



Japan Hotel REIT Investment Corporation

Financial Results Briefing

13th period (Fiscal year ended December 2012)

February 22, 2013

Table of contents

Financial highlights	2	Appendix 1 Basic information	
I. Summary of the financial settlement		1. Property list	27
1. Highlights of operational performance	4	2. Summary of lease contracts	29
2. Revenue forecast	5	3. Portfolio map	31
3. Balance sheet (summary)	6	4. Properties	32
II. Efforts of FY12/2012		Appendix 2 Performance indicators of major hotels with variable rents	
1. Asset replacement efforts	8	1. Hotel performance indicators	38
2. Summary of newly acquired assets	9	Appendix 3 Investor composition and unit price	
3. Finance efforts	10	1. Top ten major shareholders and owners of the investment units	43
III. Performance of major hotels with variable rents		2. Change in investment unit price	44
1. Performance highlights of HMJ's five hotels	12	Appendix 4 Summary of the asset management company	
2. Performance highlights of each HMJ hotel	13	1. Summary of the asset management company	46
3. Highlights of Ibis Tokyo Shinjuku	18	2. Features and governance of the asset management company	47
IV. Operations strategy		Appendix 5 Market data	
1. Internal growth strategy	20	1. Tourism related information	49
2. Track record and plan of CAPEX	21	2. Change in travel volume	50
3. CAPEX III plan for each hotel	22	3. Change in the number of inbound travelers	51
4. External growth strategy	23	4. Current trend of the economy / Change of DI by industry	52
5. Finance strategy	24		
6. IR strategy	25		

Former Nippon Hotel Fund Investment Corporation ("former NHF") and former Japan Hotel and Resort, Inc. ("former JHR") merged in 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").

Financial highlights (Efforts and achievements in the first year following merger)

Beginning of the term

Key efforts in FY12/2012

End of the term

Dividend per unit at the beginning of the term (Forecast)

(9 months)

JPY1,341

Annualized dividend (reference)

JPY1,502

Asset replacement (See page 8)	Property acquisition	Improve profitability
	Property disposition and impairment	
	Financing	
Finance efforts (See page 10)	Refinance	Improve latent loss and unrealized profit
	Fix interest rates	
Merger effects (See page 4 and 5)	Use of negative goodwill	Maintain LTV
	Reduction of costs	Reduce financing costs

Dividend per unit at the end of the term (Actual)

(9 months)

JPY1,427

Annualized Dividend (reference)

JPY1,621

Foundation for further growth

I. SUMMARY OF THE FINANCIAL SETTLEMENT

I. Highlights of operational performance

	(A)	(B)		(Unit: JPY1M)
	FY12/2012 (2012/4-2012/12) Initial forecast	FY12/2012 (2012/4-2012/12) Actual	Variance (B) – (A)	Annualized actual (Reference) (*4)
Operating revenue	6,997	7,283	①→	286
Variable rent	1,952	2,057		105
Operating expenses	3,425	4,688		1,263
Depreciation expense	1,571	1,592		21
Loss on disposal of fixed assets	53	9		-44
Transfer loss	0	1,393	②→	1,393
Other	1,800	1,693		-107
Operating income	3,572	2,595		-977
Non-operating income	-1,129	-1,182		-53
Ordinary income	2,443	1,412		-1,031
Extraordinary gain (negative goodwill)	18,600	18,578	③→	-22
Extraordinary loss (Impairment loss)	-	958	④→	958
Current net profit	21,041	19,031		-2,010
Dividend per unit (JPY)	1,341	1,427		86
NOI (*1)	5,906	6,216		310
NOI yield (%) (*2) (*3)	-	-		6.2
No. of investments units issued	1,859,281	2,111,281		252,000

(*1) NOI (Net Operating Income)= Real estate operating profit – Real estate operating cost + Depreciation cost for this term + Loss on disposal of fixed assets

(*2) NOI yield = NOI/Purchase price

(*3) Yield has not been calculated, as NOI of FY12/2012 is for 9 months only.

(*4) Actual numerical figures for FY12/2012 have been annualized. The variable rent of HMJ's five hotels (Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Aliviva and Oriental Hotel Hiroshima) has been calculated based on the actual numerical figures for the period from January 2012 through December 2012. The one-year forecast for the period from January 2013 through December 2013 has been applied for the assets acquired on FY12/2012, and the assets transferred on FY12/2012 has been calculated based on the premise that the assets would not be owned throughout the year. Negative goodwill, loss on transfer and impairment loss are not included.

* Use of negative goodwill

Current net profit		19,031
Negative goodwill (put aside)		-18,578
Use of negative goodwill	Transfer loss	1,393
	Impairment loss	958
	Loss on disposal of fixed asset	9
	Dilution by PO	200
Total dividend		3,014

Major causes of variance

- ① Increased revenue of HMJ's five hotels: +JPY15M
Increased revenue of Ibis Tokyo Shinjuku: +JPY22M (Outsourcing cost also increased + 15)
Rent fluctuation from asset replacement: +JPY230M
Other (Key money, etc.): +JPY19M
- ② Transfer loss from property dispositions: +JPY1,393B
(Matsuyama: 981 Sapporo: 411)
- ③ Variance of expected negative goodwill: -JPY22M
- ④ Impairment loss of Hashimoto: +JPY958M
(Book value before asset impairment: 1,547→Book value after asset impairment: 589)

2. Revenue forecast

	(A)	(B)	(Unit: JPY1M)
	FY12/2012 (2012/4-2012/12) Annualized actual	FY12/2013 (2013/1-2013/12) Forecast	Variance (B) – (A)
Operating revenue	9,638	9,795	①+②→ 157
Variable rents	2,189	2,396	①→ 207
Operating expenses	4,595	4,750	155
Depreciation expense	2,214	2,214	0
Loss on disposal of fixed assets	12	10	-2
Operating income	5,042	5,045	3
Non-operating income	-1,629	-1,527	102
Ordinary income	3,412	3,517	105
Net income	3,410	3,515	105
Dividend per unit (JPY)	1,621	1,670	49
NOI ^(*1)	8,139	8,217	78
NOI Yield (%) ^(*2)	6.2	6.3	0.1
No. of Investment units issues	2,111,281	2,111,281	0

(*1) NOI (Net Operating Income) = Income of real estate leasing business – Cost of real estate leasing business + Depreciation cost for this term + Loss on disposal of fixed assets

(*2) NOI yield = NOI for leasing / Purchase price

(*3) See press release dated December 17, 2012 “Notice Concerning the Operating Forecast for the fiscal year ending December 2013 (January 1, 2013 through December 31, 2013)”.

* Cost reductions resulting from merger (synergy)

- ✓ PM fees: Reduced by approx. JPY10M/year
- ✓ Trust fee: Reduced by approx. JPY5M/year
- ✓ Premium of non-life insurance: Reduced by approx. JPY7M/year
- ✓ Real estate appraisal cost: Reduced by approx. JPY2M/case

Major causes of variances

- ① Increased revenues of HMJ's five hotels: +JPY100M
Increased revenue of Ibis Tokyo Shinjuku: +JPY83M
Other (Increased rent of Shinbashi, etc.): +JPY23M
- ② Reduced fixed rent by change of rent system: -JPY50M

Major assumptions for FY12/2013(*3)

- **Operating assets:** Present 28 properties will be owned/operated for the whole financial year. No transfers (acquisition or disposition) expected.
- **Operating income:** Hotels' competitiveness and market environment have been considered based on the lease agreements.
- **Operating expenses:** Fixed asset tax and city planning tax, etc. cost JPY606M. Straight-line method has been applied to calculate depreciation cost.
- **Non-operating costs:** JPY1.470B is expected in interest and loan related costs.
- **Loans:** Loan balance and Investment corporation bond balance totaled JPY65.220B at the beginning of the term. Expected to total JPY64.501B at the end of the term.
- **No. of investment units issued:** 2,111,281 units in total
- **Dividend per unit:** Use negative goodwill for loss on disposal of fixed assets (JPY10M).

3. Balance sheet (summary)

	As of 2012.3.31		As of 2012.12.31
	(Former NHF)	(Former JHR)	End of FY12/2012
ASSETS			
Current Assets	3,509	4,459	9,960
Cash and deposits ^{(*)1}	3,024	3,985	8,922
Operating accounts receivable	40	289	705
Others	444	184	331
Fixed asset	43,244	85,795	129,608
Tangible fixed assets	42,951	72,777	109,153
Building ^{(*)2}	4	1,844	577
Land	-	884	-
Buildings in trust ^{(*)3}	18,723	29,025	49,364
Land in trust	24,223	41,022	59,212
Intangible fixed assets	116	12,359	19,836
Investments and other assets	175	658	618
Security deposits and guarantee money	18	359	180
Others	157	298	437
Deferred assets	20	11	55
TOTAL ASSETS	46,773	90,265	139,623

(*)1 Cash in trust and savings in trust inclusive.

(*)2 Total of buildings, structures, machinery/devices, tools/equipment/fixtures, and construction in progress account.

(*)3 Total of buildings in trust, structures in trust, machinery/devices in trust, tools/equipment/fixtures in trust, and construction in progress account in trust.

	(JPY1M) AS of 2012.3.31		AS of 2012.12.31
	(Former NHF)	(Former JHR)	End of FY12/2012
LIABILITIES			
Current liabilities	6,410	14,148	12,540
Operating accounts payable	217	181	298
Short-term loans payable	3,960	-	3,841
Investment corporation bonds to be redeemed within one year	-	-	2,000
Long-term loans due within one year	1,974	13,253	5,280
Other payables	53	357	460
Advances received	199	355	638
Others	5	1	21
Fixed liabilities	16,727	27,993	58,072
Investment corporation bonds	-	2,000	0
Long-term loans	15,582	23,698	54,098
Security deposits and guarantee money	1,145	2,295	3,936
Others	-	-	38
TOTAL LIABILITIES	23,138	42,141	70,613
Equity			
Total unit holders' capital	23,161	47,514	28,260
Unit holders surplus	-	-	21,746
Retained earnings	473	608	19,031
Others	-	-	-28
TOTAL EQUITY	23,635	48,123	69,010
TOTAL LIABILITIES AND EQUITY	46,773	90,265	139,623

II. EFFORTS IN FY12/2012

1. Asset replacement efforts

Acquisitions (2 hotels)

- ✓ Two hotels were acquired on September 19, 2012.
Hotel Keihan Universal City and Hotel Sunroute Shinbashi (See next page for details)
- ✓ The purchase prices were lower than the appraisal values by more than 10%
- ✓ Income producing assets that exceed portfolio NOI

Dispositions (2 hotels) / Asset impairment (1 hotel)

	Hotel	NOI yield (*1)	NOI yield after depreciation (*1)	Latent loss (*2) (JPY1M)
Disposition	Millennia Hotel Matsuyama	3.8%	1.8%	702
	Hotel Resol Sapporo Minaminijo	4.5%	2.6%	356
Impairment	Hotel Vista Hashimoto	4.8%	3.8%	536

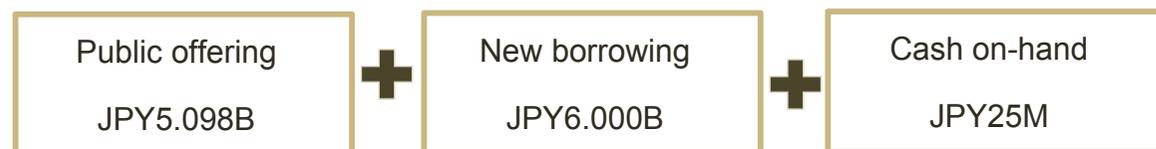
(*1) It has been calculated based on the annualized NOI estimated at the beginning of the term.

(*2) Variance between the appraisal value and the book value as of March 31, 2012 (end of the previous term).

Financing

- ✓ Financing by combination of public offering, borrowing and cash on-hand

Total amount procured : JPY11.123B (*3)



(*3) Total acquisition cost including incidental expenses.

NOI yield (*4)	Initial forecast	End of term
	6.0%	6.2%
NOI yield after depreciation (*4)	Initial forecast	End of term
	4.2%	4.5%
Latent loss (JPY1M)	Beginning of term	End of term
	-4,171	+2,241
LTV (Appraisal base) (*5)	Beginning of term	End of term
	51.4%	49.7%
Finance cost	Loan cost decreased by 50 bps (*6)	

(*4) "Initial forecast" has been calculated based on the annualized NOI forecasted at the beginning of the term. "End of term" has been calculated based on the annualized NOI indicated on p. 4, "Highlights of operational performance."

(*5) Total interest bearing debt as of the beginning of the term and the end of the term ÷ Total appraisal value of all properties owned as of the beginning of the term and the end of the term. The appraisal values of properties owned by former JHR at the beginning of the term are the updated value at the merger.

(*6) Comparison between the finance cost of the entire portfolio at the beginning of the term and the finance cost of new loans.

2. Summary of newly acquired assets

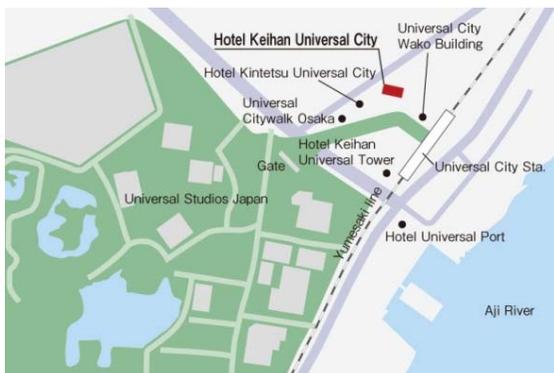
Hotel Keihan Universal City



Acquisition date	September 19, 2012
Acquisition price	JPY6.000B
Appraisal value	JPY6.840B
NOI yield ^(*)	8.1%

Hotel summary

Location	2-78, Shimaya 6-chome, Konohana-ku, Osaka city, Osaka
Acreage	3,350.14m ²
GFA	17,252.71m ² (exclusive area)
Structure/Stories	Twenty one-story steel structured and steel-framed reinforced concrete building
No. of guest rooms	330 rooms
Completion	June 2001
Rent	Fixed rent
Hotel lessee	K.K. Hotel Keihan



(*) NOI yield has been calculated by NOI (Net operating income) on the appraisal report on acquisition.



Hotel Sunroute Shimbashi



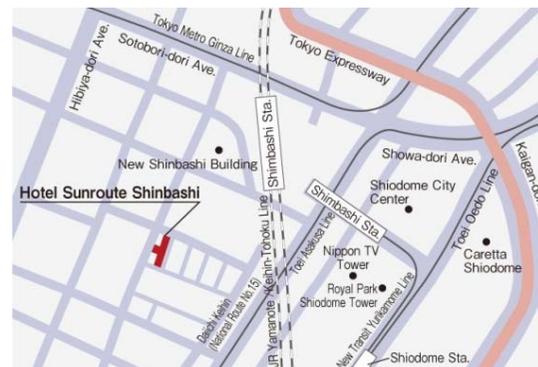
Acquisition date	September 19, 2012
Acquisition price	JPY4.800B
Appraisal value	JPY5.640B
NOI yield ^(*)	6.2%

Hotel summary

Location	10-2, Shimbashi 4-chome, Minato-ku, Tokyo
Acreage	761.01m ²
GFA	5,476.39m ²
Structure/stories	Sixteen-story steel structured and steel-framed reinforced concrete building
No. of guest rooms	220 rooms
Completion	March 2008
Rent	Fixed rent and variable rent ^{(*)2}
Hotel lessee	Sunroute Co., Ltd.

(*) NOI yield has been calculated by NOI (Net operating income) on the appraisal report of this acquisition.

(*)2 Detail of the variable rent is not indicated, as the hotel lessee does not agree with disclosure.



3. Finance efforts

Refinancing

✓ Refinanced on November 15, 2012 as follows:

Loan	Amount	Term	Interest rate (*1)
Facility B	JPY12.7532B	5.2 years	1.90850%

(*1) Above is the interest rate fixed by the interest rate swap dated November 15, 2007.



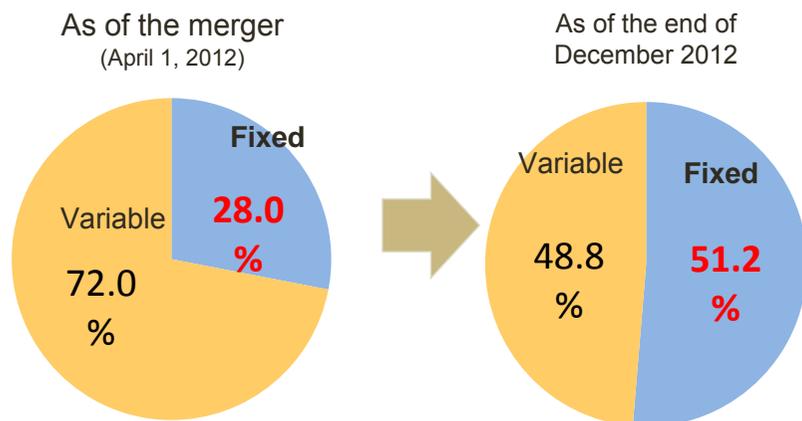
Loan	Loan amount	Term	Interest rate (*2)
Facility O	JPY1.600B	3 years	1.13800%
Facility P	JPY4.6532B	3.4 years	1.29000%
Facility Q	JPY6.500B	5 years	1.38000%
Total/Average (*3)	JPY1.27532B	4.2 years	1.31680%

(*2) Interest rates fixed by the interest rate swap on December 13, 2012

(*3) Average of the interest rate is the weighted average of the amount and term

Fixation of interest rate to prevent its fluctuation

✓ Fixed interest rate by the interest rate swap for the long-term loans for which there is still more than three years to repay.



LTV (Total asset base)

As of the merger (April 1, 2012)	As of the end of December 2012
46.3% (*4)	46.7%

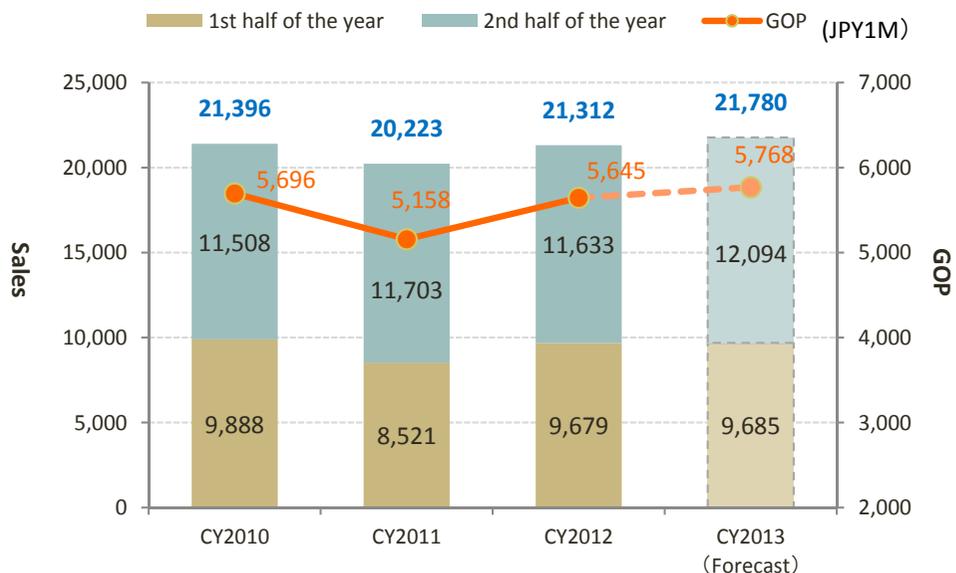
(*4) The simple total of the value of the assets owned by the former NHF (as of the end of March 2012) and the updated (reappraised) value of the assets owned by the former JHR at the merger is the denominator of the above calculation.

III. PERFORMANCE OF MAJOR HOTELS WITH VARIABLE RENTS

1. Performance highlights of HMJ's five hotels

Changes in sales volume, GOP and management index^(*) of HMJ's five hotels

Sales and GOP



Management index

	CY2010	CY2011	CY2012	CY2013 (forecast)
Occupancy rate (%)	80.4%	76.7%	82.7%	82.9%
ADR (JPY)	15,980	15,846	16,200	16,575
RevPAR (JPY)	12,845	12,160	13,400	13,744
GOP (JPY1M)	5,696	5,158	5,645	5,768
GOP ratio (%)	26.6%	25.5%	26.5%	26.5%

Actual performance from January 2012 through December 2012

- Full financial year gross sales increased by JPY1.089B or 5.4% compared with the previous term.
- Decreased domestic and international demand for the hotels resulting from the impact of the Great East Japan Earthquake ("earthquake") recovered in the first half of the year, and hotel sales increased mainly from room sales. Gross sales increased by JPY1.158B or 13.6% compared with the previous term.
- Room sales and wedding sales increased in the second half of the year compared with the previous term. However, banquet and restaurant sales decreased and the gross sales of the hotels decreased by JPY70M or 0.6% compared with the previous term.

Sales forecast from January through December 2013

- Full financial year annual sales are expected to increase by JPY468M or 2.2% compared with the previous term.
- The rooms department will continuously strive to attract leisure customers and adopt detailed revenue management. Both occupancy and ADR will increase through refined revenue management. Room sales will increase by JPY200M or 2.2% compared with the previous term.
- Restaurant sales will increase by JPY147M or 3.1% as a result of increased occupancy and strengthened sales measures. Banquet sales and the wedding sales will also increase through strengthened sales activities, and food and beverage sales will increase by JPY246M or 2.5% compared with the previous term.

GOP forecast for January 2013 through December 2013

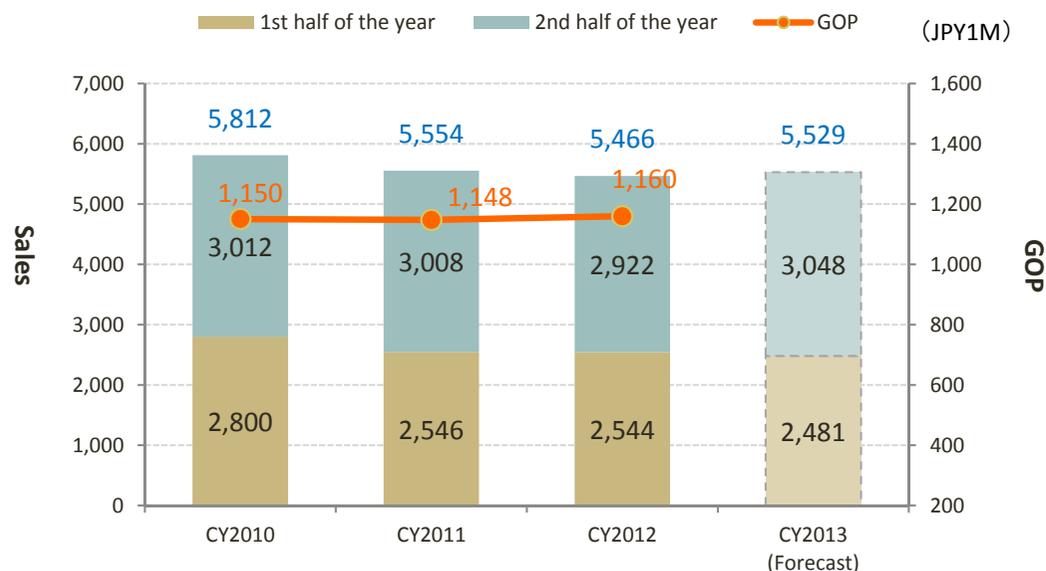
- GOP is expected to increase by JPY123M or 2.2% compared with the previous term.
- GOP is expected to exceed that of the previous term due to the increased gross sales. However, the GOP ratio will be the same as that of the previous term because 1. Labor costs will increase because of improved service levels and strengthened sales activities, 2. Energy costs will also increase.

(*) Sales volume, GOP and the management index have been provided by the lessee. CY2013 is a forecast and the actual result may be different from the forecast due to various factors.

2. Performance highlights of each HMJ hotel ①

Kobe Meriken Park Oriental Hotel

Sales and GOP



Actual performance from January 2012 through December 2012

- Gross sales for the full financial year declined by JPY88M or 1.6% compared with the previous term.
- Room sales increased by JPY38M or 2.7% compared with the previous term due to leisure customers captured by strengthened sales activities and expanded sales channels.
- Though the strengthened sales activities increased banquet sales by JPY22M or 3.6% compared with the previous term, wedding sales decreased by JPY158M or 9.4% due to new competitors emerging. Food and beverage sales decreased by JPY150M or 4.0% compared with the previous term.

Sales forecast from January 2013 through December 2013

- Gross sales for the full financial year are expected to increase by JPY63M or 1.1% compared with the previous term.
- Room sales are expected to increase by JPY5M or 0.3% compared with the previous term due to continued leisure demand.
- Though wedding sales are forecasted to decrease as a result of the competitors' impact, banquet and restaurant sales are expected to increase due to a strengthened sales system and business mix changing in the food and beverage department. Food and beverage sales are expected to increase by JPY68M or 1.9% compared with the previous term.

Management index

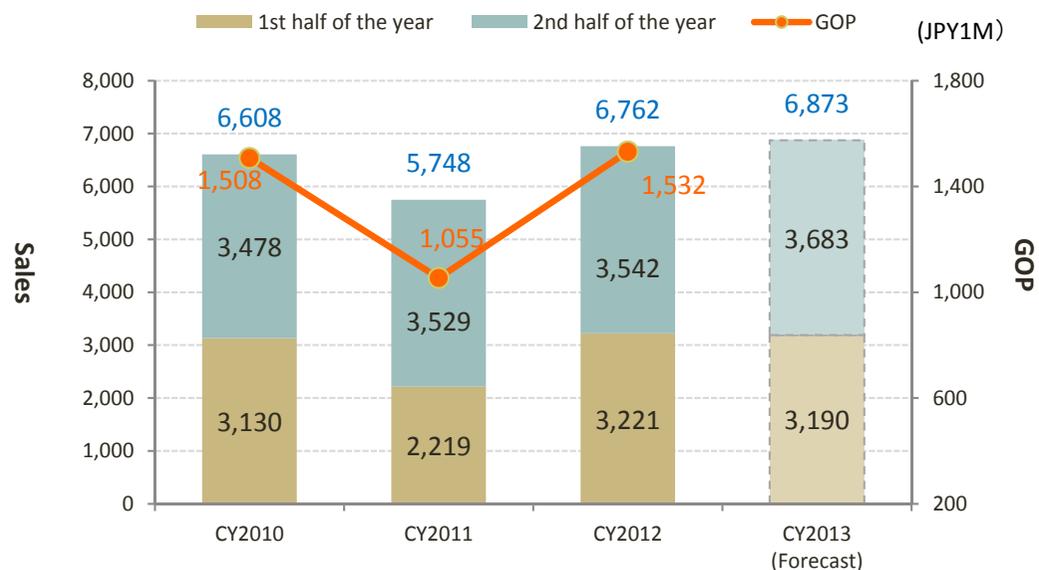
	CY2010	CY2011	CY2012
Occupancy (%)	81.3%	76.5%	80.0%
ADR (JPY)	13,564	14,645	14,326
RevPAR (JPY)	11,027	11,197	11,464
GOP (JPY1M)	1,150	1,148	1,160
GOP ratio (%)	19.8%	20.7%	21.2%

(*) Sales volume, GOP and the management index have been provided by the lessee. CY2013 is the forecast and the actual result may be different from the forecast due to various factors.

2. Performance highlights of each HMJ hotel ②

■ Oriental Hotel Tokyo Bay

◆ Sales and GOP



◆ Management Index

	CY2010	CY2011	CY2012
Occupancy rate (%)	90.2%	78.7%	94.0%
ADR(JPY)	16,583	15,941	17,469
RevPAR (JPY)	14,950	12,542	16,425
GOP (JPY1M)	1,508	1,055	1,532
GOP ratio (%)	22.8%	18.3%	22.7%

Actual performance from January 2012 through December 2012

- Gross sales for the full financial year increased by JPY1.014B or 17.6% compared with the previous term.
- In addition to improved occupancy as a result of recovery from the earthquake disaster, the strategy to increase ADR was effective and the room sales increased by JPY799M or 31.5% compared with the previous term.
- Food and beverage sales increased by JPY258M or 9.6% compared with the previous term due to restaurant sales increased by the improved occupancy.

Sales forecast for January 2013 through December 2013

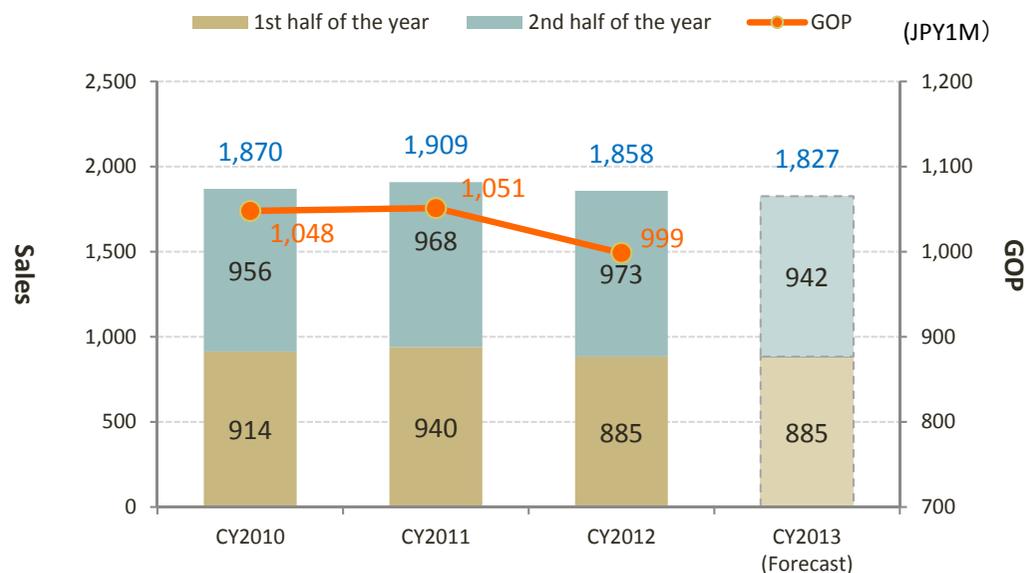
- Gross sales for the full financial year are expected to increase by JPY111M or 1.6% compared with the previous term.
- Revenue management skills will be refined further and the room sales are expected to increase by JPY6M or 0.2% compared with the previous term.
- Wedding and banquet sales are expected to increase because of the renovation of the banquet rooms and improved operation. Food and beverage sales are expected to increase by JPY107M or 3.6% compared with the previous term.

(*) Sales volume, GOP and the management index have been provided by the lessee. CY2013 is the forecast and the actual result may be different from the forecast due to various factors.

2. Performance highlights of each HMJ hotel ③

Namba Oriental Hotel

Sales and GOP



Actual performance from January 2012 through December 2012

- Gross sales for the full financial year decreased by JPY51M or 2.7% compared with the previous term.
- Room sales decreased by JPY12M or 1.3% compared with the previous term, as earthquake evacuation from the Kanto area was no longer required.
- Tenant sales decreased by JPY32M or 4.2% compared with the previous term due to reviews of some lease contracts.
- In addition to the above, the hotel received sales security deposits of JPY12M from TEPCO in the previous term. The total sales of this whole financial year fell below the previous term.

Management index

	CY2010	CY2011	CY2012
Occupancy rate (%)	81.6%	87.3%	87.6%
ADR (JPY)	9,677	10,250	10,049
RevPAR (JPY)	7,899	8,949	8,805
GOP (JPY1M)	1,048	1,051	999
GOP ratio (%)	56.0%	55.1%	53.7%

Sales forecast from January 2013 through December 2013

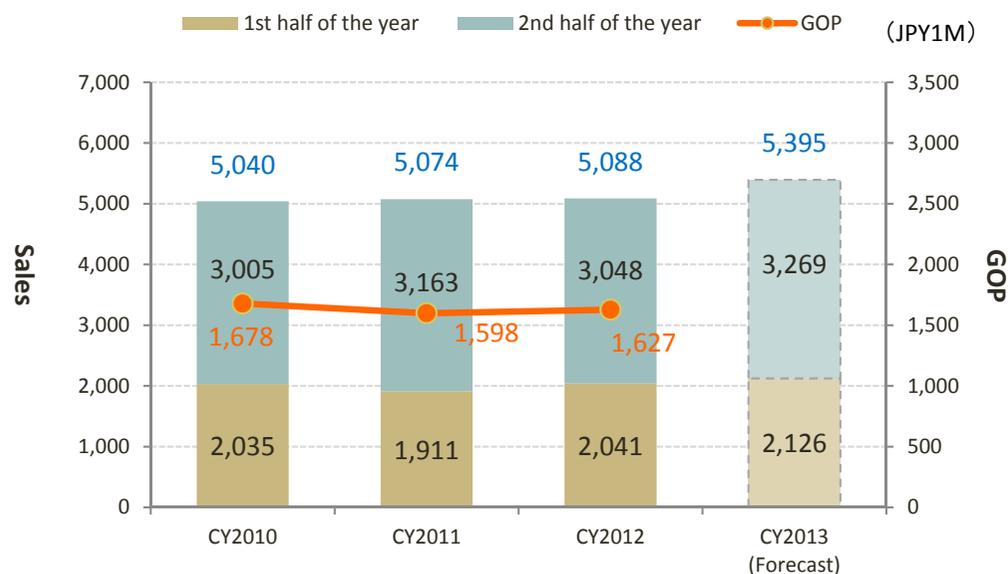
- Gross sales for the full financial year will decrease by JPY31M or 1.7% compared with the previous term.
- The rooms department will continuously strive to attract domestic and foreign leisure customers. However, many leisure customers are expected to travel to the Tokyo area for the 30th anniversary event of Tokyo Disneyland, and sales are forecast to decrease by JPY29M or 3.2% compared with the previous term.

(*) Sales volume, GOP and the management index have been provided by the lessee. CY2013 is the forecast and the actual result may be different from the forecast due to various factors.

2. Performance highlights of each HMJ hotel ④

Hotel Nikko Alivila

Sales and GOP



Management Index

	CY2010	CY2011	CY2012
Occupancy rate(%)	72.2%	73.2%	73.4%
ADR (JPY)	25,800	24,934	25,030
RevPAR (JPY)	18,634	18,243	18,364
GOP (JPY1M)	1,678	1,598	1,627
GOP ratio (%)	33.3%	31.5%	32.0%

Actual performance from January 2012 through December 2012

- Gross sales of the full financial year increased by JPY14M or 0.3% compared with the previous term.
- Though the hotel was affected by the typhoon, room sales increased by JPY29M or 1.0% compared with the previous term due to recovery from the earthquake disaster and strengthened sales to web agents and travel agents.
- Though restaurant sales decreased by JPY37M or 2.6% compared with the previous term due to the impact of the typhoon and revised restaurant operations, wedding sales increased by JPY40M or 20.2% compared with the previous term due to the increased number of weddings. Food and beverage sales increased by JPY5M or 0.3% compared with the previous term.

Sales forecast for January 2013 through December 2013

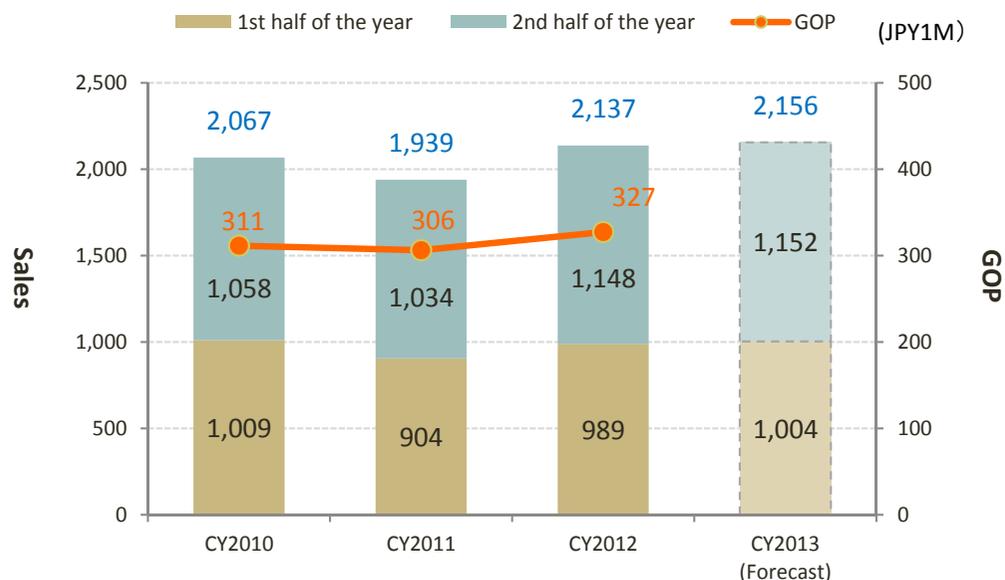
- Gross sales of the full financial year are expected to increase by JPY307M or 6.0% compared with the previous term.
- Room sales are expected to increase by JPY205M or 7.0% compared with the previous term due to not only strengthened sales to both web agents and travel agents but refined revenue management skills.
- Restaurant sales are expected to increase because of improved occupancy, and food and beverage sales are expected to increase by JPY63M or 3.7% compared with the previous term.

(*) Sales volume, GOP and the management index have been provided by the lessee. CY2013 is the forecast and the actual result may be different from the forecast due to various factors.

2. Performance highlights of each HMJ hotel ⑤

Oriental Hotel Hiroshima

Sales and GOP



Actual performance from January 2012 through December 2012

- Gross sales for the whole financial year increased by JPY198M or 10.2% compared with the previous term.
- Occupancy increased because of a rise in leisure customers including group travelers, and room sales increased by JPY26M or 5.0% compared with the previous term.
- Both wedding and the banquet sales increased through not only strengthened sales efforts but renovation of the banquet rooms. Food and beverage sales increased by JPY176M or 13.1% compared with the previous term.

Sales forecast from January 2013 through December 2013

- Gross sales for the full financial year are expected to increase by JPY19M or 0.9% compared with the previous term.
- Room sales are expected to increase by JPY13M or 2.4% compared with the previous term due to the national tourism campaign and expanded sales channels for leisure customers including group travelers.
- Food and beverage sales are expected to increase by JPY7M or 0.5% compared with the previous term due to strengthened sales efforts and renovation of the banquet rooms and chapel in December 2012.

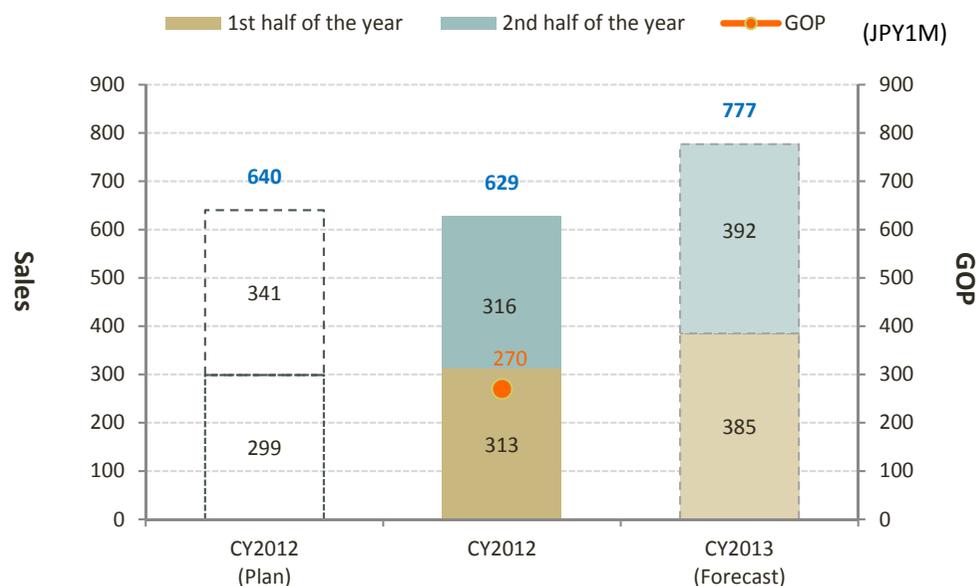
Management index

	CY2010	CY2011	CY2012
Occupancy rate(%)	70.3%	67.1%	72.2%
ADR (JPY)	8,876	8,479	8,255
RevPAR (JPY)	6,240	5,692	5,959
GOP (JPY1M)	311	306	327
GOP ratio(%)	15.1%	15.8%	15.3%

(*) Sales volume, GOP and the management index have been provided by the lessee. CY2013 is the forecast and the actual result may be different from the forecast due to various factors.

3. Highlights of Ibis Tokyo Shinjuku

◆ Sales and GOP



Actual performance from January 2012 through December 2012

- Gross sales for the full financial year decreased by JPY11M or 1.7% compared with the plan.
- The timing of renovated room sales was delayed by a revised renovation schedule in the second half of the year, and both occupancy rate and ADR did not reach the plan. Room sales for the second half of the year and gross sales for the full financial year decreased respectively compared with the plan.

Forecast for January 2013 through December 2013

- Gross sales for the full financial year are expected to increase by JPY148M or 23.5% compared with the previous term.
- The renovation of the entire building was completed in December 18, 2012. The hotel is now ready to provide full-fledged plans/products after rebranding and aims to increase ADR through reviewing the unit price. The sales channels for both domestic and foreign business/leisure customers will also be expanded, and the room sales are expected to increase by JPY114M or 19.8%.

◆ Management index

	CY2012
Occupancy rate (%)	83.5%
ADR (JPY)	9,154
RevPAR (JPY)	7,641
GOP (JPY1M)	270
GOP ratio (%)	42.9%

(*) Sales volume, GOP and the management index have been provided by the lessee. CY2013 is the forecast and the actual result may be different from the forecast due to various factors.

IV. OPERATIONS STRATEGY

Perception of the external environment

■ General market environment

- Uncertainty remains in the global economy but domestic demand from post-earthquake disaster reconstruction, public investment and consumer spending is fairly robust. A modest recovery is now expected.

■ Hotel market environment

- Demand for hotels is expected to increase due to not only increased domestic leisure and business demand triggered by the modest recovery of the economy, but also by an increase in the number of inbound travelers. In addition to the demand recovery, recovery of unit prices is also expected in the accommodation market.
- On a medium to long-term basis, 1. Travel demand from baby boomers, 2. Inbound travel driven by promotion to distinguish Japan as a tourism destination, are expected to increase.

Basic policy

- Set and maintain the appropriate fixed rent based on the market standard and rent-paying capacity.
- Increase variable rent and income from the hotel operator.
- Maximize the asset value through profit management with cost reduction efforts and appropriate building maintenance/management.

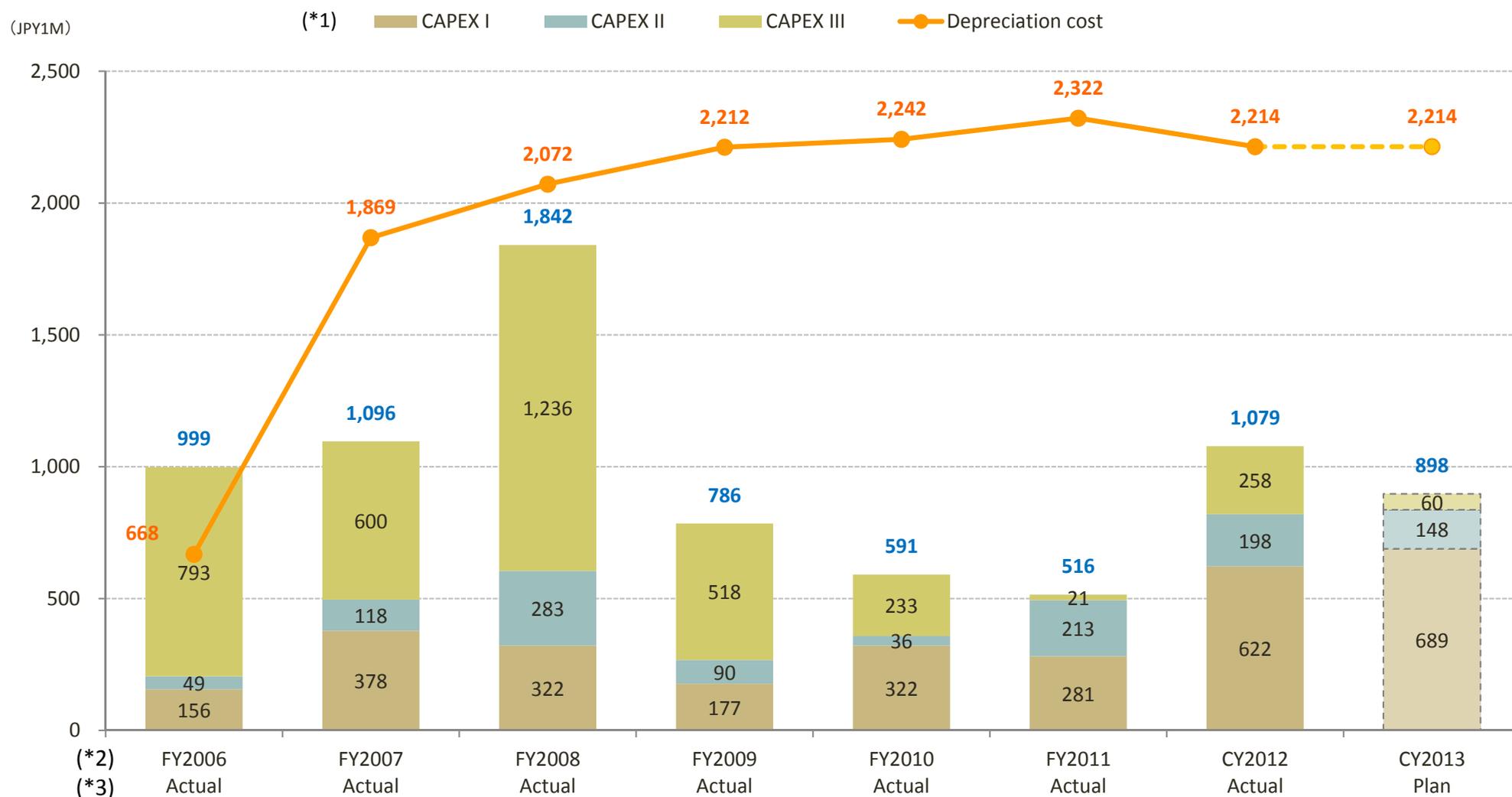
Key measures

- Monitoring, and planning and execution of the asset management strategy based on an in-depth understanding of the hotel business,.
 - Analyze the credit worthiness of hotel lessee, understand and improve hotel income and expenditure.
 - Understand the ever-changing needs of customers and diligently cope with changes.
 - Provide global level services to the hotel users.
 - Differentiation strategy that enables “Value competition” not “Price competition.”
- Plan and execute strategic CAPEX
 - Carefully select items that contribute to maintaining everyday revenue and enhance competitiveness over the medium to long-term.

Concrete efforts for 2013

- ✓ Increase variable rent
- ✓ Proposals to spur hotel innovation
- ✓ Positive asset replacement
 - Improve profitability and stability through disposition of hotels with declining profitability, and acquisition of new property.
 - Consider the earning capacity, location, revenue improvement potential, and degree of NOI for selecting the property to sell.

2. Track record and plan of CAPEX



(*1) CAPEX I is capital investment for upgrading the facilities and equipment to maintain the proper building value. CAPEX II is capital investment for the fixtures and furnishings that are not directly related to the building structure or facilities but necessary for the operation of the hotel. CAPEX III is strategic capital investment for renewing the guest rooms, banquet rooms and restaurant for maintaining/improving the competitiveness of the hotel.

(*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 August 2007 (15.5 months). FY2008 is the sum of the actual of the former JHR from September 2007 through August 2008 and that of the former NHF from October 2007 through September 2008 (same concept for FY2009 to FY2011). The sum of CY2012 is the actual from January 2012 through December 2012, and the plan for CY2013 is from January 2013 through December 2013. Depreciation cost for CY2012 is planned number for CY2013.

(*3) The former NHF and the former JHR spent JPY31M and JPY90M for the period from September 2011 through December 2011 respectively besides the amount indicated above.

3. CAPEX III plan for each hotel

(JPY1M)

Numbers in parentheses are the amount spent.

	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2012 (New) Actual	CY2013 Plan
Former JHR	1 st period (IPO-2006/8)	2 nd period (2006/9-2007/8)	3 rd period (2007/9-2008/8)	4 th period (2008/9-2009/8)	5 th period (2009/9-2010/8)	6 th period (2010/9-2011/8)	7 th period (2011/9-2012/3)	13 th period 2012/4-2012/12	14 th period
Former NHF	-	2 nd to 3 rd period (IPO-2007/9)	4 th to 5 th period (2007/10-2008/9)	6 th to 7 th period (2008/10-2009/9)	8 th to 9 th period (2009/10-2010/9)	10 th to 11 th period (2010/10-2011/9)	12 th period (2011/10-2012/3)		2013/1-2013/12
Kobe Meriken Park Oriental Hotel	• Guest rooms on 12F-13F (189) • Restaurants (51)	• Guest rooms on 10F - 11F (222) • Pia (98)	• Bride's room (68) • Banquet rooms (46)	-	-	-	-	-	
	Repositioning project								
Oriental Hotel Tokyo Bay	• Guest rooms on 9F-10F (145) • Banquet rooms (59)	• Guest rooms on 7F - 8F (171) • Restaurants (58)	• Guest rooms on 5F -6F (210) • Lobby (60)	-	• Chapel (77) • Guest rooms and others on 12F (135)	-	• Restaurants (79)	-	• Restaurants (45)
	Rebranding project								
Namba Oriental Hotel	• Guest rooms on 7F-8F (93)	• Restaurants (40)	-	-	• Guest rooms on 4F and corridors on 4F, 5F, and 6F (20)	-	-	-	• Corner room on 5F to 8F (10)
Hotel Nikko Alivila	• Suite room (32) • Restaurants (155)	-	• Guest rooms on 3F-8F (479)	• Guest rooms on 1F-6F at South and West wings (361)	-	-	-	-	
Oriental Hotel Hiroshima	N/A	(Acquired on Oct. 2007)	• Guest rooms on 7F-18F (347) • Tenant floor (23)	• Banquet rooms on 3F-4F (138)	-	• Banquet rooms on 3F, Change corner double room to twin room (21)	-	• Chapel on 3F(9)	• Restaurant and bar on 1F (5)
	Rebranding project								
Ibis Tokyo Shinjuku	N/A	-	-	-	-	-	-	• Lobby and restaurant on 2F and guest rooms on 3F, 5F, 7F and 9F (170)	
	Rebranding project								

4. External growth strategy

Perception of the external environment

■ Trend of the hotel investment market

- The price gap between sellers and buyers has shrunk and transactions have gradually increased due to the maturity of non-recourse loans and CMBS, and the recovery of hotel revenue from the earthquake disaster. Moreover, the number of hotel investors has been gradually increasing and the scale of investment is expanding.
- This trend is deemed to continue for a while and the hotel investment market is expected to be gradually revitalized.

Basic policy

- Structure portfolio to ensure not only stable revenue but future growth potential.
- Consider balance of four items: grade, type, location and composition ratio between variable rent and fixed rent.

Key measures

- Acquire hotel real estate that is capable of capturing “domestic and overseas leisure customers” that are expected to increase in number going forward.
- Emphasize the superiority of the hardware, software and location of the hotel real estate.
 - The prime investment targets are “city hotels” and “resort hotels” that have high barriers to entry due to operation and management know-how, capital outlay and location.
 - In case of “business hotels,” the credit worthiness of the hotel lessee, the age of the building, location, guest room composition and profitability are important
 - Hotels specialized in single room only sales are carefully chosen.
- Major areas of strategic investment
 - Tokyo Metropolitan area, Osaka city, Kyoto city, Fukuoka city, Karuizawa (Nagano prefecture), Hakone (Kanagawa prefecture), Hokkaido, Okinawa, etc.
- Investigation and planning for the internal growth strategy at property acquisition
 - Investigate the appropriate rent level and rent scheme at renewal, cost reduction possibility, and improvement potential of the hardware
 - If the hotel pays a variable rent, the internal growth is accelerated through collaboration with the operator.

5. Finance Strategy

Basic policy

■ **Emphasize financial soundness and stability.**

Key measures

- Maintain the conservative LTV level, ranging from 35% to 55% (total asset base)
- Strengthen relationships with the financial institutions, and bank formation
- Diversify fund procurement methods including issuance of the investment corporation bond
- Lengthen the loan period while considering the cost of financing.
- Disperse maturity and stimulate fixation of interest rates.

Lender list for the interest-bearing loans (as of the end of Dec. 2012)

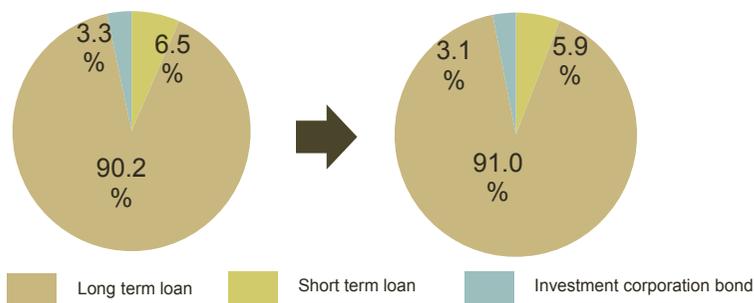
(JPY1M)

Lenders	Balance at the beginning of the term (as of the merger)		Balance at the end of the term (as of the end of Dec. 2012)		Variance	
	Balance	Percentage	Balance	Percentage	Balance	Percentage
Sumitomo Mitsui Banking Corporation	16,676	28.5%	17,518	27.7%	842	-0.8%
Shinsei Bank, Ltd.	5,673	9.7%	8,524	13.5%	2,851	3.8%
The Tokyo Star Bank, Limited	4,485	7.7%	6,384	10.1%	1,899	2.4%
Resona Bank, Limited	5,564	9.5%	6,379	10.1%	815	0.6%
MetLife Alico Life Insurance K.K.	5,000	8.5%	5,000	7.9%	0	-0.6%
Mizuho Bank, Ltd.	7,119	12.2%	4,969	7.9%	-2,150	-4.3%
The Norinchukin Bank	7,119	12.2%	4,969	7.9%	-2,150	-4.3%
Sumitomo Mitsui Trust Bank, Limited	4,158	7.1%	4,949	7.8%	791	0.7%
The Nomura Trust and Banking Co., Ltd.	990	1.7%	1,909	3.0%	919	1.3%
Hiroshima Bank, Ltd. (New)	-	-	1,000	1.6%	1,000	1.6%
Sompo Japan Insurance, Inc.	891	1.5%	854	1.3%	-36	-0.2%
The Chiba Bank, Ltd.	792	1.4%	759	1.2%	-32	-0.2%
Sub-total	58,467	96.7%	63,220	96.9%	4,752	0.2%
1 st Investment Corporation Bond without collateral	2,000	100.0%	2,000	100.0%	0	0.0%
Sub-total of Investment Corporation Bond	2,000	3.3%	2,000	3.1%	0	-0.2%
Total of interest-bearing loans	60,467	100.0%	65,220	100.0%	4,752	0.0%

Breakdown of the interest-bearing loans

As of the merger
(As of April 1, 2012)

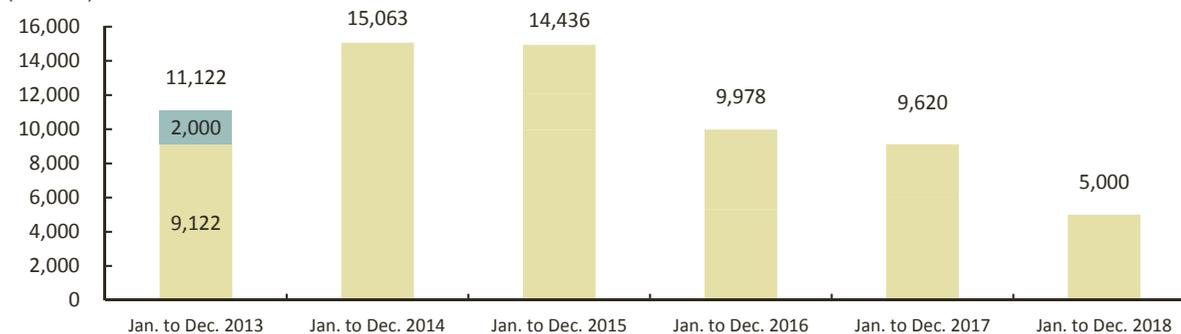
As of December 2012



(*) Short term loan: Loan due within one year.

Repayment schedule of the interest-bearing debts (as of the end of Dec. 2012)

(JPY1M)



IR Strategy

Summary of the investor benefit program

Basic Policy

- Swift and easy-to-understand disclosure based on the core disclosure principles of appropriateness, accuracy and continuity.
- Improve the satisfaction of existing investors and expand investor base

Basic Policy

- The investor benefit program has been provided to increase our investors' satisfaction and expand the investor base.

Key Measures

- Continue annual dividend payment and the investor benefit program
- Continue monthly disclosure
- Strengthen IR activities for both individual investors and overseas investors
- Substantial information disclosure in English

Key Measures

- Eligible recipients of the complimentary coupons and program launch date

At the end of June (end of the mid-term financial settlement), the following discount coupons will be offered to those who hold ten or more JHR units (The end of June 2013 will be the first opportunity.)
- Details of the complimentary coupons

Five 50% off discount accommodation coupons and five 20% off discount restaurant coupons for the hotels listed below.
- Hotels offering the benefit program
 - Kobe Meriken Park Oriental Hotel
 - Oriental Hotel Tokyo Bay
 - Namba Oriental Hotel
 - Hotel Nikko Alivila
 - Oriental Hotel Hiroshima

APPENDIX 1
BASIC INFORMATION

1. Property list (1/2)

Property No.	Property name	Owner before merger (*1)	Type	Grade (*2)	Area	Age (*3)	Purchase price (JPY1M) (*4)	Book value (JPY1M) (*5)	Appraisal value				Investment ratio (*7)	Income from leasing business (JPY1,000) (*8)	P/L from leasing business (JPY1,000) (*8)	NOI (JPY1,000) (*8)	NOI yield (Assumption) (*9)
									FY03/2012 (as of 2012.3.31)		FY12/2012 (as of 2012.12.31)						
									Value (JPY1M) (*6)	CAP rate	Value	CAP rate					
1	Kobe Meriken Park Oriental Hotel	J	City	Upper middle	Kansai	17.5	10,900	10,710	10,900	6.3%	10,900	6.3%	8.3%	910,488	388,137	652,197	6.3%
2	Oriental Hotel Tokyo Bay	J	City	Mid-price	Kanto (Tokyo exclusive)	17.7	19,900	19,693	19,900	5.4%	21,000	5.2%	15.2%	1,057,406	607,459	967,935	6.5%
3	Namba Oriental Hotel	J	Business	Mid-price	Kansai	16.8	15,000	14,931	15,000	5.4%	15,200	5.4%	11.5%	717,051	518,976	639,006	5.0%
4	Hotel Nikko Alivila	J	Resort	Luxury	Okinawa	18.8	18,900	18,752	18,900	6.3%	19,600	6.2%	14.4%	1,190,267	821,140	1,072,202	7.2%
5	Oriental Hotel Hiroshima	J	City	Upper middle	Other	19.3	4,100	4,087	4,100	8.0%	4,100	8.0%	3.1%	336,061	250,128	297,058	6.3%
6	Ibis Tokyo Shinjuku	N	Business	Mid-price	Tokyo	32.3	7,243	7,524	5,270	5.2%	5,510	5.2%	5.5%	336,350	137,394	173,295	4.3%
8	The Beach Tower Okinawa	N	Resort	Mid-price	Okinawa	8.8	7,610	7,169	7,070	6.0%	7,090	6.0%	5.8%	383,256	262,512	350,150	6.1%
9	Hakone Setsugetsuka	J	Resort	Mid-price	Kanto (Tokyo exclusive)	6.3	4,070	4,021	4,070	6.4%	4,190	6.3%	3.1%	221,211	141,367	202,988	6.6%
10	Dormy Inn Kumamoto	N	Business	Mid-price	Other	4.9	2,334	2,345	2,530	6.9%	2,610	6.7%	1.8%	145,845	99,533	129,126	7.3%
11	Dormy Inn Namba	N	Business	Economy	Kansai	13.9	1,270	1,219	1,080	6.5%	1,090	6.5%	1.0%	65,790	44,074	57,676	6.0%
12	Dormy Inn Suidobashi	N	Business	Economy	Tokyo	26.4	1,120	1,076	994	5.8%	1,011	5.8%	0.9%	63,000	46,935	55,290	6.4%
13	Dormy Inn Asakusa	N	Business	Economy	Tokyo	15.8	999	988	904	5.3%	929	5.2%	0.8%	47,996	32,023	40,540	5.1%
14	Hakata Nakasu Washington Hotel Plaza	J	Business	Mid-price	Other	17.8	2,130	2,115	2,130	8.7%	2,130	6.1%	1.6%	181,000	148,000	167,000	10.2%
15	Nara Washington Hotel Plaza	J	Business	Mid-price	Kansai	12.8	2,050	2,021	2,050	6.3%	2,060	6.3%	1.6%	115,000	72,000	102,000	6.5%
16	R&B Hotel Ueno-Hirokoji	N	Business	Economy	Tokyo	10.8	1,720	1,742	1,600	5.2%	1,540	5.2%	1.3%	73,193	52,166	61,348	4.7%
17	R&B Hotel Higashi-Nihombashi	N	Business	Economy	Tokyo	14.8	1,534	1,492	1,620	5.7%	1,670	5.6%	1.2%	91,655	65,566	77,329	6.6%
18	Comfort Hotel Tokyo Higashi-Nihombashi	N	Business	Economy	Tokyo	4.9	3,746	3,748	4,130	5.9%	4,310	5.7%	2.9%	202,586	152,559	178,746	6.3%
19	Comfort Hotel Shin-Yamaguchi	N	Business	Economy	Other	5.4	866	828	807	6.7%	786	6.5%	0.7%	45,397	27,458	38,329	5.8%
20	Pearl Hotel Kayabacho	N	Business	Economy	Tokyo	32.0	3,121	3,200	3,091	5.9%	2,928	5.9%	2.4%	167,535	116,909	143,988	6.0%

See next page for *.

1. Property list (2/2)

Property No.	Property name	Owner before merger (*1)	Type	Grade (*2)	Area	Age (*3)	Purchase price (JPY1M) (*4)	Book value (JPY1M) (*5)	Appraisal value				Investment ratio (*7)	Income from leasing business (JPY1,000) (*8)	P/L from leasing business (JPY1,000) (*8)	NOI (JPY1,000) (*8)	NOI yield (Assumption) (*9)
									FY03/2012 (as of 2012.3.31)		FY12/2012 (as of 2012.12.31)						
									Value (JPY1M) (*6)	CAP rate	Value	CAP rate					
21	Daiwa Roynet Hotel Akita	J	Business	Economy	Other	6.6	1,760	1,740	1,760	6.6%	1,770	6.7%	1.3%	103,000	63,000	89,000	6.9%
22	Smile Hotel Nihombashi-Mitsukoshimae (Former Kamogawa Inn Nihombashi)	N	Business	Economy	Tokyo	15.8	2,108	2,057	2,090	5.3%	2,160	5.2%	1.6%	100,800	73,681	87,299	5.5%
23	Hotel Sunroute Niigata	N	Business	Mid-price	Other	20.4	2,105	1,974	1,840	6.5%	1,840	6.6%	1.6%	117,001	76,949	103,774	6.4%
24	Toyoko Inn Hakatagauchi Ekimae	N	Business	Economy	Other	11.3	1,652	1,563	1,910	6.3%	1,930	6.3%	1.3%	105,779	79,300	95,343	7.6%
25	Hotel Vista Kamata Tokyo (Former Vista Hotel Kamata)	N	Business	Economy	Tokyo	20.9	1,512	1,484	1,070	5.8%	1,080	5.8%	1.2%	74,329	42,528	61,837	5.0%
26	Chisan Inn Kamata (Former Urbain Kamata Annex)	N	Business	Economy	Tokyo	9.7	823	813	700	6.0%	671	6.0%	0.6%	32,698	19,031	26,361	4.4%
27	Hotel Vista Hashimoto	N	Business	Economy	Kanto (Tokyo exclusive)	26.1	1,510	589	1,020	6.6%	612	6.6%	1.2%	63,385	45,468	56,556	3.4%
29	Hotel Keihan Universal City	-	Resort	Mid-price	Kansai	11.5	6,000	6,155	6,840	6.6%	6,840	6.6%	4.6%	161,148	125,261	152,086	8.2%
30	Hotel Sunroute Shimbashi	-	Business	Mid-price	Tokyo	4.8	4,800	4,935	5,640	5.1%	5,670	5.1%	3.7%	87,681	71,742	78,767	6.0%
Total or Average			-	-	-	16.3	130,883	128,986	129,016	-	131,227	-	100.0%	7,283,758	4,615,679	6,216,930	6.3%

(*1) N is property previously owned by the former NHF. J is property previously owned by the former JHR.

(*2) The hotels have been classified as "Luxury," "Upper-middle," "Mid-price" and "Economy" in terms of average room rate.

(*3) Average age: $\text{Sum of (Purchase price} \times \text{property age)} \div \text{Total purchase price}$.

(*4) Purchase prices indicated on the contracts are shown (exclusive of consumption tax and brokerage fee, etc.). The prices of the properties owned by the former NHF are the prices accepted.

(*5) Book value as of the end of December 2012.

(*6) Appraisal values for No. 29 and No. 30.

(*7) Percentage of the purchase price to the total purchase price. (Numbers beyond the second decimal point are rounded off.)

(*8) Actual for the period from April 2012 to December 2012. The total amount includes the income of the property sold during that period. The lessees for property 14, 15, and 21 did not agreed to disclose data in units of JPY1,000 therefore figures less than JPY1M are rounded down.

(*9) Forecast NOI yield: $\text{Forecast NOI as of FY12/2013} \div \text{Purchase price}$

2. Summary of lease contracts (1/2)

Property No.	Property Name	Rent type (*1)	Lessee/Hotel operator	Type of lease contract	Term (year)	Remaining term (year)	Contractual rent (*2) (Exclusive of tax)	Rent renewal			Remark	
								Summary	2013	2014		2015
1	Kobe Meriken Park Oriental Hotel	Variable/ Fixed	Hotel Management Japan Co., Ltd.	Fixed term	7.8	7.0	Fixed rent: JPY3,221,004T/year + Variable rent: When total GOP of HMJ's five hotels exceeds GOP base amount (JPY3.351B), the exceeded amount x 81.5%	No revision is scheduled unless there is material ground (*3). (Article 32* of Act on Land and Building Leases is not applicable.) *The right to increase/decrease rent	-	-	-	
2	Oriental Hotel Tokyo Bay											
3	Namba Oriental Hotel											
4	Hotel Nikko Alivila											
5	Oriental Hotel Hiroshima											
6	Ibis Tokyo Shinjuku	Management contract	A.A.P.C. Japan (*4)	-	12.0	11.5	Amount equivalent to GOP		-	-	-	The management contract system was implemented in July 2012.
8	The Beach Tower Okinawa	Fixed	K.K. Kyoritsu Maintenance	Fixed term	20.1	13.5	42,584T/month	Article 32 of Act on Land and Building Leases is not applicable.	-	-	-	
9	Hakone Setsugetsuka	Fixed	K.K. Kyoritsu Maintenance	Fixed term	19.9	13.8	24,528T/month	Revision of rent is not approved.	-	-	-	
10	Dormy Inn Kumamoto	Fixed	K.K. Kyoritsu Maintenance	Fixed term	12.0	10.3	16,205T/month	Rent can be revised by mutual agreement every three years.	-	Plan to renew	-	
11	Dormy Inn Namba	Fixed	K.K. Kyoritsu Maintenance	Renewable	15.0	1.2	6,520T/month	Rent can be revised by mutual agreement every three years.	-	Expire	-	
12	Dormy Inn Suidobashi	Fixed	K.K. Kyoritsu Maintenance	Fixed term	10.0	2.5	7,000T/month	Article 32 of Act on Land and Building Leases is not applicable.	-	-	Expire	
13	Dormy Inn Asakura	Fixed	K.K. Kyoritsu Maintenance	Renewable	20.0	4.2	5,332T/month	Rent can be revised by mutual agreement every three years.	-	-	Plan to renew	
14	Hakata Nakasu Washington Hotel Plaza	Fixed	Washington Hotel K.K.	Renewable	20.0	2.2	20M/month (*5)	Revision of rent is not approved during the period from April 21, 2012 through the expiration of the contract.	-	-	Expire	The monthly rent, JPY21M, was revised to JPY20M on April 21, 2012. (Amount less than JPY1M was rounded down).
15	Nara Washington Hotel Plaza	Fixed	Washington Hotel K.K.	Renewable	20.0	7.2	11M/month (*5)	Rent can be revised by mutual agreement.	-	-	-	
16	R&B Hotel Ueno-Hirokoji	Fixed	Washington Hotel K.K.	Renewable	20.1	9.3	8,107T/month	Rent can be revised by mutual agreement.	-	-	-	
17	R&B Hotel Higashi-Nihombashi	Fixed	Washington Hotel K.K.	Renewable	20.0	5.2	10,183T/month	Rent can be revised by mutual agreement.	Plan to renew	-	-	

2. Summary of lease contracts (2/2)

Property No.	Property Name	Rent type (*1)	Lessee/Hotel operator	Type of lease contract	Term (year)	Remaining term (year)	Contractual rent (*2) (Exclusive of tax)	Rent renewal				Remark
								Summary	2013	2014	2015	
18	Comfort Hotel Tokyo Higashi Nihombashi	Fixed	Greens Co., Ltd.	Fixed term	20.0	15.1	JPY21,155T/month	Rent can be revised by mutual agreement every five years.	Already renewed	—	—	The rent agreement was renewed on January 30, 2013 (same amount).
19	Comfort Hotel Shin-Yamaguchi	Fixed	Greens Co., Ltd.	Fixed term	20.0	14.7	JPY5,043T/month	Rent can be revised by mutual agreement every three years.	Plan to renew	—	—	
20	Peal Hotel Kayabacho	Fixed	Yuasa Funashoku Co., Ltd.	Renewable	15.0	6.4	JPY18,595T/month	Rent can be revised by mutual agreement every two years.	—	Plan to renew	—	
21	Daiwa Roynet Hotel Akita	Fixed	Daiwa Royal Hotels	Renewable	20.0	13.5	JPY11M/month (*5)	Rent can be revised by mutual agreement every five years.	—	—	—	
22	Smile Hotel Nihombashi Mitsukoshimae (Former Kamogawa Inn Nihombashi)	Fixed	Kamogawa Grand Hotel, Ltd.	Renewable	20.0	4.2	JPY11,200T/month	Rent can be revised by mutual agreement.	Plan to renew	—	—	
23	Hotel Sunroute Niigata	Fixed	Sunroute Co., Ltd.	Fixed term	12.5	4.5	JPY13,000T/month	Article 32 of Act on Land and Building Leases is not applicable.	—	—	—	
24	Toyoko Inn Hakataguchi Ekimae	Fixed	Toyoko Inn Co., Ltd.	Renewable	30.0	18.7	JPY11,753T/month	No rule is stipulated for revising rent.	—	—	—	
25	Hotel Vista Kamata Tokyo (Former Vista Hotel Kamata)	Variable/fixed	Sun Vista Co., Ltd.	Renewable	3.0	2.5	Fixed rent: JPY7,794T/month + Variable rent: If 32.5% of the sales exceeds the total monthly rent for 12 months, difference is to be paid.	Revision of rent is not approved.	—	—	Expire	The hotel has paid both variable rent and fixed rent since July 2012.
26	Chisun Inn Kamata (Former Hotel Urbain Kamata Annex)	Variable	Solare Hotels & Resorts Co., Ltd.	Fixed term	5.0	4.5	GOP × 85% (If it drops to JPY0, it will be JPY0.)	Article 32 of Act on Land and Building Leases is not applicable.	—	—	—	The lessee was replaced in July 2012. The hotel was rebranded and variable rent is being paid.
27	Hotel Vista Hashimoto	Fixed	Vista Hotel Management Co., Ltd.	Renewable	6.0	0.6	JPY7,000T/month	Rent can be revised by mutual agreement every three years.	Expire	—	—	
29	Hotel Keihan Universal City	Fixed	K.K. Hotel Keihan	Renewable	20.0	8.5	Nondisclosure (*6)	Nondisclosure (*6)	—	—	—	
30	Hotel Sunroute Shimbashi	Variable/Fixed	Sunroute Co., Ltd.	Fixed term	15.0	10.3	Fixed rent: JPY18,632T + Variable rent: Nondisclosure (*6)	No rule is stipulated.	—	—	—	

(*1) "Fixed" is a hotel paying a fixed rent, "Variable" is a hotel paying a variable rent, "Management contract" is a hotel being operated by a management contract, and "Variable + Fixed" is a hotel paying both variable and fixed rent.

(*2) Car park and common service expense inclusive.

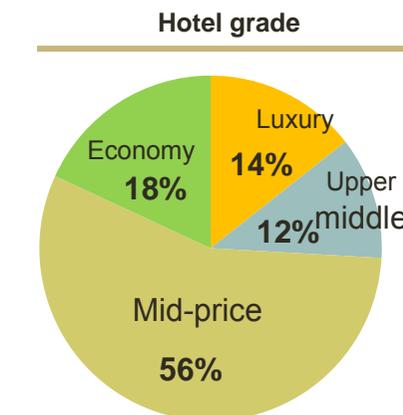
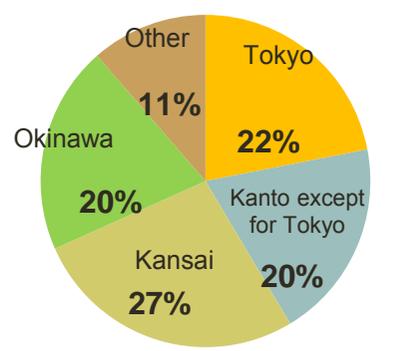
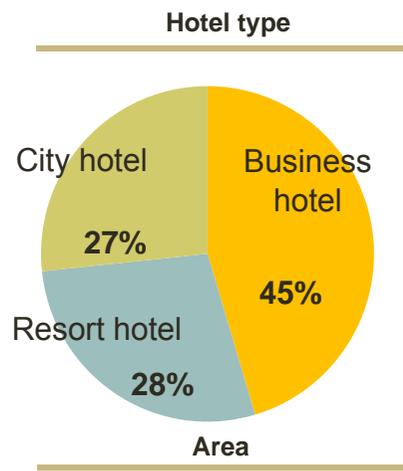
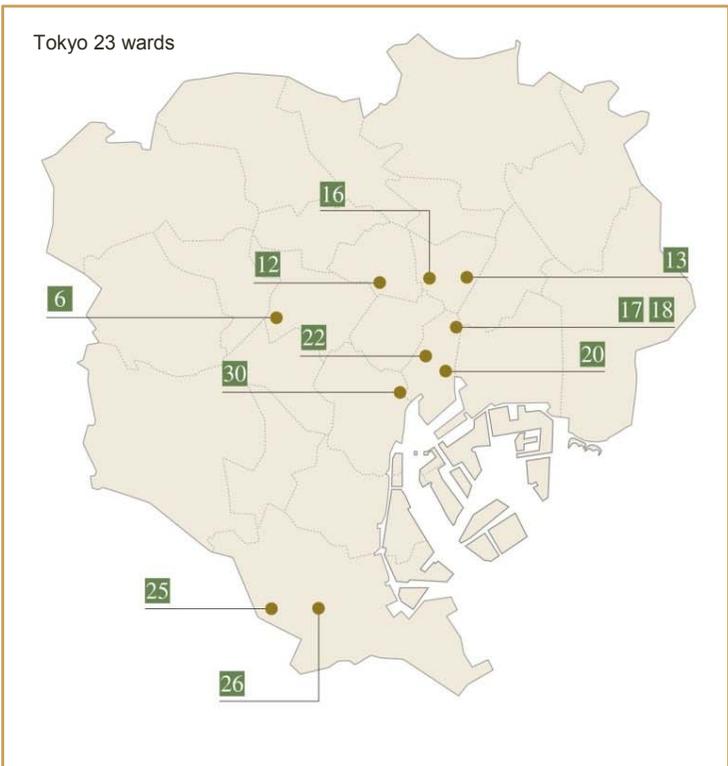
(*3) When the fixed rent for the certain period exceeds the operating income before depreciation and rent in either the first half or the second half of the year, the rent is usually revised.

(*4) The management contract system for the hotel operator, A.A.P.C. Japan.

(*5) Amounts less than JPY1M are rounded down, as the lessee did not agree to disclose data in units of 1,000.

(*6) The lessee did not agree to disclose data.

3. Portfolio map



5. Properties ①

Property No. and type	1 City	2 City	3 Business	4 Resort	5 City
Property Name	Kobe Meriken Park Oriental Hotel	Oriental Hotel Tokyo Bay	Namba Oriental Hotel	Hotel Nikko Alivila	Oriental Hotel Hiroshima
Exterior					
Interior					
Location	Chuo-ku, Kobe city, Hyogo	Urayasu city, Chiba	Chuo-ku, Osaka city, Osaka	Yomitanson, Nakagami-gun, Okinawa	Naka-ku, Hiroshima city, Hiroshima
No. of rooms	319	503	257	396	227
Year built	Jul. 1995/Jun. 2001	May 1995	Mar. 1996	Apr. 1994	Sep. 1993 / Sep. 2006 (extension)
Map					

5. Properties ②

Property No. and type	6 Business	8 Resort	9 Resort	10 Business	11 Business	12 Business
Property name	Ibis Tokyo Shinjuku	The Beach Tower Okinawa	Hakone Setsugetsuka	Dormy Inn Kumamoto	Dormy Inn Namba	Dormy Inn Suidobashi
Exterior						
Interior						
Location	Nishi-Shinjuku, Shinjuku-ku, Tokyo	Chatan cho, Nakagami-gun, Okinawa	Hakone-machi, Ashigara-Shimogun, Kanagawa	Kumamoto city, Kumamoto	Naniwa-ku, Osaka city, Osaka	Hongo, Bunkyo-ku, Tokyo
No. of rooms	206	280	158	294	105	99
Year built	Sep. 1980	Mar. 2004 / Jun. 2005 / May. 2006 (extension)	Oct. 2006	Jan. 2008	Feb. 1999	Aug. 1986 Sep. 1989 (extension)
Map						

5. Properties ③

Property No. and type	13 Business	14 Business	15 Business	16 Business	17 Business	18 Business
Property name	Dormy Inn Asakusa	Hakata Nakasu Washington Hotel Plaza	Nara Washington Hotel Plaza	R&B Hotel Ueno Hirokoji	R&B Hotel Higashi Nihombashi	Comfort Hotel Tokyo Higashi-Nihombashi
Exterior						
Interior						
Location	Hanakawado, Taito-ku, Tokyo	Hakata-ku, Fukuoka city, Fukuoka	Nara city, Nara	Ueno, Taito-ku, Tokyo	Higashi-Nihombashi, Chuo-ku, Tokyo	Nihonbashi Bakuro-cho, Chuo-ku, Tokyo
No. of rooms	77	247	204	187	203	259
Year built	Mar.1997	Mar.1995	Mar.2000	Apr.2002	Mar.1998	Jan.2008
Map						

5. Properties ④

Property No. and type	19 Business	20 Business	21 Business	22 Business	23 Business	24 Business
Property name	Comfort Hotel Shin Yamaguchi	Pearl Hotel Kayabacho	Daiwa Roynet Hotel Akita	Smile Hotel Nihombashi Mitsukoshimae (Former Kamogawa Inn Nihombashi)	Hotel Sunroute Niigata	Toyoko Inn Hakataguchi Ekimae
Exterior						
Interior						
Location	Yamaguchi city, Yamaguchi	Shinkawa, Chuo-ku, Tokyo	Akita city, Akita	Nihombashi Honcho, Chuo-ku, Tokyo	Chuo-ku, Niigata city, Niigata	Hakata-ku, Fukuoka city, Fukuoka
No. of rooms	139	268	221	164	231	257
Year built	Aug. 2007	Jan. 1981	Jun. 2006	Mar. 1997	Aug. 1992	Sep. 2001
Map						

5. Properties ⑤

Property No. and type	25 Business	26 Business	27 Business	NEW 29 Resort	NEW 30 Business
Property name	Hotel Vista Kamata Tokyo (Former Vista Hotel Kamata)	Chisan Inn Kamata (Former Hotel Urbain Kamata Annex)	Hotel Vista Hashimoto	Hotel Keihan Universal City	Hotel Sunroute Shimbashi
Exterior					
Interior					
Location	Nishi-Kamata, Ota-ku, Tokyo	Kamata, Ota-ku, Tokyo	Midori-ku, Sagami-hara city, Kanagawa	Konohana-ku, Osaka city, Osaka	Shimbashi, Minato-ku, Tokyo
No. of rooms	106	70	99	330	220
Year built	Jan. 1992	Apr. 2003	Dec. 1986	Jun. 2001	Mar. 2008
Map					

APPENDIX 2
PERFORMANCE INDICATORS OF
MAJOR HOTELS WITH VARIABLE RENTS

1. Hotel performance indicators ①

HMJ's Five hotels in total

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY1M)	2010	1,396	1,462	1,843	1,655	1,961	1,572	1,910	2,382	1,755	1,986	1,727	1,749	21,396
	2011	1,466	1,390	1,341	1,296	1,640	1,387	1,940	2,282	1,727	1,974	1,904	1,876	20,223
	2012	1,402	1,416	1,935	1,677	1,655	1,594	1,966	2,367	1,707	1,854	1,864	1,874	21,312
Occupancy rate	2010	66.1%	76.2%	80.8%	80.1%	79.3%	78.6%	81.9%	91.5%	87.9%	86.1%	79.6%	76.2%	80.4%
	2011	74.6%	75.8%	61.3%	52.6%	69.2%	72.0%	82.3%	90.4%	87.3%	88.0%	86.3%	80.7%	76.7%
	2012	72.3%	79.4%	85.3%	79.5%	77.5%	79.3%	83.1%	93.2%	87.0%	88.7%	86.5%	80.5%	82.7%
ADR (JPY)	2010	12,971	11,870	15,846	13,518	16,494	13,104	19,105	25,288	15,745	15,203	13,833	16,063	15,980
	2011	12,912	12,213	14,091	14,006	14,926	12,328	18,983	25,157	16,284	15,240	13,705	16,731	15,846
	2012	12,907	11,693	16,093	14,920	15,875	13,511	19,236	25,365	15,725	14,982	14,723	17,174	16,200
RevPER (JPY)	2010	8,572	9,044	12,797	10,827	13,082	10,307	15,641	23,148	13,846	13,089	11,018	12,242	12,845
	2011	9,632	9,258	8,642	7,368	10,322	8,876	15,631	22,748	14,223	13,404	11,825	13,498	12,160
	2012	9,337	9,289	13,730	11,866	12,300	10,718	15,982	23,628	13,682	13,291	12,740	13,822	13,400

Kobe Meriken Park Oriental Hotel

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY1M)	2010	406	429	476	447	608	434	434	493	448	608	511	518	5,812
	2011	372	358	445	439	531	401	468	490	456	555	532	507	5,554
	2012	359	357	508	448	459	413	439	481	440	498	538	526	5,466
Occupancy rate	2010	70.7%	71.6%	78.6%	78.5%	75.7%	80.3%	80.4%	91.7%	86.7%	88.3%	82.8%	89.6%	81.3%
	2011	66.5%	61.4%	74.7%	61.4%	83.3%	76.0%	74.0%	87.6%	83.0%	83.3%	82.9%	81.9%	76.5%
	2012	61.7%	68.8%	82.3%	76.1%	79.9%	78.4%	78.1%	94.3%	86.2%	85.2%	84.1%	84.6%	80.0%
ADR (JPY)	2010	12,485	11,480	12,853	11,964	15,248	12,156	13,273	16,344	12,966	13,891	13,084	15,787	13,564
	2011	12,050	12,149	13,876	14,140	14,722	12,390	14,860	18,026	14,827	15,290	13,841	17,598	14,645
	2012	13,055	11,582	13,142	13,529	14,771	12,695	13,645	16,909	13,916	14,523	14,555	17,964	14,326
RevPER (JPY)	2010	8,821	8,216	10,105	9,387	11,537	9,767	10,669	14,986	11,240	12,261	10,835	14,140	11,027
	2011	8,019	7,456	10,364	8,676	12,263	9,420	10,997	15,795	12,303	12,740	11,473	14,407	11,197
	2012	8,049	7,968	10,812	10,302	11,799	9,956	10,659	15,946	11,991	12,378	12,234	15,199	11,464

1. Hotel performance indicators ②

Oriental Hotel Tokyo Bay

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY1M)	2010	474	442	610	486	605	513	501	618	513	649	612	585	6,608
	2011	510	462	262	211	393	382	456	599	516	657	643	657	5,748
	2012	488	458	669	509	565	532	503	667	509	600	614	649	6,762
Occupancy rate	2010	76.4%	85.4%	91.7%	82.5%	89.4%	91.1%	88.6%	96.2%	97.9%	97.6%	94.8%	90.1%	90.2%
	2011	87.5%	91.1%	44.4%	17.9%	53.5%	68.1%	85.8%	99.6%	98.7%	99.1%	99.2%	99.1%	78.7%
	2012	90.2%	97.4%	98.8%	83.7%	91.3%	93.2%	87.6%	98.9%	97.9%	96.2%	97.1%	96.0%	94.0%
ADR (JPY)	2010	13,368	11,895	19,625	14,706	17,685	13,791	15,439	22,103	15,114	18,124	16,369	18,878	16,583
	2011	14,091	12,845	14,156	12,410	13,643	11,529	14,337	22,130	16,379	17,732	15,505	19,097	15,941
	2012	13,416	12,374	20,142	17,288	17,433	14,071	15,932	24,549	15,971	18,322	18,496	20,467	17,469
RevPAR (JPY)	2010	10,208	10,160	18,003	12,135	15,805	12,558	13,678	21,262	14,798	17,690	15,521	17,008	14,950
	2011	12,330	11,706	6,291	2,217	7,301	7,855	12,294	22,046	16,174	17,576	15,388	18,922	12,542
	2012	12,106	12,051	19,906	14,463	15,922	13,109	13,958	24,286	15,631	17,625	17,964	19,649	16,425

Namba Oriental Hotel

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY1M)	2010	141	136	181	151	159	146	155	175	150	154	156	166	1,870
	2011	151	140	162	161	164	163	179	171	142	152	148	176	1,909
	2012	142	141	154	157	152	140	153	177	151	159	163	170	1,858
Occupancy rate	2010	75.5%	76.6%	83.4%	85.8%	80.3%	78.3%	79.6%	88.0%	82.9%	79.5%	85.5%	84.0%	81.6%
	2011	78.2%	79.4%	86.1%	89.8%	89.0%	93.5%	98.4%	92.9%	83.3%	83.4%	86.1%	86.8%	87.3%
	2012	79.5%	75.4%	88.3%	92.0%	84.7%	82.5%	86.5%	96.5%	89.0%	94.0%	93.1%	89.3%	87.6%
ADR (JPY)	2010	9,025	8,835	9,812	9,520	10,333	8,953	9,893	10,145	9,460	9,902	9,896	10,090	9,677
	2011	9,496	9,487	10,751	10,580	10,340	10,170	11,053	10,419	9,677	10,124	9,741	10,778	10,250
	2012	9,429	8,929	9,861	10,276	10,036	8,995	9,875	11,368	9,634	9,713	10,806	11,138	10,049
RevPAR (JPY)	2010	6,813	6,769	8,179	8,164	8,294	7,011	7,874	8,923	7,841	7,871	8,464	8,473	7,899
	2011	7,431	7,530	9,257	9,503	9,198	9,513	10,878	9,683	8,056	8,447	8,389	9,358	8,949
	2012	7,499	6,732	8,705	9,449	8,500	7,424	8,545	10,974	8,578	9,130	10,056	9,947	8,805

1. Hotel performance indicators ③

Hotel Nikko Alivila

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY1M)	2010	244	291	382	384	418	316	644	943	485	387	271	276	5,040
	2011	317	276	302	332	380	303	678	899	465	420	376	325	5,074
	2012	283	292	416	376	335	339	686	877	430	413	330	312	5,088
Occupancy rate	2010	47.1%	74.7%	71.3%	80.7%	74.2%	70.7%	80.3%	91.6%	89.8%	80.9%	57.1%	48.7%	72.2%
	2011	72.2%	74.1%	56.2%	65.2%	67.1%	66.5%	85.3%	88.0%	85.2%	86.7%	76.6%	54.9%	73.2%
	2012	60.2%	76.8%	77.7%	74.3%	57.2%	66.8%	86.1%	85.2%	81.6%	86.2%	75.0%	53.9%	73.4%
ADR (JPY)	2010	20,106	15,825	21,139	18,539	23,681	18,342	40,205	54,398	25,657	18,594	16,864	22,116	25,800
	2011	16,253	14,881	20,862	20,045	23,781	17,714	38,190	53,155	25,615	18,253	16,694	23,055	24,934
	2012	17,858	14,251	20,698	20,061	24,846	20,292	38,954	54,220	24,982	17,670	15,574	22,336	25,030
RevPAR (JPY)	2010	9,465	11,829	15,073	14,955	17,580	12,975	32,295	49,838	23,048	15,042	9,627	10,772	18,634
	2011	11,729	11,034	11,731	13,070	15,949	11,781	32,587	46,803	21,816	15,834	12,781	12,666	18,243
	2012	10,745	10,942	16,073	14,901	14,222	13,545	33,543	46,177	20,375	15,233	11,679	12,034	18,364

Oriental Hotel Hiroshima

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY1M)	2010	131	163	193	188	170	164	176	153	159	188	178	204	2,067
	2011	116	153	170	154	172	139	159	123	148	190	204	210	1,939
	2012	129	169	188	186	145	171	185	164	176	185	219	218	2,137
Occupancy rate	2010	59.3%	64.2%	73.0%	69.6%	70.0%	63.0%	74.3%	85.0%	70.0%	74.1%	74.3%	65.9%	70.3%
	2011	57.5%	61.0%	60.8%	53.0%	65.1%	60.1%	63.1%	75.3%	76.6%	77.0%	79.4%	76.2%	67.1%
	2012	60.8%	63.8%	69.6%	70.2%	70.5%	68.3%	70.8%	88.8%	71.3%	75.4%	79.3%	76.7%	72.2%
ADR (JPY)	2010	8,455	8,475	8,627	8,295	9,726	8,194	9,023	9,812	8,777	8,873	8,920	8,894	8,876
	2011	8,297	8,577	8,783	8,597	8,802	7,626	8,461	9,170	8,264	8,406	8,367	8,327	8,479
	2012	7,627	7,886	8,248	8,189	8,400	7,748	8,089	8,954	8,187	8,343	8,534	8,448	8,255
RevPAR (JPY)	2010	5,014	5,439	6,296	5,776	6,809	5,163	6,708	8,335	6,148	6,577	6,631	5,865	6,240
	2011	4,768	5,235	5,337	4,560	5,727	4,581	5,340	6,904	6,334	6,468	6,647	6,342	5,692
	2012	4,640	5,035	5,744	5,752	5,924	5,288	5,730	7,953	5,840	6,292	6,767	6,478	5,959

1. Hotel performance indicators ④

Ibis Tokyo Shinjuku

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY1M)	2011											45	51	
	2012	45	53	56	55	53	51	56	55	46	51	53	55	629
Occupancy rate	2011											72.4%	80.8%	
	2012	75.4%	84.9%	89.6%	89.1%	90.1%	91.4%	86.2%	84.5%	73.5%	76.9%	79.5%	80.8%	83.5%
ADR (JPY)	2011											9,013	9,084	
	2012	8,408	9,645	8,976	9,226	8,557	8,315	9,294	9,311	9,359	9,428	9,708	9,792	9,154
RevPAR (JPY)	2011											6,525	7,342	
	2012	6,342	8,187	8,041	8,220	7,712	7,597	8,008	7,863	6,878	7,252	7,721	7,907	7,641

APPENDIX 3
INVESTOR COMPOSITION AND UNIT PRICE

1. Top ten major shareholders and owners of the investment units

Top ten major shareholders

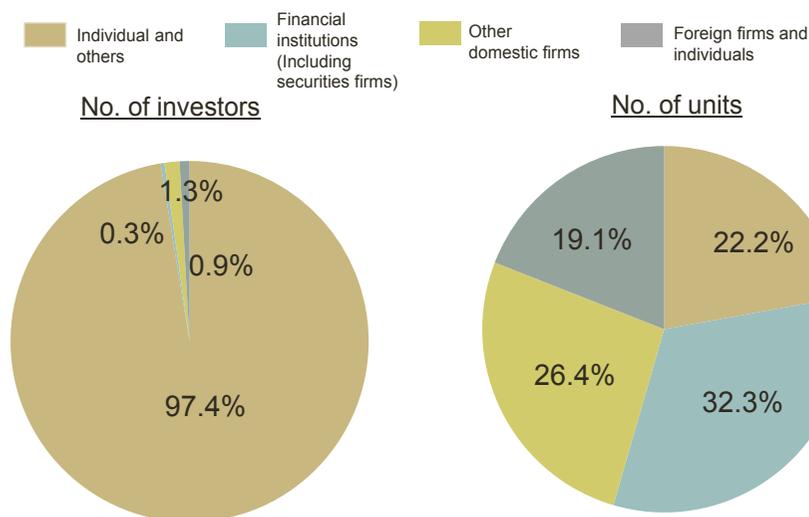
Ranking	Name	No. of units	Percentage (*1)
1	Taiyo Investment Special Purpose Company (*2)	257,059	12.17
2	Japan Trustee Services Bank, Ltd. (Trust)	202,934	9.61
3	Umi Investment Special Purpose Company (*2)	173,400	8.21
4	Trust & Custody Services Bank, Ltd. (Securities Investment Trust)	164,593	7.79
5	The Master Trust Bank of Japan, Ltd. (Trust)	160,327	7.59
6	The Nomura Trust and Banking Co., Ltd. (Trust)	84,219	3.98
7	Nomura Bank Luxemburg S.A.	68,045	3.22
8	Shikoku Railway Company	58,311	2.76
9	Goldman Sachs International	39,904	1.89
10	Nomura B.B. Nominees T.K. One Limited	28,320	1.34
Total		1,237,112	58.59

(*1) The total units held by investors to the total units issued by JHR as of the end of December 2012. Numbers with more than two decimal places are rounded down.

(*2) Taiyo Investment Special Purpose Company and Umi Investment Special Purpose Company are SPCs established through the intentions of the RECAP group.

Owners of the investment units

Owners	No. of Investors	No. of units
Individuals and other	13,277	468,320
Financial institutions (Including securities firms)	46	682,373
Other domestic firms	184	558,068
Foreign firms and individuals	123	402,520
Total	13,630	2,111,281



(*1) The investors categories to the total number of investors as of the end of December 2012.

Numbers with more than two decimal places are rounded down.

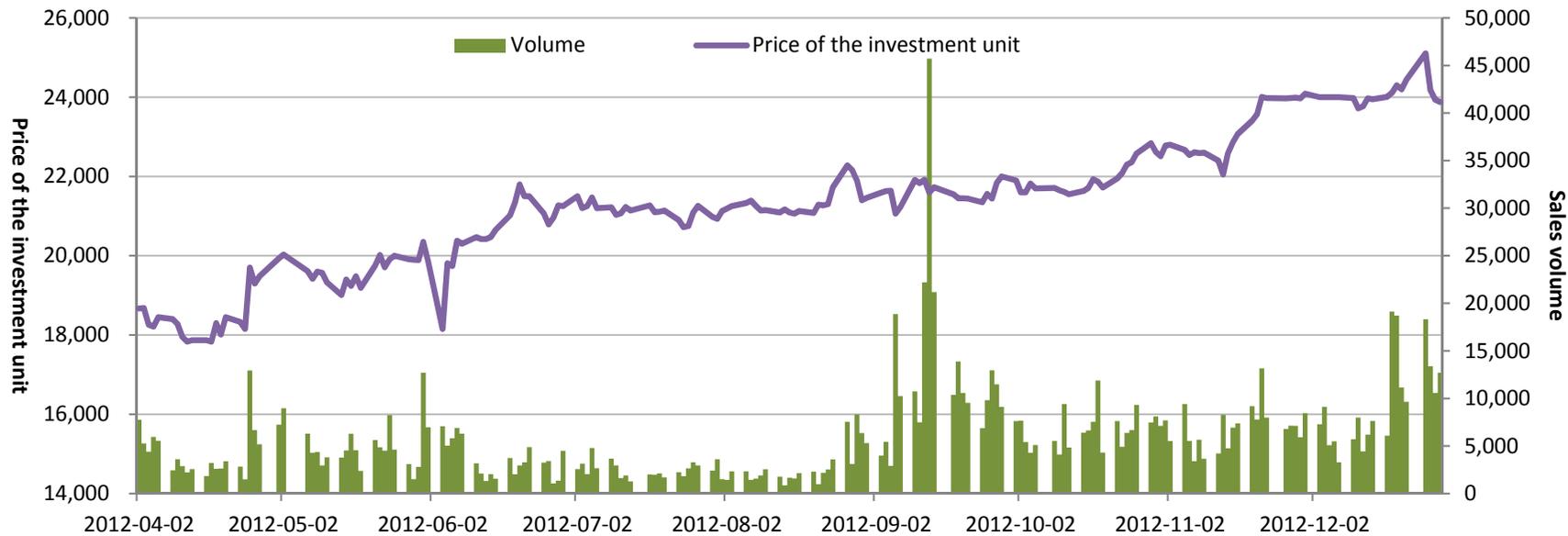
The ratio of the number of units to the total units issued by the JHR as of the end of December 2012. Numbers with more than two decimal places are rounded down.

2. Change in investment unit price

Change in investment unit price (Closing price base)

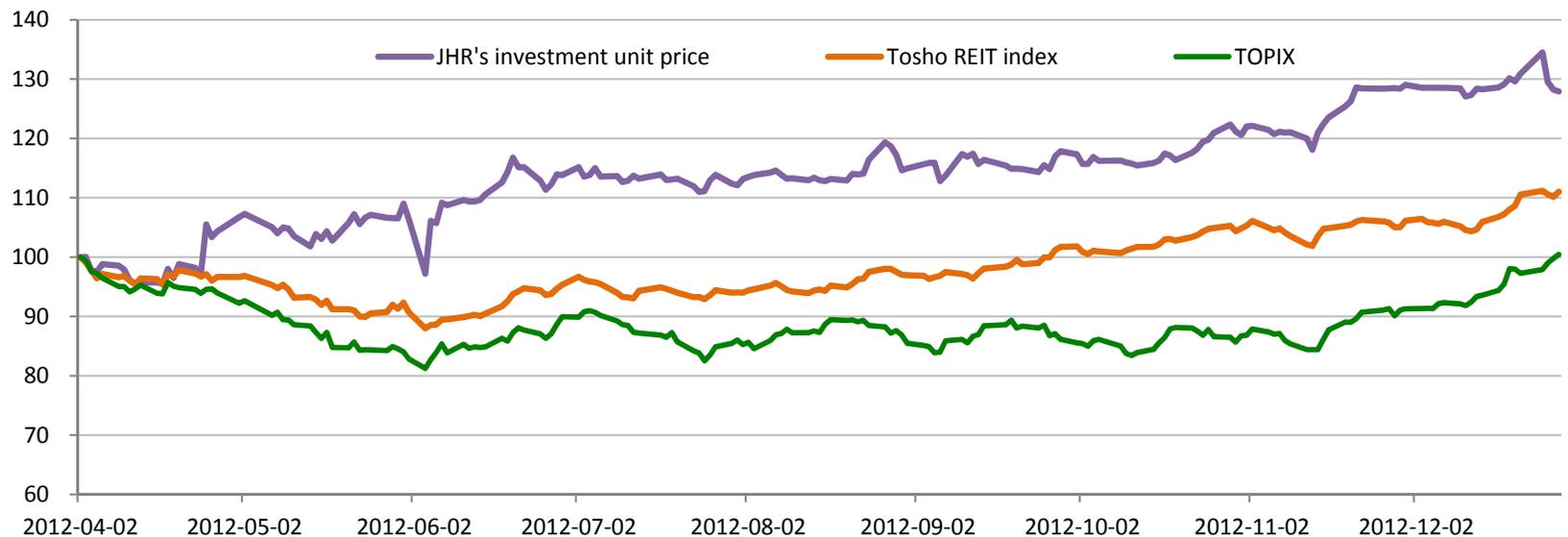
Closing price at the end of the term
JPY23,880
(December 28, 2012)

(*) Price of the real estate investment securities may fall depending on the price of the real estate or fluctuations in profitability, and investors may suffer losses. Investors may also suffer losses through the bankruptcy or deteriorated finances of the issuer. With reference to the risk of investment in JHR's units, see "Part 2. Supplemental information, Investment Risk" of JHR's Securities Registration Statement dated August 28, 2012



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

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

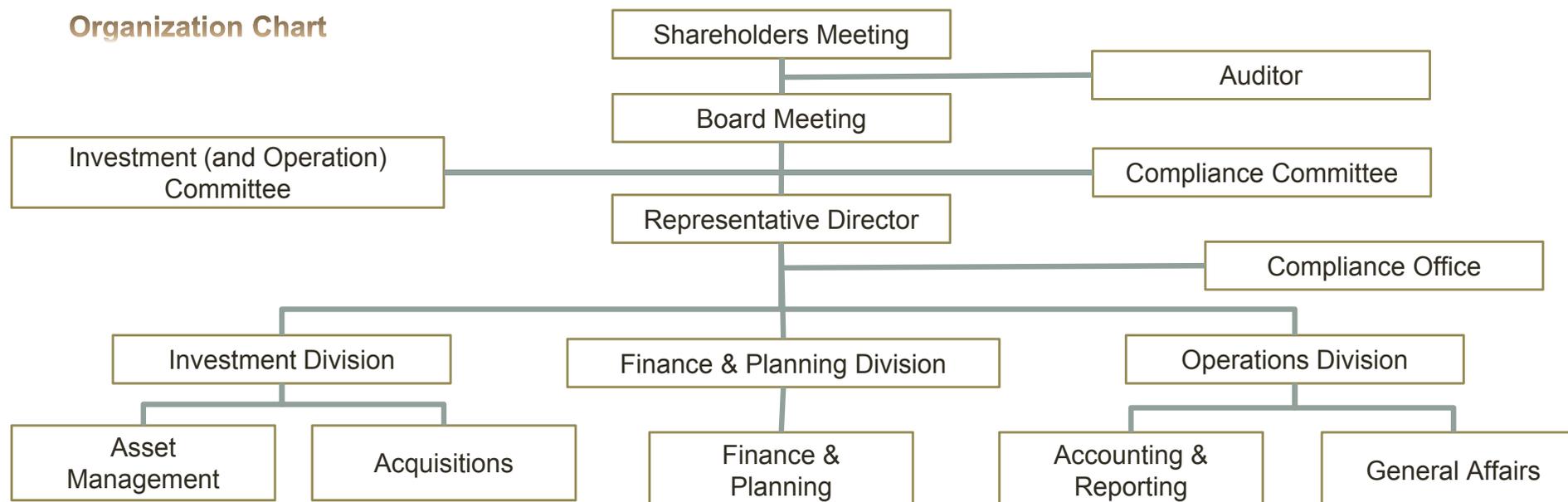


APPENDIX 4
SUMMARY OF THE ASSET MANAGEMENT COMPANY

1. Summary of the asset management company

Company	Japan Hotel REIT Advisors Co., Ltd.
Location	Ebisu Neonato 4F, 4-1-18 Ebisu, Shibuya-ku, Tokyo 150-0013
Establishment	August 10, 2004
Capital	JPY300M as of December 31, 2012
Shareholders	Rockrise Sdn Bhd, K.K. Kyoritsu Maintenance, Orix Real Estate Corporation
Representative Director	Hiroyuki Suzui
Registration and Licenses	Building Lots and Buildings Transaction Business Operator, Governor of Tokyo (2) No. 83613 Discretionary Transaction Agent by Minister of Land, Infrastructure, Transport and Tourism No. 38 Financial Instruments Business Operator, Director-General of the Kanto Local Finance Bureau No. 334 Member of the Investment Trust Association, Japan

Organization Chart



Features of the asset management company

1. Existence value

“True professionals who never stop challenging and creating will 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 operator.
- ✓ Ensure managerial independence from the main sponsor, the RECAP group ^(*), and strong commitment to growth of JHR.
- ✓ Conduct and publish unique proprietary research on the hotel and tourism industries.

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

Strict decision-making rules including those detailed below have been set for dealing with “sponsor-related persons” ^(*). The arms length rule is followed to ensure the transparency of the deal.

The asset management company: Compliance committee

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

JHR: Committee

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

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

^(**) Definition of “sponsor-related person” here 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.

APPENDIX 5
MARKET DATA

1. Tourism related information

National tourism promotion

April 2003 **“Visit Japan Campaign” launched**

January 2007 **The “Tourism-Based Country Promotion Basic Act” was enacted.**

March 2012 **The “Tourism Nation Promotion Basic Plan” (Revised and decided by cabinet) (Target by 2016)**

Domestic travel consumption	JPY30T
No. of foreign visitors	18 million
No. of international conferences	50% or higher increase Become the number one conference host country in Asia

July **“Comprehensive Strategy for the Rebirth of Japan” (Decided by cabinet)**
→ **“Tourism nation”** is one of the strategies.

(Target for 2020)

Market share of LCCs	Expand to 20% to 30% in domestic/international air travels
Creation of domestic tourism demand through vacation/holiday reforms	Approximately JPY1T

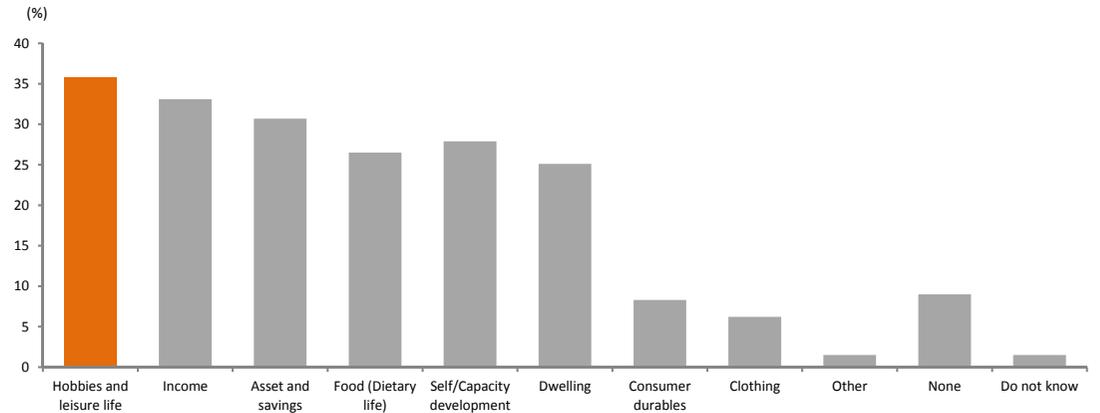
December **“Act on Promotion of Tourists Visit and Stay Through Development of Tourism Areas” revised.**

It is ten years since the start of the “Visit Japan Campaign”

Japan’s tourism promotion is proceeding to the second phase

Domestic leisure demand

According to a public opinion survey on people’s lifestyles, people wish to focus on “hobbies and leisure life” the most (35.8%).



Source: Public Opinion Poll on People's lifestyles by Prime Minister's Secretariat Public Relations Office

According to the monitoring survey on men and women aged twenty and over who are interested in travel, those who plan to increase the number of trips and their expenditure on one domestic trip in 2013 rose to the highest since 2009 after the Lehman Shock. → The motivation to travel has steadily recovered.

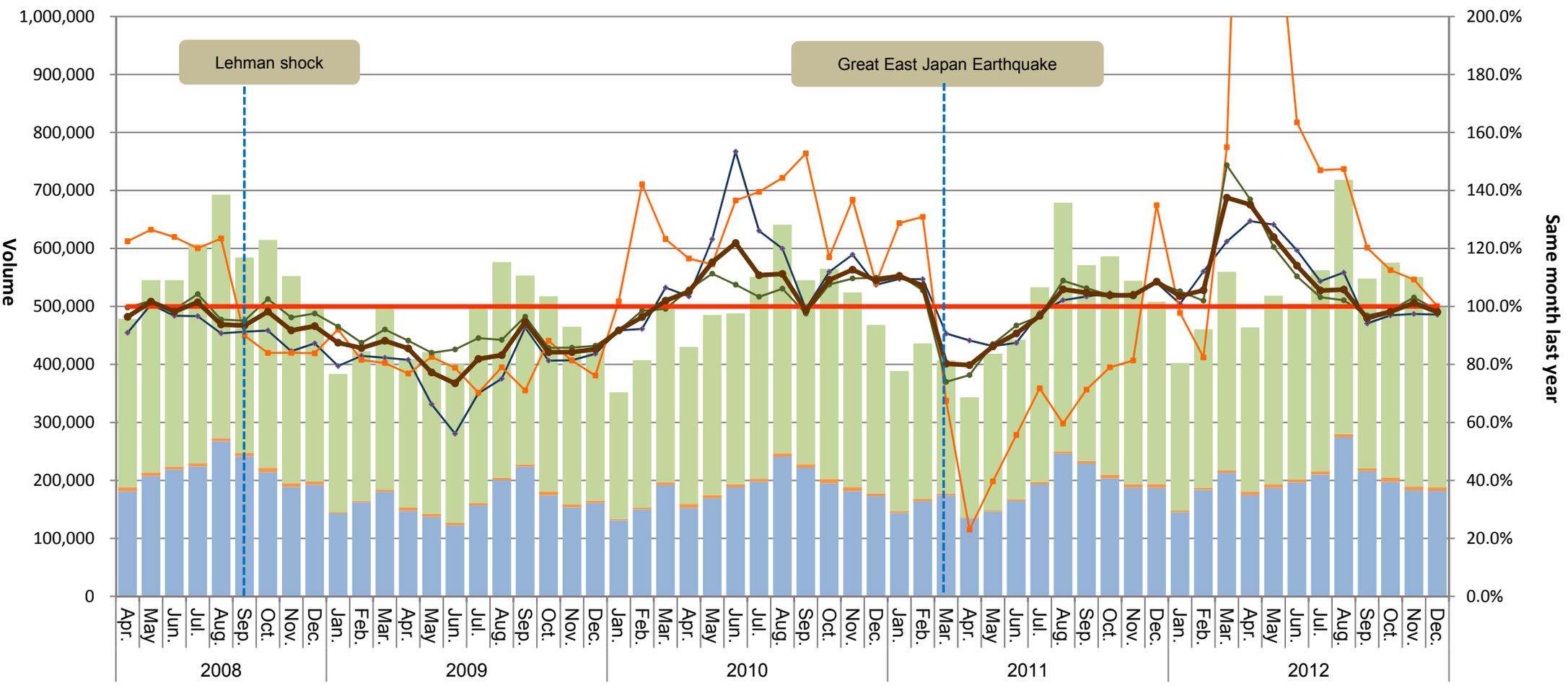


Source: Made by the asset management company based on the monitoring survey of opinion leading travelers dated December 2012 by Japan Travel Bureau Foundation

2. Change in travel volume

Year-on-year travel volume turned positive in 2010 after dropping following the Lehman Shock. It turned negative again in 2011 as a result of the Great East Japan Earthquake but it recovered gradually and turned positive again in the second half of the year. The trend turned negative again in September 2012 due to anti-Japan demonstrations in China over the Senkaku Islands but recovered again to the level of the previous year at the end of 2012.

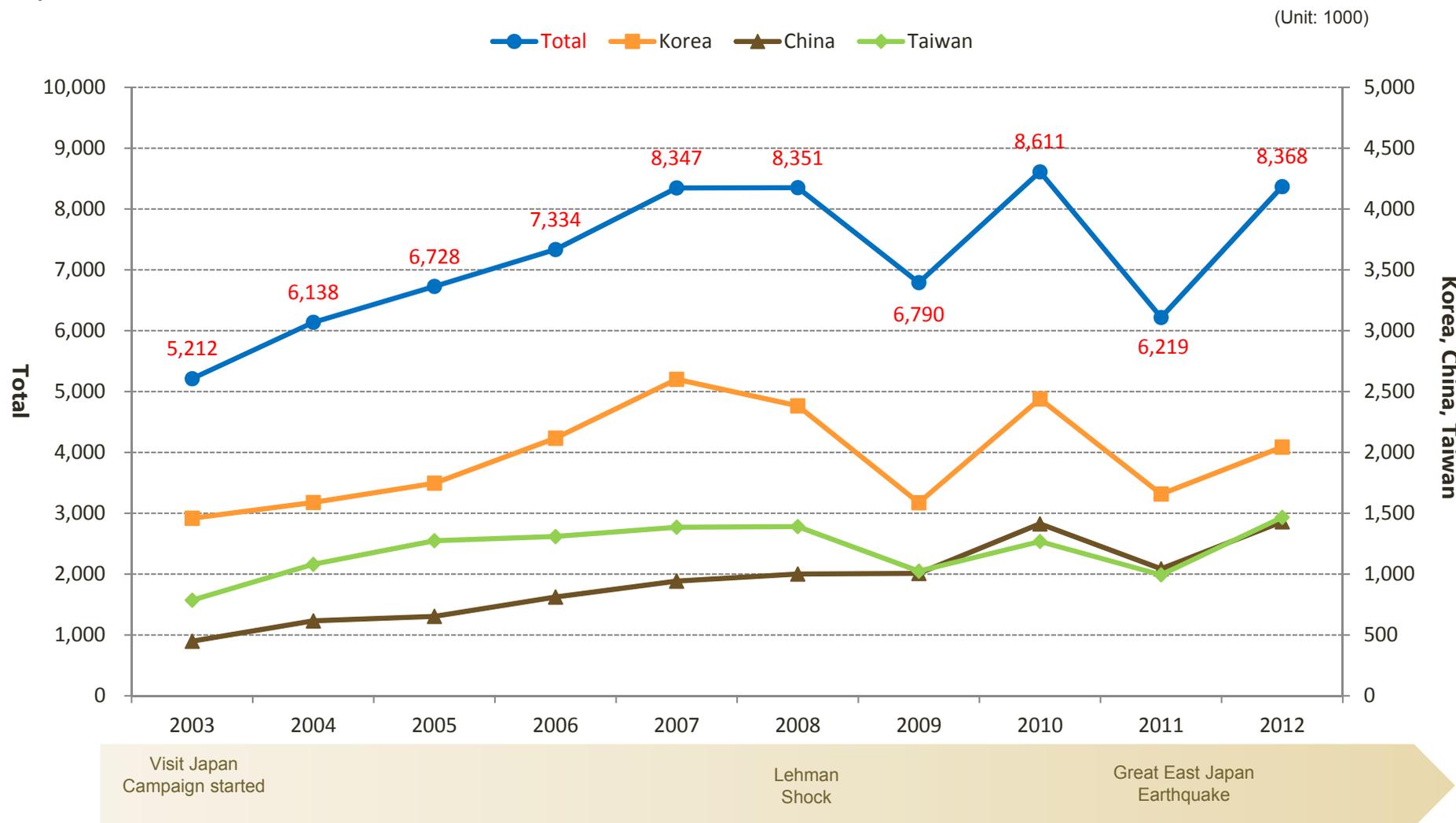
■ Outbound (JPY1M)
 ■ Inbound (JPY1M)
 ■ Domestic travel (JPY1M)
 — Outbound (Compared with same month last year)
 — Inbound (Compared with same month last year)
 — Domestic travel (Compared with same month last year)
 — Total (Compared with same month last year)



Source: Japan Tourism Agency

3. Change in number of inbound travelers

The number of inbound travelers has steadily increased since the start of the Visit Japan Campaign. It temporarily fell in 2009 (Lehman Shock) and 2011 (Great East Japan Earthquake) respectively, but on both occasions recovered the following year. The total number of inbound travelers has increased by approximately 60% over the past ten years.

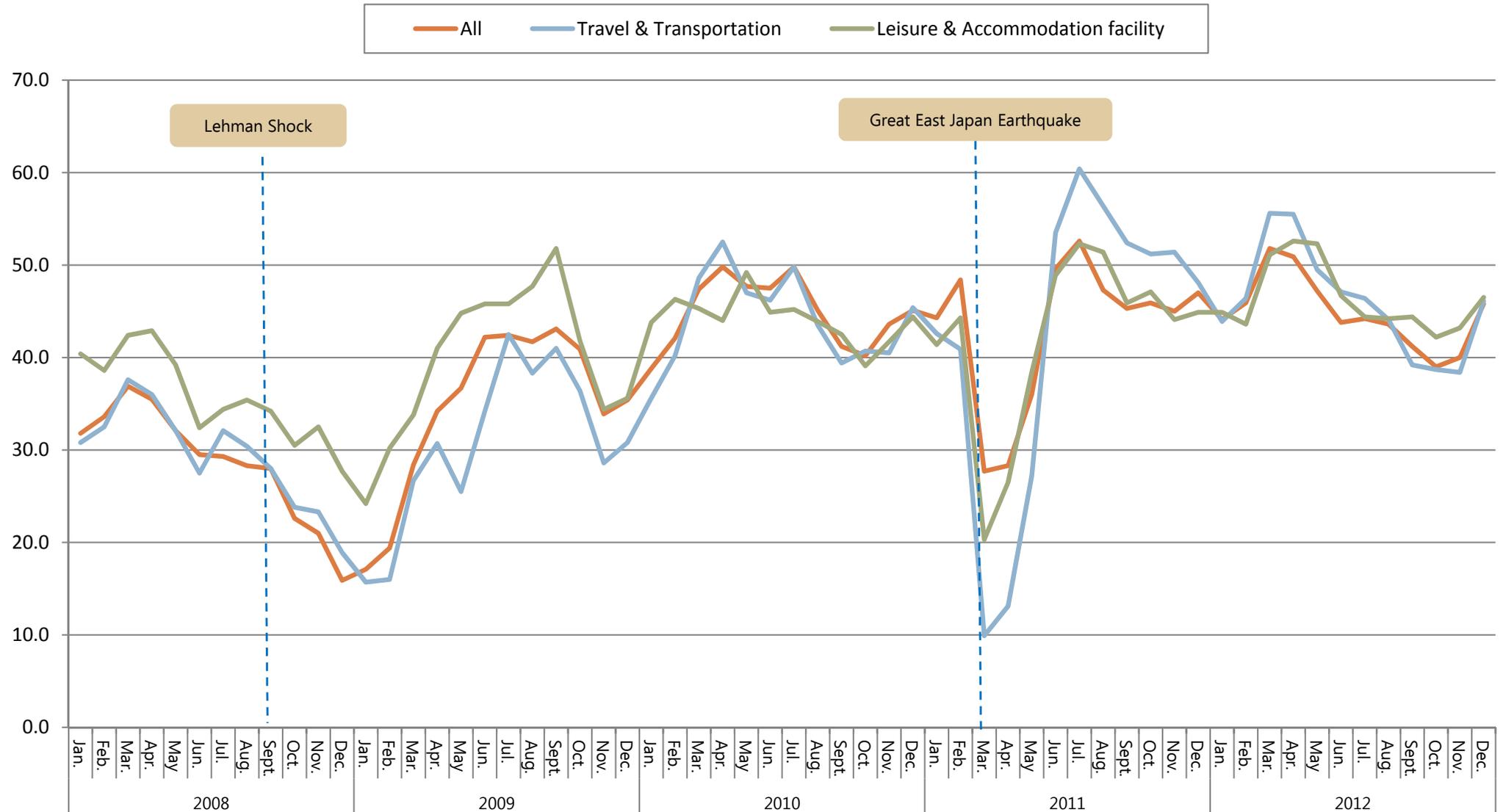


Source JNTO

(*) Numerical figures for 2012: Provisional numbers calculated by JNTO based on the document made by MOJ for the period from January to September. Those from October to December were estimate calculated by JNTO.

4. Current trend of the economy / Change of DI by industry

The economy declined as a result of the earthquake disaster but recovered in the second half of 2011. It rose to a higher level than before the Lehman Shock and maintained this level throughout 2012.



Source: Cabinet office

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 the business of JHR, as well as the 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 the actual results or performance of JHR to materially differ from those expressed or implied in forecasts. These forecasts are made based on JHR’s present and future business strategies and assumptions relating to the future political and economic environment in which JHR will have to operate.

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 pre-determined handling fees and other charges in addition to the price of the investment units or investment corporation bonds, please ask the relevant 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 changes in value. Therefore, unit holders and investment corporation bond holders may suffer losses due to the economic conditions of the real estate or securities markets, changes in interest rates, the nature of investment units, dependency on the systems and related persons of investment corporations, changes in laws related to real estate (such as tax regulations and building regulations), damage caused to the real estate-related assets by natural disaster, fluctuations in the price or profitability of the real estate-related assets, the 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.

The contents of this material may not be copied or reproduced without our prior permission.

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