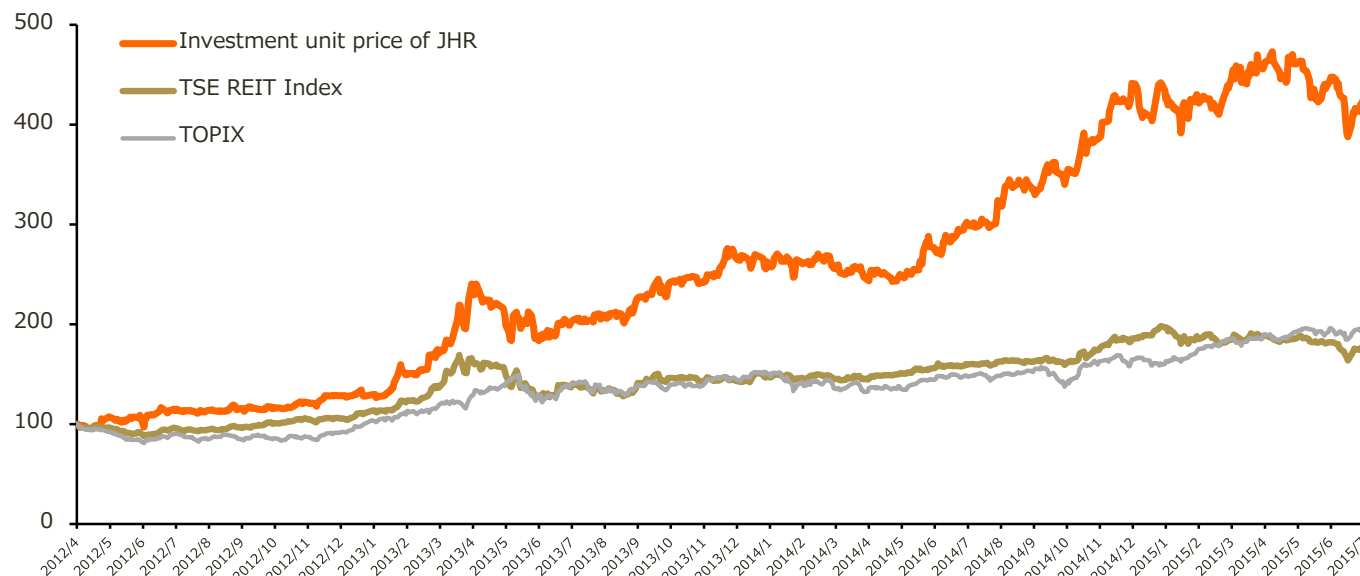
(Based on the closing price of June 30, 2015)

(*) Price of the real estate investment securities may fall depending on the price of the real estate under management or fluctuations of its profitability, etc., and investors may suffer losses through the bankruptcy or deteriorated financial condition of the issuer. With reference to the risk of investment in JHR units, see Securities Report of JHR dated March 20, 2015.



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

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



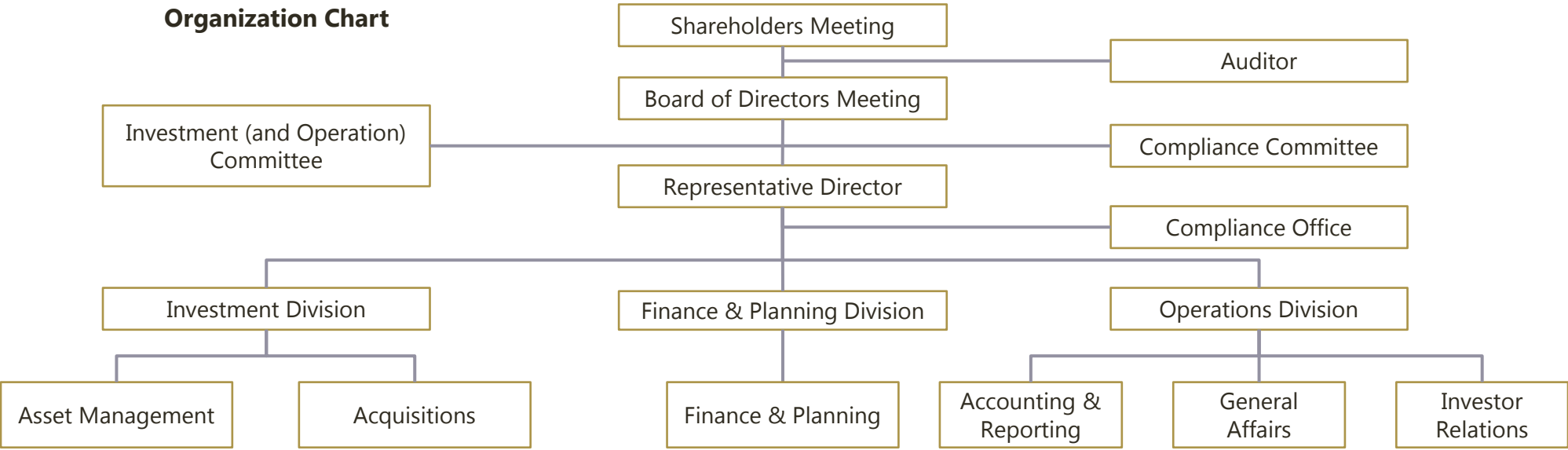
Appendix 4

Summary of the Asset Management Company

1. Summary of the Asset Management Company

Company	Japan Hotel REIT Advisors Co., Ltd.
Location	Ebisu Neonato 4F, 4-1-18 Ebisu, Shibuya-ku, Tokyo 150-0013
Establishment	August 10, 2004
Capital	JPY300M as of June 30, 2015
Shareholders	Rockrise Sdn Bhd, Kyoritsu Maintenance Co., Ltd., ORIX Corporation
Representative Director	Hisashi Furukawa
Registration and Licenses	Building Lots and Buildings Transaction Business Operator, Governor of Tokyo (3) No. 83613, Discretionary Transaction Agent by Minister of Land, Infrastructure, Transport and Tourism No. 38, Financial Instruments Trading Company, No. 334, Director of Kanto Local Finance Bureau Member of Investment Trust Association, Japan

Organization Chart



2. Features and Governance of the Asset Management Company

Features of the asset management company

【1】 Mission statement

We continue challenge and creation, and provide you with attractive hotel investment opportunities.

【2】 Advanced expertise

- Planned and executed unprecedented measures for the asset management of JHR.
- Extensive experience, planning and execution abilities in renovation or rebranding through collaboration with hotel lessees or hotel operators.
- Good and long-term business relationships with many hotel lessees and hotel operators.
- Ensure managerial independence from the main sponsor^(*1) and commitment to the growth of JHR.
- Conduct and publish unique proprietary research on the hotel and tourism industries.

Rule to prevent conflict of interest in dealing with sponsor-related persons

Strict decision-making rules including those detailed below have been set for dealing with “sponsor-related persons.”^(*2) In order to prevent conflict, we strive to comply with arms-length rules and ensure transparent deals.

Asset management company: Compliance committee

- The compliance committee consists of committee members including outside specialists, and attendance of the outside specialists is in principle required for approval of the transaction.
- In principle, outside specialists are authorized to dismiss proposals.

JHR: Committee

- The committee consists of third-party members who do not have any relationship with the sponsors-related persons.
- All deals involving sponsor-related persons in principle need approval of the committee.

^(*1) No employee of the asset management company is a seconded employee of the main sponsor, RECAP group, except for a part-time director.

^(*2) Definition of “sponsor-related person” is broader than the “interested party” stipulated by law. All investors of the asset management company and its subsidiary company, etc. are considered as sponsor-related persons.

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This material is neither a disclosure document nor an investment report required under or prepared pursuant to the Financial Instruments and Exchange Act, Investment Trust and Investment Corporation Act and related government ordinances, Cabinet Office regulations, Tokyo Stock Exchange listing rules, or other related rules and regulations.

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

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

Regarding the offering and trading of investment units or investment corporation bonds, financial institutions may charge you pre-determined handling fees and other charges aside from the price of the investment units or investment corporation bonds, please ask financial institutions for the amount, upper limit, and calculation methods of such fees and other charges.

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

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