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February 19, 2015

Financial Report for the Fiscal Year Ended December 31, 2014 (January 1, 2014 – December 31, 2014)

Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange
 Securities code: 8985
 URL: <http://www.jhrth.co.jp/>
 Representative: Yukio Isa, Executive Director

Asset management company: Japan Hotel REIT Advisors Co., Ltd.
 Representative: Hisashi Furukawa, Representative Director and President
 Contact: Noboru Itabashi
 General Manager of Accounting
 Finance and Accounting Division
 Phone: +81-3-6422-0530

Scheduled date to file Securities Report: March 20, 2015
 Scheduled date to start dividend payment: March 20, 2015

Preparation of supplementary material on financial report: Yes
 Schedule for presentation of financial results: Yes (Analysts and institutional investors only)

(Amounts are rounded down to the nearest JPY1M)

1. Summary of financial results for the fiscal year ended December 2014 (January 1, 2014 – December 31, 2014)

(1) Operating results (Percentages show changes from the previous period)

	Operating revenue		Operating income		Ordinary income		Net income	
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%
Fiscal year ended								
December 31, 2014	12,760	11.2	7,545	40.6	5,776	54.4	5,774	78.6
December 31, 2013	11,472	57.5	5,367	106.8	3,740	164.8	3,233	-83.0

	Net income per unit	Return on equity (ROE)	Ordinary income to total assets	Ordinary income to operating revenue
Fiscal year ended	JPY	%	%	%
December 31, 2014	2,159	6.1	3.2	45.3
December 31, 2013	1,307	4.1	2.4	32.6

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

(Note 2) Net income for the fiscal year ended December 2013 includes loss on sale of JPY1,189M and impairment loss of JPY516M.

(2) Cash distribution

	Dividend per unit (Dividend from excess of earnings exclusive)	Total dividends (Dividend from excess of earnings exclusive)	Dividend from excess of earnings per unit	Total dividends from excess of earnings	Payout ratio	Dividend to net assets
Fiscal year ended	JPY	JPY1M	JPY	JPY1M	%	%
December 31, 2014	2,155	6,015	0	0	104.2	6.1
December 31, 2013	1,939	5,082	0	0	157.2	5.8

(Note 1) The source of dividends for the fiscal year ended December 2013 is calculated by adding provision for dividends (JPY1,848M) to unappropriated retained earnings.

(Note 2) The source of dividends for the fiscal year ended December 2014 is calculated by adding provision for dividends (JPY240M) to unappropriated retained earnings.

(Note 3) Payout ratio is calculated by the formula below. Numbers are rounded off to one decimal place.

Total dividends (total dividends from excess of earnings exclusive) / Net income x 100

(3) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
Fiscal year ended	JPY1M	JPY1M	%	JPY
December 31, 2014	188,091	100,342	53.3	35,948
December 31, 2013	170,727	89,756	52.6	34,241

(*) Net assets per unit are calculated based on the number of investment units issued at the end of the fiscal year.

(4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of fiscal year
Fiscal year ended	JPY1M	JPY1M	JPY1M	JPY1M
December 31, 2014	8,353	-17,828	11,347	14,424
December 31, 2013	9,991	-33,349	26,988	12,553

2. Operating forecast of fiscal year ending December 2015 (January 1, 2015 through December 31, 2015)

(Percentages show changes from the previous period)

	Operating revenue		Operating income		Ordinary income		Net income		Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
As of	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%	JPY	JPY
Midterm	6,649	20.8	3,559	18.2	2,719	21.7	2,719	21.7	-	-
Full year	15,148	18.7	8,695	15.2	6,907	19.6	6,907	19.6	2,306	0

(Reference) Estimated net income per unit for fiscal year ending December 2015 (Full year) JPY2,314 (Calculated based on the estimate of period-average number of investment units of 2,984,886 units.)

(*) Reserve for dividends, JPY13M, is planned to be the source of dividend payment.

*Others

(1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

- (a) Changes in accounting policies due to revisions to accounting standards and other regulations: No change
- (b) Changes in accounting policies due to other reasons than above (a): No change
- (c) Changes in accounting estimates: No change
- (d) Restatement of prior period financial statements after error corrections: No change

(2) Number of units issued

a. Total number of units issued at the end of fiscal year (including JHR's own investment units)

As of December 2014	2,791,281 units
As of December 2013	2,621,281 units

b. Number of JHR's own investment units at the end of fiscal year

As of December 2014	0 unit
As of December 2013	0 unit

* Status of audit procedures

At the time of disclosure of this financial report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act of Japan are incomplete.

* Appropriate use of forecasts of results and other special items

Forward-looking statements presented in this financial report including operating forecast are based on information currently available to us and on certain assumptions we deem to be reasonable. As such, actual operating and other results may differ materially from these forecasts due to a number of factors. Furthermore, we do not intend to guarantee any dividend amount by these forecasts.

Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 2015

Item	Assumption												
Calculation period	<ul style="list-style-type: none"> • Midterm: fiscal year ending December 2015 (16th Period): January 1, 2015 through June 30, 2015 (181 days) • Full year: fiscal year ending December 2015 (16th Period): January 1, 2015 through December 31, 2015 (365 days) 												
Investment assets	<ul style="list-style-type: none"> • Thirty-six properties are assumed to be held. The properties include 30 properties owned by JHR as of December 31, 2014 (hereinafter called “existing properties”), plus 5 properties of “the b akasaka-mitsuke,” “the b ikebukuro,” “the b ochanomizu,” “the b hachioji,” and “the b hakata” (hereinafter called “the five ‘the b’ hotels”) acquired on January 30, 2015, and the following 1 property which is scheduled to be acquired (hereinafter called “to-be-acquired asset”). <table border="1" data-bbox="325 663 1129 770"> <thead> <tr> <th colspan="2" data-bbox="325 663 635 685"><To-be-acquired asset></th> </tr> <tr> <th data-bbox="325 685 635 730">Scheduled acquisition date</th> <th data-bbox="635 685 1129 730">Asset name</th> </tr> </thead> <tbody> <tr> <td data-bbox="325 730 635 770">March 31, 2015</td> <td data-bbox="635 730 1129 770">Hotel Francs</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • In addition, it is assumed that no asset is to be transferred (acquisition or disposition other than the above through to the end of the fiscal year ending December 2015 (16th period). The actual number may fluctuate depending on transfer of asset(s). 	<To-be-acquired asset>		Scheduled acquisition date	Asset name	March 31, 2015	Hotel Francs						
<To-be-acquired asset>													
Scheduled acquisition date	Asset name												
March 31, 2015	Hotel Francs												
Operating revenue	<ul style="list-style-type: none"> • Operating revenue is calculated based on the effective lease contract, etc. as of today and considering hotel competitiveness and market environment, etc. • Rent of the main hotels is calculated based on the following assumptions. <p data-bbox="325 1070 815 1093"><Fixed and variable rent of HMJ’s five hotels(*1)></p> <p data-bbox="325 1106 1315 1128">Annual rent (JPY5,678M) = Fixed rent (JPY3,221M/year) + Variable rent (See below for calculation)</p> <p data-bbox="325 1142 1246 1164">Variable rent = [(a) Total GOP of HMJ’s five hotels(*2) – (b) GOP base amount (*3)] x 81.5%</p> <p data-bbox="325 1211 1406 1234">HMJ’s five hotels for the fiscal year ending December 2015 (16th period) (Unit: JPY1M)</p> <table border="1" data-bbox="331 1240 1417 1413"> <thead> <tr> <th data-bbox="331 1240 464 1319"></th> <th data-bbox="464 1240 810 1319">Total GOP of HMJ’s five hotels (a)</th> <th data-bbox="810 1240 1129 1319">GOP base amount (b)</th> <th data-bbox="1129 1240 1417 1319">Variable rent ((a)-(b)) x 81.5%</th> </tr> </thead> <tbody> <tr> <td data-bbox="331 1319 464 1364">Midterm</td> <td data-bbox="464 1319 810 1364">2,257</td> <td data-bbox="810 1319 1129 1364">1,675</td> <td data-bbox="1129 1319 1417 1364">474</td> </tr> <tr> <td data-bbox="331 1364 464 1413">Full year</td> <td data-bbox="464 1364 810 1413">6,366</td> <td data-bbox="810 1364 1129 1413">3,351</td> <td data-bbox="1129 1364 1417 1413">2,457</td> </tr> </tbody> </table> <p data-bbox="325 1429 1417 1487">(*1) HMJ’s five hotels are five hotels, namely, Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima.</p> <p data-bbox="325 1503 1417 1637">(*2) GOP is Gross Operating Profit, which is a representative management indicator for hotels’ management performance. GOP is the remaining amount calculated by deducting the following operating expenses (to the extent that these are incurred directly from the management of each property) from hotels’ total sales.</p> <p data-bbox="325 1653 1417 1935">Operating expenses include (1) sales cost, (2) hotel personnel cost and welfare expenses, (3) fixture cost, (4) expenses related to the sales office (including outsourcing cost, fees and commissions, etc.), (5) general and administrative expenses, (6) sales promotion and advertising expenses, (7) repair and maintenance expenses (including expenses for facility maintenance and management), (8) utilities cost, (9) insurance expenses related to operation and management, (10) taxes and public dues (such as stamp tax) related to operation and management of hotels, (11) allowance for doubtful accounts and bad debt expenses related to accounts receivable from hotel customers, and (12) other direct expenses related to the operation and management of hotels.</p> <p data-bbox="325 1951 1150 1973">(*3) GOP base amount is not assumed to change during the contracted lease period.</p>		Total GOP of HMJ’s five hotels (a)	GOP base amount (b)	Variable rent ((a)-(b)) x 81.5%	Midterm	2,257	1,675	474	Full year	6,366	3,351	2,457
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Midterm	2,257	1,675	474										
Full year	6,366	3,351	2,457										

<Income from management contract of Accor's five hotels(*1) (Unit: JPY1M)

	ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Hotel Sapporo	Mercure Hotel Okinawa Naha	Total
Midterm	232	177	192	115	134	851
Full year	471	398	471	362	288	1,991

(*1) Accor's five hotels are five hotels, namely, ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Hotel Sapporo, and Mercure Hotel Okinawa Naha.

(*2) It is assumed that the respective hotel's GOP amount is posted as income from management contract and the management contract fees to be paid by JHR is posted as an operating expenses item. In cases where certain tenant revenue is included in the respective hotel's GOP, income from management contract is posted by subtracting the amount equivalent to tenant sales from GOP. The concerned amount equivalent to tenant sales is posted as fixed rent, etc.

<Fixed and variable rent of the five "the b" hotels (*1)> (Unit: JPY1M)

	the b akasaka-mitsuke	the b ikebukuro	the b ochanomizu	the b hachioji	the b hakata	Total
Fixed (*2)	125	199	63	112	78	580
Variable	142	110	46	59	47	406
Total	268	310	110	172	126	987

(*1) Five "the b" hotels are five hotels, namely, the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji, and the b hakata.

(*2) Fixed rent includes certain tenant rent.

• The following is the breakdown of variable rent and income from management contract(*1).

<Breakdown of variable rent, etc. for the fiscal year ending December 2015 (16th period)>

(Unit: JPY1M)

	HMJ's five hotels	Accor's five hotels	Five "the b" hotels	Other variable rent (*2)	Total
Midterm	474	851	174	169	1,669
Full year	2,457	1,991	406	207	5,062

(*1) Rent from upside sharing is expected from Smile Hotel Nihombashi Mitsukoshimae, Hotel Vista Kamata Tokyo, Hotel Keihan Universal City, Hotel Sunroute Shimbashi, and Hilton Tokyo Bay Hotel. The rent from upside sharing is assumed to be posted as variable rent.

(*2) Variable rent of Chisan Inn Kamata is calculated by multiplying 85% to the hotel's monthly GOP. JPY29M is included in the midterm and JPY63M is included in the full year.

• It is assumed that operating revenue has no arrears or non-payment of rent, etc.

Operating expenses

• Among real estate leasing expenses, which is the major operating expenses, expenses other than depreciation are calculated based on past actual data and variable factors are reflected in the calculation. Operating expenses of the five "the b" hotels and to-be-acquired asset are based on past actual data as provided by present owners, etc., and variable factors are reflected in the calculation.

• It is assumed that taxes and public dues such as fixed asset tax and city planning tax, JPY985M, will be posted as expenses.

• In general, fixed asset tax and city planning tax, etc. of a property to be acquired are settled with the previous owner at the time of acquisition, calculated on a pro rata basis of the holding period. For JHR, the settlement amount is included in the acquisition price, and it will not be posted as expenses for the calculation period. Therefore, taxes and public dues of fixed asset tax and city planning tax, etc. for the five "the b" hotels and the to-be-acquired asset will not be posted as expenses for the fiscal year ending December 2015 (16th period). JPY147M is expected as annual fixed asset tax and city planning tax, etc. for the five "the b" hotels and to-be-

	<p>acquired asset. Also, three properties (ibis Styles Sapporo, Mercure Hotel Sapporo, and Mercure Hotel Okinawa Naha) acquired in fiscal year ended December 2014 (15th period) are assumed to be JPY84M (equivalent to 9-month rent).</p> <ul style="list-style-type: none"> • Depreciation is calculated by the straight-line method. The calculation of depreciation includes the purchase price and incidental costs of the five “the b” hotels and to-be-acquired asset. The calculation also includes additional capital expenditures (JPY1,696M) for the fiscal year ending December 2015 (16th period). JPY2,722M is assumed for depreciation. • Repair expenses for buildings are posted as expenses in the estimated amount necessary for each operating period. Please bear in mind that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as 1. Emergency repair expenses may be necessary due to damage, etc. to buildings from unexpected causes, 2. The amount of repair expenses generally tends to fluctuate over time, and 3. Repair expenses are not required on a regular basis. 												
Non-operating expenses	<ul style="list-style-type: none"> • JPY1,788M is expected for interest expense, amortization for the following (1) handling borrowing costs, (2) arrangement fee, and (3) derivative instrument (interest rate caps), etc. • Expenses for the issuance of new investment units in January 2015 and new investment units by way of third-party allotment in February 2015 are estimated to be JPY29M. • Expenses for additional issuance of investment units and secondary offering are assumed to be amortized over a period of three years by the straight-line method. 												
Interest-bearing debt	<ul style="list-style-type: none"> • The balance of interest-bearing debt (sum of loans and investment corporation bonds) as of January 1, 2015 is JPY81,089M. The balance as of March 31, 2015 after the acquisition of the to-be-acquired asset is assumed to be JPY91,598M, and the balance as of December 31, 2015 is assumed to be JPY91,260M. • Loans for acquiring the five “the b” hotels and to-be-acquired asset are assumed to be JPY10,621M. • Loans with maturity due in 2015 totals JPY11,381M. It is assumed that the whole amount is to be refinanced. • Other than above, JPY450M is scheduled for contractual repayment of interest-bearing debt. JHR’s own fund is assumed to be used for the repayment. 												
Issuance of investment units	<ul style="list-style-type: none"> • The number of investment units issued as of today (3,000,322 units) is assumed. • It is assumed that there will be no additional issuance of investment units through to the end of the fiscal year ending December 2015 (16th period). 												
Dividend per unit	<ul style="list-style-type: none"> • It is assumed that the whole amount of net income excluding the amount posted as loss on retirement of noncurrent assets is distributed. • Dividend per unit for the fiscal year ending December 2015 (16th period) is calculated based on the following assumptions. <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Net income</td> <td style="text-align: right;">JPY6,907M</td> </tr> <tr> <td>Use of negative goodwill (Loss on retirement of noncurrent assets)(*)</td> <td style="text-align: right;">JPY13M</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Total dividends possible for payment</td> <td style="text-align: right;">JPY6,920M</td> </tr> <tr> <td><u>Total number of investment units</u></td> <td style="text-align: right;"><u>3,000,322 units</u></td> </tr> <tr> <td>Dividend per unit</td> <td style="text-align: right;">JPY2,306</td> </tr> </table> <p>(*) Amount posted as loss on retirement of noncurrent assets will be appropriated by dividend reserve from negative goodwill and expects to have little impact on dividend.</p> <ul style="list-style-type: none"> • Dividend per unit may fluctuate by various causes, such as fluctuation of rental income resulting from transfer of asset, change in hotel lessee, change of hotel lessee’s business environment, etc. and unexpected repairs, etc. • The balance of the dividend reserve (negative goodwill) for the fiscal year ending December 2015 (16th period) is calculated based on the following assumptions. 	Net income	JPY6,907M	Use of negative goodwill (Loss on retirement of noncurrent assets)(*)	JPY13M	<hr/>		Total dividends possible for payment	JPY6,920M	<u>Total number of investment units</u>	<u>3,000,322 units</u>	Dividend per unit	JPY2,306
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	<p>Balance of reserve for dividends (negative goodwill) at end of fiscal year ended December 2014 JPY14,168M</p> <hr/> <p>Use of negative goodwill (Loss on retirement of noncurrent assets) -JPY4M</p> <p>Use of negative goodwill (Financial costs associated with early repayment) -JPY71M</p> <p>Use of negative goodwill (Adjustment for dilution) -JPY164M</p> <hr/> <p>Balance of reserve for dividends (negative goodwill) at end of fiscal year ending December 2015 JPY13,928M</p>																																																												
Acquired and to-be-acquired assets	<p>• The operating status of the five “the b” hotels acquired on January 30, 2015 and the to-be-acquired asset is estimated as follows.</p> <p style="text-align: center;"><the b akasaka-mitsuke> (Unit: JPY 1M)</p> <table border="1"> <thead> <tr> <th></th> <th>Fiscal year ending December 2015</th> <th>Annualized</th> </tr> </thead> <tbody> <tr> <td>Operating revenue</td> <td>268</td> <td>288</td> </tr> <tr> <td>NOI (*1)</td> <td>263</td> <td>267</td> </tr> <tr> <td>NOI yield (%)(*2)</td> <td>-</td> <td>4.3</td> </tr> <tr> <td>Operating income</td> <td>209</td> <td>212</td> </tr> </tbody> </table> <p style="text-align: center;"><the b ikebukuro> (Unit: JPY1M)</p> <table border="1"> <thead> <tr> <th></th> <th>Fiscal year ending December 2015</th> <th>Annualized</th> </tr> </thead> <tbody> <tr> <td>Operating revenue</td> <td>310</td> <td>334</td> </tr> <tr> <td>NOI (*1)</td> <td>305</td> <td>305</td> </tr> <tr> <td>NOI yield (%)(*2)</td> <td>-</td> <td>4.7</td> </tr> <tr> <td>Operating income</td> <td>239</td> <td>239</td> </tr> </tbody> </table> <p style="text-align: center;"><the b ochanomizu> (Unit: JPY1M)</p> <table border="1"> <thead> <tr> <th></th> <th>Fiscal year ending December 2015</th> <th>Annualized</th> </tr> </thead> <tbody> <tr> <td>Operating revenue</td> <td>110</td> <td>117</td> </tr> <tr> <td>NOI (*1)</td> <td>105</td> <td>105</td> </tr> <tr> <td>NOI yield (%)(*2)</td> <td>-</td> <td>4.6</td> </tr> <tr> <td>Operating income</td> <td>80</td> <td>79</td> </tr> </tbody> </table> <p style="text-align: center;"><the b hachioji> (Unit: JPY1M)</p> <table border="1"> <thead> <tr> <th></th> <th>Fiscal year ending December 2015</th> <th>Annualized</th> </tr> </thead> <tbody> <tr> <td>Operating revenue</td> <td>179</td> <td>189</td> </tr> <tr> <td>NOI (*1)</td> <td>174</td> <td>159</td> </tr> <tr> <td>NOI yield (%)(*2)</td> <td>-</td> <td>6.1</td> </tr> <tr> <td>Operating income</td> <td>131</td> <td>115</td> </tr> </tbody> </table>		Fiscal year ending December 2015	Annualized	Operating revenue	268	288	NOI (*1)	263	267	NOI yield (%)(*2)	-	4.3	Operating income	209	212		Fiscal year ending December 2015	Annualized	Operating revenue	310	334	NOI (*1)	305	305	NOI yield (%)(*2)	-	4.7	Operating income	239	239		Fiscal year ending December 2015	Annualized	Operating revenue	110	117	NOI (*1)	105	105	NOI yield (%)(*2)	-	4.6	Operating income	80	79		Fiscal year ending December 2015	Annualized	Operating revenue	179	189	NOI (*1)	174	159	NOI yield (%)(*2)	-	6.1	Operating income	131	115
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Others	<ul style="list-style-type: none"> • It is assumed that no revision in law, tax law, accounting standard, regulations of the listing, regulations of The Investment Trusts Association, Japan, etc. that may impact the forecast above will not be made. • It is assumed that unexpected major incident will not occur in the general economy, real estate market, hotel business environment, etc. • The numerical values are rounded down to the nearest JPY1M in the assumptions. 																														

<Reference Material 1> Highlights of operating forecast and forecast of dividend

- (1) The comparison and the major causes of variance between actual results of fiscal year ended December 2013 (14th period) and actual results of fiscal year ended December 2014 (15th period) are as follows.

(Unit: JPY M)

		14th Period		15th Period		Variance (1)		Major causes of variance	
		Actual (*1) (A)	Actual (B)	(B) - (A)	Variance ratio	Acquisition of 3 properties(*2)	Existing properties and disposed properties		
Properties	No. of properties	28	30	2	7.1%	3	-		
	Acquisition price	158,902	173,429	14,527	9.1%	15,797	-		
Profit and loss	Operating revenue	11,472	12,760	1,287	11.2%	442	844		
	Fixed rent	Composition 75.5% 8,661	Composition 71.1% 9,066	405	4.7%	80	325	(1) Full-year impact of JPY637M by acquiring two properties(*3) in FY2013. (2) JPY317M decrease due to disposition of 3 properties(*4).	
	Variable rent	24.5% 2,811	28.9% 3,693	881	31.3%	362	519	(1) JPY119M increase in HMI's variable rent (2) JPY74M increase in income from management contract with ibis Tokyo Shinjuku (3) JPY33M increase in upside sharing, etc. (4) Full-year impact of JPY291M by purchasing ibis Styles Kyoto Station in FY2013	
	NOI (*5)	9,907 6.2%	11,002 6.3%	1,094	11.0%	382	712		
	NOI after depreciation (*5)	7,602 4.8%	8,597 5.0%	994	13.1%	305	689		
	Operating income	6,556	7,545	988	15.1%				
Dividend	Net income	4,939	5,774	835	16.9%				
	Use of negative goodwill	143	240	97	67.8%				
	Total dividends	5,082	6,015	932	18.3%				
	No. of units issued	2,621,281	2,791,281	170,000	6.5%				
	Dividend per unit (JPY)	1,939	2,155	216	11.1%				

(*1) Operating results excluding special causes resulting from loss on sale of Hotel Vista Hashimoto and Pearl Hotel Kayabacho and impairment loss by selling Dormy Inn Namba.

(*2) Refers to ibis Styles Sapporo acquired on July 9, 2014, and Mercure Hotel Sapporo and Mercure Hotel Okinawa Naha acquired on September 30, 2014.

(*3) Refers to Hilton Tokyo Bay Hotel acquired on April 26, 2013 and ibis Styles Kyoto Station acquired on October 31, 2013. FY1, Hilton Tokyo Bay Hotel is posted on profit and loss in the 14th Period (Actual) for the amount approximately eight months rent, etc. and ibis Styles Kyoto Station for the amount approximately two months rent, etc.

(*4) Refers to Hotel Vista Hashimoto sold on June 28, 2013, Pearl Hotel Kayabacho sold on November 13, 2013, and Dormy Inn Namba sold on January 24, 2014.

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

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

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

- (2) The comparison and the major causes of variance between actual results of fiscal year ended December 2014 (15th period) and operating forecast and forecast of dividend of fiscal year ending December 2015 (16th period) are as follows.

(Unit: JPY M)

		15th Period		16th Period		Variance		Major causes of variance	
		Actual (A)	Forecast this time (B)	Forecast this time Annualized (C)	(B) - (A)	Variance ratio	Acquisition of 6 properties (*1)	Existing properties	
Properties	No. of properties	30	36	36	6	20.0%	6	-	
	Acquisition price	173,429	196,534	196,534	23,105	13.3%	23,105	-	
Profit and loss	Operating revenue	12,760	15,148	15,293	2,388	18.7%	1,220	1,167	
	Fixed rent	Composition 71.1% 9,066	Composition 66.6% 10,085	Composition 66.8% 10,209	1,018	11.2%	813	204	
	Variable rent	28.9% 3,693	33.4% 5,062	33.2% 5,084	1,369	37.1%	406	962	
	NOI (*3)	11,002 6.3%	12,868 6.5%	12,863 6.5%	1,865	17.0%	1,190	675	
	NOI after depreciation (*3)	8,597 5.0%	10,132 5.2%	10,119 5.1%	1,535	17.9%	1,045	489	
	Operating income	7,545	8,695	8,676	1,149	15.2%	908	240	
Dividend	Net income	5,774	6,907	6,940	1,132	19.6%	711	421	
	Use of negative goodwill	240	13	13	-227	-94.6%			
	Total dividends	6,015	6,918	6,951	903	15.0%			
	No. of units issued	2,791,281	3,000,322	3,000,322	209,041	7.5%			
	Dividend per unit (JPY)	2,155	2,306	2,317	151	7.0%			

(*1) Refers to the five b hotels acquired on January 30, 2015 and Hotel Francs scheduled to be acquired on March 31, 2015.

(*2) Refers to ibis Styles Sapporo acquired on July 9, 2014, and Mercure Hotel Sapporo and Mercure Hotel Okinawa Naha acquired on September 30, 2014. FY1, ibis Styles Sapporo is posted on profit and loss in the 15th Period (Actual) for the amount approximately 6 months' rent, etc. and Mercure Hotel Sapporo and Mercure Hotel Okinawa Naha for the amount approximately 3 months' rent, etc.

(*3) Each is calculated using the following formula.

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

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