

Japan Hotel REIT Investment Corporation



## Japan Hotel REIT Investment Corporation (JHR)

Financial results briefing (Mid-term of 14<sup>th</sup> period (FY12/2013))

August 21, 2013

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

## **I. MID-TERM FINANCIAL CLOSING FOR FY12/2013 - HIGHLIGHTS**

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# 1. Highlights of mid-term financial closing

## 1 Acquisition of the trophy asset "Hilton Tokyo Bay Hotel" (Acquisition date: April 26, 2013)

Acquisition price	JPY26.050B
Appraisal value	JPY29.400B



	Acquisition impact (JPY M)	
	FY12/2013 (Forecast)	Annual basis (Forecast)
Rent income, etc.	+ 1,284	+ 1,885
NOI (*1)	+ 1,163	+ 1,596
	-	6.1%
NOI after depreciation (*1)	+ 1,046	+ 1,433
	-	5.5%

(\*1) Below is the yield based on the acquisition price of Hilton Tokyo Bay Hotel only.

## 2 Funding for the above acquisition

Public offering	JPY20.585B	➔	✓ Additional issuance of new investment units: 510,000
New loan	JPY8.900B		✓ Two new financial institutions joined as new lenders.
<b>Total</b>	<b>JPY29.485B</b>		

## 3 Revenue improvement of the hotels paying the variable rent

		(Initial forecast)	(Forecast this time)	
		HMJ's five hotels (*2)	Sales for the full financial year	
Forecast for full financial year	GOP for the full financial year	JPY5.768B	JPY5.968B	(+ 3.5%)

(\*2) HMJ's five hotels consist of Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima. (The same applies hereafter.)

### NOI after depreciation (Overall portfolio)

\*Annual basis

(Beginning of the term) (After acquisition)  
**4.6%** ➔ **4.8%**

### LTV based on appraisal value

(Beginning of the term) (After acquisition)  
**49.7%** ➔ **46.1%**

### Substantial loan cost

\*Annual basis

(Beginning of the term) (After acquisition)  
**2.22%** ➔ **2.16%**

### FY2013 Variable rent (JPY M)

(Beginning of the term) (Forecast this time)  
**2,396** ➔ **2,561**

### Dividend per unit

\*Annual basis

(Beginning of the term)

**JPY1,670**

(After acquisition)

**JPY1,770**

(Forecast this time)

**JPY1,879**

(\*) Each annual basis forecast is based on press releases as of following dates: Beginning of the term: December 17, 2012 After acquisition: April 2, 2013 Forecast this time: August 20, 2013

## 2. HMJ's five hotels – Monthly performance highlights

- ✓ Rooms department has been favorable. Both occupancy rate and ADR tended to increase and RevPAR improved.
- ✓ Gross sales are almost flat but GOP is increasing due to the growth of the rooms department whose performance has a strong impact on revenue.

			January	February	March	April	May	June	Six months' total
Major indexes of rooms department	Occupancy rate	2013	<b>75.1%</b>	<b>84.1%</b>	<b>89.1%</b>	<b>85.3%</b>	<b>84.1%</b>	<b>83.6%</b>	<b>83.5%</b>
		2012	72.3%	79.4%	85.3%	79.5%	77.5%	79.3%	78.9%
		Comparison with the same month previous year	<b>3.8%</b>	<b>5.8%</b>	<b>4.4%</b>	<b>7.3%</b>	<b>8.5%</b>	<b>5.4%</b>	<b>5.9%</b>
	ADR (JPY)	2013	<b>13,640</b>	<b>12,454</b>	<b>16,252</b>	<b>15,417</b>	<b>16,113</b>	<b>13,994</b>	<b>14,718</b>
		2012	12,907	11,693	16,093	14,920	15,875	13,511	14,230
		Comparison with the same month previous year	<b>5.7%</b>	<b>6.5%</b>	<b>1.0%</b>	<b>3.3%</b>	<b>1.5%</b>	<b>3.6%</b>	<b>3.4%</b>
	RevPAR (JPY)	2013	<b>10,242</b>	<b>10,471</b>	<b>14,481</b>	<b>13,156</b>	<b>13,546</b>	<b>11,703</b>	<b>12,295</b>
		2012	9,337	9,289	13,730	11,866	12,300	10,718	11,227
		Comparison with the same month previous year	<b>9.7%</b>	<b>12.7%</b>	<b>5.5%</b>	<b>10.9%</b>	<b>10.1%</b>	<b>9.2%</b>	<b>9.5%</b>
Total hotel sales (JPY M)	2013	<b>1,410</b>	<b>1,355</b>	<b>1,915</b>	<b>1,711</b>	<b>1,806</b>	<b>1,599</b>	<b>9,797</b>	
	2012	1,402	1,416	1,935	1,677	1,655	1,594	9,679	
	Comparison with the same month previous year	<b>0.6%</b>	<b>-4.3%</b>	<b>-1.0%</b>	<b>2.1%</b>	<b>9.1%</b>	<b>0.3%</b>	<b>1.2%</b>	

## **II. SUMMARY OF SETTLEMENT OF ACCOUNTS**

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# 1. Actual for Mid-term and forecast for full financial year (FY12/2013)

(Unit: JPY M)

	2013/1-2013/6 Actual Mid-term	2013/1-2013/12 Forecast for full financial year <sup>(*)2</sup>		Variance (B) - (A)
		(A) Initial forecast	(B) Forecast this time	
<b>Operating revenue</b>	<b>4,780</b>	<b>9,795</b>	<b>11,222</b>	<b>1,427</b>
Variable rent	734	2,396	2,561	①→ 165
Fixed rent	4,046	7,399	8,661	②→ 1,262
<b>NOI <sup>(*)1</sup></b>	<b>4,041</b>	<b>8,217</b>	<b>9,662</b>	<b>1,445</b>
	-	<b>6.3%</b>	<b>6.2%</b>	<b>-0.1%</b>
Depreciation cost	1,122	2,214	2,319	③→ 105
Loss on retirement of Noncurrent assets	3	10	10	0
Transfer loss	223	0	223	④→ 223
<b>NOI after depreciation <sup>(*)</sup></b>	<b>2,692</b>	<b>5,992</b>	<b>7,109</b>	<b>1,117</b>
	-	<b>4.6%</b>	<b>4.7%</b>	<b>0.1%</b>
Other operating expenses	472	947	1,100	⑤→ 153
<b>Operating revenue</b>	<b>2,220</b>	<b>5,045</b>	<b>6,008</b>	<b>963</b>
Non-operating revenue	3	0	3	3
Non-operating expense	804	1,528	1,663	⑥→ 135
Ordinary income	1,418	3,517	4,349	832
<b>Current net profit</b>	<b>1,429</b>	<b>3,515</b>	<b>4,357</b>	<b>842</b>
Use of negative goodwill	-	10	368	⑦→ 358
Total dividend	-	3,525	4,726	1,201
Investment units issued (unit)	2,621,281	2,111,281	2,621,281	⑧→ 510,000
<b>Dividend per unit</b>	<b>-</b>	<b>1,670</b>	<b>1,803</b>	<b>133</b>

## \* Major causes of variance

- ① Increased revenue of HMJ's five hotels: +163  
Other : +2
- ② Increase resulted from acquisition of Hilton Tokyo Bay Hotel: +1,284  
Decrease resulted from disposition of Hotel Vista Hashimoto: -20  
Other: -2
- ③ Increase resulted from acquisition of Hilton Tokyo Bay Hotel: +117  
Decrease resulted from disposition of Hotel Vista Hashimoto, etc. : -12
- ④ Transfer loss resulted from disposition of Hotel Vista Hashimoto: +223
- ⑤ Increase of sales administrative expenses resulted from acquisition of Hilton Tokyo Bay Hotel: +114  
Other: +39
- ⑥ Increased cost resulted from new loan, etc.: +135
- ⑦ Transfer loss: +223  
Coping with dilution: +135
- ⑧ Public offering to acquire Hilton Hotel Tokyo Bay Hotel

(\*)1 Following formulas have been applied for each.

NOI (Net operating Income)=Real estate operating revenue-Real estate operating cost + Depreciation cost for the current term + Loss on retirement of noncurrent assets for this term, NOI yield= NOI/Acquisition price, NOI after depreciation=Real estate operating Revenue-Real estate operating cost, NOI yield after depreciation = NOI after depreciation/Acquisition price

(\*)2 Each annual basis forecast is based on press release as of following dates: Beginning of the term: December 17, 2012 After acquisition: April 2, 2013 Forecast this time: August 20, 2013

## 2. Comparison on annual basis

		(JPY M)				
		(A)	Forecast on annual basis for FY12/2013 <sup>(*2)</sup>			Variance (Z) – (A)
		Actual on annual basis FY12/2012 (*1)	(X)	(Y)	(Z)	
			Initial forecast Announced on 12/17/2012	After acquisition Announced on 4/2/2013	Forecast this time Announced on 8/20/2013	
Profit and loss	<b>Operating revenue</b>	<b>9,638</b>	9,795	11,679	<b>11,781</b>	<b>2,143</b>
	Variable rent	2,189	2,396	2,396	2,561	①→ 372
	Fixed rent	7,448	7,399	9,283	9,220	②→ 1,772
	<b>NOI<sup>(*1)</sup></b>	<b>8,139</b>	8,217	9,845	<b>10,059</b>	<b>1,920</b>
		<b>6.2%</b>	6.3%	6.3%	<b>6.5%</b>	<b>0.3%</b>
	Depreciation cost	2,214	2,214	2,377	2,362	③→ 148
	Loss on retirement of noncurrent assets	12	10	10	10	-2
	Transfer loss	0	0	0	0	0
	<b>NOI after depreciation</b>	<b>5,912</b>	5,992	7,457	<b>7,687</b>	<b>1,775</b>
		<b>4.5%</b>	4.6%	4.8%	<b>4.9%</b>	<b>0.4%</b>
	Other operating expenses	870	947	1,104	1,141	④→ 271
	<b>Operating revenue</b>	<b>5,042</b>	5,044	6,353	<b>6,545</b>	<b>1,503</b>
	Non-operating revenue	4	0	0	4	0
Non-operating expense	1,633	1,528	1,722	1,642	⑤→ 9	
Ordinary income	3,412	3,517	4,631	4,907	1,495	
<b>Current net profit</b>	<b>3,410</b>	3,515	4,629	<b>4,915</b>	<b>1,505</b>	
Dividend	Negative goodwill	12	10	10	10	-2
	Total dividend	3,422	3,525	4,639	4,925	1,503
	Investment units issued (unit)	2,111,281	2,111,281	2,621,281	2,621,281	⑥→ 510,000
	Dividend per unit (JPY)	<b>1,621</b>	1,670	1,770	<b>1,879</b>	<b>258</b>

### \*Major causes of variances

- ① Increased revenue of HMJ's five hotels: +263  
Increased revenue of Ibis Tokyo Shinjuku: +86  
Modification of rent scheme  
Change from fixed rent to variable rent (Chisan  
Inn Kamata): +19  
Other: +4
- ② Increase resulted from acquisition of Hilton  
Tokyo Bay Hotel: +1,885  
Decrease resulted from disposition of  
Hashimoto: -84  
Modification of rent scheme (Change from  
fixed rent to variable rent): -19  
Other: -10
- ③ Increase resulted from acquisition of Hilton  
Tokyo Bay Hotel: +163  
Reduction resulted from Vista Hotel  
Hashimoto: -15
- ④ Increase of sales administrative expense  
resulted from acquisition of Hilton Tokyo Bay  
Hotel: +156  
Other: +115
- ⑤ Though expense has increased due to  
increased loan balance, it ended with slight  
increase owing to reduction of loan cost: 9
- ⑥ Public offering to acquire Hilton Tokyo Bay  
Hotel

(\*1) The actual for FY12/2012 (9 months) has been annualized. However, variable rent of HMJ's five hotels has been calculated based on the actual from January 2012 through December 2012. Forecast from January 2013 through December 2013 has been applied for the asset acquired in FY12/2012. The asset disposed in FY12/2012 is calculated based on the premise that the asset is not owned for the full financial year. Advantage of negative good will, transfer loss and asset impairment are not included in this assumption.

(\*2) After acquisition: Numbers when the property is owned for the full financial year. Forecast this time: Numbers when the property is owned for the full financial year and disposed property is not included.

### 3. Balance sheet (summary)

	FY12/2012 End of term 12/31/2012	FY12/2013 End of mid-term 6/30/2013	Variance
<b>Assets</b>			
<b>Current assets</b>	<b>9,960</b>	<b>12,769</b>	<b>2,809</b>
Cash and deposit <sup>(*1)</sup>	8,922	11,853	2,931
Operating account receivable	705	383	-322
Other	331	532	201
<b>Non-current assets</b>	<b>129,608</b>	<b>154,594</b>	<b>24,986</b>
<b>Tangible property</b>	<b>109,153</b>	<b>134,044</b>	<b>24,891</b>
Building <sup>(*2)</sup>	577	517	-60
Land	-	-	-
Building in trust <sup>(*3)</sup>	49,364	53,863	4,499
Land in trust	59,212	79,663	20,451
<b>Intangible property</b>	<b>19,836</b>	<b>19,830</b>	<b>-6</b>
<b>Investment and other assets</b>	<b>618</b>	<b>719</b>	<b>101</b>
Security deposit and guarantee money	180	170	-10
Other	437	548	111
<b>Deferred assets</b>	<b>55</b>	<b>82</b>	<b>27</b>
<b>Total asset</b>	<b>139,623</b>	<b>167,446</b>	<b>27,823</b>

(JPY M)

	FY12/2012 End of term 12/31/2012	FY12/2013 (End of mid-term) 6/30/2013	Variance
<b>Liabilities</b>			
<b>Current liabilities</b>	<b>12,540</b>	<b>19,497</b>	<b>6,957</b>
Operating account payable	298	131	-167
Short-term loan	3,841	2,896	-945
Investment corporation bond to be repaid within one year	2,000	2,000	0
Long-term loan to be repaid within one year	5,280	13,323	8,043
Other account payable	460	476	16
Advance received	638	631	-7
Other	21	38	17
<b>Noncurrent liabilities</b>	<b>58,072</b>	<b>59,841</b>	<b>1,769</b>
Long-term loan	54,098	55,174	1,076
Security deposit and guarantee money	3,936	4,631	695
Other	38	35	-3
<b>Total liabilities</b>	<b>70,613</b>	<b>79,339</b>	<b>8,726</b>
<b>Net asset</b>			
Total investment	28,260	48,845	20,585
Investment surplus	21,746	21,746	-
Provision for dividend	-	16,017	16,017
Undisposed profit of this term	19,031	1,430	-17,601
Other	-28	67	95
<b>Total net asset</b>	<b>69,010</b>	<b>88,107</b>	<b>19,097</b>
<b>Total liabilities and net asset</b>	<b>139,623</b>	<b>167,446</b>	<b>27,823</b>

(\*1) Both cash in trust and savings in trust are included.

(\*2) The sum of building, structure, machinery and equipment, tools, appliances and fixture and construction in progress account.

(\*3) The sum of building in trust, structure in trust, machinery and equipment in trust, tools in trust, appliances and fixtures in trust, and construction in progress account in trust.

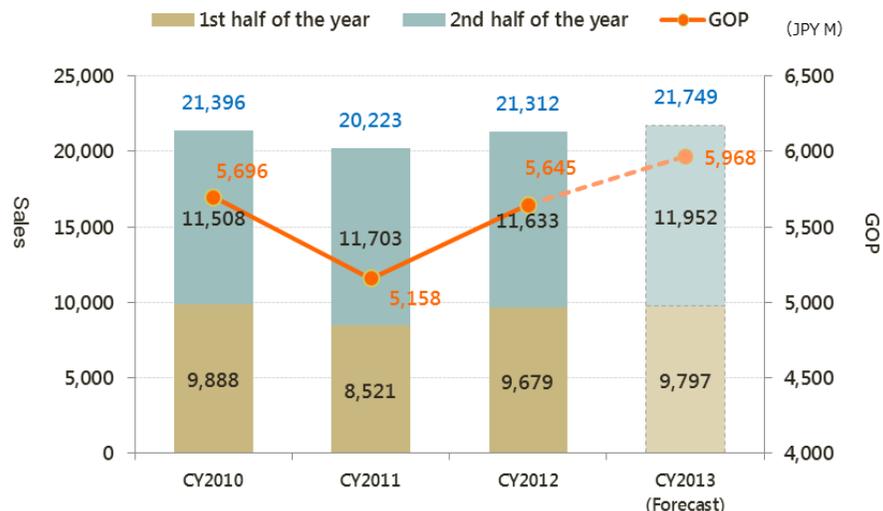
### **III. PERFORMANCE OF THE MAJOR HOTELS WITH VARIABLE RENT**

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# 1. Performance highlights of HMJ's five hotels

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

### ◆ Sales and GOP



### ◆ Management index

	CY2010	CY2011	CY2012	CY2013 (Forecast)
Occupancy rate (%)	80.4%	76.7%	82.7%	85.3%
ADR (JPY)	15,980	15,846	16,200	16,884
RevPAR (JPY)	12,845	12,160	13,400	14,399
GOP (JPY M)	5,696	5,158	5,645	5,968
GOP ratio (%)	26.6%	25.5%	26.5%	27.4%

### Actual performance from January 2013 through June 2013

- Gross sales increased by JPY118M or 1.2% compared with the first half of the previous year. (And increased by JPY112M or 1.2% compared with the forecast at the beginning of the term.)
- The Rooms department attracted increased domestic leisure demand raised by economic recovery and increased numbers of foreign travelers resulting from a weak yen. Both occupancy rate and ADR improved and room sales increased by JPY340M or 8.9% compared with the first half of the previous year.
- While restaurant sales increased due to improved occupancy rate, wedding sales declined due to a decrease in the number of weddings. Sales from the food and beverage department decreased by JPY242M or 5.0% compared with the first half of the previous year.

### Sales forecast from July 2013 through December 2013

- Gross sales are expected to increase by JPY319M or 2.7% compared with the second half of the previous year. (And expected to decrease by JPY142M or 1.2% compared with the forecast at the beginning of the term.)
- The Rooms department will continuously strive to attract increased leisure demand and adopt detailed revenue management to increase both occupancy rate and ADR. Sales are expected to increase by JPY310M or 5.8% compared with the second half of the previous year.
- Restaurant sales are expected to increase due to improved occupancy rate and various sales measures implemented to strengthen sales. Banquet sales are expected to increase due to strengthened operations; however, wedding sales are forecast to decline due to a decrease in the number of weddings. Sales from the food and beverage department are forecast to decrease by JPY12M or 0.2% compared with the second half of the previous year.

### GOP forecast from January 2013 through December 2013

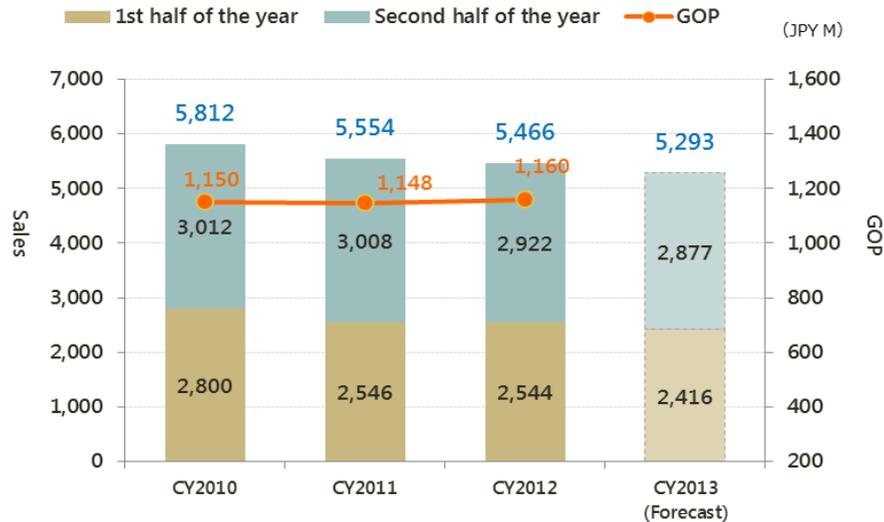
- GOP is expected to increase by JPY323M or 5.7% compared with the previous term. (And expected to increase by JPY200M or 3.5% compared with the forecast at the beginning of the term.)
- GOP is expected to exceed that of the previous term due to increased gross sales. GOP ratio is also expected to improve due to increased room sales with a high profit ratio compared with the previous term.

(\*) Sales volume, GOP and management index have been provided by lessee or operator. CY2013 is a forecast; actual figures may differ due to various factors. (The same applies hereafter for each hotel.)

## 2. Performance highlights of each HMJ hotel ①

### Kobe Meriken Park Oriental Hotel

#### ◆ Sales and GOP



#### ◆ Management index

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

#### Actual performance from January 2013 through June 2013

- Gross sales decreased by JPY128M or 5.0% compared with the first half of the previous year. (And decreased by JPY66M or 2.6% compared with the forecast at the beginning of the term.)
- The Rooms department attracted increased leisure demand through expanded sales channels. Both occupancy rate and ADR improved and room sales increased by JPY19M or 3.1% compared with the first half of the previous year.
- Restaurant sales increased due to a strengthened sales system; however, banquet sales and wedding sales declined due to a decrease in the number of banquets and weddings. Sales from the food and beverage department decreased by JPY146M or 8.4% compared with the first half of the previous year.

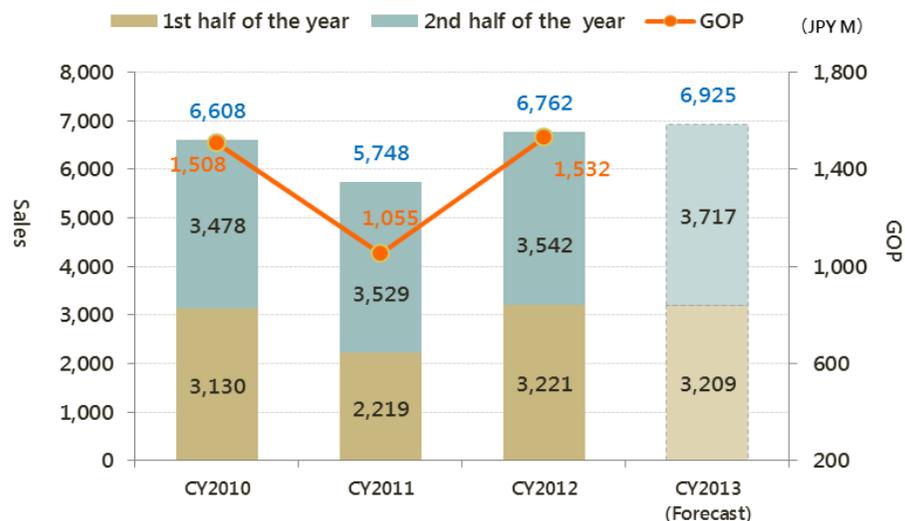
#### Sales forecast from July 2013 through December 2013

- Gross sales are forecast to decrease by JPY45M or 1.5% compared with the second half of the previous year. (And forecast to decrease by JPY171M or 5.6% compared with the forecast at the beginning of the term.)
- The Rooms department will continuously focus on leisure demand and sales are expected to increase by JPY20M or 2.4% compared with the second half of the previous year.
- While restaurant and banquet sales are expected to increase due to strengthened operations, wedding sales are forecast to decline due to fierce competition. Sales from the food and beverage department are forecast to decrease by JPY60M or 3.2% compared with the second half of the previous year.

## 2. Performance highlights of each HMJ Hotel ②

### Oriental Hotel Tokyo Bay

#### ◆ Sales and GOP



#### ◆ Management Index

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

#### Actual performance from January 2013 through June 2013

- Gross sales decreased by JPY12M or 0.4% compared with the first half of the previous year. (And increased by JPY18M or 0.6% compared with the forecast at the beginning of the term.)
- Tokyo Disney Resort (TDR) saw steadily increased sales throughout the thirty year anniversary event, and the hotel set higher rates depending on demand. Both occupancy rate and ADR improved and room sales increased by JPY151M or 10.2% compared with the first half of the previous year.
- Restaurant sales decreased due to closing down of restaurants for renovation. Wedding sales declined due to a decrease in the number of weddings, and sales from the food and beverage department decreased by JPY177M or 11.7% compared with the first half of the previous year.

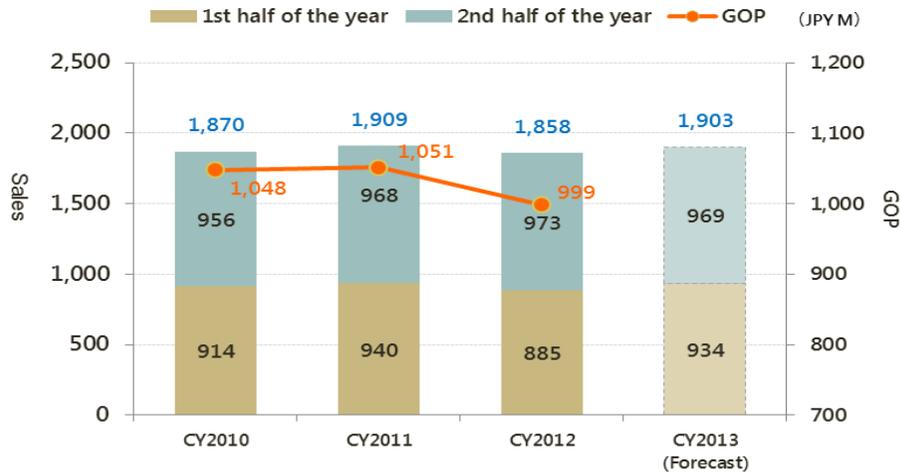
#### Sales forecast from July 2013 through December 2013

- Gross sales are expected to increase by JPY175M or 4.9% compared with the second half of the previous year. (And are expected to increase by JPY33M or 0.9% compared with the forecast at the beginning of the term.)
- TDR's thirty year anniversary event will be continuously effective in attracting customers and ADR is expected to increase due to detailed revenue management. Sales are expected to increase by JPY151M or 8.2% compared with the second half of the previous year.
- Banquet sales are expected to exceed those of the previous year due to a strengthened sales system. Renovated restaurants will also contribute to increase sales, and sales from the food and beverage department are expected to increase by JPY28M or 1.9% compared with the second half of the previous year.

## 2. Performance highlights of each HMJ hotel ③

### Namba Oriental Hotel

#### ◆ Sales and GOP



#### ◆ Management index

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

#### Actual performance from January 2013 through June 2013

- Gross sales increased by JPY49M or 5.5% compared with the first half of the previous year. (And increased by JPY49M or 5.6% compared with the forecast at the beginning of the term.)
- The Rooms department attracted increased demand from foreign travelers resulting from a weak yen in addition to increased domestic leisure demand. Both occupancy rate and ADR improved and room sales increased by JPY56M or 13.6% compared with the first half of the previous year.
- Sales from the tenant department decreased by JPY9M or 2.5% compared with the previous year, as the hotel received tenant cancellation fees in the previous year.

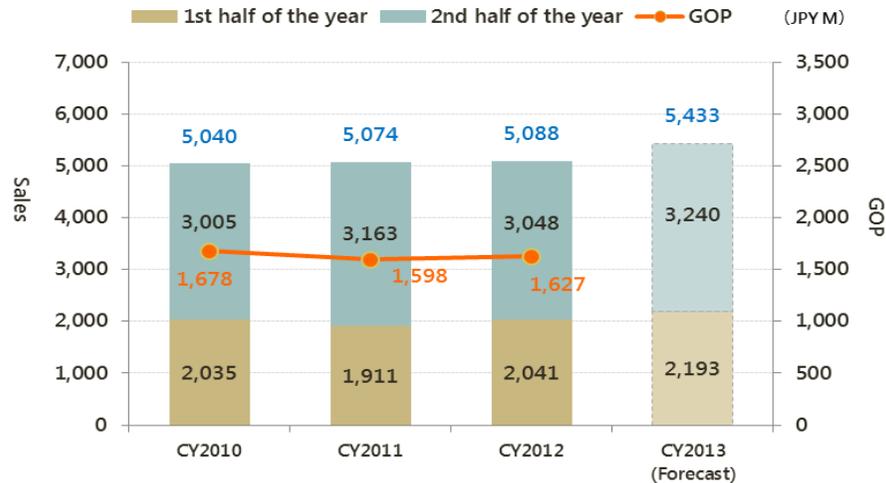
#### Sales forecast from July 2013 through December 2013

- Gross sales are forecast to decrease by JPY4M or 0.4% compared with the second half of the previous year. (And are expected to increase by JPY27M or 2.9% compared with the forecast at the beginning of the term.)
- To some extent, leisure customers are expected to travel to Tokyo, but the hotel will continuously strive to attract domestic leisure customers and foreign travelers. Sales equivalent to that of the second half of the previous year will be maintained.
- Rental income is forecast to decrease by JPY1M or 0.4% in the Tenant department compared with the second half of the previous year due to fierce competition (e.g., Opening of "Grand Front Osaka" and partial opening of "Abeno Harukas").

## 2. Performance highlights of each HMJ hotel ④

### Hotel Nikko Alivila

#### ◆ Sales and GOP



#### ◆ Management index

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

#### Actual performance from January 2013 through June 2013

- Gross sales increased by JPY152M or 7.5% compared with the first half of the previous year. (And increased by JPY67M or 3.2% compared with the forecast at the beginning of the term.)
- The Rooms department increased occupancy rate through a flexible pricing strategy and room sales increased by JPY89M or 8.4% compared with the first half of the previous year.
- Restaurant sales increased due to improved occupancy rate, and sales of the food and beverage department increased by JPY43M or 5.5% compared with the first half of the previous year.

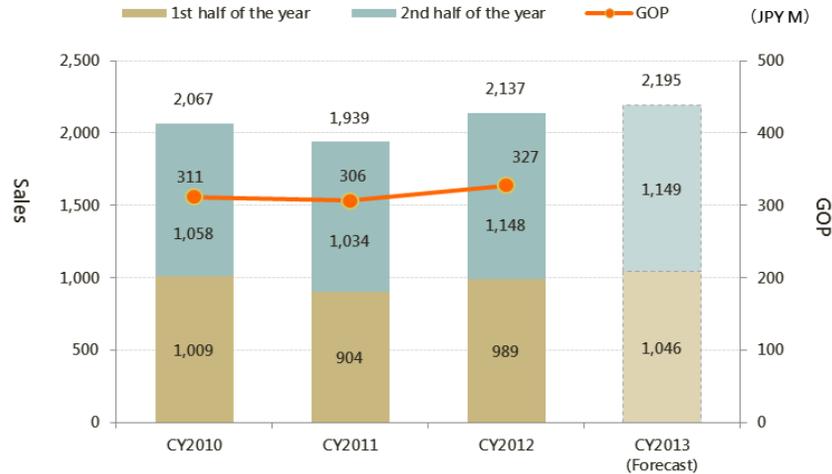
#### Sales forecast from July 2013 through December 2013

- Gross sales are expected to increase by JPY192M or 6.3% compared with the second half of the previous year. (And forecast to decrease by JPY29M or 0.9% compared with the forecast at the beginning of the term.)
- The Rooms department will continuously strengthen sales to both web agents and travel agents and refine revenue management skills. Room sales are expected to increase by JPY131M or 7.0% compared with the second half of the previous year.
- Restaurant sales are expected to increase continuously due to improved occupancy rate, and sales from the food and beverage department are expected to increase by JPY30M or 3.2% compared with the second half of the previous year.

## 2. Performance highlights of each HMJ hotel ⑤

### Oriental Hotel Hiroshima

#### ◆ Sales and GOP



#### ◆ Management index

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

#### Actual performance from January 2013 through June 2013

- Gross sales increased by JPY57M or 5.8% compared with the first half of the previous year. (And increased by JPY42M or 4.2% compared with the forecast at the beginning of the term.)
- The Rooms department attracted leisure customers, including group travelers, through expanded sales channels. Both occupancy rate and ADR improved and room sales increased by JPY24M or 9.7% compared with the first half of the previous year.
- Restaurant sales increased due to improved occupancy rate and implementation of various sales measures to strengthen sales. Wedding sales also exceeded those of the previous year due to chapel renovations and a strengthened sales system. Sales from the food and beverage department increased by JPY37M or 5.3% compared with the first half of the previous year

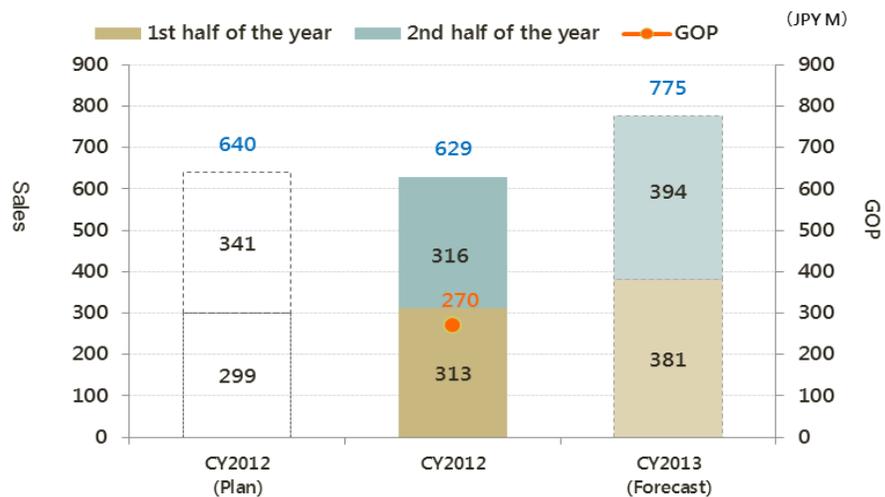
#### Sales forecast from July 2013 through December 2013

- Gross sales are expected to increase by JPY1M or 0.1% compared with the second half of the previous year. (And are forecast to decrease by JPY3M or 0.2% compared with the forecast at the beginning of the term.)
- Various new hotels will be opened in October, but leisure demand is expected to rise due to JR's tourism campaigns. The hotel will continuously strive to attract leisure customers, including group travelers, and room sales are expected to increase by JPY7M or 2.5% compared with the second half of the previous year.
- While restaurant and wedding sales are expected to increase due to strengthened operations, wedding sales will fall below those of the previous year due to decreased unit price. Sales from the food and beverage department are forecast to decrease by JPY6M or 0.8% compared with the second half of the previous year.

## 2. Performance highlights of Ibis Tokyo Shinjuku

### Ibis Tokyo Shinjuku

#### ◆ Sales and GOP



#### ◆ Management index

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

#### Actual performance from January 2013 through June 2013

- Gross sales increased by JPY69M or 21.9% compared with the first half of the previous year. (And decreased by JPY4M or 1.0% compared with the forecast at the beginning of the term.)
- The hotel commenced providing full-fledged services following renovation of the entire facility, and strives to attract business and leisure customers through substantial sales channels. The hotel was successful in attracting an increased number of foreign travelers through the hotel operator's website due to the weak yen, and both occupancy rate and ADR improved. Room sales increased by JPY55M or 19% compared with the previous term.

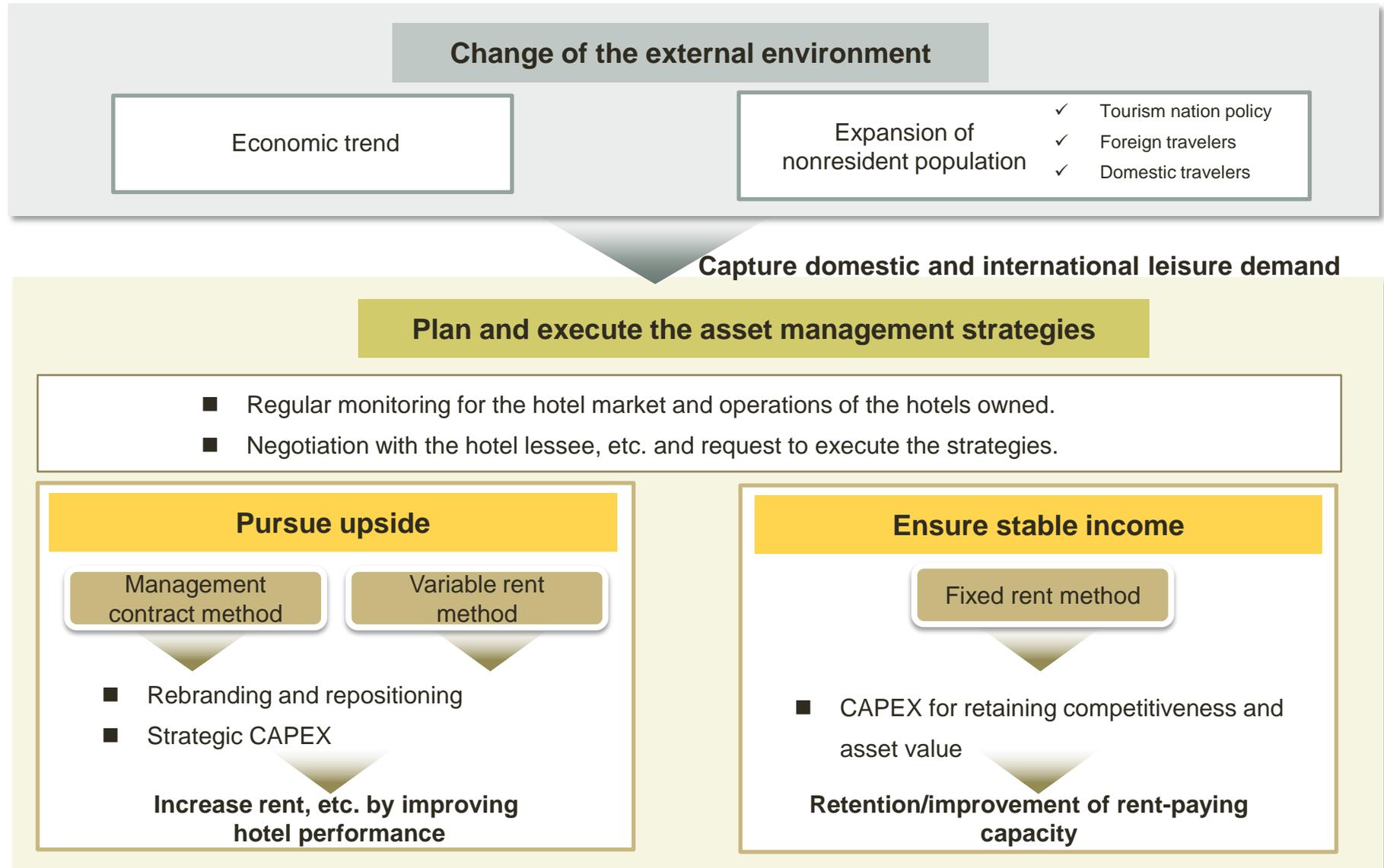
#### Sales forecast for July 2013 through December 2013

- Gross sales are expected to increase by JPY78M or 24.6% compared with the second half of the previous year. (And are expected to increase by JPY2M or 0.5% compared with the forecast at the beginning of the term.)
- The Market is favorable and the hotel will continuously strive to attract leisure and business customers in and out of Japan and refine revenue management skills. Room sales are expected to increase by JPY64M or 22.2% compared with the second half of the previous year.

## **IV. CHARACTERISTICS OF JHR**

# 1. Cope with both stability and upside potential

JHR copes with both stability and upside potential by combination of diverse rent systems.



## 2. Tourism related information

More inbound travelers are expected through further national tourism campaigns and weak yen market, etc.

No. of inbound travelers in the first half of 2013 (January 2013 through June 2013) : 4,954,600

→ **It increased by 22.8% compared with the same period last year.**  
**It is the highest past record on semi-annual basis.**

Source: Japan National Tourist Organization (JNTO)

~ History of national tourism promotion ~

- 2003 Apr. "Visit Japan Campaign" launched
- 2007 Jan. The "Tourism-Based Country Promotion Basic Act" was implemented.
- 2012 Mar. The "Tourism Nation Promotion Basic Plan" (Revised and decided by cabinet)
- Dec. "Act on Promotion of Tourists Visit and Stay Through Development of Tourism Areas" revised

**2013**

This year marks 10th anniversary of the launch of "Visit Japan Campaign".

→ Intensify actions with all Japan

"Japan Revitalization Strategy – Japan is back" (decided by cabinet in June 14, 2013)

Goal for the tourism business

No. of inbound travelers	2013 Reached 10,000,000 (target)	2030 Exceed 30,000,000
Consumption of inbound travelers	2030 JPY4.7T (3.6 times larger than that of 2010)	

"Action programs for the country built on tourism" was made. (Tourism nation promotion cabinet meeting) (\*1)

- ① Create "Japan brand" and send messages
- ② Promote inbound travel through mitigation of visa requirements
- ③ Improvement of environment to accept more inbound travelers
- ④ Solicit international meetings (MICE(\*2)) and promote investment

(\*1) Policy meeting consisting of all cabinet members. It was established in March 2013 for achieving the country built-on tourism.  
 (\*2) MICE stands for Meeting (business meetings), Incentive (Incentive tour or business training), Convention (international meetings), and Exhibition/Event.

Domestic leisure demand will be highly likely risen due to recovery of economy.

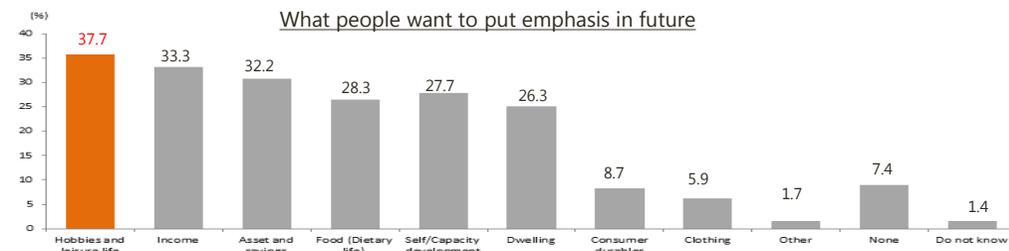
Average summer bonus of the domestic major companies: JPY809,502.-

→ **+4.99% compared with that of the previous year**

Source: Federation of Economic Organizations dated August 7, 2013)

Important focus for the living going forward: The large majority said "leisure and hobby life"

On the attitude survey concerning lifestyle of Japanese people, the large majority (37.7%) responded that they will focus on "leisure and hobby life" going forward.



Source: Public opinion poll on People's lifestyles by Public Relations Office, Minister's Secretariat, Cabinet Office

Willingness to travel tends to recover smoothly

According to the monitoring survey on men and women aged twenty and over who are highly interested in travel extracted based on the certain conditions, number of domestic trips and expenditure per domestic trip have increased since Lehman Shock in 2009. ("Increase considerably" and "Increase slightly" are the majority answers.)



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

### 3. Use of negative goodwill

Taking advantage of negative goodwill, further growth is intended with strategic renovation, rebranding and replacement of the portfolio while evading the temporal impact on dividend.

#### ◆ Major use policy for negative goodwill

- ✓ Cover transfer loss caused by property disposition for replacing asset.
- ✓ Cover dilution of investment units that may be caused by offering of new investment units in middle of the term
- ✓ Cover loss on retirement of noncurrent assets caused by renovation

<b>FY12/2012</b>	Advantage of negative goodwill	<b>JPY18,578M</b>							
	▼								
	Off set losses, remove extraordinary factors and pay dividend per unit	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Asset impairment:</td> <td style="text-align: right;">JPY958M</td> </tr> <tr> <td>Transfer loss:</td> <td style="text-align: right;">JPY1,393M</td> </tr> <tr> <td>Retirement of noncurrent asset:</td> <td style="text-align: right;">JPY9M</td> </tr> <tr> <td>Cope with dilution of dividend:</td> <td style="text-align: right;">JPY200M</td> </tr> </table>	Asset impairment:	JPY958M	Transfer loss:	JPY1,393M	Retirement of noncurrent asset:	JPY9M	Cope with dilution of dividend:
Asset impairment:	JPY958M								
Transfer loss:	JPY1,393M								
Retirement of noncurrent asset:	JPY9M								
Cope with dilution of dividend:	JPY200M								
	Balance of negative goodwill (Allowance for dividend)	<b>JPY16,017M</b>							
<b>FY12/2013</b>	Use of negative goodwill (plan)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Transfer loss :</td> <td style="text-align: right;">JPY223M</td> </tr> <tr> <td>Retirement of noncurrent asset:</td> <td style="text-align: right;">JPY10M</td> </tr> <tr> <td>Cope with dilution:</td> <td style="text-align: right;">JPY135M</td> </tr> </table>	Transfer loss :	JPY223M	Retirement of noncurrent asset:	JPY10M	Cope with dilution:	JPY135M	
	Transfer loss :	JPY223M							
	Retirement of noncurrent asset:	JPY10M							
Cope with dilution:	JPY135M								
	Balance of negative goodwill (plan)	<b>JPY15,648M</b>							

## 4. Preferential treatment for unitholders

JHR has been providing the unitholders with the preferential treatment to improve their satisfaction and expand the Investor base.

✓ **Eligible recipients of the complimentary coupons and program launch date**

The preferential treatment coupons will be sent to those who hold ten or more JHR units at the end of June every year (end of the mid-term financial closing).

✓ **Detail of the preferential treatment**

Five 50% off discount accommodation coupons (50% off discount from rack rate) and five 20% off restaurant coupons.

✓ **Hotels that offer the benefit program**

HJM's five hotels (\*)

◆ **Coupon redemption at former JHR (June 2012 through May 2013)**

Hotels	Rooms		Restaurant	
	No. of coupons used	No. of people who used	No. of coupons used	No. of people who used
Kobe Meriken Park Oriental Hotel	109	133	315	880
Oriental Hotel Tokyo Bay	458	533	750	2228
Namba Oriental Hotel	64	76	29	53
Hotel Nikko Alivila	131	229	292	778
Oriental Hotel Hiroshima	168	175	113	283
<b>Total</b>	<b>930</b>	<b>1,146</b>	<b>1,499</b>	<b>4,222</b>

\*No. of unitholders as of Feb. 2011: 5,376

◆ **HMJ's five hotels**



Kobe Meriken Park Oriental Hotel



Namba Oriental Hotel



Oriental Hotel Tokyo Bay



Oriental Hotel Hiroshima

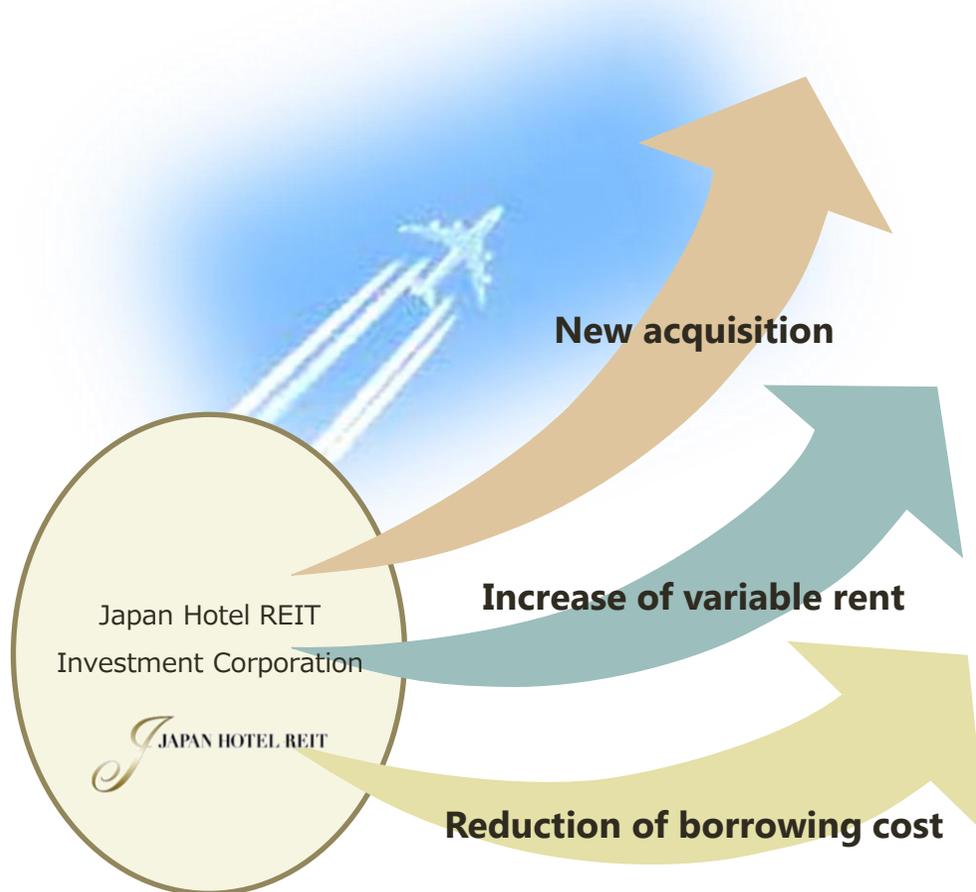


Hotel Nikko Alivila

## **V. OPERATIONS STRATEGY**

# 1. Three growth engines and points of operations strategy

## I. Three growth engines



## II. Points of the operations strategies

### External growth strategy

1. Acquisition of hotels that are capable of capturing both domestic and foreign leisure customers.
2. Improvement of profitability, stability and quality of the entire portfolio

### Internal growth strategy

1. Increase of the variable rent through improvement of the hotel revenue
2. Maintain the proper fixed rent based on rent-paying capacity

### Financial strategy

1. Operation with LTV 50% maximum (total asset base) for the time being.
2. Diverse fund procurement methods including issuance of investment corporation bond.
3. Lengthen loan period and disperse maturity.

## 2. External growth strategy

### Perception of the external environment

#### ■ Trend of the hotel investment market

- The number of hotel investment players has increased and the number of transactions and scale of investment has tended to expand due to: 1. Maturity of non-recourse loans for hotels, 2. Increase in hotel revenue resulting from economic recovery and increased demand from foreign travelers, and 3. Lowered yield of other asset classes.
- This trend is predicted to continue for a period of time and the hotel investment market is expected to gradually become revitalized.

#### Basic policy

- Acquire hotel real estate that is capable of attracting “domestic and overseas leisure customers.”
- Improve profitability, stability, and quality of the overall portfolio.

#### Key measures

- Emphasize the superiority of the hardware, software and location of the hotel real estate.
  - The prime investment targets are “full-service hotels” and “resort hotels” that have high barriers to entry due to operation and management know-how, capital outlay and location.
  - In the case of “limited-service hotels,” the credit worthiness 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.
- Major areas of strategic investment
  - Tokyo Metropolitan area, Osaka city, Kyoto city, Fukuoka city, Karuizawa (Nagano prefecture), Hakone (Kanagawa prefecture), Hokkaido, Okinawa, etc.
- Investigation and planning of the internal growth strategy upon property acquisition
  - Investigate the appropriate rent level and rent scheme upon renewal, cost reduction possibilities, and hardware improvement potential
  - If the hotel pays a variable rent, internal growth is accelerated through collaboration with the operator.

## Perception of the external environment

### ■ General market conditions

- The domestic economy has been threatened by a downturn in the global economy. However, the Abe Administration's economic policies and efforts to escape deflation and the monetary easing policy of the Bank of Japan are expected to improve corporate earnings. Improved corporate earnings will lead to an increase in family income and investment, and the domestic economy is expected to take a turn for the better.

### ■ Hotel market environment

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

### Basic policy

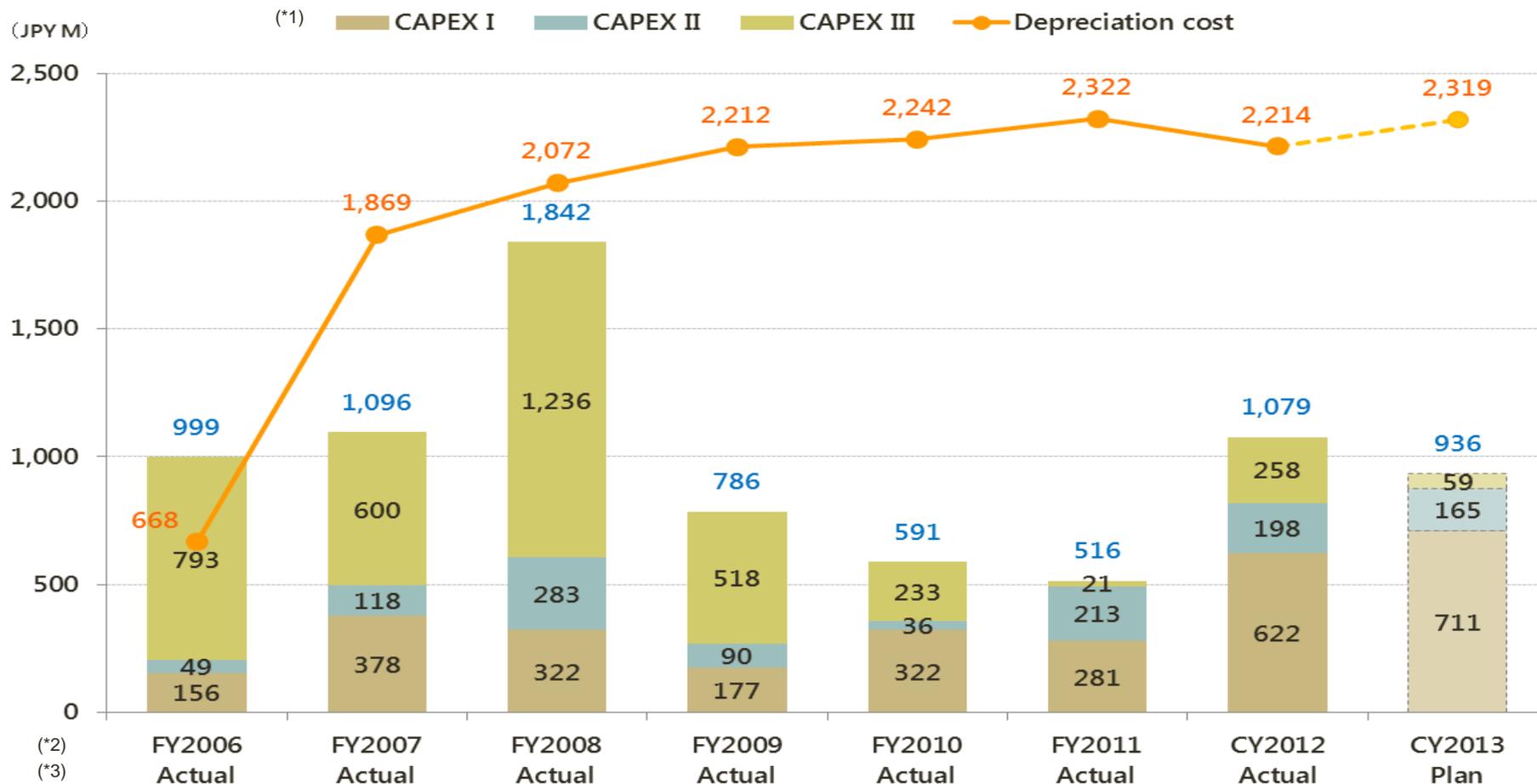
- Increase variable rent through improvement of hotel revenues
- Maintain proper fixed rent levels based on rent-paying capacity



### Key measures

- Monitoring, planning and execution of the asset management strategy based on an in-depth understanding of the hotel business.
  - Analyze the credit worthiness of hotel lessees; understand and improve hotel income and expenditures.
  - Understand the ever-changing needs of customers and diligently cope with the changes.
  - Provide global level services to hotel users.
  - Differentiation strategy that enables "Value competition," not "Price competition"
  - Propose a system that will spur hotel innovation
- Plan and execute strategic CAPEX
  - Strategic CAPEX that will improve profitability and strengthen competitiveness
  - Maintain asset value and everyday revenue
- Financial management including cost reduction, and maximization of asset value through proper building maintenance

# 4. Track record and plan of CAPEX



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

(\*2) The actual for FY2006 is the actual of the former JHR for the period from IPO to August 2006 (6.5 months). The actual for FY2007 is the sum of the actual of the former JHR from September 2006 through August 2007 and that of the former NHF from IPO to August 2007 (15.5 months). FY2008 is the sum of the actual of the former JHR from September 2007 through August 2008 and that of the former NHF from October 2007 through September 2008 (same concept for FY2009 to FY2011). The sum of CY2012 is the actual from January 2012 through December 2012 (Depreciation cost is the annualized numbers for the 13<sup>th</sup> period.) Plan for CY2013 is the plan for the period from January 2013 through December 2013 based on the forecast dated August 20, 2013.

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

# 5. Major CAPEX III by each hotel

Unit: JPY M  
Numbers in brackets are amount of expenditure.

	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2012 (New) Actual	CY2013 Plan
Former JHR	1 <sup>st</sup> period (IPO-2006/8)	2 <sup>nd</sup> period (2006/9-2007/8)	3 <sup>rd</sup> period (2007/9-2008/8)	4 <sup>th</sup> period (2008/9-2009/8)	5 <sup>th</sup> period (2009/9-2010/8)	6 <sup>th</sup> period (2010/9-2011/8)	7 <sup>th</sup> period (2011/9-2012/3)	13 <sup>th</sup> period 2012/4-2012/12	14 <sup>th</sup> period 2013/1-2013/12
Former NHF	-	2 <sup>nd</sup> to 3 <sup>rd</sup> period (IPO-2007/9)	4 <sup>th</sup> to 5 <sup>th</sup> period (2007/10-2008/9)	6 <sup>th</sup> to 7 <sup>th</sup> period (2008/10-2009/9)	8 <sup>th</sup> to 9 <sup>th</sup> period (2009/10-2010/9)	10 <sup>th</sup> to 11 <sup>th</sup> period (2010/10-2011/9)	12 <sup>th</sup> period (2011/10-2012/3)		
Kobe Meriken Park Oriental Hotel	<ul style="list-style-type: none"> <li>• Guest rooms on 12<sup>th</sup> and 13<sup>th</sup> floors (189)</li> <li>• Restaurant (51)</li> </ul>	<ul style="list-style-type: none"> <li>• Guest rooms on 10<sup>th</sup> and 11<sup>th</sup> floor (222)</li> <li>• Pier (98)</li> </ul>	<ul style="list-style-type: none"> <li>• Bride's rooms (68)</li> <li>• Banquet room (46)</li> </ul>	-	-	-	-	-	-
						<b>Repositioning project</b> →			
Oriental Hotel Tokyo Bay	<ul style="list-style-type: none"> <li>• Guest rooms on 9<sup>th</sup> and 10<sup>th</sup> floors (145)</li> <li>• Banquet room (59)</li> </ul>	<ul style="list-style-type: none"> <li>• Guest rooms on 7<sup>th</sup> and 8<sup>th</sup> floors (171)</li> <li>• Restaurant (58)</li> </ul>	<ul style="list-style-type: none"> <li>• Guest rooms on 5<sup>th</sup> and 6<sup>th</sup> floors (210)</li> <li>• Lobby (60)</li> </ul>	-	<ul style="list-style-type: none"> <li>• Chapel (77)</li> <li>• Guest rooms on 12<sup>th</sup> floor, etc. (135)</li> </ul>	-	<ul style="list-style-type: none"> <li>• Restaurant (79)</li> </ul>	-	<ul style="list-style-type: none"> <li>• Restaurant (45)</li> </ul>
	<b>Rebranding project</b> →								
Namba Oriental Hotel	<ul style="list-style-type: none"> <li>• Guest rooms on 7<sup>th</sup> and 8<sup>th</sup> floors (93)</li> </ul>	<ul style="list-style-type: none"> <li>• Restaurant (40)</li> </ul>	-	-	<ul style="list-style-type: none"> <li>• Guest rooms on 4<sup>th</sup> floor and corridor on 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> floors (20)</li> </ul>	-	-	-	<ul style="list-style-type: none"> <li>• Corner rooms on 5<sup>th</sup> to 8<sup>th</sup> floors (10)</li> </ul>
Hotel Nikko Aliviva	<ul style="list-style-type: none"> <li>• Suite (32)</li> <li>• Restaurant (155)</li> </ul>	-	<ul style="list-style-type: none"> <li>• Guest rooms on 3<sup>rd</sup> to 8<sup>th</sup> floors (479)</li> </ul>	<ul style="list-style-type: none"> <li>• Guest rooms on 1<sup>st</sup> to 6<sup>th</sup> floors of South and West wings (361)</li> </ul>	-	-	-	-	
Oriental Hotel Hiroshima	N/A	(Acquired in Oct. 2007)	<ul style="list-style-type: none"> <li>• Guest rooms on 7<sup>th</sup> to 18<sup>th</sup> floors (347)</li> <li>• Tenant floor (23)</li> </ul>	<ul style="list-style-type: none"> <li>• Banquet rooms on 3<sup>rd</sup> and 4<sup>th</sup> floors (138)</li> </ul>	-	<ul style="list-style-type: none"> <li>• Renovation of banquet room on 3<sup>rd</sup> floor. Renovation of corner double room to twin room (21)</li> </ul>	-	<ul style="list-style-type: none"> <li>• Chapel on 3<sup>rd</sup> floor (9)</li> </ul>	<ul style="list-style-type: none"> <li>• Restaurant and bar on 1<sup>st</sup> floor (5)</li> </ul>
			<b>Rebranding project</b> →						
Ibis Tokyo Shinjuku	N/A	-	-	-	-	-	-	<ul style="list-style-type: none"> <li>• Lobby and restaurant on 2<sup>nd</sup> floor, and guest rooms on 3<sup>rd</sup>, 5<sup>th</sup>, 6<sup>th</sup> and 9<sup>th</sup> floors (170)</li> </ul>	
								<b>Rebranding project</b> →	

# 6. Financial strategy

## Basic policy

- Ensure financial health and stability
- Strengthen bank formation and relationships with financial institutions

## Key measures

- Operation with LTV 50% maximum (total asset base) for the time being
- Diverse fund procurement methods including issuance of investment corporation bond
- Lengthen loan period and disperse maturity
- Interest rate risk management, considering future rise of long-term interest rate

## Lender list for the interest-bearing loans

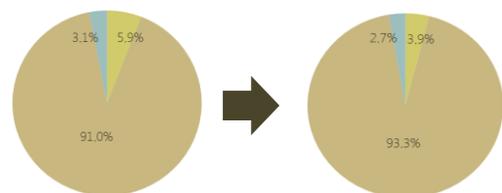
(JPY M)

Lenders	Balance as of the end of last term (As of the end of Dec. 2012)		Balance as of the end of mid-term (As of the end of Jun. 2013)		Variance	
	Balance	Percentage	Balance	Percentage	Balance	Percentage
Sumitomo Mitsui Banking Corporation	17,518	27.7%	19,514	27.3%	1,995	▲0.4%
Shinsei Bank, Ltd.	8,524	13.5%	9,465	13.3%	940	▲0.2%
The Tokyo Star Bank, Limited	6,384	10.1%	7,652	10.7%	1,267	0.6%
Resona Bank, Limited	6,379	10.1%	6,300	8.8%	▲78	▲1.3%
MetLife Alico Life Insurance K.K.	5,000	7.9%	5,000	7.0%	0	▲0.9%
Mizuho Bank, Ltd.	4,969	7.9%	4,869	6.8%	▲100	▲1.0%
The Norinchukin Bank	4,969	7.9%	4,869	6.8%	▲100	▲1.0%
Sumitomo Mitsui Trust Bank, Limited	4,949	7.8%	4,857	6.8%	▲91	▲1.0%
The Nomura Trust and Banking Co., Ltd.	1,909	3.0%	3,888	5.4%	1,978	2.4%
The Chiba Bank, Ltd.	759	1.2%	1,742	2.4%	982	1.2%
Hiroshima Bank, Ltd.	1,000	1.6%	1,000	1.4%	0	▲0.2%
Development Bank of Japan Inc. (New)	-	-	900	1.3%	900	1.3%
Sompo Japan Insurance Inc.	854	1.3%	835	1.1%	▲19	▲0.2%
The Bank of Fukuoka, Ltd. (New)	-	-	500	0.7%	500	0.7%
<b>Borrowing (Sub-Total)</b>	<b>63,220</b>	<b>96.9%</b>	<b>71,394</b>	<b>97.3%</b>	<b>8,173</b>	<b>0.3%</b>
1 <sup>st</sup> Investment Corporation Bond without collateral	2,000	100.0%	2,000	100.0%	0	0.0%
<b>Investment Corporation Bond (Sub-Total)</b>	<b>2,000</b>	<b>3.1%</b>	<b>2,000</b>	<b>2.7%</b>	<b>0</b>	<b>▲0.3%</b>
<b>Total interest-bearing loan</b>	<b>65,220</b>	<b>100.0%</b>	<b>73,394</b>	<b>100.0%</b>	<b>8,173</b>	<b>-</b>

## Breakdown of the interest-bearing loans

As of end of Dec. 2012

As of end of June 2013



Long term loan    Short term loan    Investment corporation bond

## LTV (Total asset base)

**43.8%**

(As of the end of June 2013)

## Repayment schedule of the interest-bearing debts

(As of the end of June 2013)



(\*) With respect to 2013, the amount that had been repaid by the end of June is not included.

(\*) Long term loan: Original loan maturity over one year    Short term loan: Original loan maturity within one year

**APPENDIX 1**  
**BASIC INFORMATION**

# 1. Property list (1/2)

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)	NOI yield (Assumption) (*9)
									13 <sup>th</sup> period (As of Dec. 31, 2012)		14 <sup>th</sup> period (mid-term) (As of Jun. 30, 2013)						
									Appraisal value (*6)	CAP rate	Appraisal value	CAP rate					
	(*1)	(*2)			(*3)												
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	319	Hyogo	18.0	10,900	10,569	10,900	6.3%	10,900	6.3%	7.0%	430,009	259,627	84,621	6.7%
2	Oriental Hotel Tokyo Bay	Full-service	Mid-price	503	Chiba	18.2	19,900	19,476	21,000	5.2%	21,000	5.2%	12.8%	633,797	573,926	331,381	6.9%
3	Namba Oriental Hotel	Limited-service	Mid-price	257	Osaka	17.3	15,000	14,894	15,200	5.4%	15,200	5.4%	9.7%	478,259	427,414	345,516	5.6%
4	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Hiroshima	19.8	4,100	4,092	4,100	8.0%	4,100	8.0%	2.6%	197,100	172,547	139,377	9.4%
5	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	19.3	18,900	18,644	19,600	6.2%	19,600	6.2%	12.2%	381,324	304,169	135,231	6.6%
6	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	9.3	7,610	7,111	7,090	6.0%	7,190	5.9%	4.9%	255,515	233,753	175,293	6.1%
7	Hakone Setsugetsuka	Resort	Mid-price	158	Kanagawa	6.8	4,070	3,980	4,190	6.3%	4,190	6.3%	2.6%	147,474	135,298	94,217	6.6%
8	Dormy Inn Kumamoto	Limited-service	Mid-price	294	Kumamoto	5.4	2,334	2,325	2,610	6.7%	2,620	6.7%	1.5%	97,230	86,209	66,481	7.4%
9	Dormy Inn Namba	Limited-service	Economy	105	Osaka	14.4	1,270	1,210	1,090	6.5%	1,090	6.5%	0.8%	43,860	38,645	29,532	6.0%
10	Dormy Inn Suidobashi	Limited-service	Economy	99	Tokyo	26.9	1,120	1,071	1,011	5.8%	1,012	5.8%	0.7%	42,000	36,897	31,312	6.5%
11	Dormy Inn Asakusa	Limited-service	Economy	77	Tokyo	16.3	999	984	929	5.2%	932	5.2%	0.6%	31,997	25,235	18,826	5.2%
12	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Fukuoka	18.3	2,130	2,103	2,130	6.1%	2,150	6.1%	1.4%	120,000	111,000	99,000	10.4%
13	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Nara	13.3	2,050	2,002	2,060	6.3%	2,060	6.3%	1.3%	76,000	67,000	47,000	6.6%
14	R&B Hotel Ueno-Hirokoji	Limited-service	Economy	187	Tokyo	11.2	1,720	1,737	1,540	5.2%	1,550	5.2%	1.1%	48,844	40,740	34,594	4.7%
15	R&B Hotel Higashi-Nihombashi	Limited-service	Economy	203	Tokyo	15.3	1,534	1,484	1,670	5.6%	1,680	5.6%	1.0%	61,103	51,737	43,893	6.7%
16	Comfort Hotel Tokyo Higashi-Nihombashi	Limited-service	Economy	259	Tokyo	5.4	3,746	3,731	4,310	5.7%	4,330	5.7%	2.4%	135,057	119,974	102,504	6.4%
17	Comfort Hotel Shin Yamaguchi	Limited-service	Economy	139	Yamaguchi	5.9	866	821	786	6.5%	793	6.5%	0.6%	30,264	25,748	18,501	5.9%

# 1. Property list (2/2)

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)	NOI yield (Assumption) (*9)
									13 <sup>th</sup> period (As of Dec. 31, 2012)		14 <sup>th</sup> period (mid-term) (As of Jun. 30, 2013)						
									Appraisal value (*6)	CAP rate	Appraisal value	CAP rate					
		(*1)	(*2)			(*3)											
18	Pearl Hotel Kayabacho	Limited-service	Economy	268	Tokyo	32.5	3,121	3,185	2,928	5.9%	2,885	6.0%	2.0%	111,690	95,374	77,504	6.1%
19	Daiwa Roynet Hotel Akita	Limited-service	Economy	221	Akita	7.1	1,760	1,723	1,770	6.7%	1,770	6.7%	1.1%	69,000	62,000	45,000	7.0%
20	Smile Hotel Nihombashi Mitsukoshimae	Limited-service	Economy	164	Tokyo	16.3	2,108	2,048	2,160	5.2%	2,160	5.2%	1.4%	67,200	58,753	49,642	5.5%
21	Hotel Sunroute Niigata	Limited-service	Mid-price	231	Niigata	20.9	2,105	1,964	1,840	6.6%	1,840	6.6%	1.4%	78,000	67,933	49,979	6.5%
22	Toyoko Inn Hakataguchi Ekimae	Limited-service	Economy	257	Fukuoka	11.8	1,652	1,552	1,930	6.3%	1,980	6.3%	1.1%	70,519	63,883	53,187	7.7%
23	Hotel Keihan Universal City	Resort	Mid-price	330	Osaka	12.0	6,000	6,116	6,840	6.6%	6,960	6.5%	3.9%	278,896	251,401	211,124	8.3%
24	Chisan Inn Kamata	Limited-service	Economy	70	Tokyo	10.2	823	814	671	6.0%	683	6.0%	0.5%	21,595	14,702	9,612	4.4%
25	Hotel Vista Kamata Tokyo	Limited-service	Economy	106	Tokyo	21.4	1,512	1,472	1,080	5.8%	1,150	5.8%	1.0%	46,802	38,801	25,848	5.0%
26	Hotel Sunroute Shimbashi	Limited-service	Mid-price	220	Tokyo	5.3	4,800	4,924	5,670	5.1%	5,720	5.1%	3.1%	191,398	168,399	157,862	6.2%
27	Hilton Tokyo Bay Hotel	Resort	Luxury	809	Chiba	25.0	26,050	26,325	29,400	5.1%	29,400	5.1%	16.8%	339,610	309,855	272,023	6.2%
28	Ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	32.8	7,243	7,499	5,510	5.2%	5,510	5.5%	4.7%	253,809	162,114	132,483	4.6%
Total or Average		-	-	6,836	-	18.1	155,423	153,871	160,015	-	160,455	-	100%	4,780,870	4,041,644	2,916,258	6.5%

(\*1) "Full-service" is full-service hotel, "Resort" is resort hotel, and "Limited-service" is limited service hotel. Full-service hotel and limited-service hotel were previously called city hotel and business hotel respectively. Please see the press released dated August 20, 2013 for detail.

(\*2) In terms of ADR, etc., JHR has classified the hotels into four categories such as "luxury", "Upper-middle", "Mid-price" and "Economy".

(\*3) Average age: The sum of (Purchase price x property age) ÷ Total purchase price

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

(\*5) Book value as of the end of June 2013.

(\*6) No. 23, No. 26 and No. 27 indicate the appraisal values at acquisition.

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

(\*8) Actual for the period from January 2013 to June 2013. The total amount includes the actual of the property sold during the period. The lessee did not agree to disclose numbers in the unit of JPY1000 for Nos. 12, 13 and 19 thus fraction less than JPY1M is rounded down.

(\*9) Forecast NOI yield is the annualized NOI forecast of each property for FY12/2013 ÷ Acquisition price.

## 2. Summary of lease contracts (1/2)

No.	Property name	Rent type (*1)	Lessee	Hotel operator	Lease term	Remaining contract term	Contractual rent (*2)	Condition for rent renewal (Summary)	Rent modification summary (Acquisition to 2012)		Rent modification schedule (2013~2015)		
									Term	Condition (*3)	2013	2014	2015
1	Kobe Meriken Park Oriental Hotel	Fixed + Variable	Hotel Management Japan Co., Ltd.	Abilitas Hospitality Co., Ltd.	8	7	<Fixed rent> JPY3.221B + <Variable rent> (When the total GOP of HMJ's five hotels exceeds GOP base amount (JPY3.351B), the excess x 81.5% is paid.)	The same rent will be applied until expiration of the contract. (Fixed rent)	September 2011	Scheme has been modified.	-	-	-
2	Oriental Hotel Tokyo Bay												
3	Namba Oriental Hotel												
4	Oriental Hotel Hiroshima												
5	Hotel Nikko Alivila			JAL Hotels Co., Ltd.									
6	The Beach Tower Okinawa	Fixed	K.K. Kyoritsu Maintenance		20	13	JPY42M/month	The same rent will be applied until expiration of the contract.	-	-	-	-	-
7	Hakone Setsugetsuka	Fixed			20	13	JPY24M/month	The same rent will be applied until expiration of the contract.	-	-	-	-	-
8	Dormy Inn Kumamoto	Fixed			12	10	JPY16M/month	Rent can be modified through mutual agreement every three years.	-	-	-	To be renewed (April)	-
9	Dormy Inn Namba	Fixed			15	1	JPY6M/month	Rent can be modified through mutual agreement every three years.	April 2011	Same amount	-	To be expired (Mar.)	-
10	Dormy Inn Suidobashi	Fixed			10	2	JPY7M/month	The same rent will be applied until expiration of the contract.	-	-	-	-	To be expired (June)
11	Dormy Inn Asakusa	Fixed			20	4	JPY5M/month	Rent can be modified through mutual agreement every three years.	April 2012	Same amount	-	-	To be renewed (April)
12	Hakata Nakasu Washington Hotel Plaza	Fixed			20	2	JPY20M/month	The same rent is applied from April 21, 2012 though expiration of the contract.	April 2012	Reduction (-7.5%)	-	-	To be expired. (Mar)
13	Nara Washington Hotel Plaza	Fixed	Washington Hotel K.K.	20	7	JPY11M/month	Rent can be modified through mutual agreement.	-	-	-	-	-	
14	R & B Hotel Ueno-Hirokoji	Fixed		20	9	JPY8M/month	Rent can be modified through mutual agreement.	April 2011	Increase (+3.0%)	-	-	-	
15	R & B Hotel Higashi-Nihombashi	Fixed		20	5	JPY10M/month	Rent can be modified through mutual agreement.	April 2010	Increase (+5.0%)	-	-	-	
16	Comfort Hotel Tokyo Higashi Nihombashi	Fixed	Greens Co., Ltd.	20	15	JPY21M/month	Rent can be modified through mutual agreement every five years.	-	-	Same rent has been renewed (Jan.)	-	-	
17	Comfort Hotel Shin-Yamaguchi	Fixed		20	14	JPY5M/month	Rent can be modified through mutual agreement every three years.	September 2010	Same amount	To be renewed (Sept)	-	-	

## 2. Summary of lease contract (2/2)

No.	Property name	Rent type (*1)	Lessee	Hotel operator	Lease term	Remaining contract term	Contractual rent (*2)	Condition for rent renewal (Summary)	Rent modification summary (Acquisition to 2012)		Rent modification schedule (2013~2015)		
									Term	Condition (*3)	2013	2014	2015
18	Pearl Hotel Kayabacho	Fixed	Yuasa Funashoku Co., Ltd.		15	6	JPY18M/month	Rent can be modified through mutual agreement every two years.	Nov. 2010	Reduction (-7.3%)	-	To be renewed (Jun.)	-
19	Daiwa Roynet Hotel Akita	Fixed	DAIWAROYAL Co., Ltd.		20	13	JPY11M/month	Rent can be modified through mutual agreement every five years.	-	-	-	-	-
20	Smile Hotel Nihombashi Mitsukoshimae	Fixed	The Kamogawa Grand Hotel, Ltd.		20	4	JPY11M/month	Rent can be modified through mutual agreement.	Apr. 2010	Reduction (-12.3%)	The same rent has been renewed (Apr.)	To be renewed (Apr.)	-
21	Hotel Sunroute Niigata	Fixed	Sunroute Co., Ltd.		13	4	JPY13M/month	The same rent will be applied until expiration of the contract.	-	-	-	-	-
22	Toyoko Inn Hakataguchi Ekimae	Fixed	Toyoko Inn Co., Ltd.		30	18	JPY11M/month	No rule has been stipulated.	Oct. 2007	Increase (+9.4%)	-	-	-
23	Hotel Keihan Universal City	Fixed	K.K. Hotel Keihan		20	8	Nondisclosure	Nondisclosure	-	-	-	-	-
24	Chisan Inn Kamata	Variable	Solare Hotels & Resorts Co., Ltd.	SHR Hotels, Co. Ltd.	5	4	Hotel GOP x 85% (If it is below zero, it will be JPY0.-)	-	Jul. 2012	Scheme is modified.	-	-	-
25	Vista Hotel Kamata Tokyo	Fixed + Upside sharing	Sun Vista Co., Ltd.		3	2	JPY7M/month + Upside sharing	The same rent will be applied until expiration of the contract.	Jul. 2012	Scheme is modified.	-	-	To be expired (Jun.)
26	Hotel Sunroute Shimbashi	Fixed + Upside sharing	Sunroute Co., Ltd.		15	10	JPY18M/month + Upside sharing	No rule has been stipulated.	-	-	-	-	-
27	Hilton Tokyo Bay Hotel	Fixed + Upside sharing	THE DAIICHI BUILDING CO., LTD	Hilton International Company	5	2	JPY157M/month + Upside sharing	Rent can be modified through mutual agreement.	-	-	-	-	To be expired (Jun.)
28	Ibis Tokyo Shinjuku	Management contract	-	A.A.P.C. Japan K.K.	12	11	Amount equivalent to hotel GOP	-	Jul. 2012	Scheme is modified.	-	-	-

(\*1) Rent type is as follows:

Fixed: Fixed monthly rent

Variable: Variable monthly rent

Management contract: Management contract

Fixed + variable: Property paying both fixed and variable rent

Fixed + upside sharing: When the sales of the hotel (lessee) exceed certain amount determined in advance, additional rent is paid.

(\*2) Amount that includes car park and CAM without tax.

(\*3) Detail of rent modification is as follows:

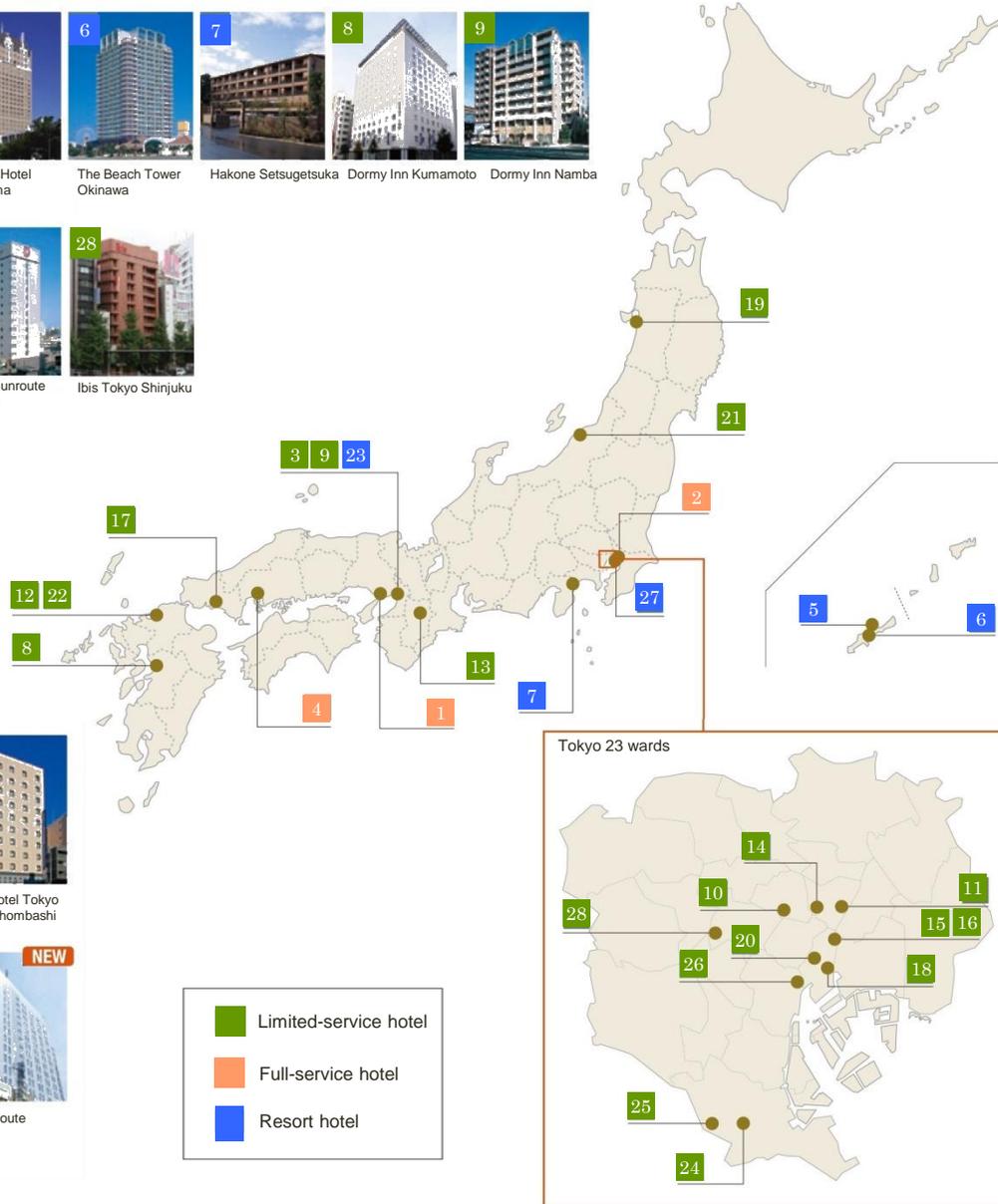
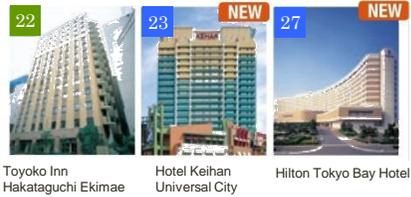
No. 1 to No. 5: Variable rent has been modified from sales-base to GOP-base.

No. 24: Fixed rent has been replaced with the variable rent due to the replacement of the lessee.

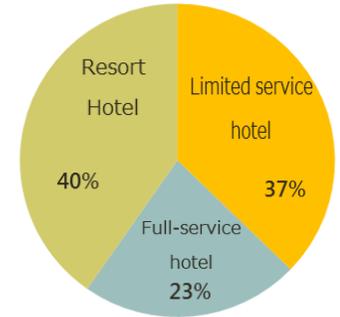
No. 25: When the contract was renewed, the fixed rent was reviewed and the upside-sharing scheme has been additionally applied.

No. 28: JHR has commenced direct management contract scheme.

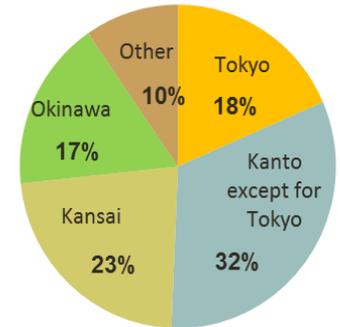
# 1. Portfolio map



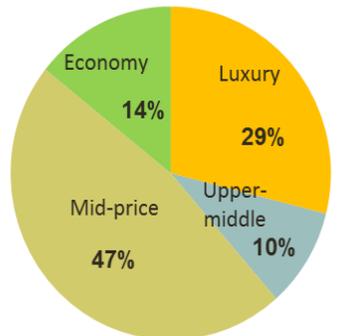
## Hotel Type



## Area



## Grade



## 2. Major properties

Property Name	Kobe Meriken Park Oriental Hotel	Oriental Hotel Tokyo Bay	Namba Oriental Hotel	Hotel Nikko Alivila	Oriental Hotel Hiroshima
Hotel Type	 Full-service hotel	 Full-service hotel	 Limited-service hotel	 Resort hotel	 Full-service hotel
Photograph					
					
Location	Chuo-ku, Kobe city, Hyogo	Urayasu city, Chiba	Chuo-ku, Osaka city, Osaka	Yomitanson, Nakagami-gun, Okinawa	Naka-ku, Hiroshima city, Hiroshima
No. of rooms	319	503	257	396	227
Year built	July 1995/June 2001	May 1995	March 1996	April 1994	September 1993 / September 2006 (extended)
Map					

**APPENDIX 2**

**INDEX DATA FOR THE MAJOR HOTELS WITH VARIABLE RENTS**

# 1. Hotel performance indicators ①

## HMJ's five hotels in total

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY M)	2010	1,396	1,462	1,843	1,655	1,961	1,572	1,910	2,382	1,755	1,986	1,727	1,749	21,396
	2011	1,466	1,390	1,341	1,296	1,640	1,387	1,940	2,282	1,727	1,974	1,904	1,876	20,223
	2012	1,402	1,416	1,935	1,677	1,655	1,594	1,966	2,367	1,707	1,854	1,864	1,874	21,312
	2013	1,410	1,355	1,915	1,711	1,806	1,599							
Occupancy rate	2010	66.1%	76.2%	80.8%	80.1%	79.3%	78.6%	81.9%	91.5%	87.9%	86.1%	79.6%	76.2%	80.4%
	2011	74.6%	75.8%	61.3%	52.6%	69.2%	72.0%	82.3%	90.4%	87.3%	88.0%	86.3%	80.7%	76.7%
	2012	72.3%	79.4%	85.3%	79.5%	77.5%	79.3%	83.1%	93.2%	87.0%	88.7%	86.5%	80.5%	82.7%
	2013	75.1%	84.1%	89.1%	85.3%	84.1%	83.6%							
ADR (JPY)	2010	12,971	11,870	15,846	13,518	16,494	13,104	19,105	25,288	15,745	15,203	13,833	16,063	15,980
	2011	12,912	12,213	14,091	14,006	14,926	12,328	18,983	25,157	16,284	15,240	13,705	16,731	15,846
	2012	12,907	11,693	16,093	14,920	15,875	13,511	19,236	25,365	15,725	14,982	14,723	17,174	16,200
	2013	13,640	12,454	16,252	15,417	16,113	13,994							
RevPAR (JPY)	2010	8,572	9,044	12,797	10,827	13,082	10,307	15,641	23,148	13,846	13,089	11,018	12,242	12,845
	2011	9,632	9,258	8,642	7,368	10,322	8,876	15,631	22,748	14,223	13,404	11,825	13,498	12,160
	2012	9,337	9,289	13,730	11,866	12,300	10,718	15,982	23,628	13,682	13,291	12,740	13,822	13,400
	2013	10,242	10,471	14,481	13,156	13,546	11,703							

## Kobe Meriken Park Oriental Hotel

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY M)	2010	406	429	476	447	608	434	434	493	448	608	511	518	5,812
	2011	372	358	445	439	531	401	468	490	456	555	532	507	5,554
	2012	359	357	508	448	459	413	439	481	440	498	538	526	5,466
	2013	343	321	446	422	485	398							
Occupancy rate	2010	70.7%	71.6%	78.6%	78.5%	75.7%	80.3%	80.4%	91.7%	86.7%	88.3%	82.8%	89.6%	81.3%
	2011	66.5%	61.4%	74.7%	61.4%	83.3%	76.0%	74.0%	87.6%	83.0%	83.3%	82.9%	81.9%	76.5%
	2012	61.7%	68.8%	82.3%	76.1%	79.9%	78.4%	78.1%	94.3%	86.2%	85.2%	84.1%	84.6%	80.0%
	2013	68.7%	70.2%	85.0%	82.8%	79.6%	76.4%							
ADR (JPY)	2010	12,485	11,480	12,853	11,964	15,248	12,156	13,273	16,344	12,966	13,891	13,084	15,787	13,564
	2011	12,050	12,149	13,876	14,140	14,722	12,390	14,860	18,026	14,827	15,290	13,841	17,598	14,645
	2012	13,055	11,582	13,142	13,529	14,771	12,695	13,645	16,909	13,916	14,523	14,555	17,964	14,326
	2013	12,623	12,644	12,823	12,952	15,424	12,591							
RevPAR (JPY)	2010	8,821	8,216	10,105	9,387	11,537	9,767	10,669	14,986	11,240	12,261	10,835	14,140	11,027
	2011	8,019	7,456	10,364	8,676	12,263	9,420	10,997	15,795	12,303	12,740	11,473	14,407	11,197
	2012	8,049	7,968	10,812	10,302	11,799	9,956	10,659	15,946	11,991	12,378	12,234	15,199	11,464
	2013	8,677	8,880	10,896	10,728	12,272	9,614							

# 1. Hotel performance indicators ②

## Oriental Hotel Tokyo Bay

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY M)	2010	474	442	610	486	605	513	501	618	513	649	612	585	6,608
	2011	510	462	262	211	393	382	456	599	516	657	643	657	5,748
	2012	488	458	669	509	565	532	503	667	509	600	614	649	6,762
	2013	485	435	670	525	597	496							
Occupancy rate	2010	76.4%	85.4%	91.7%	82.5%	89.4%	91.1%	88.6%	96.2%	97.9%	97.6%	94.8%	90.1%	90.2%
	2011	87.5%	91.1%	44.4%	17.9%	53.5%	68.1%	85.8%	99.6%	98.7%	99.1%	99.2%	99.1%	78.7%
	2012	90.2%	97.4%	98.8%	83.7%	91.3%	93.2%	87.6%	98.9%	97.9%	96.2%	97.1%	96.0%	94.0%
	2013	90.5%	98.7%	98.7%	87.8%	95.5%	97.6%							
ADR (JPY)	2010	13,368	11,895	19,625	14,706	17,685	13,791	15,439	22,103	15,114	18,124	16,369	18,878	16,583
	2011	14,091	12,845	14,156	12,410	13,643	11,529	14,337	22,130	16,379	17,732	15,505	19,097	15,941
	2012	13,416	12,374	20,142	17,288	17,433	14,071	15,932	24,549	15,971	18,322	18,496	20,467	17,469
	2013	14,727	13,440	21,267	18,545	19,079	15,398							
RevPAR (JPY)	2010	10,208	10,160	18,003	12,135	15,805	12,558	13,678	21,262	14,798	17,690	15,521	17,008	14,950
	2011	12,330	11,706	6,291	2,217	7,301	7,855	12,294	22,046	16,174	17,576	15,388	18,922	12,542
	2012	12,106	12,051	19,906	14,463	15,922	13,109	13,958	24,286	15,631	17,625	17,964	19,649	16,425
	2013	13,322	13,264	20,983	16,279	18,230	15,027							

## Namba Oriental Hotel

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY M)	2010	141	136	181	151	159	146	155	175	150	154	156	166	1,870
	2011	151	140	162	161	164	163	179	171	142	152	148	176	1,909
	2012	142	141	154	157	152	140	153	177	151	159	163	170	1,858
	2013	150	148	165	161	158	152							
Occupancy rate	2010	75.5%	76.6%	83.4%	85.8%	80.3%	78.3%	79.6%	88.0%	82.9%	79.5%	85.5%	84.0%	81.6%
	2011	78.2%	79.4%	86.1%	89.8%	89.0%	93.5%	98.4%	92.9%	83.3%	83.4%	86.1%	86.8%	87.3%
	2012	79.5%	75.4%	88.3%	92.0%	84.7%	82.5%	86.5%	96.5%	89.0%	94.0%	93.1%	89.3%	87.6%
	2013	86.5%	95.1%	94.6%	90.2%	87.7%	88.8%							
ADR (JPY)	2010	9,025	8,835	9,812	9,520	10,333	8,953	9,893	10,145	9,460	9,902	9,896	10,090	9,677
	2011	9,496	9,487	10,751	10,580	10,340	10,170	11,053	10,419	9,677	10,124	9,741	10,778	10,250
	2012	9,429	8,929	9,861	10,276	10,036	8,995	9,875	11,368	9,634	9,713	10,806	11,138	10,049
	2013	9,566	9,687	10,440	11,106	10,413	9,847							
RevPAR (JPY)	2010	6,813	6,769	8,179	8,164	8,294	7,011	7,874	8,923	7,841	7,871	8,464	8,473	7,899
	2011	7,431	7,530	9,257	9,503	9,198	9,513	10,878	9,683	8,056	8,447	8,389	9,358	8,949
	2012	7,499	6,732	8,705	9,449	8,500	7,424	8,545	10,974	8,578	9,130	10,056	9,947	8,805
	2013	8,276	9,208	9,875	10,012	9,131	8,749							

# 1. Hotel performance indicator ③

## Hotel Nikko Aliviva

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY M)	2010	244	291	382	384	418	316	644	943	485	387	271	276	5,040
	2011	317	276	302	332	380	303	678	899	465	420	376	325	5,074
	2012	283	292	416	376	335	339	686	877	430	413	330	312	5,088
	2013	302	300	432	423	372	364							
Occupancy rate	2010	47.1%	74.7%	71.3%	80.7%	74.2%	70.7%	80.3%	91.6%	89.8%	80.9%	57.1%	48.7%	72.2%
	2011	72.2%	74.1%	56.2%	65.2%	67.1%	66.5%	85.3%	88.0%	85.2%	86.7%	76.6%	54.9%	73.2%
	2012	60.2%	76.8%	77.7%	74.3%	57.2%	66.8%	86.1%	85.2%	81.6%	86.2%	75.0%	53.9%	73.4%
	2013	62.0%	78.2%	84.4%	86.2%	73.5%	74.4%							
ADR (JPY)	2010	20,106	15,825	21,139	18,539	23,681	18,342	40,205	54,398	25,657	18,594	16,864	22,116	25,800
	2011	16,253	14,881	20,862	20,045	23,781	17,714	38,190	53,155	25,615	18,253	16,694	23,055	24,934
	2012	17,858	14,251	20,698	20,061	24,846	20,292	38,954	54,220	24,982	17,670	15,574	22,336	25,030
	2013	19,466	15,184	19,812	19,794	20,702	19,531							
RevPAR (JPY)	2010	9,465	11,829	15,073	14,955	17,580	12,975	32,295	49,838	23,048	15,042	9,627	10,772	18,634
	2011	11,729	11,034	11,731	13,070	15,949	11,781	32,587	46,803	21,816	15,834	12,781	12,666	18,243
	2012	10,745	10,942	16,073	14,901	14,222	13,545	33,543	46,177	20,375	15,233	11,679	12,034	18,364
	2013	12,064	11,867	16,727	17,070	15,209	14,538							

## Oriental Hotel Hiroshima

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY M)	2010	131	163	193	188	170	164	176	153	159	188	178	204	2,067
	2011	116	153	170	154	172	139	159	123	148	190	204	210	1,939
	2012	129	169	188	186	145	171	185	164	176	185	219	218	2,137
	2013	130	151	202	180	194	190							
Occupancy rate	2010	59.3%	64.2%	73.0%	69.6%	70.0%	63.0%	74.3%	85.0%	70.0%	74.1%	74.3%	65.9%	70.3%
	2011	57.5%	61.0%	60.8%	53.0%	65.1%	60.1%	63.1%	75.3%	76.6%	77.0%	79.4%	76.2%	67.1%
	2012	60.8%	63.8%	69.6%	70.2%	70.5%	68.3%	70.8%	88.8%	71.3%	75.4%	79.3%	76.7%	72.2%
	2013	59.9%	69.1%	75.6%	76.4%	79.4%	73.1%							
ADR (JPY)	2010	8,455	8,475	8,627	8,295	9,726	8,194	9,023	9,812	8,777	8,873	8,920	8,894	8,876
	2011	8,297	8,577	8,783	8,597	8,802	7,626	8,461	9,170	8,264	8,406	8,367	8,327	8,479
	2012	7,627	7,886	8,248	8,189	8,400	7,748	8,089	8,954	8,187	8,343	8,534	8,448	8,255
	2013	7,791	7,983	8,472	8,351	8,889	7,767							
RevPAR (JPY)	2010	5,014	5,439	6,296	5,776	6,809	5,163	6,708	8,335	6,148	6,577	6,631	5,865	6,240
	2011	4,768	5,235	5,337	4,560	5,727	4,581	5,340	6,904	6,334	6,468	6,647	6,342	5,692
	2012	4,640	5,035	5,744	5,752	5,924	5,288	5,730	7,953	5,840	6,292	6,767	6,478	5,959
	2013	4,665	5,516	6,408	6,379	7,057	5,674							

# 1. Hotel performance indicator ④

## Ibis Tokyo Shinjuku

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY M)	2010													
	2011											45	51	
	2012	45	53	56	55	53	51	56	55	46	51	53	55	629
	2013	54	65	66	66	66	64							
Occupancy rate	2010													
	2011											72.4%	80.8%	
	2012	75.4%	84.9%	89.6%	89.1%	90.1%	91.4%	86.2%	84.5%	73.5%	76.9%	79.5%	80.8%	83.5%
	2013	85.4%	96.0%	97.3%	93.4%	91.1%	92.3%							
ADR (JPY)	2010													
	2011											9,013	9,084	
	2012	8,408	9,645	8,976	9,226	8,557	8,315	9,294	9,311	9,359	9,428	9,708	9,792	9,154
	2013	9,000	10,437	9,544	10,293	10,222	10,185							
RevPAR (JPY)	2010													
	2011											6,525	7,342	
	2012	6,342	8,187	8,041	8,220	7,712	7,597	8,008	7,863	6,878	7,252	7,721	7,907	7,641
	2013	7,684	10,021	9,287	9,618	9,308	9,404							

**APPENDIX 3**

**INVESTORS COMPOSITION AND INVESTMENT UNIT PRICE**

# 1. Major shareholders and owners of the investment unit

## Top ten major shareholders

◆ As of the end of December 2012

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

◆ As of the end of June 2013

Ranking	Name	No. of units	Percentage (*1)
1	Japan Trustee Service Bank, Ltd. (Trust)	276,365	10.54
2	Trust and Custody Service Bank, Ltd. (Securities Investment Trust)	213,265	8.13
3	The Master Trust Bank of Japan, Ltd. (Trust)	205,241	7.82
4	The Nomura Trust and Banking Co., Ltd. (Trust)	137,953	5.26
5	Taiyo Investment Specific Purpose Company	127,204	4.85
6	Nomura Bank Luxemburg S.A.	85,655	3.26
7	Umi Investment Specific Purpose Company	77,435	2.95
8	Shikoku Railway Company	58,311	2.22
9	Goldman Sachs International	44,192	1.68
10	The Bank of New York, Non-Treaty JASDEC Account	41,704	1.59
Total		1,267,325	48.34

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

(\*2) Both Taiyo Investment Specific Purpose Company and Umi Investment Specific Purpose Company are the SPCs established by the intention of RECAP.

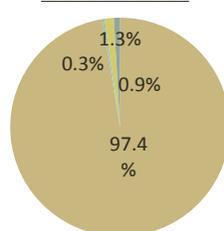
## Owners of the Investment units

◆ As of the end of December 2012

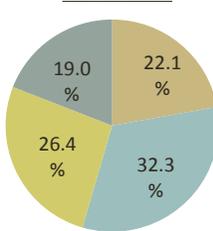
Owners	No. of investors	No. of units
Individuals and other	13,277	468,320
Financial institutions (including securities firms)	46	682,373
Other domestic firms	184	558,068
Foreign firms and individuals	123	402,520
Total	13,630	2,111,281



No. of investors



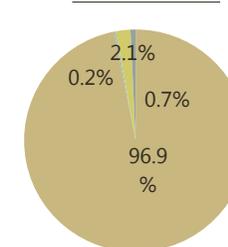
No. of units



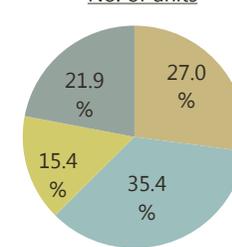
◆ As of the end of June 2013

Owners	No. of Investors	No. of units
Individuals and other	22,994	709,742
Financial institutions (including securities firms)	58	929,746
Other domestic firms	497	405,300
Foreign firms and individuals	179	576,493
Total	23,728	2,621,281

No. of investors



No. of units



(\*) Percentage of investors: Percentage of owners to the total number of investors.

Percentage of investment units: Percentage of investment units owned to the total investment units issued (Round off to one decimal place.)

➔ No. of unit holders increased more than 10,000 (or increased by 74%) / Outstanding investment units increased 510,000 (or increased by 24%)

## 2. Changes of the investment unit price and market capitalization

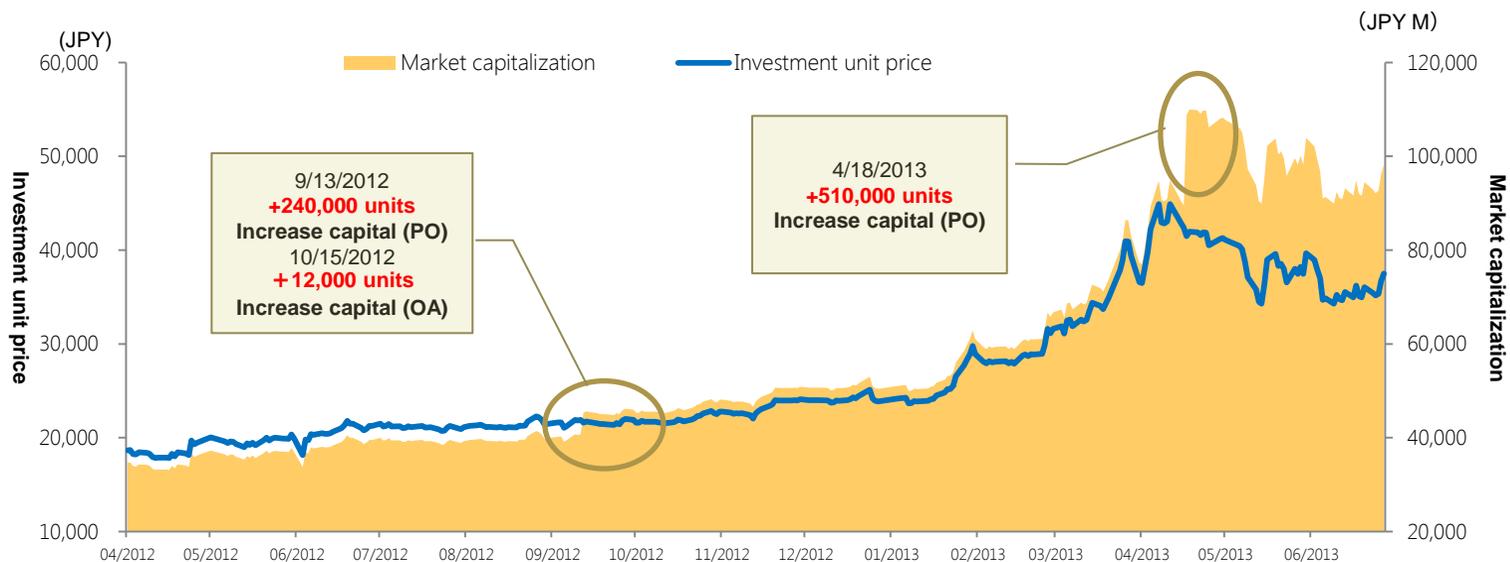
### Change in the investment unit price and market capitalization (Based on the closing price)

**Price of the investment unit:**  
**JPY37,500.-**

**Total market capitalization:**  
**JPY98,200M**

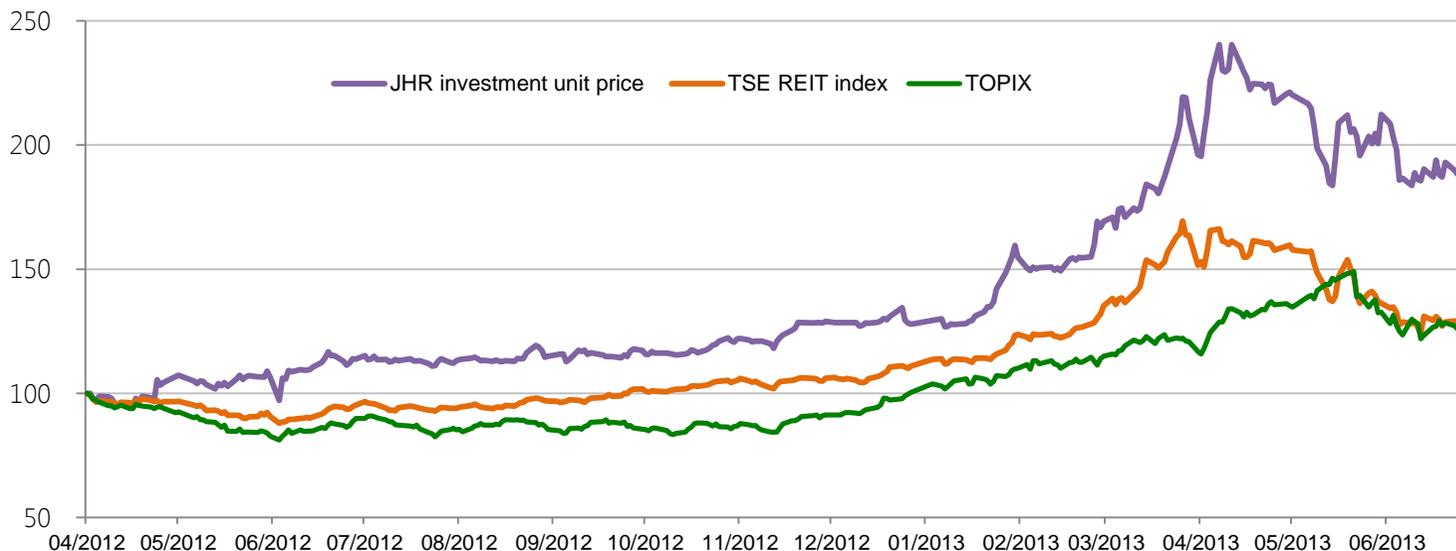
(Based on the closing price of June 28, 2013)

(\*) Price of the real estate investment securities may fall depending on the price of the real estate or fluctuations in profitability, etc., and investors may suffer losses. Investors may also suffer losses through the bankruptcy or deteriorated finances of the issuer. With reference to the risk of investment in JHR units, see Part 2, Referential information, No. 2. Supplemental information for the reference document, 8. Investment risk in the Registration Statement dated April 2, 2013.



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

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



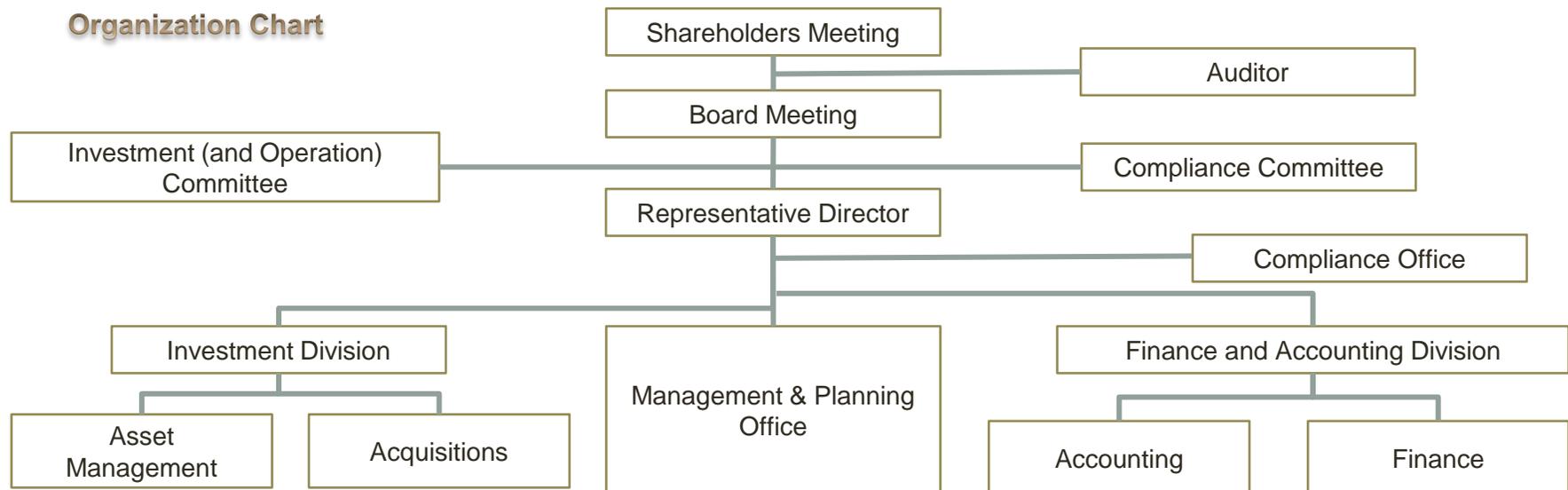
**APPENDIX 4**

**SUMMARY OF THE ASSET MANAGEMENT COMPANY**

# 1. Summary of the asset management company

<b>Company</b>	Japan Hotel REIT Advisors Co., Ltd.
<b>Location</b>	Ebisu Neonato 4F, 4-1-18 Ebisu, Shibuya-ku, Tokyo 150-0013
<b>Establishment</b>	August 10, 2004
<b>Capital</b>	JPY300M as of June 30, 2013
<b>Shareholders</b>	Rockrise Sdn Bhd, Kyoritsu Maintenance Co., Ltd., Orix Real Estate Corporation
<b>Representative Director</b>	Hiroyuki Suzui
<b>Registration and Licenses</b>	Building Lots and Buildings Transaction Business Operator, Governor of Tokyo (2) No. 83613 Discretionary Transaction Agent by Minister of Land, Infrastructure, Transport and Tourism No. 38 Financial Instruments Trading Company No. 334, Director of Kanto Local Finance Bureau

## Organization Chart



### Features of the asset management company

#### 1. Mission statement

**“True professionals who never stop challenging and creating will provide you with attractive hotel investment opportunities.”**

#### 2. Advanced expertise

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

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

Strict decision-making rules including those detailed below have been set for dealing with “sponsor-related persons” <sup>(\*)</sup>. In order to prevent conflict, we strive to comply with arms length rule and ensure transparency of deal.

#### The asset management company: Compliance committee

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

#### JHR: Committee

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

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

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

This material is prepared and provided solely for the purpose of providing information and not to solicit any purchase of investment units or investment corporation bonds of Japan Hotel REIT Investment Corporation (“JHR”) or any other particular products.

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

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

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

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

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

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