



Japan Hotel REIT Investment Corporation

August 25, 2016

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

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

I. Midterm Settlement of Accounts for FY12/2016 – Highlights	
1. Highlights of Midterm - June 2016	3
II. Summary of Midterm Settlement of Accounts & Revenue Forecast for the Full Fiscal Year	
1. Midterm Results for the Fiscal Year Ending Dec. 2016	5
2. Revenue Forecast for the Full Fiscal Year Ending Dec. 2016	6
3. Balance Sheet	7
III. External Growth	
1. Properties Acquired through Public Offering in July 2016	9
2. Continuous Property Acquisitions	11
3. Strategic Investment Areas and Regional Diversification	12
4. Diversification of Brands (International Brands and HMJ)	13
IV. Internal Growth	
1. Rent Structures	15
2. Major Indicators of Rooms Department of Major Hotels with Variable Rent	16
3. The Five HMJ Hotels - Highlights	18
4. Capital Expenditures and Depreciation	19
V. Financial Status	
1. Financial Status	21
VI. Market Environment	
1. Market Environment	24

Appendix 1 JHR's Characteristics

1. Simultaneous Pursuit of Stability and Upside Potential	28
2. Key Points to Promote Growth Cycle	29
3. External Growth Strategy	30
4. Internal Growth Strategy	31
5. Financial Strategy	32
6. Benefits Program for Unitholders	33

Appendix 2 Information on Properties

1. Property List	35
2. Summary of Lease Contracts	37
3. Portfolio Map	39

Appendix 3 Investors Composition and Investment Unit Price

1. Major Unitholders and Unitholders of Investment Units	41
2. Changes in Investment Unit Price and Market Capitalization	42

Appendix 4 Summary of the Asset Management Company

1. Summary of the Asset Management Company	44
2. Features and Governance of the Asset Management Company	45

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 FY12/2016 - Highlights

1. Highlights of Midterm – June 2016

1. External Growth

▶ Continuous Property Acquisitions

End of FY12/2014 **30** properties / JPY**173.4** billion

◆ Public offering in January

6 properties / JPY**23.1** billion (Acquisition)

2015 ◆ Public offering in June

2 properties / JPY**16.6** billion (Acquisition)
-3 properties / -JPY4.7 billion (Sale in Oct. 2015)

End of FY12/2015 **36** properties / JPY**225.7** billion

◆ Public offering in January

2 properties / JPY**24** billion (Acquisition) ^{(*)1}

◆ Public offering in July

4 properties / JPY**54.3** billion (Acquisition)

2016



HOTEL VISTA
GRANDE
OSAKA

JPY27 billion



Hilton Nagoya

JPY15.2 billion
(To be acquired
on Sep. 1)



Hotel
Centraza
Hakata

JPY7.2 billion



HOTEL
ASCENT
FUKUOKA

JPY4.9 billion

End of Sep. 2016 (Anticipated)

41 properties / JPY**286.8** billion (Anticipated)

2. Internal Growth ^(*)2, 3, 4, 5)

▶ Improved Performance of Hotels Adopting Variable Rent, etc.

◆ Continuing high growth of RevPAR (Unit: JPY)

	First half of 2015	First half of 2016	Variance
The Five HMJ Hotels	14,163	15,356	8.4%
The Six Accor Hotels	8,350	9,206	10.3%
The Five <i>the b</i> Hotels	7,852	8,580	9.3%
Total	10,828	11,808	9.0%

▶ Forecast of Year-on-Year Increase in Variable Rent, etc. for Full Year 2016

The Five HMJ Hotels	+JPY645M	Revenue sharing	+JPY149M
The Five Accor Hotels	+JPY517M		

3. Strengthening of Financial Base

▶ Further Diversification of Financing and Utilization of Negative Interest Rates Environment

- ◆ Launch of the first global offering
- ◆ Issuance of the 10-year investment corporation bonds, the longest maturity for JHR
- ◆ Conclusion of interest rate swap contracts with negative interest rates
- ◆ Improvement in financial stability
(End of FY12/2015 ⇒ 9/2016 (After the Acquisition of Hilton Nagoya))

Management of LTV Lower costs for interest-bearing debt

42.8% ⇒ **40.1%** 1.7% ⇒ **1.3%**

(*)1 Includes JPY17.3 billion of ACTIVE-INTER CITY HIROSHIMA.

(*)2 The Five HMJ Hotels are Kobe Meriken Park Oriental Hotel, Oriental Hotel tokyo bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima.

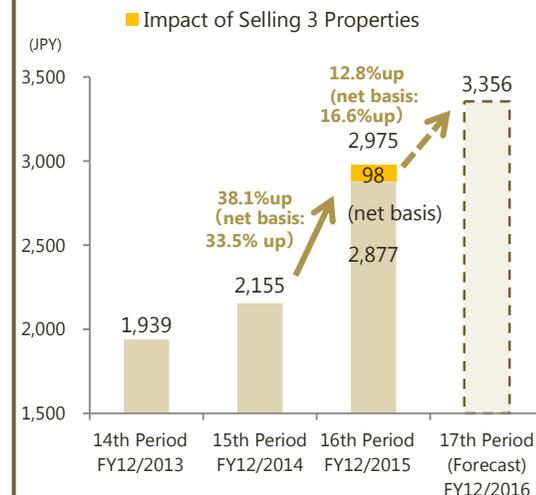
(*)3 The Six Accor Hotels are ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka. The Five Accor Hotels are five hotels excluding Mercure Yokosuka from the Six Accor Hotels.

(*)4 The Five *the b* Hotels are the *b* akasaka-mitsuke, the *b* ikebukuro, the *b* ochanomizu, the *b* hachioji, and the *b* hakata.

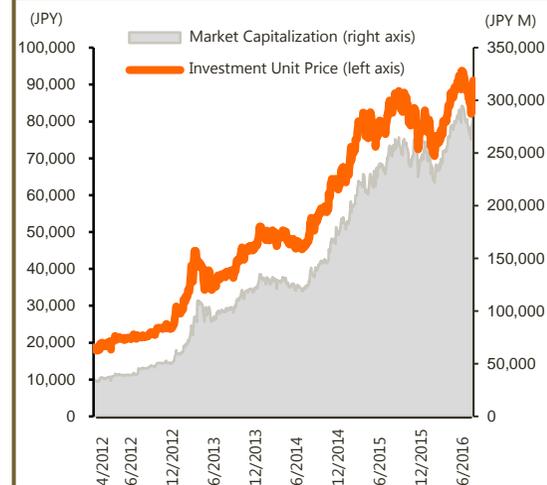
(*)5 Regarding the numbers for Hotel Nikko Alivila and the *b* akasaka-mitsuke in 2014, the effect of variance in the number of rooms available for sale due to partial renovations, etc. is included.

(*)6 Net basis means dividend without reflecting gain on sales of properties.

Steady Growth of Dividend ^(*)6)



Rising Market Capitalization and Investment Unit Price



**II. Summary of Midterm Settlement of Accounts &
Revenue Forecast for the Full Fiscal Year**

1. Midterm Results for the Fiscal Year Ending Dec. 2016

(Unit: JPY M)

	FY12/2015	FY12/2016		Comparison with Previous Forecast (B) - (A) Variance	
	Midterm Actual	Midterm Forecast Previous Time (A)	Midterm Actual (B)		

Property	No. of Properties	37	38	38	—	—
		Acquisition Price	198,184	239,626	239,626	—

Profit and Loss	Operating Revenue	7,242	9,199	9,390	191	2.1%	
		Real Estate Operating Revenue	7,238	9,199	9,390	191	2.1%
		Fixed Rent	4,968	6,084	6,052	-32	-0.5%
		Variable Rent	2,269	3,115	3,338	223	7.2%
	Gain on Sale of Real Estate Properties	4	—	—	—	—	
	NOI (*2)	6,205	7,784	8,014	230	3.0%	
	Depreciation	1,327	1,572	1,603	31	2.0%	
	Loss on Retirement of Noncurrent Assets, etc.	1	—	5	5		
	NOI after Depreciation (*2)	4,875	6,211	6,405	194	3.1%	
	Other Operating Expenses	622	784	722	-61	-7.8%	
	Operating Income	4,257	5,427	5,682	255	4.7%	
	Non-operating Expenses, etc.	784	857	814	-43	-5.0%	
	Ordinary Income	3,472	4,569	4,868	299	6.5%	
	Extraordinary Loss	—	90	90	—		
	Net Income (Midterm)	3,472	4,479	4,778	298	6.7%	

Major Causes of Variance

① Operating Revenue – Variable Rent

- Increase in variable rent, income from management contracts, and revenue sharing
 - The Eight HMJ Hotels JPY155M
 - The Six Accor Hotels JPY45M
 - The Six *the b* Hotels JPY19M
 - Chisun Inn Kamata JPY2M

② Operating Revenue – Fixed Rent, etc.

- Decrease in utilities income*, etc. JPY32M

③ Extraordinary Loss

- Repair expenses for Dormy Inn Kumamoto JPY90M

* Regarding the utilities income, about the same amount is posted as expenses for utilities. Therefore, there is no impact on net income by a decrease in utilities income.

(*1) For detail, please refer to Midterm Financial Report for the Fiscal Year Ending December 31, 2016 (January 1, 2016-June 30, 2016) dated August 24, 2016.

(*2) Each is calculated by the following formula

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

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

2. Revenue Forecast for the Full Fiscal Year Ending Dec. 2016

(Unit: JPY M)

		FY12/2015		FY12/2016				Comparison with Previous Forecast (B) - (A) Variance	
		Actual		Forecast Previous Time		Forecast This Time			
				(A)	(B)	Annualized			
Property	No. of Properties	36	41	41	41	41	41	—	—
	Acquisition Price	225,723	286,801	286,801	286,801	286,801	286,801	—	—
Profit and Loss	Operating Revenue	17,343	22,095	22,281	22,281	24,567	24,567	186	0.8%
	Real Estate Operating Revenue	17,033	22,095	22,281	22,281	24,567	24,567	186	0.8%
	Fixed Rent	60.5% 10,311	57.7% 12,745	57.2% 12,736	57.2% 12,736	56.1% 13,778	56.1% 13,778	-9	-0.1%
	Variable Rent	39.5% 6,722	42.3% 9,349	42.8% 9,545	42.8% 9,545	43.9% 10,788	43.9% 10,788	195	2.1%
	Gain on Sale of Real Estate Properties	309	—	—	—	—	—	—	—
	NOI (*2, 3)	14,829	18,742	18,918	18,918	20,378	20,378	175	0.9%
	NOI Yield	6.6%	6.5%	6.6%	6.6%	7.1%	7.1%	0.1%	0.1%
	Depreciation	2,722	3,327	3,358	3,358	3,615	3,615	31	0.9%
	Loss on Retirement of Noncurrent Assets, etc.	25	13	18	18	18	18	5	38.5%
	NOI after Depreciation (*2, 3)	12,031	15,402	15,541	15,541	16,744	16,744	139	0.9%
	NOI Yield after Depreciation	5.3%	5.4%	5.4%	5.4%	5.8%	5.8%	0.0%	0.0%
	Other Operating Expenses	1,352	1,781	1,781	1,781	1,944	1,944	—	—
	Operating Income	10,988	13,621	13,760	13,760	14,800	14,800	139	1.0%
	Non-operating Expenses, etc.	1,729	1,779	1,779	1,779	1,791	1,791	—	—
	Ordinary Income	9,295	11,841	11,980	11,980	13,008	13,008	139	1.2%
Extraordinary Loss	0	90	90	90	—	—	—	—	
Net Income	9,294	11,751	11,890	11,890	13,008	13,008	139	1.2%	
Dividend	Use of Negative Goodwill	60	730	736	736	160	160	5	0.7%
	Total Dividends	9,354	12,482	12,624	12,624	13,166	13,166	142	1.1%
	Number of Units Issued (Unit)	3,144,227	3,761,907	3,761,907	3,761,907	3,761,907	3,761,907	—	—
	Dividend per Unit (JPY)	2,975	3,318	3,356	3,356	3,500	3,500	38	1.1%

+12.8% +1.1% ↑ ↑

Major Causes of Variance	
① Operating Revenue – Variable Rent	
• Increase in variable rent, income from management contracts, and revenue sharing	
The Nine HMJ Hotels	JPY96M
The Six Accor Hotels	JPY70M
The Six <i>the b</i> Hotels	JPY23M, etc.
② Operating Revenue – Fixed Rent, etc.	
• Increase in fixed rent, etc.	JPY13M
Decrease in utilities income*, etc.	-JPY23M
③ Extraordinary Loss	
• Repair expenses for Dormy Inn Kumamoto	JPY90M
* Regarding the utilities income, about the same amount is posted as expenses for utilities. Therefore, there is no impact on net income by a decrease in utilities income.	
Major Assumptions for FY12/2016 (*1)	
• Operating Assets: Forty-one properties, which is 38 properties owned as of June 30, 2016, plus 3 properties (HOTEL VISTA GRANDE OSAKA, HOTEL ASCENT FUKUOKA, and Hilton Nagoya) will be owned/operated until end of the year. No property transfer (acquisition, disposition, etc.) is assumed.	
• Operating expenses: JPY1,216M for fixed asset tax and city planning tax, etc. is assumed. The taxes of the five new acquired properties (including anticipated acquisition) this fiscal year 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 five properties are posted with the assumption of JPY220M in annualized number.) Straight-line method is applied to calculate depreciation.	
• Non-operating expenses: JPY1,779M is assumed as interest payments, amortization of loan-related fees, loan-related costs and amortized expenses for issuing new investment units.	
• Borrowing: It is assumed that the balance of loans and investment corporation bonds as of the end of June 30, 2016 totals JPY111,558M. The amount is assumed to be JPY125,479M at the end of FY12/2016.	
• No. of Investment units issued: Assume 3,761,907 units are issued.	
• Dividend per unit: Negative goodwill will be used for amortization for fixed-term leasehold of land and asset retirement obligations (JPY736M).	

(*1) For detail, please refer to Midterm Financial Report for the Fiscal Year Ending December 31, 2016 (January 1, 2016-June 30, 2016) dated August 24, 2016.

(*2) Each is calculated using the following formula

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

NOI yield = NOI ÷ Acquisition price

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

NOI yield after depreciation = NOI after depreciation ÷ Acquisition price

(*3) Gain on sale of real estate properties is not included in NOI and NOI after depreciation for FY12/2015.

(Unit: JPY M)

(As of)	FY12/2015 End of Fiscal Year 12.31.2015	FY12/2016 End of Midterm 6.30.2016	Variance
ASSETS			
Current Assets	15,633	17,879	2,246
Cash and Deposits (*1)	13,698	16,205	2,507
Operating Accounts Receivables	1,269	1,196	-73
Others	665	477	-188
Property and Equipment, at Cost	224,588	240,482	15,894
Net Property and Equipment	203,488	211,994	8,506
Buildings in Trust (*2)	81,660	85,031	3,371
Land in Trust	120,918	125,849	4,931
Others (*3)	908	1,113	204
Intangible Assets	19,884	25,300	5,416
Other Assets	1,214	3,187	1,973
Leasehold and Security Deposits	170	170	-
Others	1,043	3,016	1,973
Deferred Assets	135	153	18
TOTAL ASSETS	240,356	258,515	18,159

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

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

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

(*4) "Others" includes asset retirement obligations.

(As of)	FY12/2015 End of Fiscal Year 12.31.2015	End of FY12/2016 End of Midterm 6.30.2016	Variance
LIABILITIES AND NET ASSETS			
Current Liabilities	25,073	13,717	-11,356
Operating Accounts Payable	875	314	-561
Short-Term Loans Payable	9,000	8,700	-300
Current Portion of Investment Corporation Bonds	2,500	2,500	-
Current Portion of Long-Term Loans Payable	11,393	633	-10,760
Accounts Payable	502	593	91
Advances Received	692	763	71
Allowance for Loss on Disaster	-	90	90
Others	109	122	13
Long-Term Liabilities	85,368	105,567	20,199
Investment Corporation Bonds	9,500	12,500	3,000
Long-Term Loans Payable	70,379	87,224	16,845
Tenant Leasehold and Security Deposits	4,955	4,223	-732
Derivative Liabilities	533	1,290	757
Others (*4)	-	327	327
TOTAL LIABILITIES	110,442	119,284	8,842
NET ASSETS			
Unitholders' Capital	85,470	100,088	14,618
Capital Surplus	21,746	21,746	-
Dividend Reserve	13,928	13,867	-61
Unappropriated Retained Earnings for the Period	9,296	4,780	-4,516
Others	-526	-1,252	-726
TOTAL NET ASSETS	129,914	139,230	9,316
TOTAL LIABILITIES AND NET ASSETS	240,356	258,515	18,159

III. External Growth

1. Properties Acquired through Public Offering in July 2016



(Anticipated) Acquisition Price	JPY27,000M
No. of Rooms	314
NOI Yield ^(*1)	5.1%
Brand / Operator	Holiday Inn ^(**2) / HMJ Group
Rent Structure	Fixed + Variable
Location	<ul style="list-style-type: none"> Center of the Namba area in Osaka, a popular destination for inbound tourists
Feature	<ul style="list-style-type: none"> Limited-service hotel built only 8 years ago To be operated by the Asset Management Company's affiliate hotel operator
Investment Strategy	<ul style="list-style-type: none"> Strategic rebranding to "Holiday Inn" to capture ADR upside in the growing market Seeking synergies with an existing neighboring hotel operated by HMJ

(Anticipated) Acquisition Price	JPY15,250M
No. of Rooms	460
NOI Yield ^(*1)	5.0%
Brand / Operator	Hilton / Nagoya Hilton
Rent Structure	Variable
Location	<ul style="list-style-type: none"> Center of a business district in Nagoya, the third largest Japanese metropolitan area
Feature	<ul style="list-style-type: none"> One of only a few full-service hotels with the international brand in Nagoya
Investment Strategy	<ul style="list-style-type: none"> Pursue increase in ADR based on fully renovated guest rooms and other facilities completed in March 2016 Increased guest rooms from 449 rooms to 460 rooms

(*1) NOI yield is calculated as annualized NOI forecast for FY12/2016 divided by (anticipated) acquisition price.

(*2) The hotel currently uses a Vista brand, but it will be rebranded to Holiday Inn Osaka Namba.

(*3) Anticipated to be acquired on September 1, 2016.

1. Properties Acquired through Public Offering in July 2016 (Cont.)



(Anticipated) Acquisition Price	JPY7,197M
No. of Rooms	194
NOI Yield ^(*1)	6.5%
Brand / Operator	(Domestic) Centraza / HMJ Group
Rent Structure	Fixed + Variable
Location	<ul style="list-style-type: none"> • Directly connected to major JR Lines and Hakata airport subway station
Feature	<ul style="list-style-type: none"> • Mid-price full-service hotel operated by HMJ, the Asset Management Company's affiliate hotel operating company
Investment Strategy	<ul style="list-style-type: none"> • Potential ADR upside with increasing inbound demand from Asia • Pursue increase in RevPAR through guest room renovations to be planned • Attract leisure tourists by leveraging cozy room size

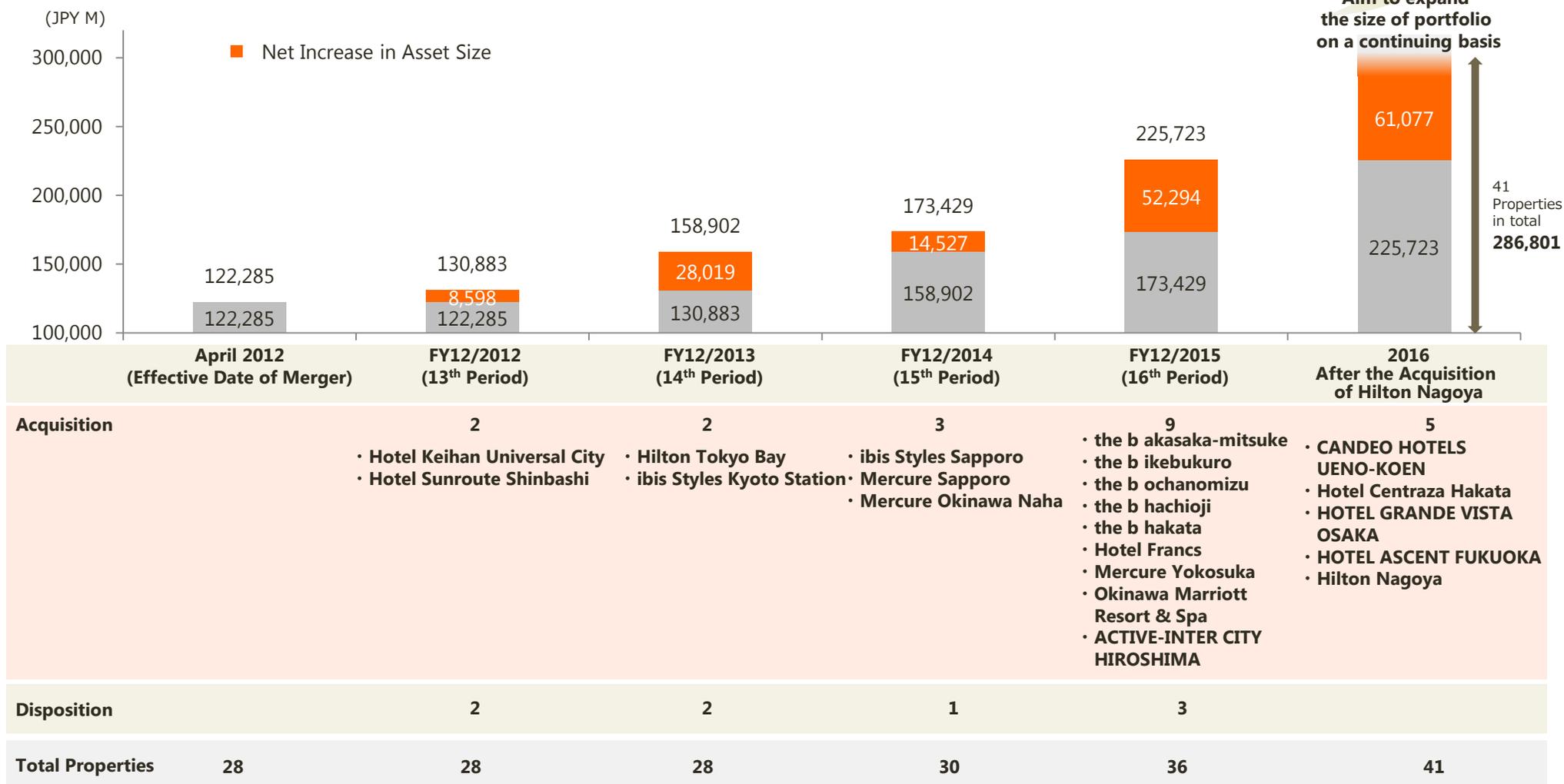
(Anticipated) Acquisition Price	JPY4,925M
No. of Rooms	260
NOI Yield ^(*1)	5.6%
Brand / Operator	(Domestic) Ascent / NIKOH SANGYO co.,Ltd.
Rent Structure	Fixed
Location	<ul style="list-style-type: none"> • Center of the business and commercial area of Fukuoka, where a growing number of Asian tourists visit
Feature	<ul style="list-style-type: none"> • Limited-service hotel with stable fixed rent
Investment Strategy	<ul style="list-style-type: none"> • Enhance stable earnings base of our portfolio through fixed rent income

(*1) NOI yield is calculated as annualized NOI forecast for FY12/2016 divided by acquisition price

2. Continuous Property Acquisitions

Changes in Asset Size (*)

- ◆ Realize external growth by acquiring properties by taking advantage of JHR's strength as REIT specializing in hotels
- ◆ Acquired 21 hotel assets, around JPY177.3 billion in total acquisition price since the merger



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

3. Strategic Investment Areas and Regional Diversification

- ◆ Portfolio consisting of competitive hotels in areas with strong "leisure demand"
- ◆ Focus on Strategic Investment Regions with growth potential for robust leisure demand

Total Assets

JPY286.8 Billion

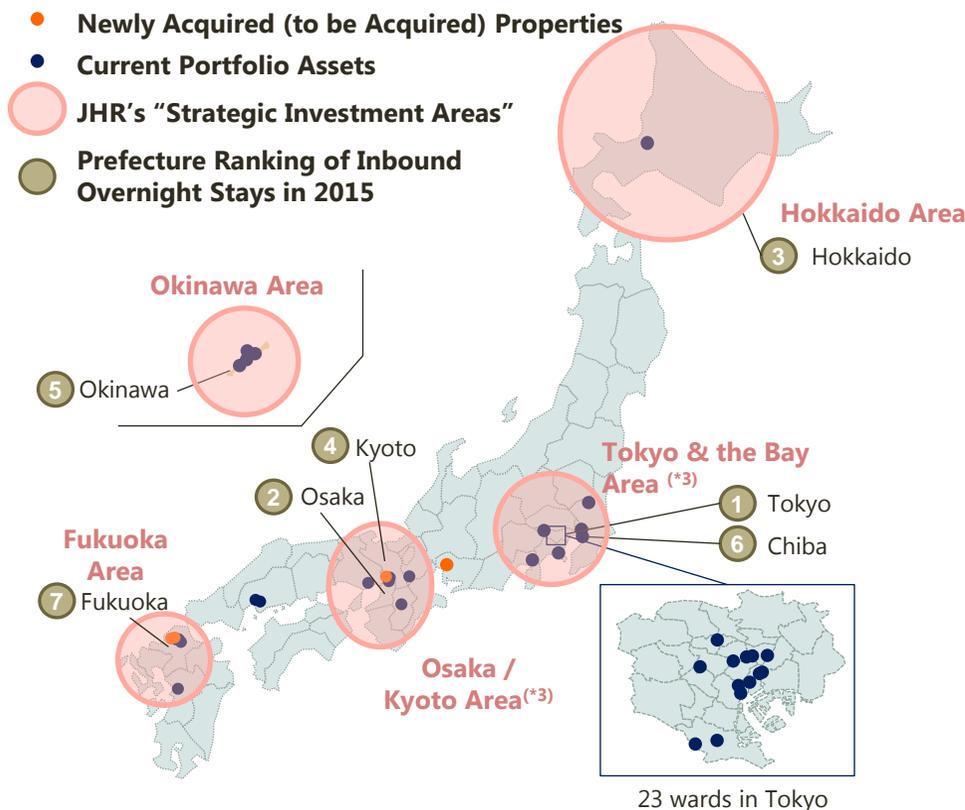
No. of Hotels

41 Hotels

No. of Guest Rooms

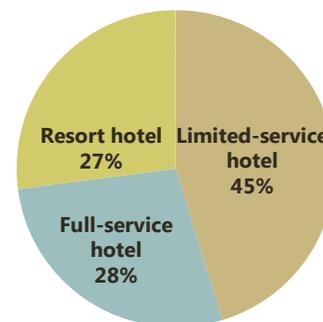
10,138 Rooms

Strategic Investment Areas

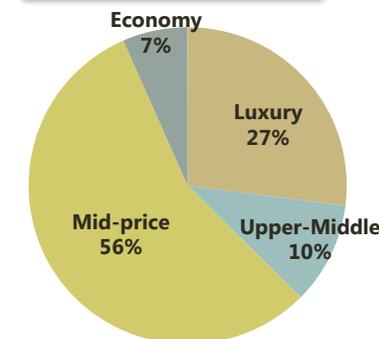


Diversification of Portfolio (Based on Acquisition Price) (*2)

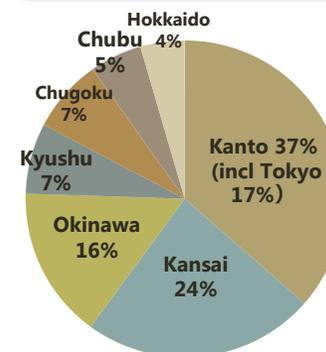
Hotel Type



Grade



Diversification in Areas



No. of properties in strategic investment areas / proportion

35 Hotels / 82 %

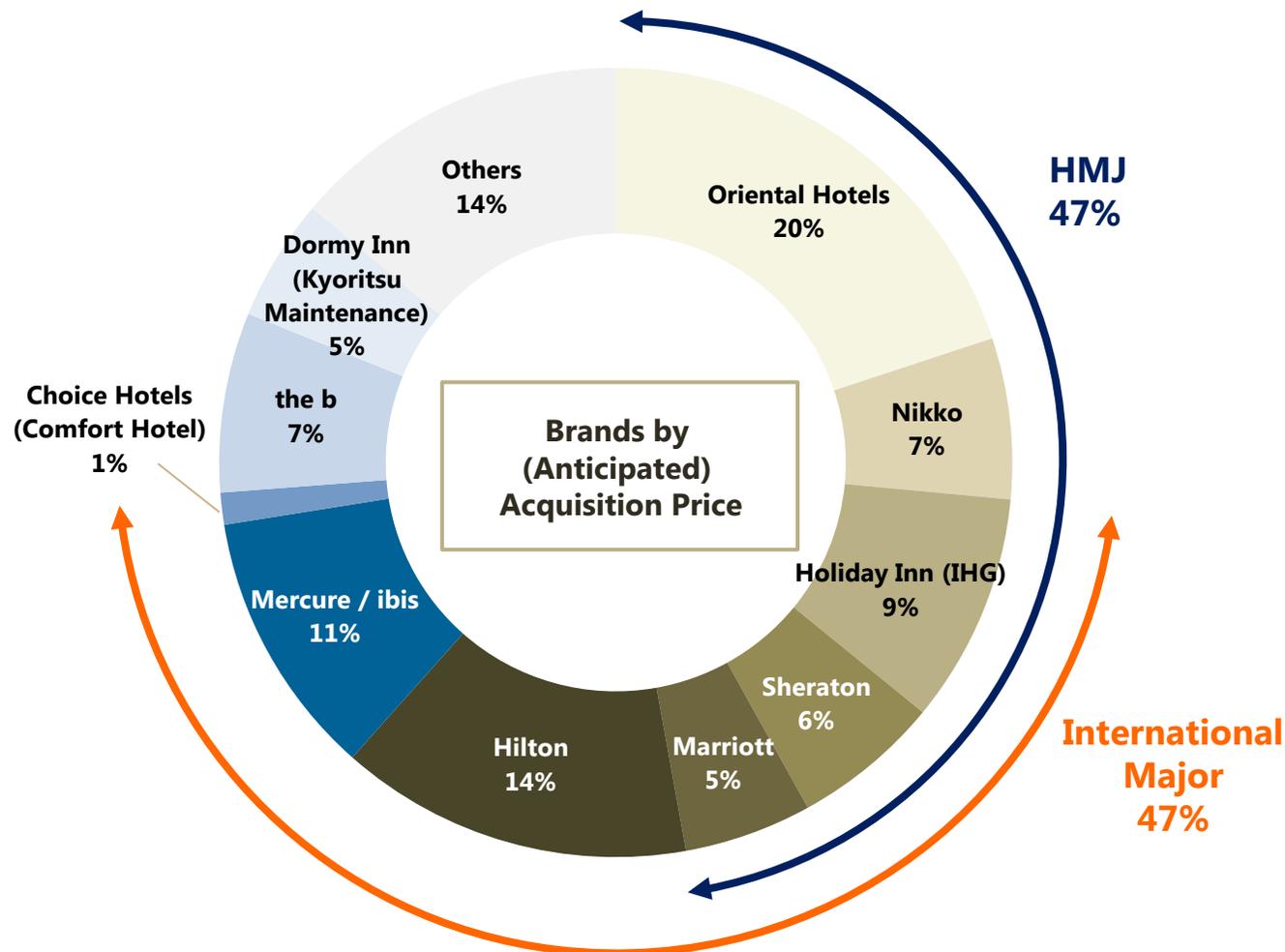
(*1) After the acquisition of Hilton Nagoya.

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

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

4. Diversification of Brands (International Brands and HMJ)

- ◆ Attract inbound tourists with major international hotel brands
 - Strategic selection of international brands to realize full potential of each hotel
- ◆ Enhance external and internal growth through strategic partnership with HMJ, the Asset Management Company's affiliate hotel operating company



IV. Internal Growth

1. Rent Structures



(After the acquisition of Hilton Nagoya)

Rent structure	Fixed rent	Fixed rent + Revenue sharing	Fixed rent + Variable Rent	Variable rent	Management contract	Total
Type of contract	Lease contract	Lease contract	Lease contract	Lease contract	Management contract	
Type of rent	Fixed	○	○	-	-	-
	Variable	-	A certain percentage of sales exceeding the threshold	A certain percentage of hotel GOP	A certain percentage of hotel GOP	GOP of hotel
Involvement in hotel operation	Low	Low	High	High	High	
CAPEX paid by JHR	1) Renewal of building and facilities	1) Renewal of building and facilities < 3) Strategic investment>	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	
No. of properties	13	5	15	3	5	41
Acquisition price (JPY M) (%)	42,580	40,470	156,387	17,723	29,640	286,801
	14.8%	14.1%	54.5%	6.2%	10.3%	100%
Hotels	Hakone Setsugetsuka The Beach Tower Okinawa Dormy Inn Kumamoto Hotel Francs HOTEL ASCENT FUKUOKA (7 other hotels)	Smile Hotel Nihombashi Mitsukoshimae Hotel Vista Kamata Tokyo Hotel Keihan Universal City Hotel Sunroute Shinbashi Hilton Tokyo Bay	<p>HMJ group</p> <p>Kobe Meriken Park Oriental Hotel Oriental Hotel tokyo bay Namba Oriental Hotel Hotel Nikko Alivila Oriental Hotel Hiroshima Okinawa Marriott Resort & Spa ACTIVE-INTER CITY HIROSHIMA Hotel Centraza Hakata HOTEL VISTA GRANDE OSAKA</p> <p>the b group</p> <p>The Six <i>the b</i> Hotels (akasaka-mitsuke, ikebukuro, ochanomizu, hachioji, hakata, suidobashi)</p>	Chisun Inn Kamata Mercure Yokosuka Hilton Nagoya	<p>Accor group</p> <p>ibis Tokyo Shinjuku ibis Styles Kyoto Station ibis Styles Sapporo Mercure Sapporo Mercure Okinawa Naha</p>	

Real Estate Operating Revenue

(Estimate for the end of December 2016 (Annualized))

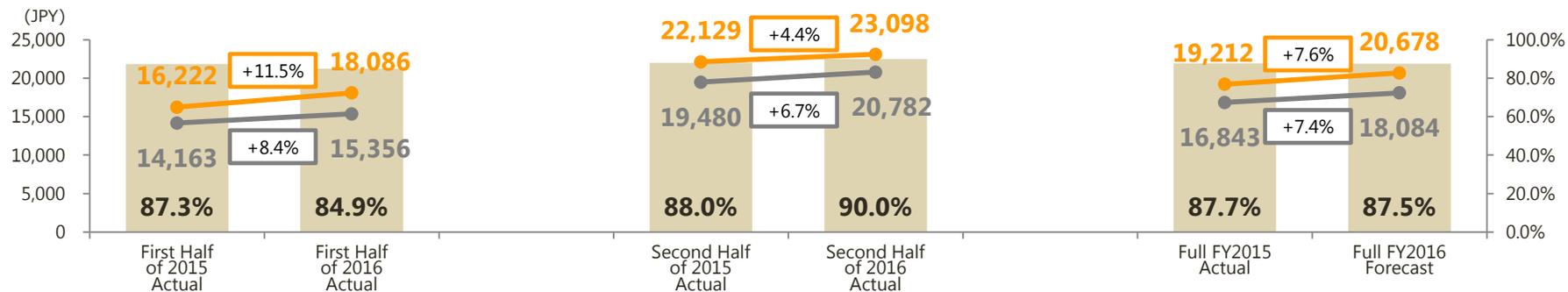
	Variable rent	Fixed rent, etc.	Total
	JPY3,089M (12.6%)	JPY557M (2.3%)	JPY3,646M (14.9%)
		JPY2,986M (12.2%)	JPY5,632M (22.1%)
		JPY6,259M (25.5%)	JPY11,891M (46.6%)
		JPY6,540M (26.6%)	JPY18,431M (72.2%)
		JPY1,303M (5.3%)	JPY19,734M (77.5%)
	JPY566M (2.3%)	JPY2,668M (10.9%)	JPY3,234M (12.6%)
Total	JPY3,089M (12.6%)	JPY3,543M (14.4%)	JPY6,632M (25.9%)
		JPY12,799M (52.1%)	JPY19,431M (75.5%)
		JPY1,870M (7.6%)	JPY21,301M (83.1%)
		JPY3,264M (13.3%)	JPY24,565M (96.4%)

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

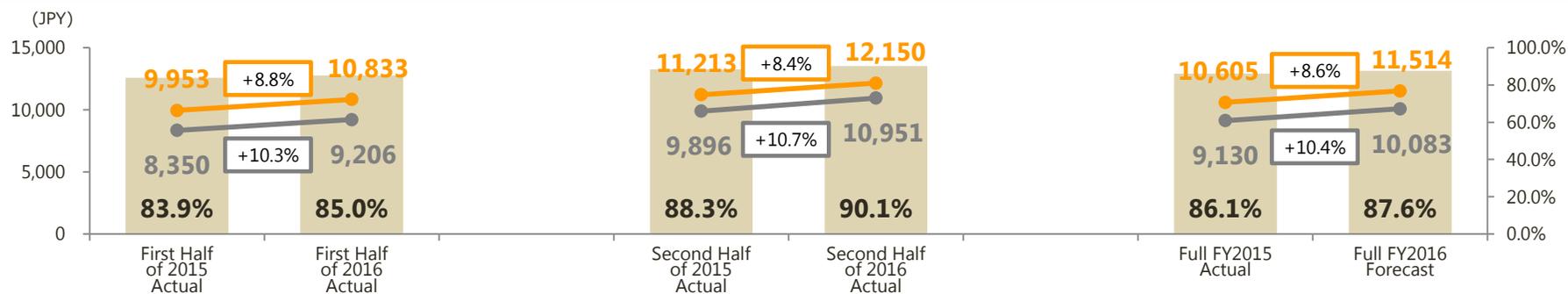
2. Major Indicators of Rooms Department of Major Hotels with Variable Rent

Occupancy Rate RevPAR ADR

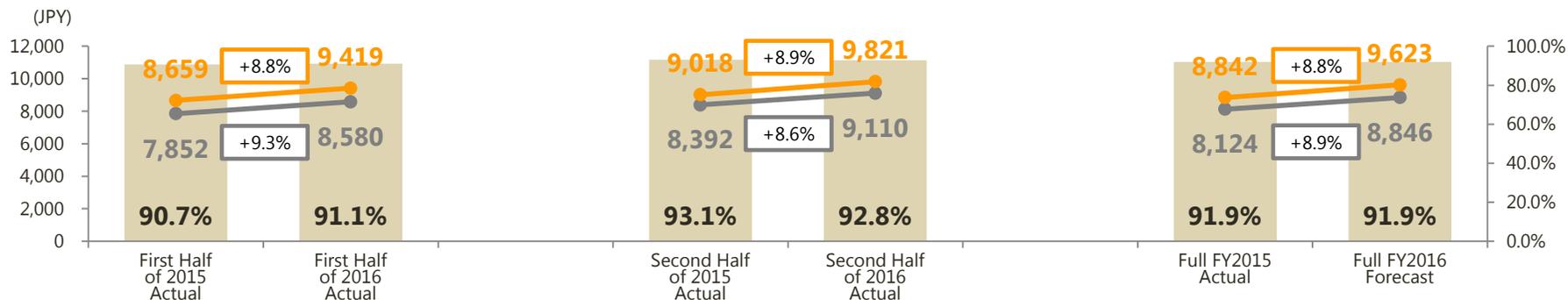
The Five HMJ Hotels



The Six Accor Hotels



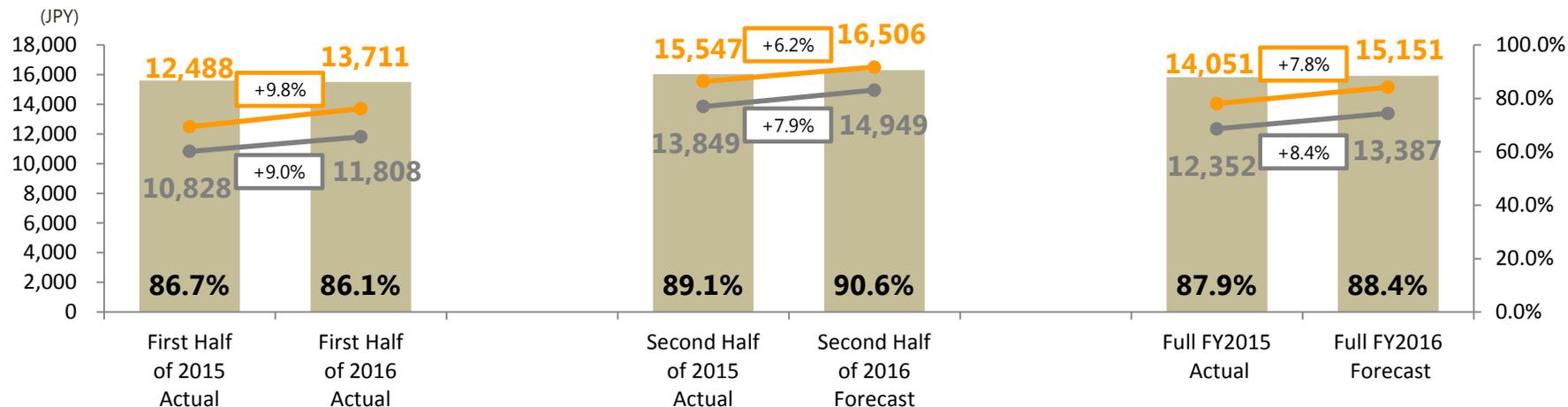
The Five *the b* Hotels



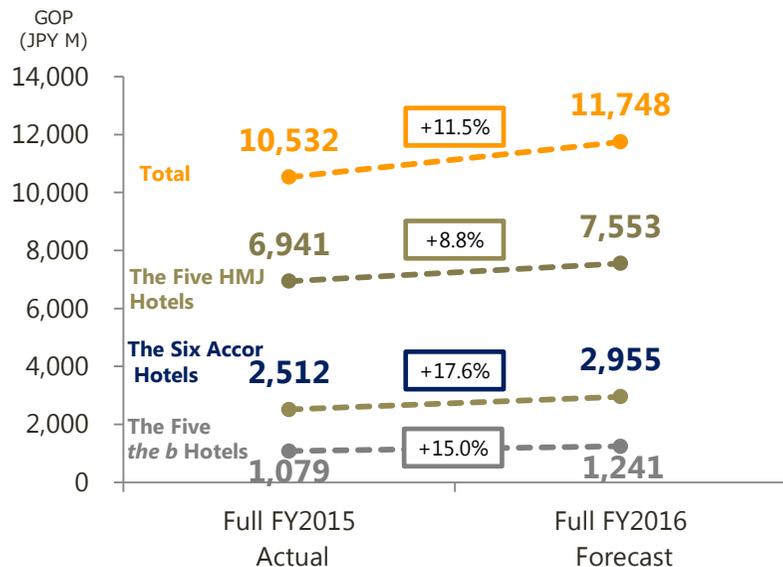
2. Major Indicators of Rooms Department of Major Hotels with Variable Rent (Cont.)

Occupancy Rate RevPAR ADR

Three Major Group Hotels

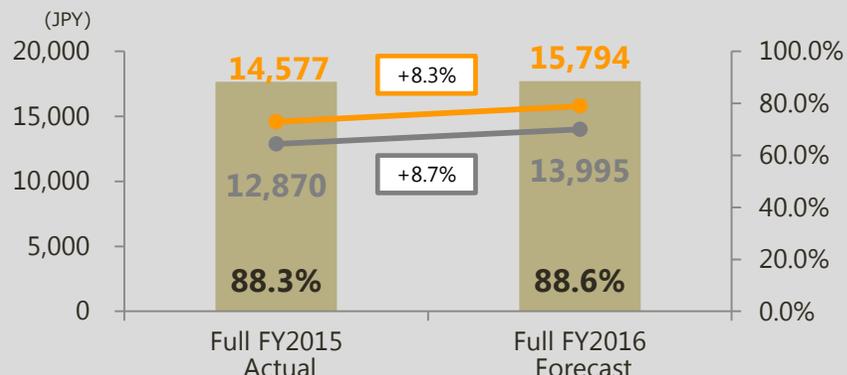


Forecast of GOP



Total of Three Major Group Hotels (Reference)

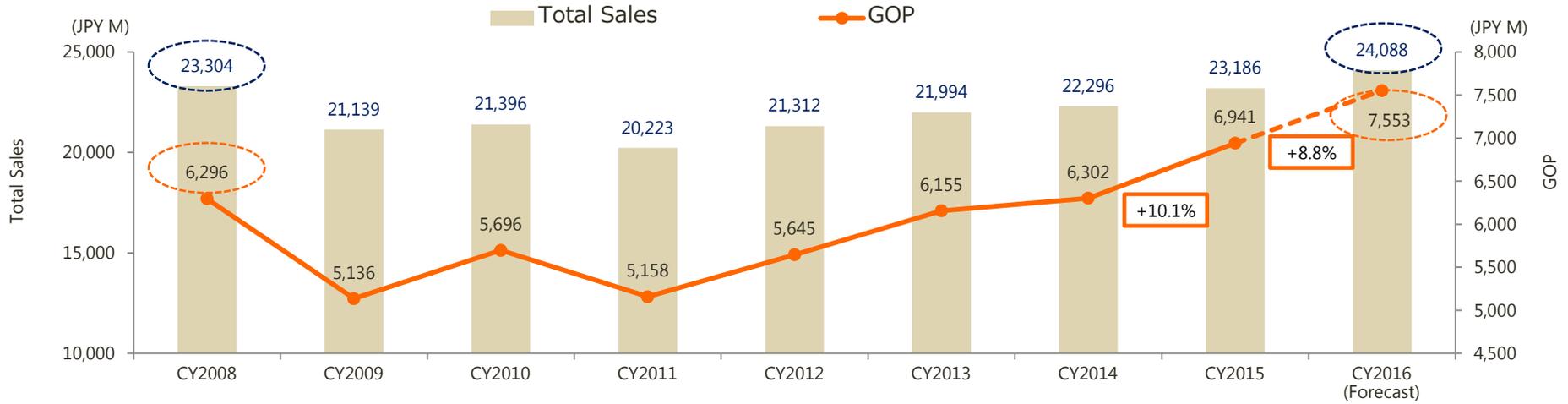
(The Nine HMJ Hotels + The Five Accor Hotels + The Five the b Hotels)



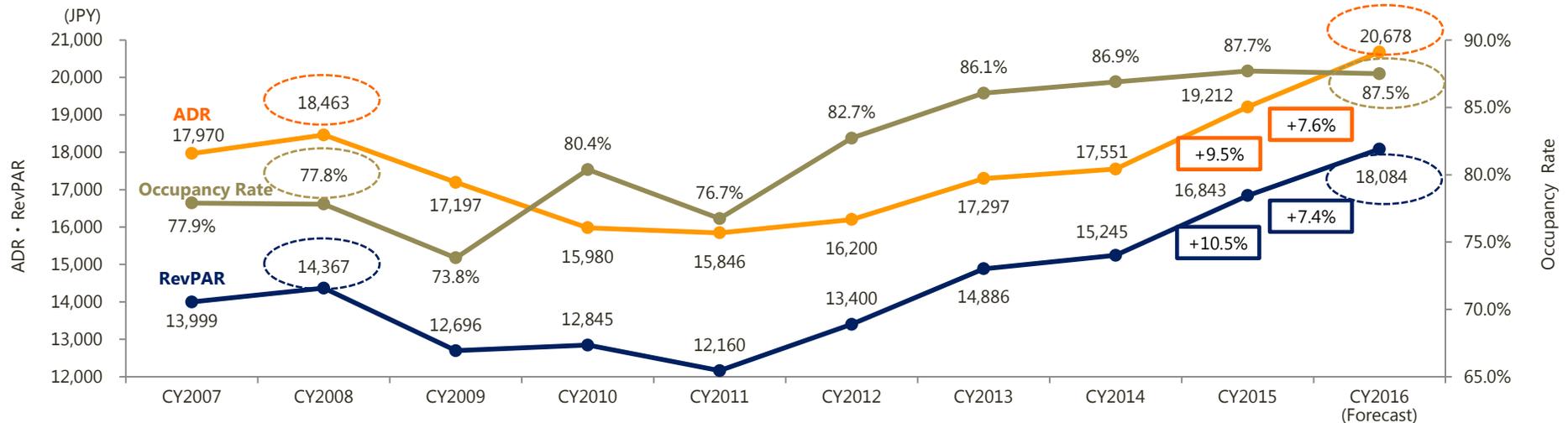
The nine HMJ hotels are the five HMJ hotels plus four hotels which are Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel, Hotel Centraza Hakata, and HOTEL VISTA GRANDE OSAKA. Since Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel, Hotel Centraza Hakata, and HOTEL VISTA GRANDE OSAKA were acquired in July 2015, December 2015, April 2016, and August 2016, respectively, numbers before the acquisitions are calculated based on unaudited data provided by previous owners.

3. The Five HMJ Hotels - Highlights

Changes in Total Sales and GOP

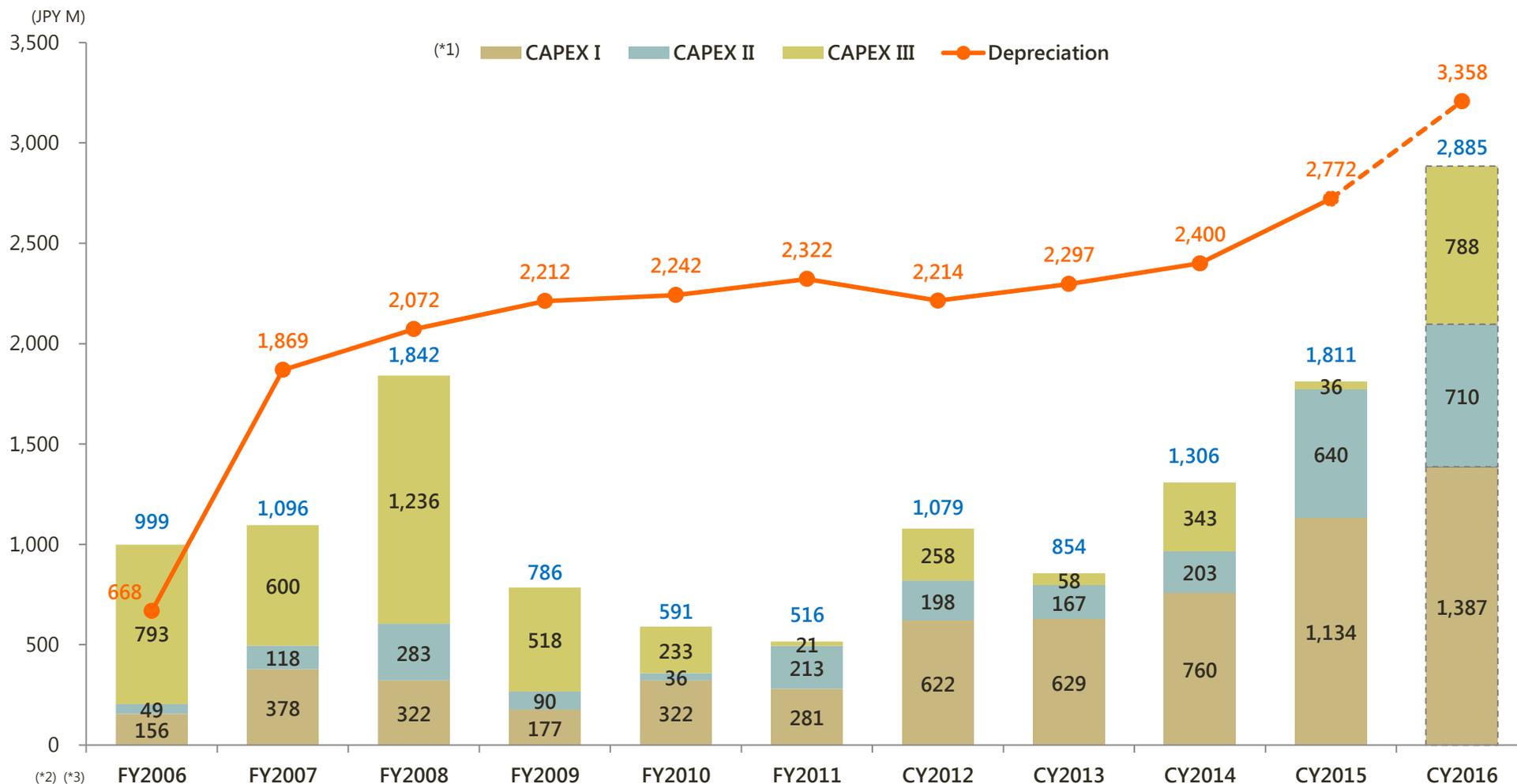


Changes in KPI



4. Capital Expenditures and Depreciation

◆ JHR will focus on CAPEX III in 2016 and invest strategically to improve hotels' earning capability (plan)



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

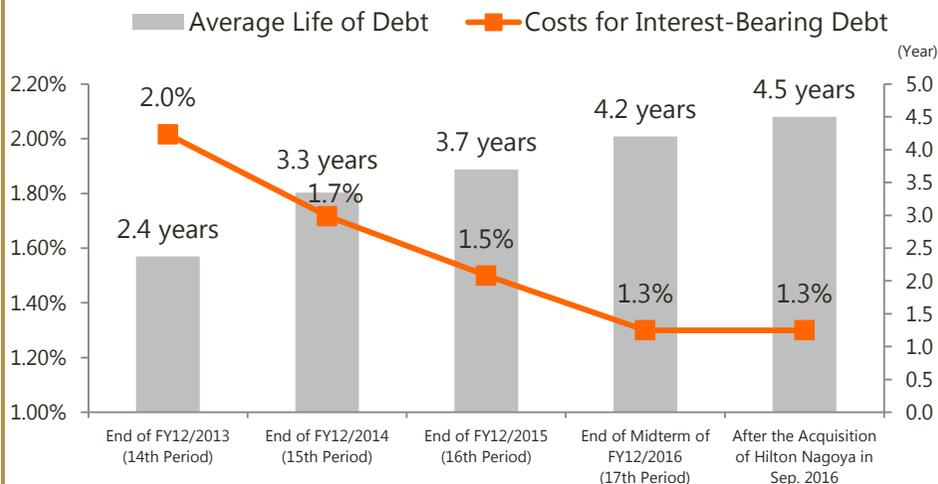
(*2) The actual for FY2006 is the actual of the former JHR for the period from IPO to August 2006 (6.5 months). The actual for FY2007 is the sum of the actual of the former JHR from September 2006 through August 2007 and that of the former NHF from IPO to September 2007 (15.5 months). The actual for FY2008 is the sum of the actual of former JHR from September 2007 through August 2008 and that of former NHF from October 2007 through September 2008 (the same method applies for FY2009 to FY2011). The sum of CY2012 is the actual from January 2012 through December 2012 (depreciation is the annualized number for the 13th period), and the actual for CY2013 through CY2015 is actual number for the period from January through December each year. The plan for CY2016 for the period from January 2016 through December 2016 is based on the operating forecast in the Financial Report for the Fiscal Year Ending December 2016 dated August 24, 2016.

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

V. Financial Status

1. Financial Status

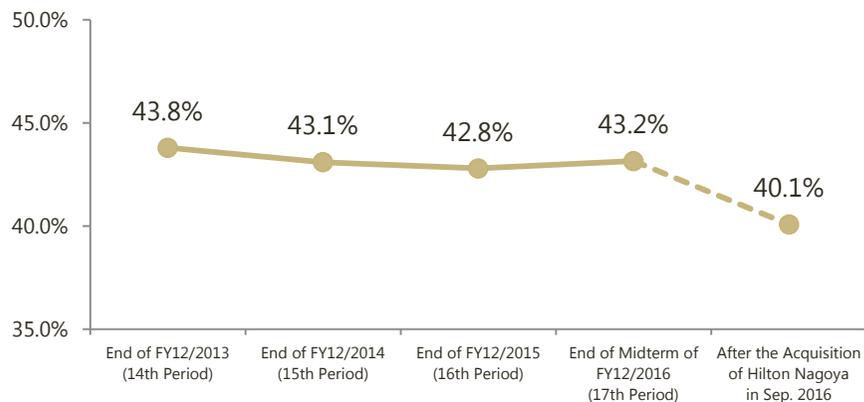
Changes in Costs for Interest-Bearing Debt^(*) and Average Life of Debt^(**)



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

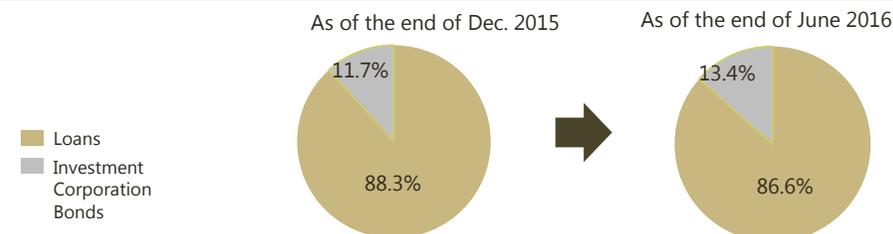
(**) Average life of debt as of the end of each period/year.

Changes in LTV (Total Asset Base)

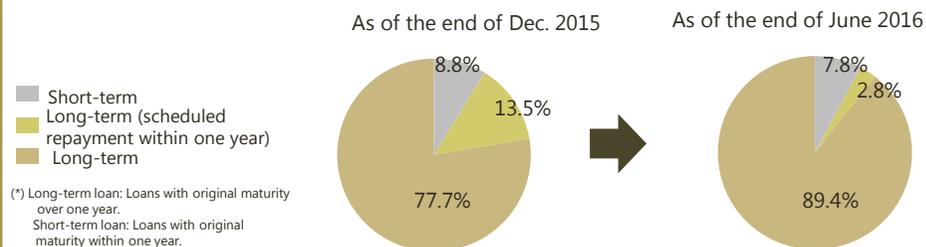


(*) LTV as of the end of each period/year.

Breakdown of Interest-Bearing Debt



Term of Interest-Bearing Debt



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

Repayment Schedule of Interest-Bearing Debt



1. Financial Status (Cont.)

Lender List for Interest-Bearing Debt

Lenders	(JPY M)				
	Balance As of the End of Previous Period (As of the End of Dec. 2015)		Balance As of the End of This Midterm Period (As of the End of June 2016)		Variance
	Balance	Percentage	Balance	Percentage	Balance
Sumitomo Mitsui Banking Corporation	25,052	24.4%	23,681	21.2%	-1,371
Shinsei Bank, Limited	13,528	13.2%	13,519	12.1%	-9
Mizuho Bank, Ltd.	13,295	12.9%	13,280	11.9%	-15
Sumitomo Mitsui Trust Bank, Limited	8,096	7.9%	9,879	8.9%	1,783
Resona Bank, Limited	8,113	7.9%	8,603	7.7%	490
The Tokyo Star Bank, Limited	8,109	7.9%	8,577	7.7%	467
The Nomura Trust and Banking Co., Ltd.	3,892	3.8%	4,373	3.9%	480
Mitsubishi UFJ Trust and Banking Corporation	1,435	1.4%	3,435	3.1%	2,000
The Hiroshima Bank, Ltd.	1,927	1.9%	2,427	2.2%	500
The Bank of Fukuoka, Ltd.	1,418	1.4%	2,410	2.2%	991
Development Bank of Japan Inc.	1,788	1.7%	2,280	2.0%	491
The Chiba Bank, Ltd.	1,734	1.7%	1,717	1.5%	-17
Aozora Bank, Ltd.	1,435	1.4%	1,435	1.3%	-
Sompo Japan Nipponkoa Insurance Inc.	945	0.9%	941	0.8%	-4
Borrowing (Sub-Total)	90,772	88.3%	96,558	86.6%	5,785
2nd Investment Corporation Bond without collateral	2,500	2.4%	2,500	2.2%	0
3rd Investment Corporation Bond without collateral	2,000	1.9%	2,000	1.8%	0
4th Investment Corporation Bond without collateral	1,500	1.5%	1,500	1.3%	0
5th Investment Corporation Bond without collateral	6,000	5.8%	6,000	5.4%	0
6th Investment Corporation Bond without collateral	-	-	3,000	2.7%	3,000
Investment Corporation Bond (Sub-Total)	12,000	11.7%	15,000	13.4%	3,000
Total Interest-Bearing Debt	102,772	100.0%	111,558	100.0%	8,785

Status of Credit Rating (17th Period (As of the End of June 2016))

Japan Credit Rating Agency, Ltd. (JCR)	A (outlook: positive) *As of November 26, 2015
Rating and Investment Information, Inc. (R&I)	A- (outlook: positive) *As of October 29, 2015

Issuance of Investment Corporation Bonds

Issued 6th investment corporation bonds

- **Date of issuance: March 11, 2016**
- **Total amount of investment corporation bonds: JPY3 billion**
- **Term : 10 years**
- **Rate : 0.935%**

Fixed Interest Rate Ratio

As of end of Dec. 2015 **84.8%** → As of end of June 2016 **88.8%**

Use of Negative Goodwill

- Cope with losses caused by property dispositions in order to replace properties, etc.
- Cope with loss on retirement of noncurrent assets resulting from renovations, etc.
- Cope with dilution of DPU at issuance of investment units during the period
- Cope with inconsistency between tax and accounting treatments
(Cope with amortization of fixed-term leasehold of land, amortization of asset retirement obligations, etc.)

■ **JHR plans to announce by the end of FY2016 regarding its change in policy for using negative goodwill as a result of change in the law.**

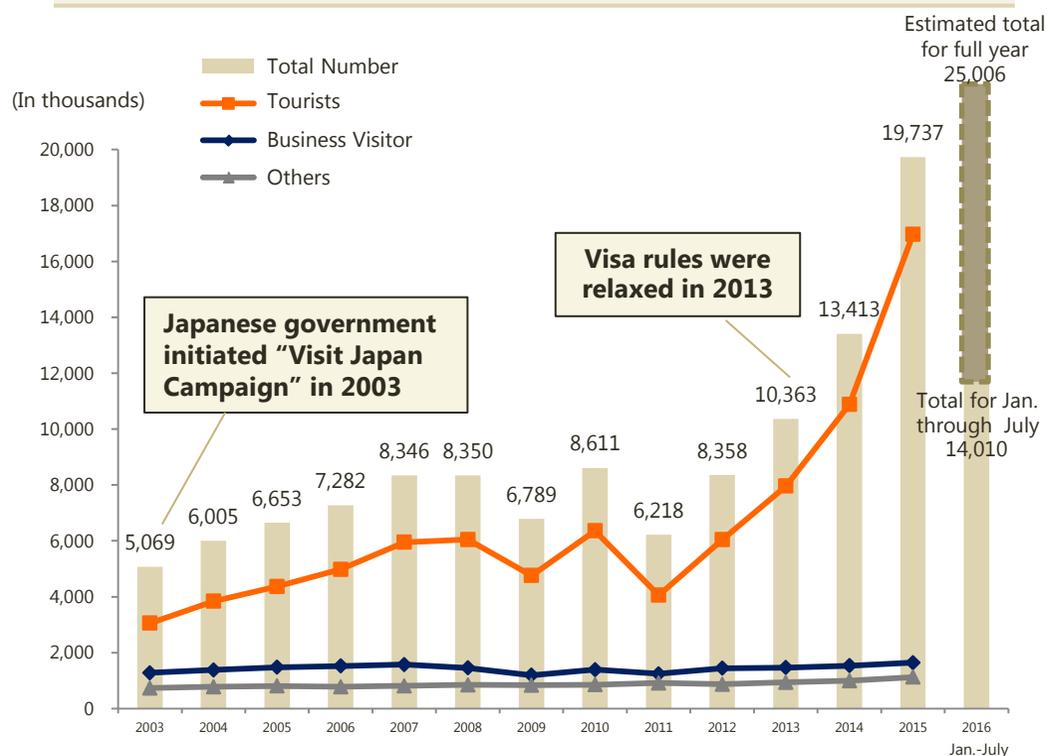
Amount of negative goodwill to be used (Jan. through Dec. 2016)	JPY736M
Forecast of balance of negative goodwill (as of end of Dec. 2016)	JPY13.1B

VI. Market Environment

1-1. Market Environment

- ◆ Increasing number of inbound visitors supported by strong government initiatives
 - No. of inbound visitors: 19.7 million in 2015 vs. government target of 40 million in 2020, 60 million in 2030.
- ◆ Sizable and stable increase in domestic travel demand.

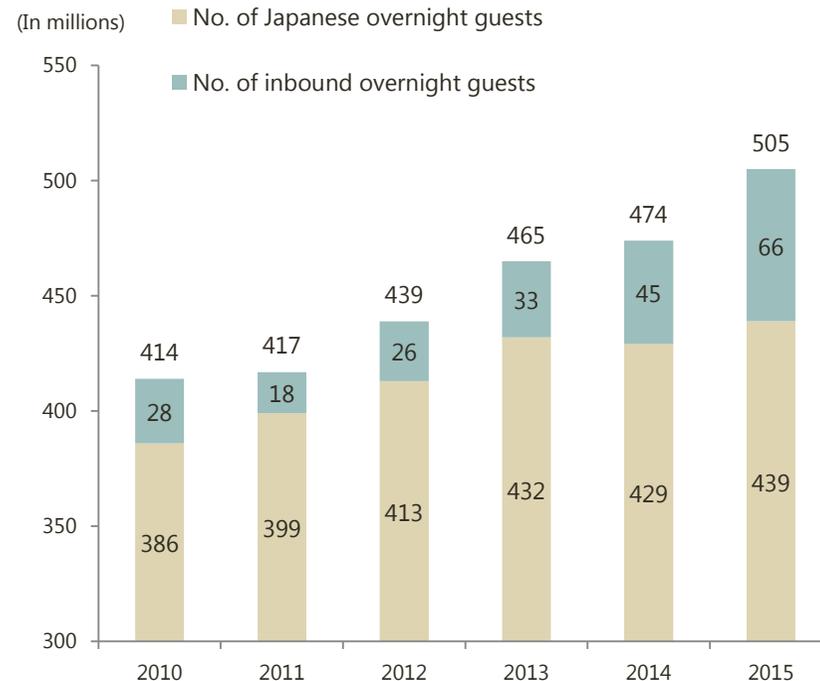
Changes in the Number of Inbound Visitors



Source: Japan National Tourism Organization (JNTO)

(*) Estimated total for 2016 is calculated based on the increase rate from January through July 2016

Changes in Total Overnight Guests in Japan

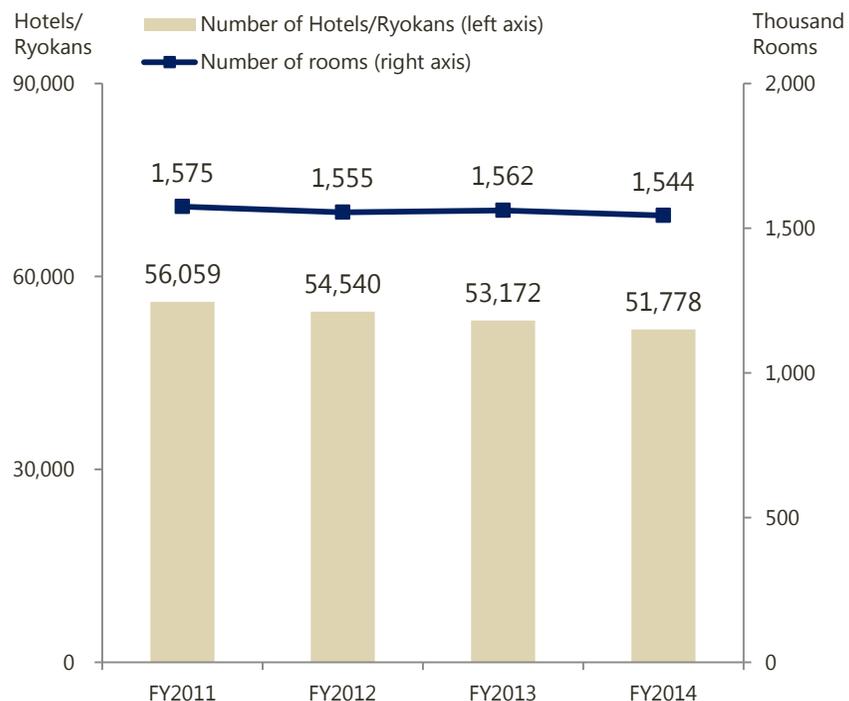


Source: Japan National Tourism Organization (JNTO)

1-2. Market Environment

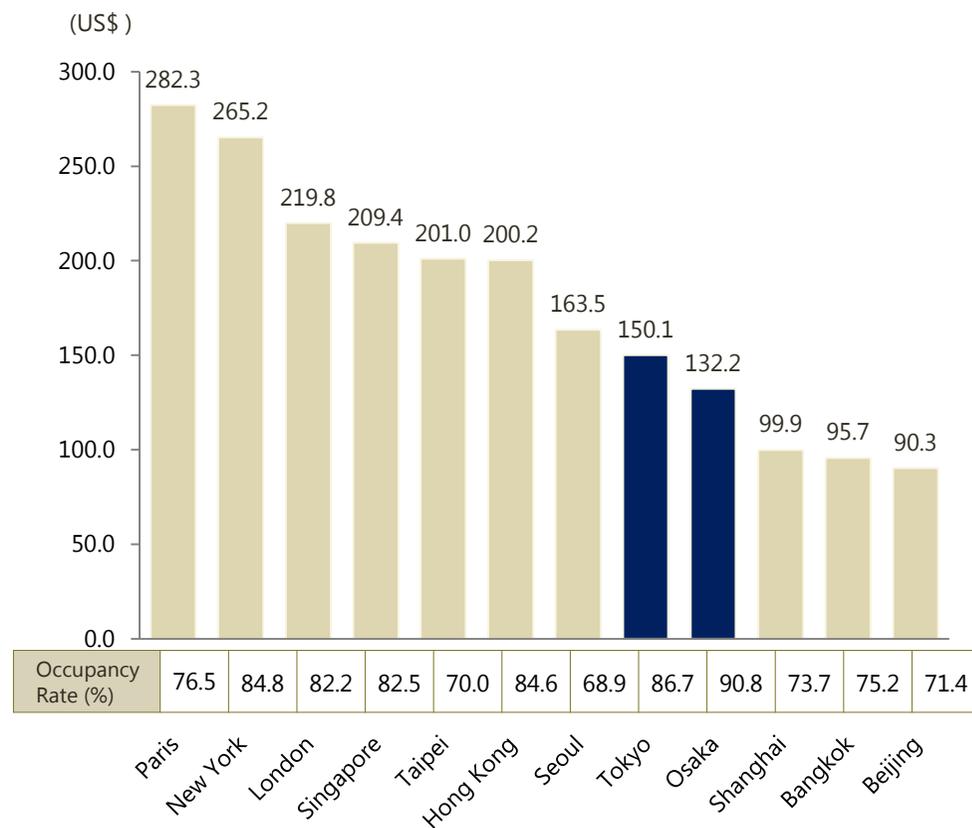
- ◆ Overall unchanged number of guest rooms in Japan
- ◆ Substantial potential for improvement in ADR in spite of its recent hike

Changes in Number of Rooms in Hotels/Ryokans in Japan



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

ADR and Occupancy Rates in Global Major Cities (2015)



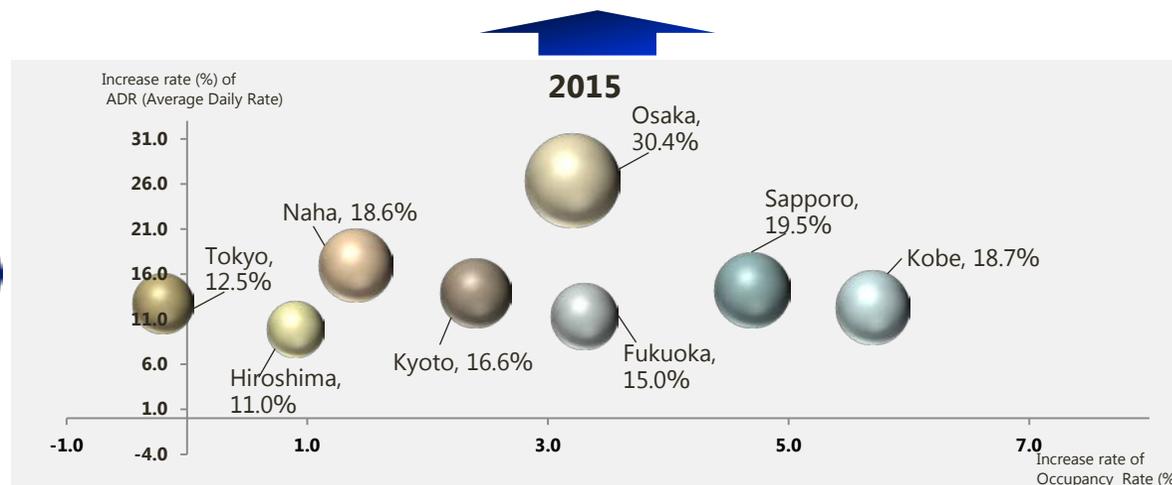
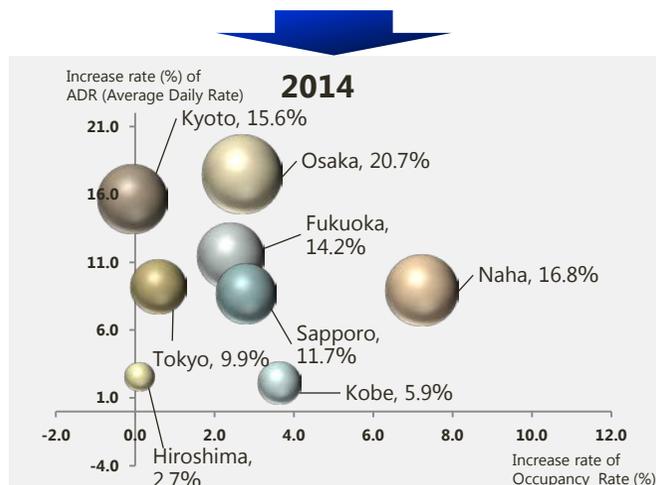
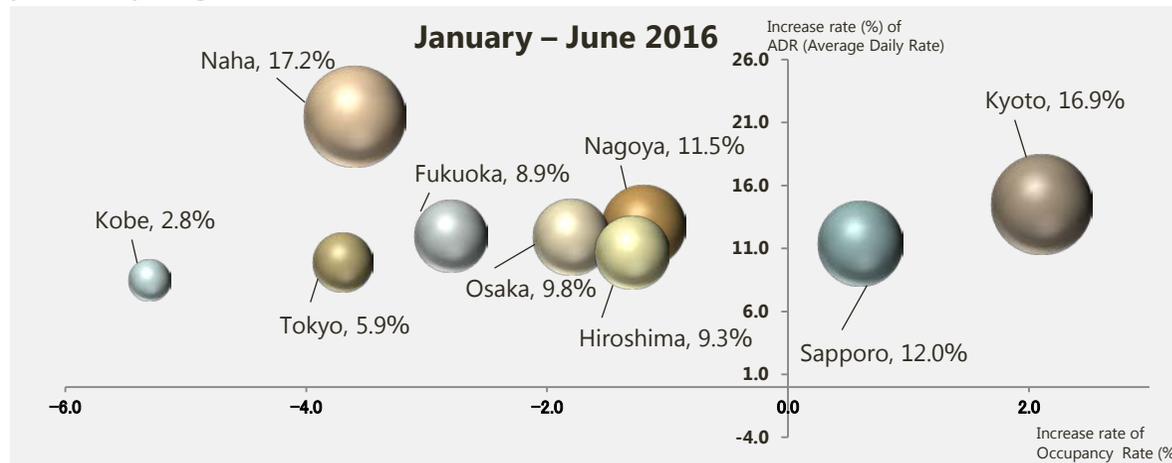
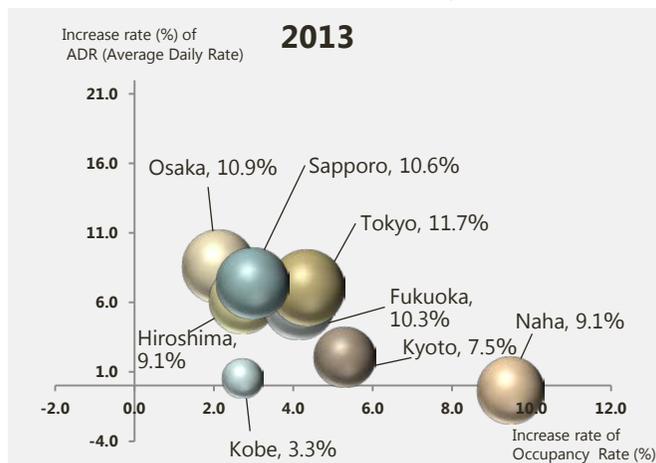
Source: Prepared by Asset Management Company based on data of STR Global

(*) Numbers in the vertical axis shows ADR, and STR Global uses US\$ exchange rate as of the end of December 2015.

1-3. Market Environment

Changes in Performance Index of Rooms Department by City

- ◆ In 2013 and 2014, RevPAR increased due to growth in both ADR and occupancy rate.
- ◆ In 2015, the growth of ADR was stronger than that of occupancy rate. RevPAR in many cities grew roughly around 20% year on year.
- ◆ In the first half of 2016, the hotel performance was mainly driven by a significant increase in ADR.



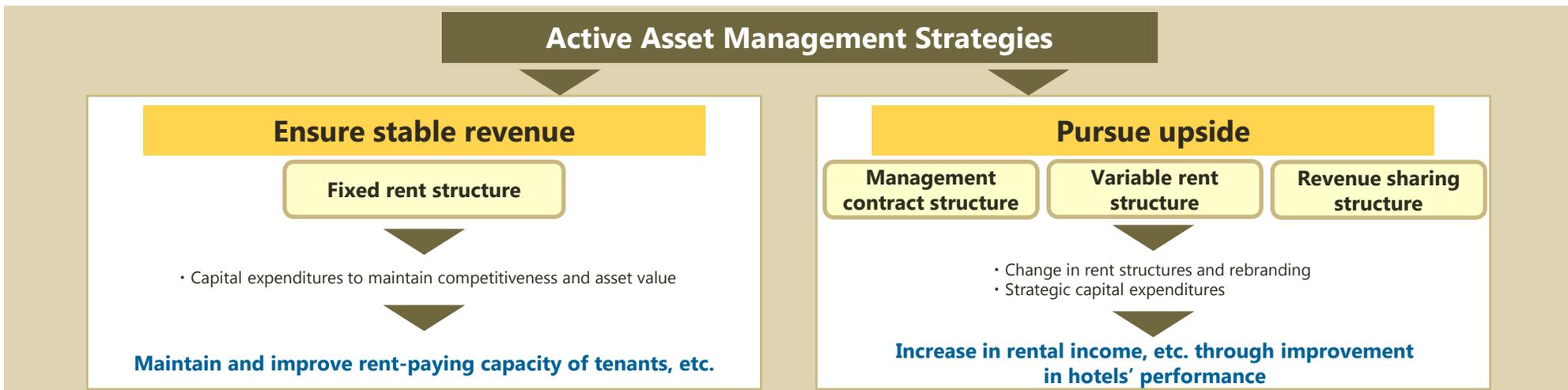
Source: Prepared by Asset Management Company based on data of STR Global

(*) The sizes of balloons represents year-on-year growth rate of RevPAR.

Appendix 1
JHR's Characteristics

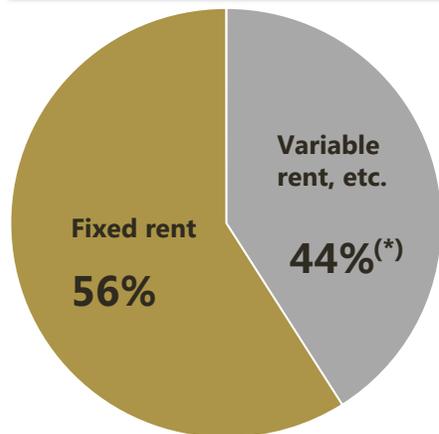
1. Simultaneous Pursuit of Stability and Upside Potential

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



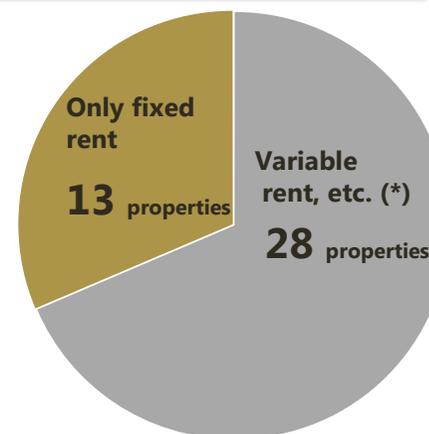
(Forecast for end of December 2016)
(Annualized)

Proportion of rental income



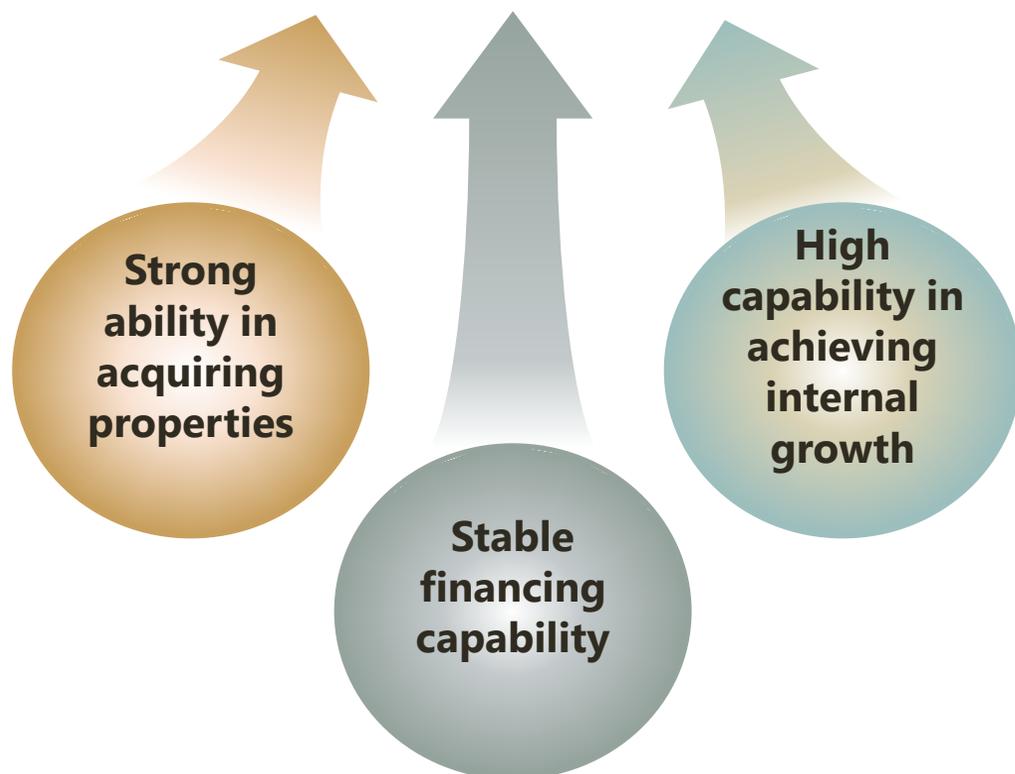
(*) Variable rent
Revenue sharing
Income from management contracts

Proportion of rent structures



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

Aim to pay higher dividend



Strong ability in acquiring properties

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

High capability in achieving internal growth

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

Stable financing capability

- Secure sound and stable finance
- Diversification of financing methods

Recognition of External Environment

Trend of the Hotel Investment Market

- ◆ Along with a rise in hotel revenue due to economic recovery and increase in domestic and inbound demand, hotel assets are gaining attractiveness as investment target. In addition, since the yields of other asset classes are decreasing and hotel investors are increasing, competition to acquire hotel assets has become intense, and 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 highly competitive hotel real estate for hotels, etc. in areas that have potential to attract “domestic and inbound leisure customers” in the medium to and long-term.
- ◆ Improve profitability, stability, and quality of the overall portfolio.



Key Measures

- ◆ Emphasize the superiority of buildings and facilities (infrastructure), operations (services), and locations of hotel real estate, etc.
 - The prime investment targets are “full-service hotels” and “resort hotels” that have high barriers to entry due to operation and management know-how, capital outlay and 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.
 - Especially, proactively review the purchase of hotels that have potential for internal growth by implementing active asset management.
- ◆ Strategic investment areas
 - Hokkaido area, Tokyo and bay area, Osaka/Kyoto area, Fukuoka area, and Okinawa area.
- ◆ Investigation and planning of the internal growth strategy upon property acquisition.
 - Investigate the appropriate rent level and rent structure upon renewal, etc., cost reduction possibilities, and possibilities to improve buildings and facilities.
 - If the hotel pays variable rent, etc., promote internal growth through collaboration with the operators.

4. Internal Growth Strategy

Recognition of External Environment

General Market Environment

- ◆ Business sentiment among Japanese companies is wary due to yen's appreciation, Kumamoto earthquake which occurred in April 2016, growing uncertainties of world economies after Britain's decision to exit from the EU following the result of the national referendum, and other factors. Although individual consumers' confidence remains the same, employment conditions are improving and the nation's economy continues to recover mildly.

Hotel Market Environment

- ◆ In addition to steady domestic leisure demand, despite appreciating yen, the number of inbound tourists, mainly from Asian countries, whose economies are growing significantly, is continuing to increase due to Japan's government-led measures to promote the country as a travel destination. With such tailwinds for Japan's tourism and hotel industries, demand for accommodation is expected to continue strongly, driven by domestic and inbound leisure demand.

Basic Policies

- ◆ Pursue both stability and upside potential by implementing active asset management strategies



Key Measures

- ◆ Monitoring, planning and execution of the asset management strategy based on in-depth understanding of the hotel business which realizes pursuit in upside revenue.
 - Make strategic investments which will improve profitability and strengthen competitiveness
 - Shift to rent structures that can achieve upside revenue
 - Attract inbound demand through rebranding to international brands
 - Increase hotel revenue through collaboration with high-quality operators
- ◆ Planning and execution of strategic CAPEX which secure steady revenue.
 - Analyze the creditworthiness of hotel lessees, understand and improve hotel income and expenditures.
 - Maintain and increase rent-paying capacity of tenants, etc. through capital expenditures, which lead to maintenance of competitiveness and asset value

5. Financial Strategy

Recognition of the External Environment

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

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

Basic Policies

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



Key Measures

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

6. Benefits Program for Unitholders

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

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

◆ Eligible recipients of complimentary coupons

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

<FY2015>

Subject unitholders: 14,901 unitholders

Valid period : Between Oct. 2015 and Sep. 2016

◆ Hotels that offer the benefits program

The five HMJ hotels and the six Accor hotels

◆ Details of the benefits program

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

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

Five complimentary coupons for accommodations and five complimentary coupons for restaurants (*)

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

◆ Record of coupon redemption (Nine months from October 2015 through June 2016)

Accommodation		Restaurants	
No. of Coupons Used	No. of People Who Used Coupons	No. of Coupons Used	No. of People Who Used Coupons
1,948	2,533	2,364	12,880

◆ The Five HMJ Hotels



Kobe Meriken Park Oriental Hotel



Oriental Hotel Tokyo Bay



Namba Oriental Hotel



Oriental Hotel Hiroshima



Hotel Nikko Aliviva

◆ The Six Accor Hotels



ibis Tokyo Shinjuku



ibis Styles Kyoto Station



ibis Styles Sapporo



Mercure Sapporo



Mercure Okinawa Naha



Mercure Yokosuka

Appendix 2
Information on Properties

1. Property List (1/2)

(As of the end of June 2016)

No.	Property Name	Hotel Type	Grade	No. of Guest Rooms	Location	Age	Acquisition Price (JPY M.) (*4)	Book Value (JPY M.) (*5)	Appraisal Value				Investment Ratio (*7)	Revenue from Real Estate Operation (JPY1000) (*8)	NOI (JPY1000) (*8)	P/L from Real Estate Operation (JPY1000) (*8)	Annualized NOI Yield (Forecast) (*9)
									16th Period (as of 12.31.2015)		17th Period (as of 6.30.2016)						
									Appraisal Value (JPY M.) (*6)	CAP Rate	Appraisal Value (JPY M.) (*6)	CAP Rate					
		(*1)	(*2)			(*3)											
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	319	Hyogo	21.0	10,900	10,116	13,300	5.5%	14,300	5.2%	4.5%	401,804	260,942	80,314	7.7%
2	Oriental Hotel tokyo bay	Full-service	Mid-price	503	Chiba	21.2	19,900	18,574	32,600	4.6%	34,000	4.5%	8.3%	798,421	738,141	491,835	9.1%
3	Namba Oriental Hotel	Limited-service	Mid-price	258 (*10)	Osaka	20.3	15,000	14,824	27,000	4.4%	31,700	4.3%	6.3%	744,653	694,882	601,993	9.7%
4	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Hiroshima	22.8	4,100	4,108	4,180	7.5%	4,180	7.4%	1.7%	206,441	183,225	145,365	9.6%
5	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	22.3	18,900	18,616	25,400	5.3%	27,300	5.1%	7.9%	487,673	412,549	255,318	8.4%
6	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	12.3	7,610	6,874	9,070	4.9%	9,450	4.7%	3.2%	255,515	234,115	172,228	6.1%
7	Hakone Setsugetsuka	Resort	Mid-price	158	Kanagawa	9.8	4,070	3,771	4,730	5.6%	4,990	5.3%	1.7%	147,472	135,546	94,209	6.6%
8	Dormy Inn Kumamoto	Limited-service	Mid-price	291 (*11)	Kumamoto	8.4	2,334	2,218	2,950	5.8%	2,870	5.8%	1.0%	97,230	86,271	66,369	7.3%
9	the b soudobashi	Limited-service	Mid-price	99	Tokyo	29.9	1,120	1,232	1,750	4.5%	1,960	4.3%	0.5%	62,436	56,939	45,175	10.2%
10	Dormy Inn EXPRESS Asakusa	Limited-service	Economy	77	Tokyo	19.3	999	957	1,220	4.4%	1,310	4.1%	0.4%	31,997	27,617	21,453	5.5%
11	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Fukuoka	21.3	2,130	2,064	3,680	5.1%	4,260	4.8%	0.9%	120,000	112,000	98,000	10.5%
12	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Nara	16.3	2,050	1,896	2,330	5.5%	2,460	5.2%	0.9%	75,000	67,000	46,000	6.5%
13	R&B Hotel Ueno Hirokoji	Limited-service	Economy	187	Tokyo	14.2	1,720	1,754	1,810	4.4%	1,950	4.1%	0.7%	48,647	41,428	34,883	4.8%
14	R&B Hotel Higashi Nihonbashi	Limited-service	Economy	202	Tokyo	18.3	1,534	1,521	1,960	4.9%	2,050	4.7%	0.6%	61,103	52,731	43,309	6.9%
15	Comfort Hotel Tokyo Higashi Nihombashi	Limited-service	Economy	259	Tokyo	8.4	3,746	3,643	5,110	4.7%	5,350	4.5%	1.6%	135,057	120,258	102,420	6.4%
16	Smile Hotel Nihombashi Mitsukoshimae	Limited-service	Economy	164	Tokyo	19.3	2,108	2,051	2,850	4.5%	3,070	4.2%	0.9%	85,751	77,859	68,424	6.5%
17	Toyoko Inn Hakata-guchi Ekimae	Limited-service	Economy	257	Fukuoka	14.8	1,652	1,488	2,490	5.1%	2,700	4.7%	0.7%	70,519	64,024	53,329	7.7%
18	Hotel Keihan Universal City	Resort	Mid-price	330	Osaka	15.0	6,000	5,985	13,600	5.5%	14,800	5.3%	2.5%	631,559	593,543	551,552	13.9%
19	Chisun Inn Kamata	Limited-service	Economy	70	Tokyo	13.2	823	804	1,270	4.7%	1,410	4.5%	0.3%	38,665	34,828	28,952	8.7%
20	Hotel Vista Kamata Tokyo	Limited-service	Economy	106	Tokyo	24.4	1,512	1,479	1,870	4.7%	1,990	4.5%	0.6%	46,802	39,522	28,079	7.1%
21	Hotel Sunroute Shinbashi	Limited-service	Mid-price	220	Tokyo	8.3	4,800	4,863	7,420	4.2%	8,510	3.9%	2.0%	245,243	216,845	206,273	7.1%
22	Hilton Tokyo Bay	Resort	Luxury	823 (*12)	Chiba	28.0	26,050	26,115	34,400	4.5%	36,000	4.3%	10.9%	940,423	790,178	708,727	6.3%
23	ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	35.8	7,243	7,537	8,830	4.4%	9,310	4.2%	3.0%	410,069	316,455	282,588	7.3%
24	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kyoto	7.3	6,600	6,742	8,590	4.6%	10,300	4.4%	2.8%	270,798	243,363	226,508	7.5%

1. Property List (2/2)

(As of the end of June 2016)

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	Annualized NOI Yield (Forecast)
									16th Period (as of 12.31.2015)		17th Period (as of 6.30.2016)						
									Appraisal Value	CAP Rate	Appraisal Value	CAP Rate					
		(*)1	(*)2			(*)3	(JPY M) (*)4	(JPY M) (*)5	(JPY M) (*)6		(JPY M) (*)7	(JPY M) (*)8	(JPY1000) (*)8	(JPY1000) (*)8	(*)9		
25	ibis Styles Sapporo	Limited-service	Mid-price	278	Hokkaido	5.9	6,797	6,766	7,940	5.3%	10,300	5.0%	2.8%	269,696	210,204	174,105	8.0%
26	Mercure Sapporo	Limited-service	Mid-price	285	Hokkaido	7.2	6,000	5,996	7,840	5.1%	10,000	4.9%	2.5%	301,742	204,469	165,249	8.7%
27	Mercure Okinawa Naha	Limited-service	Mid-price	260	Okinawa	6.9	3,000	2,954	5,730	5.1%	6,880	4.8%	1.3%	216,207	173,164	148,123	13.0%
28	the b akasaka-mitsuke	Limited-service	Mid-price	122	Tokyo	13.6	6,250	6,307	6,730	4.2%	6,900	4.1%	2.6%	149,809	143,814	133,492	4.7%
29	the b ikebukuro	Limited-service	Mid-price	175	Tokyo	34.0	6,520	6,590	7,040	4.6%	7,600	4.4%	2.7%	188,222	181,456	166,883	5.5%
30	the b ochanomizu	Limited-service	Mid-price	72	Tokyo	16.9	2,320	2,353	2,540	4.4%	2,650	4.2%	1.0%	55,477	52,491	47,752	4.6%
31	the b hachioji	Limited-service	Mid-price	196	Tokyo	29.9	2,610	2,681	2,920	5.5%	3,090	5.2%	1.1%	112,230	104,218	92,194	7.7%
32	the b hakata	Limited-service	Mid-price	175	Fukuoka	18.8	2,300	2,355	2,700	4.9%	3,110	4.6%	1.0%	108,235	103,627	94,060	9.1%
33	Hotel Francs	Full-service	Mid-price	222	Chiba	24.9	3,105	3,147	3,900	4.9%	4,070	4.7%	1.3%	150,000	133,307	109,473	7.6%
34	Mercure Yokosuka	Full-service	Mid-price	160	Kanagawa	23.7	1,650	1,658	1,760	4.8%	1,870	4.7%	0.7%	162,939	118,814	103,971	10.0%
35	Okinawa Marriott Resort & Spa	Resort	Upper-middle	361	Okinawa	11.4	14,950	15,044	16,700	5.2%	17,200	5.0%	6.2%	274,999	245,153	136,888	6.7%
36	ACTIVE-INTER CITY HIROSHIMA	Full-service	Luxury	238	Hiroshima	5.8	17,320	17,860	17,900	4.8%	18,400	4.7%	7.2%	656,203	474,369	383,934	5.3%
37	CANDEO HOTELS UENO-KOEN	Limited-service	Mid-price	268	Tokyo	6.5	6,705	6,769	6,820	4.0%	7,630	4.0%	2.8%	134,736	-	-	4.8%
38	Hotel Centraza Hakata	Full-service	Mid-price	194	Fukuoka	31.0	7,197	7,561	7,240	4.8%	7,390	4.7%	3.0%	196,364	-	-	6.5%
Total or Average		-	-	9,104	-	18.1	239,626	237,293	316,170	4.9%	343,310	4.7%	100.0%	9,390,971	-	-	7.1%

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

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

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

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

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

(*6) No. 37-38 are appraisal value at the time of acquisition.

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

(*8) Actual for six months from January through June 2016. Since the lessees did not agree to disclose numbers in units of JPY1000 for Nos. 11 and 12, amounts are rounded down to the nearest JPY 1M. Also, NOI and P/L from Real Estate Operation of Nos. 37 and 38 are not shown since they were acquired during the period.

(*9) Annualized NOI Yield (Forecast) is a forecast as of the end of December 2016. Also the total annualized NOI yield is calculated as follows : Annualized NOI for FY12/2016 (forecast) ÷ total acquisition price of properties held as of the end of FY12/2016 (anticipated).

(*10) The number of guest rooms of Namba Oriental Hotel is changed from 257 to 258 on February 2, 2016.

(*11) The number of guest rooms of Dormy Inn Kumamoto is changed from 294 to 291 on April 1, 2016.

(*12) The number of guest rooms of Hilton Tokyo Bay is changed from 818 to 823 on April 30, 2016.

2. Summary of Lease Contracts (1/2)

(As of the end of June 2016)

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

2. Summary of Lease Contracts (2/2)

(As of the end of June 2016)

No.	Property Name	Lease Type	Rent Structure (*1)	Lessee	Hotel Operator/Hotel Consulting and Management Company	Lease / MC Term	Remaining Contract Term (*2)	Contractual Rent (*3)	Rent Summary	Rent Modification Summary (Acquisition to End of June 2016)		Rent Modification Schedule (2016~2018)		
										Timing	Condition (*4)	2016	2017	2018
22	ibis Tokyo Shinjuku	-	Management contract	-	AAPC Japan K.K.	12	8	Amount equivalent to hotel GOP	-	Jul. 2012	Structure is modified.	-	-	-
23	ibis Styles Kyoto Station	-	Management contract			5	3	Amount equivalent to hotel GOP	-	-	-	-	-	To be expired (December)
24	ibis Styles Sapporo	-	Management contract			5	3	Amount equivalent to hotel GOP	-	Dec. 2014	Structure is modified.	-	-	-
25	Mercure Sapporo	-	Management contract			15	13	Amount equivalent to hotel GOP	-	-	-	-	-	-
26	Mercure Okinawa Naha	-	Management contract			10	8	Amount equivalent to hotel GOP	-	-	-	-	-	-
27	Mercure Yokosuka	Fixed-lease	Variable	AAPC Japan K.K.		5	3	Linked to hotel GOP	The same rent will be applied until expiration of the contract.	-	-	-	-	-
28	the b akasaka-mitsuke	Fixed-lease	Fixed+Variable	Ishin Akasaka Operations, K.K.		7	6	JPY102M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	-	-	-	-	-
29	the b ikebukuro	Fixed-lease	Fixed+Variable	Ishin Ikebukuro Operations K.K.		7	6	JPY163M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	-	-	-	-	-
30	the b ochanomizu	Fixed-lease	Fixed+Variable	Ishin Ochanomizu Operations K.K.		7	6	JPY69M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	-	-	-	-	-
31	the b hachioji	Fixed-lease	Fixed+Variable	Ishin Hachioji Operations, Y.K.		7	6	JPY98M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	-	-	-	-	-
32	the b hakata	Fixed-lease	Fixed+Variable	Ishin Hakata Operations K.K.		7	6	JPY82M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	-	-	-	-	-
33	the b suidobashi	Fixed-lease	Fixed+Variable	Ishin Suidobashi Operations K.K.		5	4	JPY85M/year + Linked to hotel GOP	The same rent will be applied until expiration of the contract.	Jul. 2015	Rebranded	-	-	-
34	Hotel Francs	Fixed-lease	Fixed	K.K. Bridal Produce		19	8	JPY25M/month	The same rent will be applied until expiration of the contract.	-	-	-	-	-
35	Okinawa Marriott Resort & Spa	Fixed-lease	Fixed+Variable	Lagoon resort Nago Co., Ltd. (*5)		5	5	(Fixed rent) JPY550M/year (Variable rent) When the total GOP exceeds GOP base amount (JPY700M), the excess x 90% is paid.	In principle, the same rent will be applied until expiration of the contract.	-	-	-	-	-
36	ACTIVE-INTER CITY HIROSHIMA	Fixed-lease	Fixed+Variable	K.K. A.I.C Hiroshima Management		11	11	(Fixed rent) JPY348M/year (Variable rent) When the total GOP exceeds GOP base amount (JPY468M), the excess x 82.5% is paid.	In principle, the same rent will be applied until expiration of the contract.	-	-	-	-	-
37	CANDEO HOTELS UENO-KOEN	Fixed-lease	Fixed	Candeo Hospitality Management, Inc.		20	14	Nondisclosure (*6)	Rent can be modified through mutual agreement every three years.	-	-	Renewed (*6)	-	-
38	Hotel Centraza Hakata	Fixed-lease	Fixed+Variable	Hotel Centraza Co., Ltd.		4	3	(Fixed rent) JPY400M/year (Variable rent) When the total GOP exceeds GOP base amount (JPY425M), the excess x 90% is paid.	In principle, the same rent will be applied until expiration of the contract.	-	-	-	-	-

(*1) Rent structure is as follows:

Fixed: Fixed rent
Variable: Variable rent
Management contract: Management contract
Fixed + Variable: Property paying both fixed and variable rent

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

(*2) Remaining contract term as of the end of June, 2016

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

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

No. 1 to No. 5: Variable rent was modified from 81.5% to 85%.
No. 15, 17: Revenue sharing structure has been applied in addition to fixed rent.
No. 18: Fixed rent has been replaced with the variable rent due to the replacement of the lessee.
No. 22, 24: JHR has commenced direct management contract structures.

(*5) The agreement of hotel operation support by Solare Hotels & Resorts Co., Ltd. expired on March 31, 2016.

(*6) Information is undisclosed since the lessee did not agree to disclose the rent in the agreement of rent renewal.

3. Portfolio Map

Total Assets

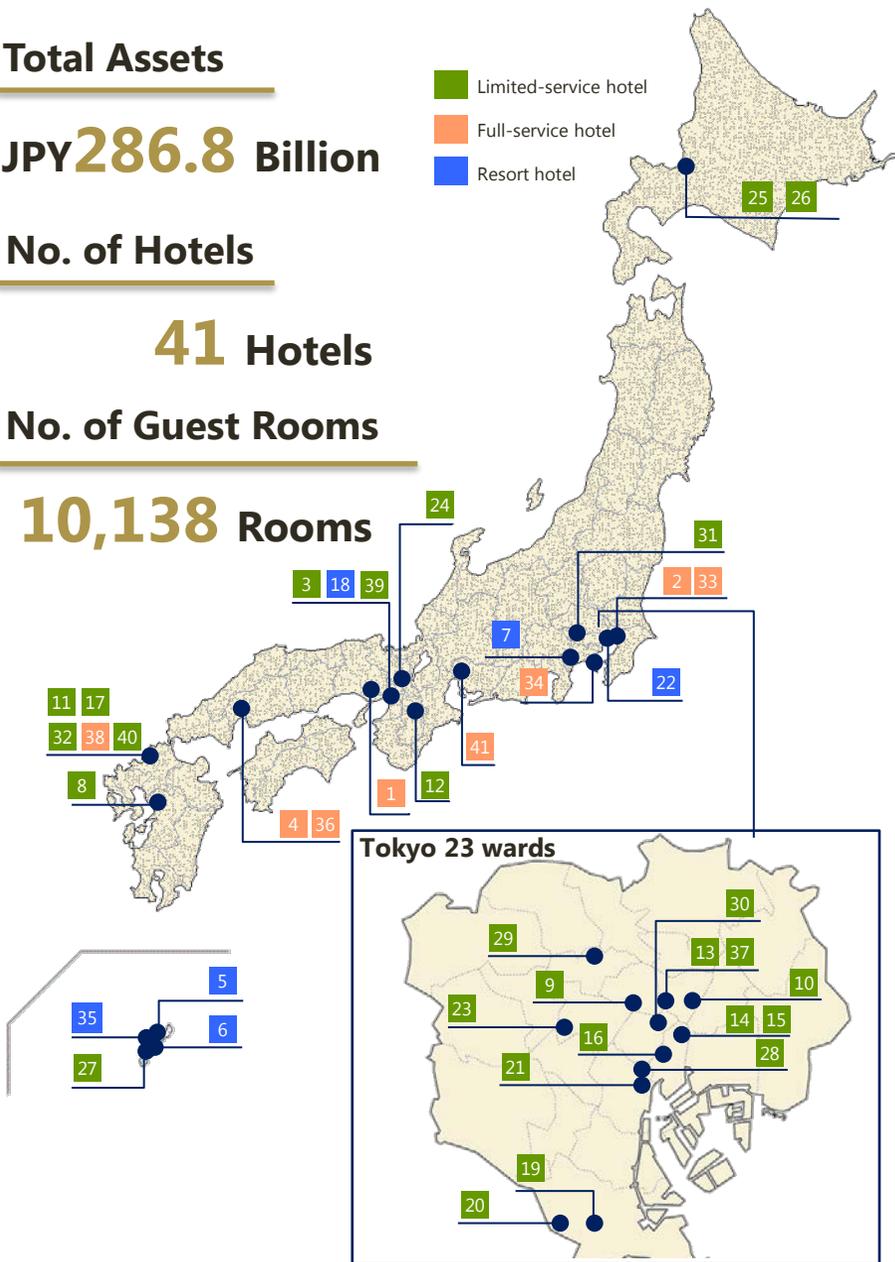
JPY**286.8** Billion

No. of Hotels

41 Hotels

No. of Guest Rooms

10,138 Rooms



1 Kobe Meriken Park Oriental Hotel	2 Oriental Hotel Tokyo Bay	3 Namba Oriental Hotel	4 Oriental Hotel Hiroshima	5 Hotel Nikko Alivila	6 The Beach Tower Okinawa	7 Hakone Setsugetsuka	8 Dormy Inn Kumamoto
9 the b Suidobashi	10 Dormy Inn EXPRESS Asakusa	11 Hakata Nakasu Washington Hotel Plaza	12 Nara Washington Hotel Plaza	13 R&B Hotel Ueno Hirokoji	14 R&B Hotel Higashi Nihonbashi	15 Comfort Hotel Tokyo Higashi Nihonbashi	16 Smile Hotel Nihombashi Mitsukoshimae
17 Toyoko Inn Hakata-guchi Ekimae	18 Hotel Keihan Universal City	19 Chisun Inn Kamata	20 Hotel Vista Kamata Tokyo	21 Hotel Sunroute Shinbashi	22 Hilton Tokyo Bay	23 ibis Tokyo Shinjuku	24 ibis Styles Kyoto Station
25 ibis Styles Sapporo	26 Mercure Sapporo	27 Mercure Okinawa Naha	28 the b Akasaka-Mitsuke	29 the b Ikebukuro	30 the b Ochanomizu	31 the b Hachioji	32 the b Hakata
33 Hotel Francs	34 Mercure Yokosuka	35 Okinawa Marriott Resort & Spa	36 ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	37 CANDEO HOTELS UENO-KOEN	38 Hotel Centraza Hakata		
39 HOTEL VISTA GRANDE OSAKA (Holiday Inn Osaka Namba) (Anticipated)		40 HOTEL ASCENT FUKUOKA	41 Hilton Nagoya (to be acquired in September 2016)				

Appendix 3

Investors Composition and Investment Unit Price

1. Major Unitholders and Unitholders of Investment Units

Top Ten Major Unitholders

◆ As of the End of December 2015

Ranking	Name	No. of Units	Percentage(*)
1	Japan Trustee Service Bank, Ltd. (Trust)	540,062	17.17
2	The Master Trust Bank of Japan, Ltd. (Trust)	417,042	13.26
3	Trust and Custody Services Bank, Ltd. (Securities Investment Trust)	330,953	10.52
4	Nomura Bank (Luxembourg) S.A.	128,733	4.09
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	120,438	3.83
6	Shikoku Railway Company	58,311	1.85
7	NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	57,436	1.82
8	State Street Bank & Trust Company 505001	50,662	1.61
9	Nomura PB Nominees TK1 Limited	38,269	1.21
10	NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	37,699	1.19
Total		1,779,605	56.59

◆ As of the End of June 2016

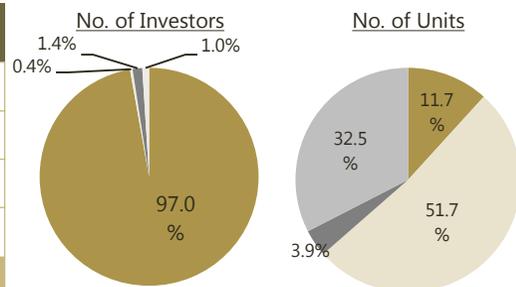
Ranking	Name	No. of Units	Percentage(*)
1	Japan Trustee Service Bank, Ltd. (Trust)	515,357	15.51
2	The Master Trust Bank of Japan, Ltd. (Trust)	391,418	11.78
3	Trust and Custody Services Bank, Ltd. (Securities Investment Trust)	318,754	9.59
4	Nomura Bank (Luxembourg) S.A.	179,316	5.39
5	The Nomura Trust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

(*) The total units held by each investor to the total units issued by JHR as of the end of December 2015 and the end of June 2016. (Rounded off to two decimal places.)

Owners of the Investment Units

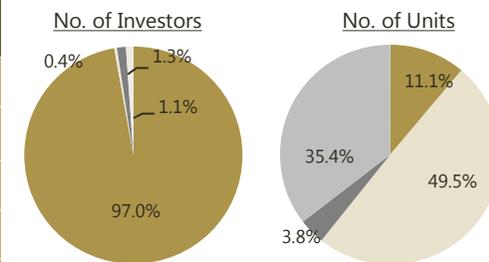
◆ As of the End of December 2015

Owners	No. of Investors	No. of Units
Individuals and Others	24,441	368,839
Financial Institutions (including Securities Firms)	112	1,627,971
Other Domestic Firms	353	124,108
Foreign Firms and Individuals	276	1,023,309
Total	25,182	3,144,227



◆ As of the End of June 2016

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



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

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

2. Changes in Investment Unit Price and Market Capitalization

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

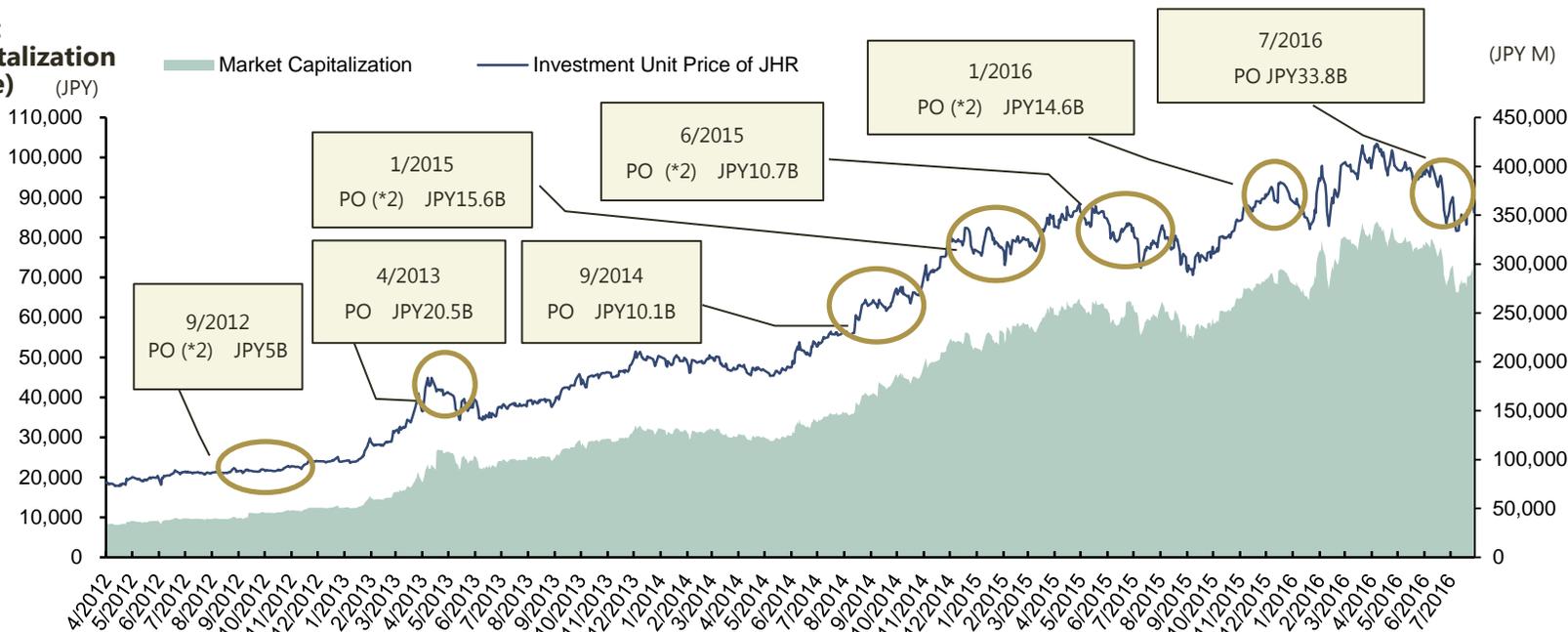
Price of the investment unit:
JPY86,200.-

Total market capitalization:
JPY323.2B

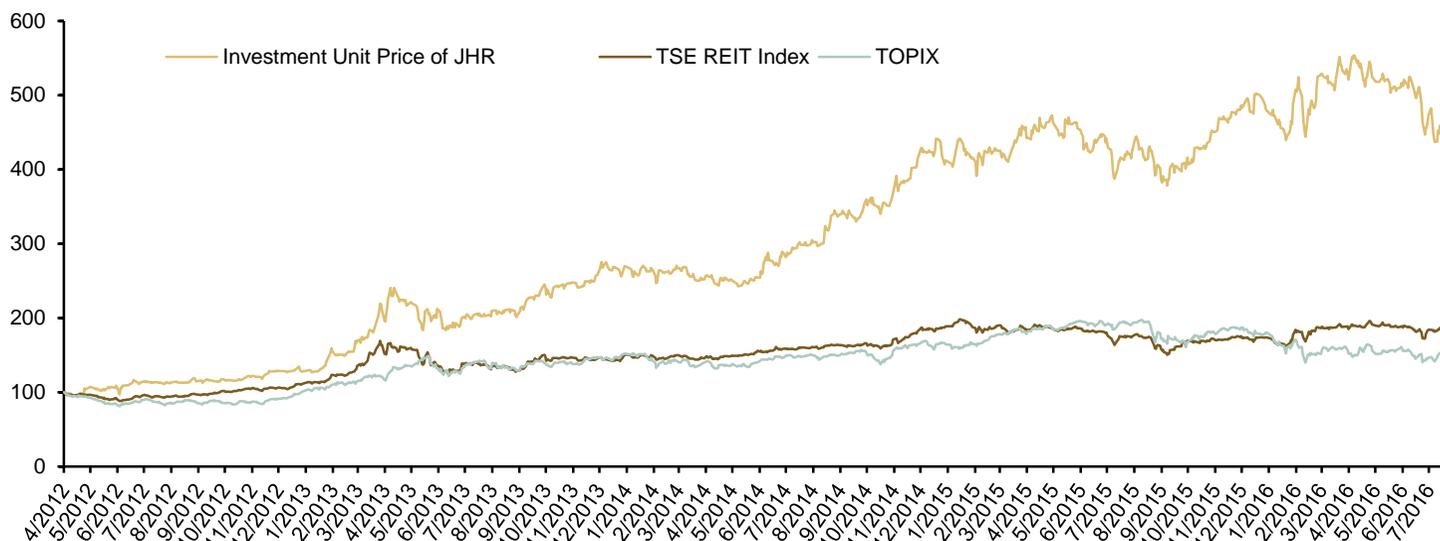
(Based on the closing price of July 29, 2016)

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

(*2) Includes OA.



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



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

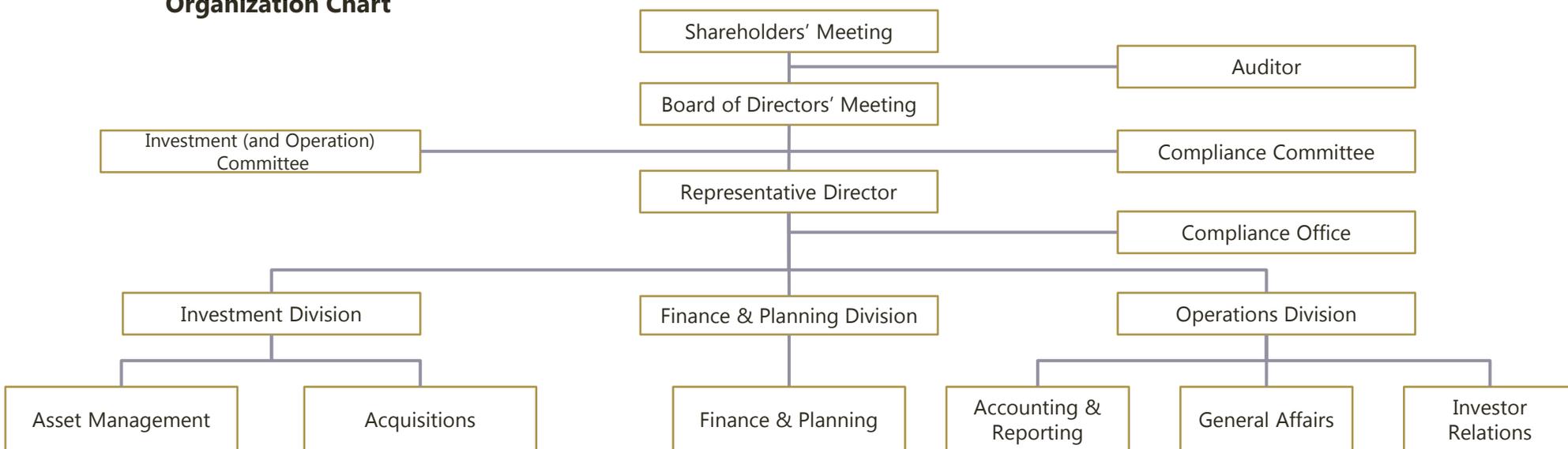
Appendix 4

Summary of the Asset Management Company

1. Summary of the Asset Management Company

Company	Japan Hotel REIT Advisors Co., Ltd.
Location	Ebisu Neonato 4F, 4-1-18 Ebisu, Shibuya-ku, Tokyo 150-0013
Establishment	August 10, 2004
Capital	JPY300M as of June 30, 2016
Shareholders	Rockrise Sdn Bhd, Kyoritsu Maintenance Co., Ltd., ORIX Corporation
Representative Director	Hisashi Furukawa
Registration and Licenses	Building Lots and Buildings Transaction Business Operator, Governor of Tokyo (3) No. 83613 Discretionary Transaction Agent by Minister of Land, Infrastructure, Transport and Tourism No. 38 Financial Instruments Trading Company, Director-General of Kanto Local Finance Bureau No. 334 Member of The Investment Trusts Association, Japan

Organization Chart



2. Features 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, etc.
- ✓ 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.

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 approval of transactions under deliberation in principle requires the attendance of the outside specialists.
- ✓ In principle, outside specialists are authorized to dismiss proposals.

JHR: Board of Directors

- ✓ The board of directors 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 board of directors.

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

^(*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.

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

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

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

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

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

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

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