This English translation is provided for information purposes only. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

February 24, 2016

Financial Report for the Fiscal Year Ended December 31, 2015
(January 1, 2015 – December 31, 2015)

Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange
Securities code: 8985
URL: http://www.jhrth.co.jp/en/
Representative: Kaname Masuda, Executive Director

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

Scheduled date to file Securities Report: March 23, 2016
Scheduled date to start dividend payment: March 23, 2016

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 million yen)

1. Status summary of operation and assets for the fiscal year ended December 31, 2015 (January 1, 2015 – December 31, 2015)

(1) Operating results

(Percentages show changes from the previous year)

	Operating revenue		Operating income		Ordinary income		Net income	
Fiscal year ended	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%
December 31, 2015	17,343	35.9	10,988	45.6	9,295	60.9	9,294	61.0
December 31, 2014	12,760	11.2	7,545	40.6	5,776	54.4	5,774	78.6

	Net income per unit	Return on equity (ROE)	Ordinary income to total assets	Ordinary income to operating revenue
Fiscal year ended	JPY	%	%	%
December 31, 2015	3,036	8.1	4.3	53.6
December 31, 2014	2,159	6.1	3.2	45.3

(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 31, 2015 includes gain on sale of real estate properties (¥305 million).

(2) Cash distributions

	Dividend per unit (Excess of earnings exclusive)	Total dividends (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings	Total dividends from excess of earnings	Payout ratio	Dividend to net assets
Fiscal year ended	JPY	JPY1M	JPY	JPY1M	%	%
December 31, 2015	2,975	9,354	0	0	100.6	7.7
December 31, 2014	2,155	6,015	0	0	104.2	6.1

(Note 1) The source of dividends for the fiscal year ended December 31, 2015 is calculated by adding appropriation for dividends (¥60 million) to unappropriated retained earnings. For details of the appropriation for dividends, please refer to "<Reference Materials 4> Dividend per unit and appropriation for dividends" on page 23.
(Note 2) The source of dividends for the fiscal year ended December 31, 2014 is calculated by adding appropriation for dividends (¥240 million) to unappropriated retained earnings. For details of the appropriation for dividends, please refer to "<Reference Materials 4> Dividend per unit and appropriation for dividends" on page 23.
(Note 3) Payout ratio is calculated using the following formula, rounded off to one decimal place.
Total dividends (total dividends from excess of earnings exclusive) ÷ Net income × 100

(3) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
Fiscal year ended	JPY1M	JPY1M	%	JPY
December 31, 2015	240,356	129,914	54.1	41,318
December 31, 2014	188,091	100,342	53.3	35,948

(Note) Net assets per unit are calculated based on the total number of investment units issued and outstanding 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, 2015	15,862	(58,598)	42,009	13,698
December 31, 2014	8,353	(17,828)	11,347	14,424

2. Operating forecast for the fiscal year ending December 31, 2016 (January 1, 2016 – December 31, 2016)

(Percentages show changes from the previous year)

	Operating revenue		Operating income		Ordinary income		Net income		Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%	JPY	JPY
Midterm	9,136	26.2	5,364	26.0	4,477	28.9	4,477	29.0	–	–
Full year	20,836	20.1	12,645	15.1	10,904	17.3	10,904	17.3	3,318	0

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2016 (full year) ¥3,292

(Calculated based on the estimate of period-average number of investment units of 3,312,096.)

(Note) Reversal of reserve for dividends in the amount of ¥119 million is planned to be the source of dividend payment.

* Other

(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) Total number of investment units issued and outstanding

(a) Total number of investment units issued and outstanding at the end of the fiscal year (including investment units owned by Japan Hotel REIT Investment Corporation (hereinafter referred to as "JHR"))

As of December 31, 2015	3,144,227 units
As of December 31, 2014	2,791,281 units

(b) Number of JHR's own investment units held at the end of the fiscal year

As of December 31, 2015	0 units
As of December 31, 2014	0 units

(Note) For the number of investment units serving as the basis of computation of net income per unit, please refer to "Notes on per unit information" on page 42.

*** 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 forecasts 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. For the assumptions of the operating forecast and notes for making reference to the assumptions of the operating forecast, please refer to "2. Investment policies and operating results; (2) Operating results; (B) Outlook for the next fiscal year" on page 6 and "Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2016 (17th period)" on page 11.

1. Related parties of the investment corporation

Disclosure is omitted because there is no significant change from "Structure of the investment corporation" in the most recent Securities Report (submitted on March 20, 2015) and Securities Registration Statement (submitted on January 4, 2016).

2. Investment policies and operating results

(1) Investment policies

Disclosure is omitted because there is no significant change from "Investment policies," "Investment targets" and "Distribution policy" in the most recent Securities Report (submitted on March 20, 2015) and Securities Registration Statement (submitted on January 4, 2016).

(2) Operating results

(A) Overview of the fiscal period under review

(a) Brief history and principal activities

Japan Hotel REIT Investment Corporation (JHR) was established under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter referred to as the "Investment Trusts Act") on November 10, 2005 and was listed on the Real Estate Investment Trust ("REIT") section of the Tokyo Stock Exchange (Securities code: 8985) on June 14, 2006.

JHR entrusts the asset management to Japan Hotel REIT Advisors Co., Ltd. (hereinafter referred to as the "Asset Management Company"). Focusing on importance as the social infrastructure and profitability of hotels, JHR primarily invests in real estate related assets that are in themselves real estate which are wholly or partially used as hotels or real estate equivalents of such real estate or that are backed by such real estate or real estate equivalents (hereinafter referred to as "Real Estate for Hotels, etc.").

JHR, the former Nippon Hotel Fund Investment Corporation, merged with the former Japan Hotel and Resort, Inc. (hereinafter referred to as the "former JHR") with an effective date of April 1, 2012 (hereinafter referred to as the "merger") and changed its name to Japan Hotel REIT Investment Corporation. Over approximately a little less than four years since the merger through the end of the 16th fiscal period, JHR has carried out five public offerings for capital increase and continuously acquired hotels that are "competitive enough to attract domestic and inbound leisure demand" and located in its "strategic investment target areas."

As such, JHR has expanded the asset size by steadily implementing the growth strategy, having its portfolio grow to 36 properties with a combined acquisition price of ¥225,723 million as of the end of the fiscal period under review.
The number of JHR's investment units issued and outstanding was 3,144,227 as of December 31, 2015.

(b) Investment performance

During the fiscal period under review, the Japanese economy continued to show a modest recovery trend, despite weakness seen in some areas, partly due to the effect of the various measures implemented by the Abe administration to securely end deflation and achieve both economic revitalization and fiscal soundness. Under such circumstances, the tourism market was in an environment in which, on top of the leisure demand among the Japanese people remaining solid, the number of overseas (inbound) tourists visiting Japan, primarily from Asian countries, continued to increase thanks to the government's various measures aimed at making Japan a major tourism nation as well as the depreciation of the yen and other factors. The number of such inbound tourists, which had surpassed 10 million for the first time in 2013, reached 13.4 million, up around 30% over the figure, in 2014 and increased by 47.1% year-on-year to 19.7 million in 2015, coming close to 20 million annually that the Japanese government targeted at initially.

Given such a strong wind behind Japan's tourism industry and hotel industry, many of the hotels owned by JHR achieved a rise in operating performance, mainly in the rooms department, allowing us to feel again how strong the leisure demand was both in and outside Japan. Also in the investment market for hotels, transactions of hotel properties remained brisk with an increase in the number of investors who anticipated future growth of such properties, keeping the market size expanding. In such an environment, JHR issued new investment units through two public offerings in January and June 2015 together with other fund procurement and acquired eight properties in total with a combined acquisition price of ¥39,705 million. Moreover, in December 2015, JHR acquired ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel), located a one-minute walk from Shinkansen Exit of JR Hiroshima Station, for an acquisition price of ¥17,320

million through new borrowing (¥9,000 million) and cash on hand. On the other hand, as part of its growth strategy and with an intention to further enhance the quality of its portfolio through reshuffling of assets, JHR sold three properties in October 2015 at prices surpassing the book values and appraisal values for a combined sale price of ¥4,890 million, achieving a further enhancement of the quality of the portfolio.

Furthermore, in January 2016, JHR implemented capital increase through public offering, the sixth one since the merger, to complement a decrease in cash on hand, which is a decrease equivalent to the cash on hand used to fund the acquisition of ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel). JHR also used the proceeds from the public offering to newly acquire CANDEO HOTELS UENO-KOEN, located in the Ueno area in central Tokyo which benefits from an increase in inbound tourism demand, for an acquisition price of ¥6,705 million. The acquisition has increased the portfolio size to ¥232,428 million on an acquisition price basis.

Moreover, steadily implementing its growth strategy, JHR concluded a purchase and sale agreement as of February 18, 2016 regarding the acquisition of Hotel Centraza Hakata for an anticipated acquisition price of ¥7,197 million.

For its owned hotels, JHR endeavored to expand its earnings by continuously discussing with the hotel operators for increasing revenue, after assessing the business environment and operation conditions at each hotel on a monthly basis. For hotels with variable rent contracts including revenue sharing structures and management contracts, hotel earnings increased against the backdrop of strong domestic and overseas leisure demand, which achieved an increase in JHR's rent revenue. Among fixed rent properties held, JHR rebranded Dormy Inn Suidobashi, for which the lease contract expired at the end of June 2015, to "the b suidobashi" and changed its rent structure, which had been fixed rent alone, to the one comprising fixed rent as minimum guaranteed rent plus variable rent.

With respect to capital expenditures in portfolio properties, JHR invested in the renewal of its facilities in order to maintain the value of its assets and carried out strategic refurbishment, etc. to increase profits at hotels with variable rent contracts, etc.

With regard to status of operations of the five hotels (hereinafter referred to as the "five HMJ hotels") (Note 1) which JHR leases to Hotel Management Japan Co., Ltd. (hereinafter referred to as "HMJ") under variable rent contracts, they have produced a year-on-year increase both in sales and GOP (gross operating profit), led by the rooms department, during the fiscal period under review. The rooms department achieved an increase in not only the guest room occupancy rate but also the ADR (average daily rate), allowing us to feel how strong the leisure demand was. For further details regarding sales, GOP and other management indicators for the five HMJ hotels, please refer to "<Reference Materials 2> <1> Sales and GOP of the HMJ Group Hotels (Note 1)" on page 19 and "D. Overview of the hotel business; (2) Major indicators of the hotel business; (a) The HMJ Group Hotels" on page 67. Furthermore, as announced in the "Notice Concerning Revision of Fixed-Term Lease Agreement" dated December 18, 2015, JHR negotiated with HMJ to modify the terms and conditions of the fixed-term lease agreement with HMJ, as JHR believed that HMJ's profitability would increase in accordance with a shift to independent hotel operations by HMJ. As a result, JHR and HMJ agreed that the variable rent ratio be changed from 81.5% to 85.0% effective January 1, 2016 while JHR shall return part of the security deposits to HMJ. This has made it possible for JHR to obtain the enhanced performance of the hotels as its earnings.

Moreover, inbound guests and domestic leisure demand were successfully attracted by the six hotels (Note 2) for which AAPC Japan K.K. (hereinafter referred to as "Accor"), a Japanese subsidiary of Accor Hotels headquartered in Paris, France, serves as the operator (hereinafter referred to as the "six Accor hotels"). These hotels posted a year-on-year increase both in sales and GOP, mainly led by an increase in the ADR. For further details regarding sales, GOP and other management indicators for the six Accor hotels, please refer to "<Reference Materials 2> <3> Sales and GOP of the Six Accor Hotels" on page 21 and "D. Overview of the hotel business; (2) Major indicators of the hotel business; (b) The Six Accor Hotels" on page 68.

Furthermore, efforts were made to attract inbound tourists at the six *the b* hotels (Note 3), which are leased to the subsidiaries of the Ishin Hotels Group with a variable rent structure, and consequently a year-on-year increase was achieved both in sales and GOP. For further details regarding sales, GOP and other management indicators for the six *the b* hotels, please refer to "<Reference Materials 2> <4> Sales and GOP of the Six *the b* Hotels" on page 22 and "D. Overview of the hotel business; (2) Major indicators of the hotel business; (c) The Six *the b* Hotels" on page 68.

As for further details regarding sales, GOP and other management indicators for Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel) that JHR acquired in the fiscal period under review, please refer to "<Reference Materials 2> <1> Sales and GOP of the HMJ Group Hotels" on page 19 and "D. Overview of the hotel business; (2) Major indicators of the hotel business; (a) The HMJ Group Hotels" on page 67.

In addition, JHR not only increased the size of its asset portfolio by acquiring new properties, but also made steady progress in reducing real estate management costs, general and administrative expenses, and borrowing costs.

(Note 1) The five HMJ hotels represent the five hotels, namely, Kobe Meriken Park Oriental Hotel, Oriental Hotel tokyo bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima. The HMJ group hotels represent the seven hotels comprising the five HMJ hotels plus Okinawa Marriott Resort & Spa and Sheraton Hiroshima Hotel, which is the major facility of ACTIVE-INTER CITY HIROSHIMA.

(Note 2) Represents the six hotels, namely, ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha and Mercure Yokosuka.

(Note 3) Represents the six hotels, namely, the five hotels comprising the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji and the b hakata (hereinafter referred to as "the five *the b* hotels") plus the b suidobashi, which was rebranded from the former Dormy Inn Suidobashi on July 1, 2015.

(c) Funding

JHR acquired the five *the b* hotels by using the ¥15,651 million in total procured by issuing new investment units through public offering in January 2015 and third-party allotment in February 2015, as well as the ¥1,000 million in short-term loans and ¥12,900 million in long-term loans borrowed in January 2015. JHR also used these funds to make early repayment of ¥4,779 million in existing long-term loans. In March 2015, JHR procured ¥1,500 million in long-term loans to partly fund the acquisition of Hotel Francs. Moreover, JHR acquired Mercure Yokosuka by using cash on hand in April 2015.

JHR also acquired Okinawa Marriott Resort & Spa by using the ¥10,793 million in total procured by issuing new investment units through public offering in June 2015 and third-party allotment in July 2015, as well as the ¥5,000 million in short-term loans and ¥1,500 million in long-term loans borrowed in July 2015. In September 2015, JHR borrowed ¥6,608 million in long-term loans to fund refinancing and early repayment of the borrowings that matured on the same month and November 2015.

In October 2015, JHR issued investment corporation bonds for retail investors, the first such issuance for JHR, totaling ¥6,000 million to make early repayment of ¥6,000 million in existing loans. JHR also made early repayment of ¥4,000 million in long-term loans by using funds obtained from sale of the three properties comprising Daiwa Roynet Hotel Akita, Hotel Sunroute Niigata and Comfort Hotel Shin-Yamaguchi.

Moreover, in December 2015, JHR procured ¥9,000 million in short-term loans to partly fund the acquisition of ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel).

As a result of the above, as of the end of the fiscal period under review, interest-bearing debt totaled ¥102,772 million, including short-term loans payable of ¥9,000 million, current portion of long-term loans payable of ¥11,393 million, long-term loans payable of ¥70,379 million, current portion of investment corporation bonds of ¥2,500 million and investment corporation bonds of ¥9,500 million, and the ratio of interest-bearing debt to total assets at end of period (Note 4) stood at 42.8%.

Through a series of these funding measures, JHR was able to lower its funding costs and diversify its repayment period.

Furthermore, JHR concluded interest rate swap contracts to fix the interest on ¥16,716 million in total on loans on January 30, March 27, July 10 and September 17, 2015 in order to suppress the increase in interest payment resulting from future interest rate rises. These actions brought the fixed rate ratio (including the interest rate cap purchase portion) on JHR's total interest-bearing debt to approximately 85%.

(Note 4) Ratio of interest-bearing debt to total assets at end of year = Balance of interest-bearing debt at end of year ÷ Total assets at end of year

As of December 31, 2015, JHR's issuer ratings were as follows.

As of October 29, 2015, Rating and Investment Information, Inc. (hereinafter referred to as "R&I") changed the outlook of JHR's issuer rating from "stable" to "positive." Moreover, as of November 26, 2015, Japan Credit Rating Agency, Ltd. (hereinafter referred to as "JCR") also changed its outlook of JHR's long-term issuer rating from "stable" to "positive."

Rating agency	Rating	Outlook
R&I	A−	Positive
JCR	A	Positive

(d) Financial results

As a result of the abovementioned asset management, operating revenue, operating income and ordinary income were ¥17,343 million, ¥10,988 million and ¥9,295 million, respectively, for the fiscal year under review (12-month period from January 1 to December 31, 2015). Net income was ¥9,294 million.

With regard to dividends, it was decided that ¥9,356 million, which was calculated by adding a reversal of reserve for dividends (appropriation for dividends) of ¥60 million to unappropriated retained earnings of ¥9,296 million, would all be distributed except for fractions of less than one yen of dividend per unit. Consequently, the dividend per unit came to ¥2,975.

Appropriation for dividends for the fiscal period under review is for the purpose of offsetting the financial costs associated with early repayment and losses on retirement of existing facilities incurred for the replacement of equipment.

For appropriation for dividends, please refer to "<Reference Materials 4> Dividend per unit and appropriation for dividends" on page 23.

(B) Outlook for the next fiscal year

(a) Investment policies and issues to be addressed

In 2016, the Japanese economy is anticipated to show a recovery bolstered by strong private sector demand, with the employment and income environments continuing to improve and the virtuous cycle of the economy making further progress as well as the terms of trade improving moderately, partly due to the positive effect of the "Urgent Policies to Realize a Society in Which All Citizens are Dynamically Engaged" implemented by the government on November 26, 2015 and other measures. While having such anticipation, attention must be paid, however, to the downside swing of the emerging economies including China, market price trends of crude oil and other commodities and geopolitical risks, among other factors, amid the U.S. monetary policy being increasingly normalized. Moreover, in the environment surrounding the tourism industry, it is expected that JHR will benefit from a further increase in the number of domestic tourists and inbound tourists thanks to an increase in individual income through the economic growth in the Asian areas, visa waiver and relaxing visa issuance requirements, enhanced infrastructures including expansion in the arrival and departure slot of international flights, among other factors, on top of the leisure demand among the Japanese people remaining solid.

Under such circumstances, JHR intends to manage assets based on the approach described below aiming to make investing in JHR more appealing based on its balanced mix of stability centered on fixed rent revenue and potential upside derived from variable rent, etc.

<u>Internal growth</u>

JHR will work to boost sales and GOP of hotels operated under variable rent contracts, which are the HMJ group hotels that comprise the five HMJ hotels plus Okinawa Marriott Resort & Spa (newly acquired in July 2015) and ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel) (newly acquired in December 2015), and the six *the b* hotels that comprise the five *the b* hotels plus the b suidobashi, which was rebranded from Dormy Inn Suidobashi on July 1, 2015, as well as of the six Accor hotels that are mainly operated under a management contract structure, with an aim to maximize variable rent and income from management contracts. To achieve this goal, JHR will request each hotel, its operations support company and its operator to implement marketing initiatives to attract wider range of demand and measures to maintain and increase room rates. JHR will also work with related parties to move the business focus from competition based on price to competition based on value, aiming to create facilities and services that become prominent in the market.

For hotels with only fixed rent contracts, JHR will increase its efforts to monitor operating conditions and, by paying careful attention to each tenant's ability to bear the rent costs, conduct negotiations with the hotels at which the ability to bear rent costs has been enhanced through better performances so that the improvement in hotel earnings would lead to an increase in JHR's operating revenue, such as revising rents upward and introducing revenue sharing structures.

In addition, JHR will carry out an ongoing program of facility maintenance and improvement to ensure each hotel becomes prominent in the market and to maintain and increase the value of its assets.

External growth

In terms of external growth strategy, JHR will keep focus on investing in hotels with prospects for attracting domestic and inbound leisure demand over the medium to long term, in other words, highly competitive hotels located in appealing or fashionable areas, as JHR has done to date. Limited-service hotels, full-service hotels and resort hotels are all investment targets, but JHR will only acquire properties with competitive advantages in terms of buildings and facilities (infrastructure) and the capabilities of the hotel tenant and operator (services).

However, competition over acquisition has become fierce in the investment market for hotels in accordance with an increase in the number of investors, with transaction yields showing a downward trend. Under such circumstances, JHR will work to acquire properties and make them prominent in the market, by taking advantage of its strength as a REIT specializing in hotel properties of being able to extensively collect transaction information of Real Estate for Hotels, etc. and make selective approaches.

Specifically, JHR will utilize its pipelines as a major player in the investment market for hotels, ability to collect information on operations of hotels in general, proposal and implementation of a variety of rent structures including the management contract structure, and excellent networks with major hotel operators. By doing so, JHR will acquire properties while maintaining its superiority in the investment market for hotels.

Following such policy, in the fiscal year ended December 31, 2015, JHR acquired seven properties (the five *the b* hotels, Hotel Francs and Mercure Yokosuka) located mainly in Tokyo and the bay area that are deemed to enjoy the largest benefits from an increase in inbound tourists. JHR also acquired a large resort hotel with the name of Marriot, a world's top international brand, in the Okinawa area, which is expected to show the highest growth among JHR's strategic investment target areas. Moreover, JHR acquired a multi-use facility centering on a relatively new, full-service hotel carrying the name of Sheraton, another well-known international brand, featuring a good location with a one-minute walk from JR Hiroshima Station. Of these properties, a lease structure that combines fixed rents and variable rents has been employed by the seven properties excluding Hotel Francs that is with fixed rent contract only and Mercure Yokosuka that is with variable rent contract only, in order to pursue upside potential while working to secure stability. Going forward, JHR will continuously acquire properties by taking advantage of these strengths that are peculiar to a REIT specialized in hotels, including the ability to incorporate a variety of rent structures, hotel renovations and rebranding arrangements.

Finance strategy

JHR seeks to maintain and enhance the relationships of trust with financial institutions with which it does business, while working to ensure financial stability and strength by increasingly diversifying the means of financing. It aims to conduct financial operations by keeping the ratio of interest-bearing debt to total assets at no larger than 50% for the time being. In addition, when seeking new borrowings for property acquisitions or refinancing existing debt, JHR will work to reinforce its existing relationships with multiple banks while seeking to spread out the maturity dates of its debt and considering the balance with borrowing costs.

Moreover, JHR will investigate extending the maturity dates and managing interest rate risks while discerning the conditions of the market for interest rate.

(b) Significant subsequent events

1. Acquisition of asset

On February 1, 2016, JHR acquired the following asset.

Property name	CANDEO HOTELS UENO-KOEN
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	1-2-13 Negishi, Taito-ku, Tokyo
Acquisition date	February 1, 2016
Seller	GK Ueno Parkside
Acquisition price (Note)	¥6,705 million

(Note) The acquisition price does not include expenses for acquisition, settlement of property taxes and city planning taxes, and consumption taxes.

2. Resolution on acquisition of asset

On February 18, 2016, JHR concluded a purchase and sale agreement regarding acquisition of the following asset.

Property name	Hotel Centraza Hakata
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	4-23 Hakata-eki Chuogai, Hakata-ku, Fukuoka-shi, Fukuoka
Scheduled acquisition date	April 1, 2016
Planned seller	The seller is not disclosed as consent on disclosure has not been obtained from the seller. There are no capital, human or business relationships to be noted between JHR or the Asset Management Company and the seller. In addition, the seller does not have any special interest relationship with either JHR or the Asset Management Company.
Anticipated acquisition price (Note)	¥7,197 million

(Note) The anticipated acquisition price does not include expenses for acquisition, settlement of property taxes and city planning taxes, and consumption taxes.

3. Resolution on borrowing of funds

On January 4, 2016, JHR resolved on new borrowings of ¥2,000 million as follows in order to partly fund the acquisition of the real estate beneficial interest in trust of CANDEO HOTELS UENO-KOEN and movable assets attached thereon as described above in "1. Acquisition of asset."

Lender	Financial syndicate arranged by Sumitomo Mitsui Banking Corporation
Planned amount of the loan	¥2,000 million
Interest rate	To be determined
Scheduled date of borrowing	February 29, 2016
Method of principal repayment	To be determined
Maturity date	To be determined
Collateral	Unsecured/Unguaranteed

On February 18, 2016, JHR resolved on new borrowings of ¥7,000 million as follows in order to partly fund the acquisition of the real estate beneficial interest in trust of Hotel Centraza Hakata and movable assets attached thereon as described above in "2. Resolution on acquisition of asset."

Lender	Financial syndicate arranged by Sumitomo Mitsui Banking Corporation
Planned amount of the loan	¥7,000 million
Interest rate	To be determined
Scheduled date of borrowing	April 1, 2016
Method of principal repayment	To be determined
Scheduled maturity date	March 31, 2017
Collateral	Unsecured/Unguaranteed

4. Issuance of new investment units

JHR resolved to issue new investment units at the Board of Directors meetings held on January 4, 2016 and January 13, 2016. Payment for the new investment units was completed on January 20, 2016 and February 17, 2016, and the investment units were issued under the following terms and conditions. As a result, JHR's unitholders' capital increased to ¥100,088,808,209, with the number of investment units issued and outstanding totaling 3,321,907 units.

(a) Issuance of new investment units (public offering)

Number of investment units issued:	170,000 units
Issue price:	¥85,020 per unit
Total issue price:	¥14,453,400,000
Paid-in amount (issue value):	¥82,273 per unit
Total paid-in amount (total issue value):	¥13,986,410,000
Payment date:	January 20, 2016

(b) Issuance of new investment units (third-party allotment)

Number of investment units issued:	7,680 units
Paid-in amount (issue value):	¥82,273 per unit
Total paid-in amount (total issue value):	¥631,856,640
Payment date:	February 17, 2016
Allottee:	SMBC Nikko Securities Inc.

(c) Use of funds

JHR allocated the proceeds obtained from the public offering and the third-party allotment to cash on hand in order to complement part of a decrease in cash on hand, which is a decrease that occurred when JHR had used cash on hand to partly fund the acquisition of ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel) (including expenses for acquisition) that it acquired on December 18, 2015. JHR also used the said proceeds to partly fund the acquisition of CANDEO HOTELS UENO-KOEN as described above in "1. Acquisition of asset."

(c) Operating forecast

The following is the operating forecast for the midterm of the fiscal year ending December 31, 2016 and the full year of the fiscal year ending December 31, 2016. For the assumptions of the operating forecast, please refer to "Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2016 (17th period)" on page 11.

In addition, the dividend per unit based on the annualized effect of the acquisition of CANDEO HOTELS UENO-KOEN, which was acquired on February 1, 2016, and Hotel Centraza Hakata, which is to be acquired on April 1, 2016, is assumed to be ¥3,326. For the annualized effect of the acquisition of the two properties above, please refer to "<Reference Materials 1> Highlights of the operating forecast and forecast of dividend" on page 17. For the assumptions of the forecast of the annualized effect, please refer to "<Reference Materials 3> Assumptions of the forecast of the annualized effect" on page 23.

Midterm of the fiscal year ending December 31, 2016 (17th period)

Operating revenue	¥9,136 million
Operating income	¥5,364 million
Ordinary income	¥4,477 million
Net income	¥4,477 million
Dividend per unit	¥—
Dividend per unit resulting from excess of earnings	¥—

Full year of the fiscal year ending December 31, 2016 (17th period)

Operating revenue	¥20,836 million
Operating income	¥12,645 million
Ordinary income	¥10,904 million
Net income	¥10,904 million
Dividend per unit	¥3,318
Dividend per unit resulting from excess of earnings	¥0

(Note) The forecast figures above are the current forecasts calculated based on certain assumptions. As such, actual operating revenue, operating income, ordinary income, net income, dividend per unit and dividend per unit resulting from excess of earnings may vary due to changes in the circumstances. Furthermore, the forecasts are not intended to guarantee any dividend amount.

Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2016 (17th period)

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Calculation period</td><td>・Midterm: January 1, 2016 through June 30, 2016 (182 days)
・Full year: January 1, 2016 through December 31, 2016 (366 days)</td></tr>
<tr><td>Assets under management</td><td>・The 37 properties owned by JHR as of today, plus Hotel Centraza Hakata that is scheduled to be acquired on April 1, 2016, to total 38 properties is assumed.
・In addition, it is assumed that there will be no change (acquisition or disposition, etc.) in assets under management other than the above through the end of the fiscal year ending December 31, 2016 (17th period). The actual number may fluctuate, though, depending on the changes in assets that may take place.</td></tr>
<tr><td>Operating revenue</td><td>・Operating revenue is calculated based on the effective lease contracts, etc. as of today and in consideration of hotel competitiveness and market environment, etc.
・Rents of the main hotels are calculated based on the following assumptions.

(1) The Five HMJ hotels
The assumptions of the fixed rent and variable rent for the five HMJ hotels are as follows.
Annual rent (¥6,797 million) = Fixed rent (¥3,221 million / year) + Variable rent (*1)
Variable rent = [(a) Total GOP of the five HMJ hotels − (b) GOP base amount] × 85.0%
The five HMJ hotels for the fiscal year ending December 31, 2016 (17th period)
(millions of yen)
<table>
<tr><th></th><th>Total GOP of the five HMJ hotels
(a)</th><th>GOP base amount
(b)</th><th>Variable rent
((a) − (b)) × 85.0%</th></tr>
<tr><td>Midterm</td><td>2,784</td><td>1,675</td><td>942</td></tr>
<tr><td>Full year</td><td>7,558</td><td>3,351</td><td>3,576</td></tr>
</table>
(*1) Concerning a fixed-term lease agreement on the five HMJ hotels, JHR concluded an agreement to change the variable rent ratio from 81.5% to 85.0% effective as of January 1, 2016. The variable rent when calculated based on the past variable rent ratio of 81.5% is ¥3,429 million, and the amount of increase in variable rent as a result of the revision is ¥147 million.
(*2) For the sales and GOP of the five HMJ hotels and other comparisons, please refer to “<Reference Materials 2> <1> Sales and GOP of the HMJ Group Hotels.”

(2) Okinawa Marriott Resort & Spa
The fixed and variable rent of Okinawa Marriott Resort & Spa are calculated as follows.
Annual rent (¥1,101 million) = Fixed rent (¥550 million / year) + Variable rent
Variable rent = [(a) Hotel GOP − (b) GOP base amount] × 90.0%
(millions of yen)
<table>
<tr><th></th><th>Hotel GOP
(a)</th><th>GOP base amount
(b)</th><th>Variable rent
((a) − (b)) × 90.0%</th></tr>
<tr><td>Midterm</td><td>335</td><td>350</td><td>−</td></tr>
<tr><td>Full year</td><td>1,312</td><td>700</td><td>551</td></tr>
</table>
(*) For the sales and GOP of Okinawa Marriott Resort & Spa, please refer to “<Reference Materials 2> <1> Sales and GOP of the HMJ Group Hotels.”</td></tr>
</table>

Item	Assumptions
Operating revenue	

(3) ACTIVE-INTER CITY HIROSHIMA

ACTIVE-INTER CITY HIROSHIMA is a complex facility composed of a hotel building, an office building, and a commercial zone. Rent for each facility is calculated as follows.

(a) Hotel building (Sheraton Hiroshima Hotel)

Annual rent (¥594 million) = Fixed rent (¥348 million / year) + Variable rent

Variable rent = [(a) Hotel GOP − (b) GOP base amount] × 82.5%

(millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) − (b)) × 82.5%
Midterm	342	234	89
Full year	766	468	246

(*) For the sales and GOP of Sheraton Hiroshima Hotel, please refer to "<Reference Materials 2> <1> Sales and GOP of the HMJ Group Hotels."

(b) Office building and commercial zone

Rent from the office building and the commercial zone for the fiscal year ending December 31, 2016 (17th period) is expected to be ¥225 million for the midterm and ¥451 million for the full year. These figures include ¥10 million for the midterm and ¥20 million for the full year as variable rent pursuant to an agreement for revenue sharing for some shops.

(4) Hotel Centraza Hakata

The fixed and variable rent of Hotel Centraza Hakata are calculated as follows.

Rent for the fiscal year ending December 31, 2016 (17th period) (*1) (¥503 million) = Fixed rent (¥300 million) + Variable rent

Variable rent = [(a) Hotel GOP − (b) GOP base amount] × 90.0%

(millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) − (b)) × 90.0%
Midterm	175	106	62
Full year	545	318	203

(*1) Rent for the fiscal year ending December 31, 2016 (17th period) shows the estimated figure to incur during the 275 days from April 1, 2016 to December 31, 2016. Furthermore, it is assumed that the GOP base amount after January 1, 2017 will be ¥425 million and the annual fixed rent will be ¥400 million.

(*2) For the sales and GOP of Hotel Centraza Hakata, please refer to "<Reference Materials 2> <2> Sales and GOP of Hotel Centraza Hakata."

(5) The Six Accor Hotels

Income from management contracts and variable rent of the six Accor hotels (millions of yen)

	ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total
Midterm	225	226	237	220	189	121	1,221
Full year	454	508	610	596	449	206	2,826

Item	Assumptions

Operating revenue

(*1) For the sales and GOP of the six Accor hotels and other comparisons, please refer to "<Reference Materials 2> <3> Sales and GOP of the Six Accor Hotels."

(*2) For income from management contracts, it is assumed that the respective hotel's GOP amount is posted as income from management contracts and the management contract fees to be paid by JHR is posted as an operating expenses item.

(*3) At Mercure Sapporo, although tenants other than the hotel have concluded agreements for revenue sharing, variable rent is not expected for the fiscal year ending December 31, 2016 (17th period).

(6) The Six *the b* Hotels

Fixed and variable rent of the six *the b* hotels (midterm) (millions of yen)

	the b suidobashi	the b akasaka-mitsuke	the b ikebukuro	the b ochanomizu	the b hachioji	the b hakata	Total
Fixed (*1)	42	68	108	34	61	43	358
Variable	18	83	80	29	47	36	294
Total	61	151	189	63	108	79	653

Fixed and variable rent of the six *the b* hotels (full year) (millions of yen)

	the b suidobashi	the b akasaka-mitsuke	the b ikebukuro	the b ochanomizu	the b hachioji	the b hakata	Total
Fixed (*1)	84	136	217	69	122	88	719
Variable	40	183	168	61	103	82	639
Total	125	319	386	130	226	170	1,358

(*1) Fixed rent includes rent from non-hotel tenant(s).

(*2) For the sales and GOP of the six *the b* hotels and other comparisons, please refer to "<Reference Materials 2> <4> Sales and GOP of the Six *the b* Hotels."

(7) Other hotels that have adopted variable rent

Variable rent of other hotels that have adopted variable rent (millions of yen)

	Smile Hotel Nihombashi Mitsukoshimae	Hotel Vista Kamata Tokyo	Chisun Inn Kamata	Hotel Keihan Universal City	Hotel Sunroute Shinbashi	Hilton Tokyo Bay	Total
Midterm	17	—	36	(*)	74	(*)	431
Full year	17	28	73	(*)	74	(*)	568

(*) No information is shown since tenants that concluded lease agreements did not agree to disclose rent income, etc.

・The following is the breakdown of variable rent and income from management contracts.

<Breakdown of variable rent, etc. for the fiscal year ending December 31, 2016 (17th period)> (millions of yen)

	The Five HMJ Hotels	Okinawa Marriott Resort & Spa	ACTIVE-INTER CITY HIROSHIMA	Hotel Centraza Hakata	The Six Accor Hotels	The Six *the b* Hotels	Other hotels with variable rent	Total
Midterm	942	—	99	62	1,221	294	431	3,052
Full year	3,576	551	266	203	2,826	639	568	8,632

(*) For details of the variable rent and income from management contract arrangements, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 66.

Item	Assumptions
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 ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015, CANDEO HOTELS UENO-KOEN acquired on February 1, 2016 and Hotel Centraza Hakata to be acquired on April 1, 2016 (hereinafter called the "acquired assets and assets for anticipated acquisition") are calculated based on past actual data as provided by previous owners, etc., and variable factors are reflected in the calculation. ・It is assumed that ¥1,201 million will be posted as expenses for fixed asset tax, city planning tax and other taxes and public dues. ・In general, fixed asset tax and city planning tax, etc. of acquired assets 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, the fixed asset tax, city planning tax and other taxes and public dues for CANDEO HOTELS UENO-KOEN and Hotel Centraza Hakata will not be posted as expenses for the fiscal year ending December 31, 2016 (17th period). The annual fixed asset tax and city planning tax, etc. for CANDEO HOTELS UENO-KOEN are expected to be ¥23 million, and the annual fixed asset tax and city planning tax, etc. for Hotel Centraza Hakata are expected to be ¥21 million. Moreover, the fixed asset tax and city planning tax, etc. to be recorded as expenses for the fiscal year ending December 31, 2016 (17th period) for the nine properties (the five *the b* hotels, Hotel Francs, Mercure Yokosuka, Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA) acquired in the fiscal year ended December 31, 2015 (16th period) are assumed to be ¥263 million (for nine months). ・Depreciation is calculated by the straight-line method, and is estimated to be ¥3,207 million, including the acquisition price of the acquired assets and assets for anticipated acquisition (including incidental costs) as well as the planned capital expenditures (¥2,532 million) for the fiscal year ending December 31, 2016 (17th period). ・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 increase in difference over time, and 3. Repair expenses are not required on a regular basis.
Non-operating expenses	・¥1,740 million is expected for interest expense, arrangement fee, amortization for the following (1) handling borrowing costs and (2) derivative instruments (interest rate caps), etc. ・Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method.
Interest-bearing debt	・It is assumed that the balance of interest-bearing debt (sum of loans and investment corporation bonds) is ¥102,772 million as of January 1, 2016 and ¥111,593 million as of December 31, 2016. ・A loan for acquisition of Hotel Centraza Hakata in the amount of ¥7,000 million is assumed.
Issuance of investment units	・The number of investment units issued and outstanding as of today (3,321,907 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 31, 2016 (17th period).

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Dividend per unit</td><td>

・Dividend per unit for the fiscal year ending December 31, 2016 (17th period) is calculated based on the following assumptions.

<table>
<tr><td>Net income</td><td>¥10,904 million</td></tr>
<tr><td>Use of reserve for dividends (negative goodwill)</td><td></td></tr>
<tr><td>Loss on retirement of noncurrent assets (*1)</td><td>¥13 million</td></tr>
<tr><td>Amortization of fixed-term leasehold of land and asset retirement obligations (*2)</td><td>¥106 million</td></tr>
<tr><td>Distributable amount</td><td>¥11,024 million</td></tr>
<tr><td>Total number of investment units issued and outstanding</td><td>3,321,907 units</td></tr>
<tr><td>Dividend per unit</td><td>¥3,318</td></tr>
</table>

(*1) Amount posted as a loss on retirement of noncurrent assets will be appropriated by reserve for dividends (negative goodwill) and is expected to have no impact on dividend per unit.

(*2) As Hotel Centraza Hakata is a property under fixed-term leasehold of land, amortization of the fixed-term leasehold rights of land and asset retirement obligations (hereinafter collectively called the “amortization of land leasehold right, etc.”) will arise. It is planned to add up to the dividends by appropriation of reserve for dividends (negative goodwill) for the amortization of land leasehold right, etc.

・Dividend per unit may fluctuate by various causes, such as fluctuation of rental revenue resulting from transfer of asset, transfer of hotel lessee(s), etc., change of business environment, etc. for hotel lessee(s), etc. and unexpected repairs, etc.

・The balance of the reserve for dividends (negative goodwill) after the appropriation of reserve for dividends (negative goodwill) for dividends for the fiscal year ending December 31, 2016 (17th period) is expected to be ¥13,747 million.

</td></tr>
<tr><td>Acquired assets and assets for anticipated acquisition</td><td>

・The operating status for the fiscal year ending December 31, 2016 of ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015, CANDEO HOTELS UENO-KOEN acquired on February 1, 2016 and Hotel Centraza Hakata to be acquired on April 1, 2016 is estimated as follows.

<ACTIVE-INTER CITY HIROSHIMA> (millions of yen)

	Fiscal year ending December 31, 2016	Annualized (*3)
Operating days	366 days	366 days
Operating revenue	1,346	1,346
NOI (*1)	922	892
NOI yield (%) (*2)	5.3	5.2

<CANDEO HOTELS UENO-KOEN> (millions of yen)

	Fiscal year ending December 31, 2016	Annualized (*3)
Operating days	335 days	366 days
Operating revenue	290	316
NOI (*1)	287	289
NOI yield (%) (*2)	-	4.3

</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Acquired assets and assets for anticipated acquisition</td><td>
<Hotel Centraza Hakata> (millions of yen)
<table>
<tr><th></th><th>Fiscal year ending December 31, 2016</th><th>Annualized (*3)</th></tr>
<tr><td>Operating days</td><td>275 days</td><td>366 days</td></tr>
<tr><td>Operating revenue</td><td>503</td><td>660</td></tr>
<tr><td>NOI (*1)</td><td>325</td><td>404</td></tr>
<tr><td>NOI yield (%) (*2)</td><td>-</td><td>5.6</td></tr>
</table>
(*1) NOI = Real estate operating revenue − Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets
(*2) NOI yield = NOI ÷ (Anticipated) Acquisition price
NOI yield of CANDEO HOTELS UENO-KOEN and Hotel Centraza Hakata for the fiscal year ending December 31, 2016 is not indicated as these are acquisitions in the middle of the period.
(*3) For the assumptions of calculating the annualized figures, please refer to “<Reference Materials 3> Assumptions of the forecast of the annualized effect.”
</td></tr>
<tr><td>Dividend per unit resulting from excess of earnings</td><td>・It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.</td></tr>
<tr><td>Other</td><td>・It is assumed that revision in law, tax system, 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 million yen in the assumptions above.</td></tr>
</table>

<Reference Materials 1> Highlights of the operating forecast and forecast of dividend

(1) The following are a comparison and the major causes of variance between the actual results for the fiscal year ended December 31, 2014 (15th period) and the actual results for the fiscal year ended December 31, 2015 (16th period).

(millions of yen)

		15th Period Actual (A)	16th Period Actual (B)	Comparison with Previous Period (B)-(A)	Variance	Major Causes of Variance: Property Acquisition (*1)	16th Period Property Disposition (*2)	Existing Properties	Causes of Variance (Existing Properties)
Properties	No. of properties	30	36	6	20.0%	9	(3)	-	
	Acquisition price	173,429	225,723	52,294	30.2%	57,025	(4,731)	-	
Profit and Loss	Operating revenue	12,760	17,343	4,583	35.9%	2,195	244	2,143	
	Real estate operating revenue	12,760	17,033	4,273	33.5%	2,195	(60)	2,139	
	Fixed rent	Composition 71.1% 9,066	Composition 60.5% 10,311	1,244	13.7%	1,150	(60)	155	(1) Full year impact, etc. of JPY180M from 3 properties (*3) acquired in the previous fiscal year (2) Decrease of JPY21M due to a sale of 1 property (*4) in the previous fiscal year
	Variable rent	28.9% 3,693	39.5% 6,722	3,029	82.0%	1,045	0	1,984	(1) The five HMJ hotels -- increase in variable rent by JPY521M (2) Increase in income from management contracts, etc. by JPY100M (*5) (3) Increases from revenue sharing, etc. by JPY369M (4) Full-year impact, etc. of JPY993M from 3 properties acquired in the previous fiscal year
	Gain on sale of real estate properties	0	309	309		-	305	4	
	NOI (*6)	11,002	14,829	3,827	34.8%	2,086	(54) (*8)	1,795	
	*NOI yield (*6)*	*6.3%*	*6.6% (*7)(7.1%)*	*0.2%*		-	-	-	
	NOI after depreciation (*6)	8,597	12,031	3,434	39.9%	1,817	(41) (*8)	1,658	
	*NOI yield after depreciation (*6)*	*5.0%*	*5.3% (*7) (5.8%)*	*0.4%*		-	-	-	
	Operating income	7,545	10,988	3,443	45.6%				
	Net income	5,774	9,294	3,519	61.0%				
Dividend	Use of negative goodwill	240	60	(179)	(74.7%)				
	Total dividends	6,015	9,354	3,338	55.5%				
	No. of units issued	2,791,281	3,144,227	352,946	12.6%				
	Dividend per unit (JPY)	2,155	2,975	820	38.1%				

(*1) This indicates an impact from acquiring nine properties on the statements of income. Nine properties are the five *the b* hotels acquired on January 30, 2015, Hotel Francs on March 31, 2015, Mercure Yokosuka on April 2, 2015, Okinawa Marriott Resort & Spa on July 10, 2015, and ACTIVE-INTER CITY HIROSHIMA on December 18, 2015.

(*2) This indicates an impact from selling three properties (Comfort Hotel Shin-Yamaguchi, Daiwa Roynet Hotel Akita, and Hotel Sunroute Niigata) on October 30, 2015 on the statements of income.

(*3) The properties refer to ibis Styles Sapporo acquired on July 9, 2014, and Mercure Sapporo and Mercure Okinawa Naha acquired on September 30, 2014.

(*4) The property refers to Dormy Inn Namba which was sold on January 24, 2014.

(*5) An increase in income from management contracts from ibis Tokyo Shinjuku and ibis Styles Kyoto Station.

(*6) 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

(*7) As of the end of the fiscal year ended December 31, 2015 (16th period), acquisition price includes the acquisition price of ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015. On the other hand, NOI and NOI after depreciation only include 14 days as management period of ACTIVE-INTER CITY HIROSHIMA in the full year of the fiscal year ended December 31, 2015 (16th period). Please see the figures in parentheses for NOI yield and NOI yield after depreciation excluding the impact of ACTIVE-INTER CITY HIROSHIMA.

(*8) NOI and NOI after depreciation do not include gain on sale of real estate, etc. NOI and NOI after depreciation which include the impact are ¥251 million and ¥264 million, respectively.

(2) The following are a comparison and the major causes of variance between the actual results for the fiscal year ended December 31, 2015 (16th period) and the forecast for the fiscal year ending December 31, 2016 (17th period).

(millions of yen)

	16th Period Actual (A)	17th Period Forecast (*1) (B)	(Reference) Forecast This Time Annualized (*2)	Comparison with Forecast for Previous Period (B) - (A)	Variance Ratio	Major Causes of Variance: Property Acquisition (*3)	Property Disposition in 16th Period (*4)	Existing Properties (*5)	Causes of Variance for Existing Properties
No. of properties	36	38	38	2	5.6%				
Acquisition price	225,723	239,626	239,626	13,902	6.2%				
Operating revenue	17,343	20,836	21,019	3,492	20.1%	2,105	(599)	1,986	
Real estate operating revenue	17,033	20,836	21,019	3,802	22.3%	2,105	(293)	1,990	
Fixed rent	Composition 60.5% 10,311	Composition 58.6% 12,204	Composition 58.7% 12,330	1,893	18.4%	1,636	(293)	550	(1) Full-year impact, etc. of 8 properties (*6) acquired in previous period: JPY433M (2) Cancellation penalty upon tenant replacement: JPY114M
Variable rent	39.5% 6,722	41.4% 8,632	41.3% 8,688	1,909	28.4%	469	-	1,440	(1) Increase in variable rent of the five HMJ hotels: JPY650M (2) Increase in income from management contract, etc. of the five Accor hotels: JPY356M (3) Increase in revenue sharing, etc.: JPY120M (4) Full-year impact, etc. of 8 properties (*6) acquired in previous period: JPY313M
Gain on sale of real estate properties	309	-	-	(309)	-	-	(305)	(4)	
NOI (*7)	14,829	17,625	17,618	2,795	18.9%	1,517	(257) (*9)	1,535	
*NOI yield (*7)*	*6.6% (*8) (7.1%)*	*7.4%*	*7.4%*	*0.8%*		-	-	-	
NOI after depreciation	12,031	14,404	14,336	2,373	19.7%	1,122	(184) (*9)	1,435	
*NOI yield after depreciation (*7)*	*5.3% (*8) (5.8%)*	*6.0%*	*6.0%*	*0.7%*		-	-	-	
Operating income	10,988	12,645	12,558	1,656	15.1%				
Net income	9,294	10,904	10,893	1,610	17.3%				
Use of negative goodwill	60	119	155	58	96.7%				
Total dividends	9,354	11,022	11,048	1,668	17.8%				
No. of units issued	3,144,227	3,321,907	3,321,907	177,680	5.7%				
Dividend per unit (JPY)	2,975	3,318	3,326	343	11.5%				

(*1) For the assumptions of the forecast, please refer to "Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2016 (17th period)."

(*2) For the assumptions of calculating the annualized figures in the forecast this time, please refer to "<Reference Materials 3> Assumptions of the forecast of the annualized effect."

(*3) The impact on the statements of income from acquisition of three properties (ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015, CANDEO HOTELS UENO-KOEN acquired on February 1, 2016 and Hotel Centraza Hakata to be acquired on April 1, 2016).

(*4) The impact on the statements of income from sale of three properties (Comfort Hotel Shin-Yamaguchi, Daiwa Roynet Hotel Akita and Hotel Sunroute Niigata sold on October 30, 2015).

(*5) The 36 properties owned as of December 31, 2015, but excluding ACTIVE-INTER CITY HIROSHIMA, to total 35 properties.

(*6) The properties refer to the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji and the b hakata acquired on January 30, 2015, Hotel Francs acquired on March 31, 2015, Mercure Yokosuka acquired on April 2, 2015 and Okinawa Marriott Resort & Spa acquired on July 10, 2015.

(*7) 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

(*8) As of the end of the fiscal year ended December 31, 2015 (16th period), acquisition price includes the acquisition price of ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015. On the other hand, NOI and NOI after depreciation only include 14 days as management period of ACTIVE-INTER CITY HIROSHIMA in the full year of the fiscal year ended December 31, 2015 (16th period). Please see the figures in parentheses for NOI yield and NOI yield after depreciation excluding the impact of ACTIVE-INTER CITY HIROSHIMA.

(*9) NOI and NOI after depreciation do not include gain on sale of real estate properties etc. NOI and NOI after depreciation including the amount of the impact are ¥(563) million and ¥(489) million, respectively.

<Reference Materials 2>

The following tables indicate the sales and GOP of the five HMJ hotels, Okinawa Marriott Resort & Spa, Sheraton Hiroshima Hotel, Hotel Centraza Hakata, the six Accor hotels and the six *the b* hotels, among JHR's hotels with variable rent contracts. Furthermore, while the indicated figures are based on the data provided by the hotel lessees, etc., please note that the figures have not undergone audit and other procedures and JHR is not in a position to guarantee the accuracy and completeness of the individual figures and descriptions. Moreover, the sales and GOP are rounded off to the nearest million yen, and the year-on-year change is rounded off to one decimal place.

<1> Sales and GOP of the HMJ Group Hotels

(1) Sales by hotel

(millions of yen)

Sales of the HMJ Group Hotels		Fiscal year ended December 31, 2014		Fiscal year ended December 31, 2015		Fiscal year ending December 31, 2016	
		Results	Year-on-year change	Results	Year-on-year change	Forecast this time	Year-on-year change
Kobe Meriken Park Oriental Hotel	First half	2,424	0.4%	2,424	(0.0%)	2,646	9.2%
	Second half	2,798	0.1%	2,828	1.1%	3,204	13.3%
	Full year	5,222	0.2%	5,252	0.6%	5,850	11.4%
Oriental Hotel tokyo bay	First half	3,366	4.9%	3,395	0.9%	3,500	3.1%
	Second half	3,844	(3.3%)	3,927	2.2%	4,045	3.0%
	Full year	7,210	0.4%	7,322	1.6%	7,544	3.0%
Namba Oriental Hotel	First half	998	6.8%	1,189	19.1%	1,358	14.3%
	Second half	1,151	10.9%	1,341	16.6%	1,474	9.9%
	Full year	2,149	9.0%	2,530	17.8%	2,832	11.9%
Hotel Nikko Alivila	First half	2,190	(0.1%)	2,377	8.6%	2,554	7.5%
	Second half	3,301	3.7%	3,571	8.2%	3,709	3.9%
	Full year	5,491	2.2%	5,948	8.3%	6,264	5.3%
Oriental Hotel Hiroshima	First half	1,046	(0.0%)	991	(5.2%)	1,062	7.2%
	Second half	1,178	(2.5%)	1,142	(3.0%)	1,135	(0.6%)
	Full year	2,223	(1.4%)	2,134	(4.0%)	2,197	3.0%
Total for the Five HMJ Hotels	First half	10,024	2.3%	10,376	3.5%	11,121	7.2%
	Second half	12,272	0.6%	12,810	4.4%	13,566	5.9%
	Full year	22,296	1.4%	23,186	4.0%	24,688	6.5%
Okinawa Marriott Resort & Spa	First half	1,600	5.8%	1,614	0.9%	1,696	5.1%
	Second half	2,211	7.1%	2,402	8.7%	2,505	4.3%
	Full year	3,811	6.6%	4,016	5.4%	4,201	4.6%
Sheraton Hiroshima Hotel	First half	1,359	3.5%	1,346	(1.0%)	1,356	0.8%
	Second half	1,511	1.0%	1,502	(0.6%)	1,514	0.8%
	Full year	2,870	2.2%	2,847	(0.8%)	2,870	0.8%

(Note) Although Okinawa Marriott Resort & Spa was acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel) was acquired on December 18, 2015, the figures are for throughout the year including those prior to the acquisition.

(2) Hotel GOP

(millions of yen)

GOP of the HMJ Group Hotels		Fiscal year ended December 31, 2014		Fiscal year ended December 31, 2015		Fiscal year ending December 31, 2016	
		Results	Year-on-year change	Results	Year-on-year change	Forecast this time	Year-on-year change
Total for the Five HMJ Hotels	GOP	6,302	2.4%	6,941	10.1%	7,558	8.9%
	Ratio of GOP to sales	28.3%	0.3%	29.9%	1.7%	30.6%	0.7%
Okinawa Marriott Resort & Spa	GOP	1,105	12.5%	1,230	11.3%	1,313	6.7%
	Ratio of GOP to sales	29.0%	1.5%	30.6%	1.6%	31.2%	0.6%
Sheraton Hiroshima Hotel	GOP	651	11.3%	716	10.0%	766	7.1%
	Ratio of GOP to sales	22.7%	1.9%	25.1%	2.5%	26.7%	1.6%

(Note) Although Okinawa Marriott Resort & Spa was acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel) was acquired on December 18, 2015, the figures are for throughout the year including those prior to the acquisition.

<2> Sales and GOP of Hotel Centraza Hakata

(1) Hotel sales

(millions of yen)

Sales of Hotel Centraza Hakata		Fiscal year ended December 31, 2014		Fiscal year ended December 31, 2015		Fiscal year ending December 31, 2016	
		Results	Year-on-year change	Results	Year-on-year change	Forecast this time	Year-on-year change
Hotel Centraza Hakata	First half	—	—	1,124	2.0%	1,124	0.0%
	Second half	—	—	1,205	6.6%	1,192	(1.2%)
	Full year	—	—	2,330	4.4%	2,316	(0.6%)

(Note) JHR is to acquire Hotel Centraza Hakata on April 1, 2016. The figures for the fiscal year ended December 31, 2015 and the fiscal year ending December 31, 2016 are for throughout the year including those prior to the scheduled acquisition.

(2) Hotel GOP

(millions of yen)

GOP of Hotel Centraza Hakata		Fiscal year ended December 31, 2014		Fiscal year ended December 31, 2015		Fiscal year ending December 31, 2016	
		Results	Year-on-year change	Results	Year-on-year change	Forecast this time	Year-on-year change
Hotel Centraza Hakata	GOP	—	—	715	8.7%	714	(0.2%)
	Ratio of GOP to sales	—	—	30.7%	1.2%	30.8%	0.1%

(Note) JHR is to acquire Hotel Centraza Hakata on April 1, 2016. The figures for the fiscal year ended December 31, 2015 and the fiscal year ending December 31, 2016 are for throughout the year including those prior to the scheduled acquisition.

<3> Sales and GOP of the Six Accor Hotels

(1) Sales by hotel

(millions of yen)

Sales of the Six Accor Hotels		Fiscal year ended December 31, 2014		Fiscal year ended December 31, 2015		Fiscal year ending December 31, 2016	
		Results	Year-on-year change	Results	Year-on-year change	Forecast this time	Year-on-year change
ibis Tokyo Shinjuku	First half	427	12.0%	453	6.1%	435	(3.9%)
	Second half	445	7.5%	421	(5.5%)	440	4.7%
	Full year	872	9.6%	873	0.2%	875	0.2%
ibis Styles Kyoto Station	First half	305	(1.2%)	357	17.1%	429	20.2%
	Second half	384	13.3%	457	18.8%	500	9.5%
	Full year	690	6.3%	814	18.0%	930	14.2%
ibis Styles Sapporo	First half	397	2.3%	429	7.9%	482	12.4%
	Second half	522	4.8%	591	13.1%	647	9.5%
	Full year	920	3.7%	1,019	10.9%	1,128	10.7%
Mercure Sapporo	First half	425	5.5%	499	17.5%	562	12.5%
	Second half	573	3.9%	672	17.4%	756	12.4%
	Full year	998	4.6%	1,172	17.4%	1,318	12.5%
Mercure Okinawa Naha	First half	363	28.0%	407	12.1%	484	19.0%
	Second half	414	14.5%	516	24.5%	572	10.9%
	Full year	778	20.5%	923	18.7%	1,056	14.5%
Mercure Yokosuka	First half	545	3.7%	550	1.0%	580	5.5%
	Second half	491	9.5%	512	4.3%	517	1.0%
	Full year	1,036	6.4%	1,062	2.6%	1,097	3.3%
Total	First half	2,463	7.5%	2,696	9.5%	2,973	10.3%
	Second half	2,829	8.3%	3,168	12.0%	3,432	8.3%
	Full year	5,292	7.9%	5,863	10.8%	6,405	9.2%

(Note) Although Mercure Yokosuka was acquired on April 2, 2015, the figures are for throughout the year including those prior to the acquisition.

(2) Hotel GOP

(millions of yen)

GOP of the Six Accor Hotels	Fiscal year ended December 31, 2014		Fiscal year ended December 31, 2015		Fiscal year ending December 31, 2016	
	Results	Year-on-year change	Results	Year-on-year change	Forecast this time	Year-on-year change
Total for the Six Accor Hotels	2,075	15.6%	2,512	21.0%	2,882	14.8%
Ratio of GOP to sales	39.2%	2.6%	42.8%	3.6%	45.0%	2.2%

(Note) Although Mercure Yokosuka was acquired on April 2, 2015, the figures are for throughout the year including those prior to the acquisition.

<4> Sales and GOP of the Six *the b* Hotels

(1) Sales by hotel

(millions of yen)

Sales of the Six *the b* Hotels		Fiscal year ended December 31, 2014		Fiscal year ended December 31, 2015		Fiscal year ending December 31, 2016	
		Results	Year-on-year change	Results	Year-on-year change	Forecast this time	Year-on-year change
the b akasaka-mitsuke	First half	131	(13.7%)	221	69.4%	250	13.1%
	Second half	213	94.9%	242	13.8%	271	12.0%
	Full year	344	31.8%	464	35.0%	522	12.6%
the b ikebukuro	First half	279	8.1%	301	7.7%	335	11.6%
	Second half	283	4.6%	324	14.5%	350	7.8%
	Full year	562	6.4%	625	11.1%	685	9.6%
the b ochanomizu	First half	121	7.9%	132	9.0%	145	9.5%
	Second half	124	1.6%	130	4.8%	149	14.5%
	Full year	246	4.6%	262	6.9%	294	12.0%
the b hachioji	First half	242	9.8%	267	10.4%	300	12.5%
	Second half	256	0.9%	291	13.8%	316	8.5%
	Full year	497	5.0%	558	12.2%	616	10.4%
the b hakata	First half	172	7.0%	191	10.9%	202	6.0%
	Second half	191	8.7%	215	12.8%	218	1.3%
	Full year	363	7.9%	406	11.9%	420	3.5%
Total for the Five *the b* Hotels	First half	944	4.7%	1,111	17.7%	1,233	10.9%
	Second half	1,067	14.6%	1,203	12.8%	1,304	8.4%
	Full year	2,011	9.7%	2,315	15.1%	2,537	9.6%
the b suidobashi	First half	—	—	—	—	182	—
	Second half	—	—	—	—	189	—
	Full year	—	—	—	—	372	—
Total for the Six *the b* Hotels	First half	—	—	—	—	1,415	—
	Second half	—	—	—	—	1,494	—
	Full year	—	—	—	—	2,909	—

(Note 1) Although the five *the b* hotels were acquired on January 30, 2015, the figures are for throughout the year including those prior to the acquisition.

(Note 2) The b akasaka-mitsuke completed its renovation work by the previous owner in April 2014. The number of guest rooms has increased from 91 to 122. Therefore, the number of guest rooms available for sale in the first half of 2015 and the first half of 2014 are different

(Note 3) The b suidobashi was rebranded from Dormy Inn Suidobashi on July 1, 2015. Therefore, no figures are indicated for the fiscal year ended December 2014 and the fiscal year ended December 31, 2015 and comparison with the forecast for the previous period for the fiscal year ending December 2016.

(2) Hotel GOP

(millions of yen)

GOP of the Five *the b* Hotels	Fiscal year ended December 31, 2014		Fiscal year ended December 31, 2015		Fiscal year ending December 31, 2016	
	Results	Year-on-year change	Results	Year-on-year change	Forecast this time	Year-on-year change
Total for the Five *the b* Hotels	854	15.5%	1,079	26.4%	1,215	12.6%
Ratio of GOP to sales	42.4%	2.1%	46.6%	4.2%	47.9%	1.3%

GOP of the Six *the b* Hotels	Fiscal year ended December 31, 2014		Fiscal year ended December 31, 2015		Fiscal year ending December 31, 2016	
	Results	Year-on-year change	Results	Year-on-year change	Forecast this time	Year-on-year change
Total for the Six *the b* Hotels	—	—	—	—	1,395	—
Ratio of GOP to sales	—	—	—	—	48.0%	—

(Note 1) Although the five *the b* hotels were acquired on January 30, 2015, the figures are for throughout the year including those prior to the acquisition.

(Note 2) The b suidobashi was rebranded from Dormy Inn Suidobashi on July 1, 2015. Therefore, no figures are indicated for the fiscal year ended December 2014 and the fiscal year ended December 31, 2015 and comparison with the forecast for the previous period for the fiscal year ending December 2016.

<Reference Materials 3> Assumptions of the forecast of the annualized effect

(1) The operating revenue and operating expenses for existing properties (properties other than CANDEO HOTELS UENO-KOEN and Hotel Centraza Hakata) remain unchanged, except for fixed asset tax and city planning tax, etc., from "Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2016 (17th period)" above.

(2) The fixed rent for CANDEO HOTELS UENO-KOEN is assumed to be JPY316M/year and the fixed rent for Hotel Centraza Hakata is assumed to be JPY400 million / year.

(3) For the fixed asset tax, city planning tax and other taxes and public dues for the relevant period, the fixed asset tax and city planning tax, etc. for the nine properties (the five *the b* hotels, Hotel Francs, Mercure Yokosuka, Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA) acquired in the fiscal year ended December 31, 2015 (16th period) are assumed to be ¥351 million (for twelve months), and the fixed asset tax and city planning tax, etc. for the acquired assets and assets for anticipated acquisition, CANDEO HOTELS UENO-KOEN, and Hotel Centraza Hakata are assumed to be ¥23 million (for twelve months) and JPY21 million (for twelve months), respectively.

(4) For non-operating expenses, the major financial costs expensed all at once upon property acquisition are not included in the annualized effect.

<Reference Materials 4> Dividend per unit and appropriation for dividends

Dividend per unit for the fiscal year ended December 31, 2014 and the fiscal year ended December 31, 2015 are calculated based on the following assumptions.

	Fiscal year ended December 31, 2014 (JPY1M)	Fiscal year ended December 31, 2015 (JPY1M)
Unappropriated retained earnings	5,776	9,296
Total appropriation for dividends (use of negative goodwill)	240	60
Loss on retirement of noncurrent assets	4	25
Financial costs in accordance with early repayment	71	35
Adjustment for dilution (Note)	164	—
Total dividends	6,015	9,354
Total number of investment units issued and outstanding	2,791,281 units	3,144,227 units
Dividend per unit	¥2,155	¥2,975

(Note) This is to respond to the dilution of dividend per unit which occurred as a result of the issuance of new investment units during the fiscal year ended December 31, 2014.

3. Financial statements

(1) Balance sheets

(thousands of yen)

	As of December 31, 2014	As of December 31, 2015
Assets		
Current assets		
Cash and deposits	7,539,897	5,450,696
Cash and deposits in trust	6,884,877	8,247,600
Operating accounts receivable	1,029,379	1,269,572
Prepaid expenses	381,639	410,241
Consumption taxes receivable	—	245,509
Income taxes receivable	428	3,057
Other current assets	37	6,473
Total current assets	15,836,259	15,633,151
Noncurrent assets		
Property and equipment, at cost		
Machinery and equipment	155,796	184,717
Accumulated depreciation	(46,078)	(68,766)
Machinery and equipment, net	109,718	115,951
Tools, furniture and fixtures	1,041,932	1,428,232
Accumulated depreciation	(478,692)	(637,865)
Tools, furniture and fixtures, net	563,239	790,367
Construction in progress	—	2,676
Buildings in trust	*1 67,291,439	*1 88,642,547
Accumulated depreciation	(7,389,134)	(9,276,696)
Buildings in trust, net	59,902,304	79,365,851
Structures in trust	736,632	2,006,145
Accumulated depreciation	(119,147)	(172,064)
Structures in trust, net	617,485	1,834,081
Machinery and equipment in trust	469,007	456,282
Accumulated depreciation	(49,103)	(52,883)
Machinery and equipment in trust, net	419,903	403,399
Tools, furniture and fixtures in trust	129,339	125,266
Accumulated depreciation	(61,607)	(68,340)
Tools, furniture and fixtures in trust, net	67,732	56,926
Land in trust	89,055,831	120,918,641
Construction in progress in trust	126	606
Net property and equipment	150,736,342	203,488,501
Intangible assets		
Software	57,421	100,333
Leasehold rights in trust	19,774,039	19,774,039
Other intangible assets	10,968	10,476
Total intangible assets	19,842,429	19,884,849
Investments and other assets		
Investment securities	602,725	—
Security deposits	12,520	12,520
Leasehold and security deposits in trust	158,323	158,323
Long-term prepaid expenses	803,747	993,340
Derivative assets	4,834	1,272
Reserve for repairs and maintenance	—	49,219
Total investments and other assets	1,582,151	1,214,676
Total noncurrent assets	172,160,922	224,588,027
Deferred assets		
Investment unit issuance costs	55,628	66,928
Investment corporation bond issuance costs	38,923	68,381
Total deferred assets	94,552	135,310
Total assets	188,091,734	240,356,489

(thousands of yen)

	As of December 31, 2014	As of December 31, 2015
Liabilities		
Current liabilities		
Operating accounts payable	285,938	875,465
Short-term loans payable	—	9,000,000
Current portion of investment corporation bonds	—	2,500,000
Current portion of long-term loans payable	11,825,132	11,393,603
Accrued expenses	400,390	500,859
Income taxes payable	1,210	1,210
Consumption taxes payable	290,174	—
Advances received	651,652	692,794
Dividends payable	10,770	12,381
Deposits received	9,384	71,442
Other current liabilities	—	25,452
Total current liabilities	13,474,653	25,073,210
Long-term liabilities		
Investment corporation bonds	6,000,000	9,500,000
Long-term loans payable	63,264,603	70,379,000
Tenant leasehold and security deposits	2,041,916	2,041,032
Tenant leasehold and security deposits in trust	2,608,901	2,914,912
Derivative liabilities	358,752	533,856
Total long-term liabilities	74,274,172	85,368,801
Total liabilities	87,748,826	110,442,012
Net assets		
Unitholders' equity		
Unitholders' capital	59,024,923	85,470,541
Surplus		
Capital surplus	21,746,398	21,746,398
Voluntary reserve		
Dividend reserve	14,168,614	13,928,075
Total voluntary reserve	14,168,614	13,928,075
Unappropriated retained earnings (undisposed loss)	5,776,116	9,296,121
Total surplus	41,691,129	44,970,596
Total unitholders' equity	100,716,052	130,441,137
Valuation and translation adjustments		
Deferred gains (losses) on hedges	(373,144)	(526,660)
Total valuation and translation adjustments	(373,144)	(526,660)
Total net assets	*2 100,342,908	*2 129,914,477
Total liabilities and net assets	188,091,734	240,356,489

(2) Statements of income

(thousands of yen)

	For the year ended December 31, 2014	For the year ended December 31, 2015
Operating revenue		
Real estate operating revenue	*1 12,510,628	*1 16,632,526
Other real estate operating revenue	*1 249,564	*1 401,349
Gain on sale of real estate properties	*2 13	*2 305,668
Gain on investment in silent partnership	—	4,288
Total operating revenue	12,760,205	17,343,833
Operating expenses		
Real estate operating costs	*1,*3 4,163,015	*1,*3 5,002,501
Asset management fee	809,152	1,045,925
Asset custody fee	14,134	17,633
Administrative service fee	71,703	89,541
Directors' compensation	9,600	10,800
Other operating expenses	147,060	188,480
Total operating expenses	5,214,666	6,354,882
Operating income	7,545,539	10,988,950
Non-operating income		
Interest income	2,111	2,977
Gain on forfeiture of unclaimed dividends	1,268	1,186
Gain on insurance claims	958	4,644
Interest on tax refunds	447	292
Gain on derivative instruments	—	9,411
Total non-operating income	4,785	18,512
Non-operating expenses		
Interest expense	1,029,964	918,051
Interest expense on investment corporation bonds	37,110	62,850
Borrowing costs	599,282	632,240
Amortization of investment corporation bond issuance costs	8,677	12,500
Amortization of investment unit issuance costs	35,774	51,846
Loss on derivative instruments	63,357	33,996
Other	67	90
Total non-operating expenses	1,774,234	1,711,575
Ordinary income	5,776,090	9,295,887
Income before income taxes	5,776,090	9,295,887
Income taxes – current	1,210	1,210
Total income taxes	1,210	1,210
Net income	5,774,880	9,294,677
Retained earnings brought forward	1,236	1,444
Unappropriated retained earnings (undisposed loss)	5,776,116	9,296,121

(3) Statements of changes in net assets

For the year ended December 31, 2014

(thousands of yen)

	Unitholders' equity						
	Unitholders' capital	Surplus					Total unitholders' equity
		Capital surplus	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	
			Dividend reserve	Total voluntary reserve			
Balance, January 1, 2014	48,845,323	21,746,398	16,017,484	16,017,484	3,235,030	40,998,912	89,844,236
Changes of items during the year:							
Issuance of new investment units	10,179,600						10,179,600
Reversal of dividend reserve			(1,848,870)	(1,848,870)	1,848,870	—	—
Dividends paid					(5,082,663)	(5,082,663)	(5,082,663)
Net income					5,774,880	5,774,880	5,774,880
Net changes of items other than unitholders' equity							
Total changes of items during the year	10,179,600	—	(1,848,870)	(1,848,870)	2,541,086	692,216	10,871,816
Balance, December 31, 2014	*1 59,024,923	21,746,398	14,168,614	14,168,614	5,776,116	41,691,129	100,716,052

(thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2014	(88,022)	(88,022)	89,756,213
Changes of items during the year:			
Issuance of new investment units			10,179,600
Reversal of dividend reserve			—
Dividends paid			(5,082,663)
Net income			5,774,880
Net changes of items other than unitholders' equity	(285,121)	(285,121)	(285,121)
Total changes of items during the year	(285,121)	(285,121)	10,586,694
Balance, December 31, 2014	(373,144)	(373,144)	100,342,908

For the year ended December 31, 2015

(thousands of yen)

	Unitholders' equity						
	Unitholders' capital	Surplus					Total unitholders' equity
		Capital surplus	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	
			Dividend reserve	Total voluntary reserve			
Balance, January 1, 2015	59,024,923	21,746,398	14,168,614	14,168,614	5,776,116	41,691,129	100,716,052
Changes of items during the year:							
Issuance of new investment units	26,445,618						26,445,618
Reversal of dividend reserve			(240,538)	(240,538)	240,538	—	—
Dividends paid					(6,015,210)	(6,015,210)	(6,015,210)
Net income					9,294,677	9,294,677	9,294,677
Net changes of items other than unitholders' equity							
Total changes of items during the year	26,445,618	—	(240,538)	(240,538)	3,520,005	3,279,466	29,725,085
Balance, December 31, 2015	*1 85,470,541	21,746,398	13,928,075	13,928,075	9,296,121	44,970,596	130,441,137

(thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2015	(373,144)	(373,144)	100,342,908
Changes of items during the year:			
Issuance of new investment units			26,445,618
Reversal of dividend reserve			—
Dividends paid			(6,015,210)
Net income			9,294,677
Net changes of items other than unitholders' equity	(153,516)	(153,516)	(153,516)
Total changes of items during the year	(153,516)	(153,516)	29,571,568
Balance, December 31, 2015	(526,660)	(526,660)	129,914,477

(4) Statements of cash dividends

Classification	For the year ended December 31, 2014	For the year ended December 31, 2015
I. Unappropriated retained earnings	¥5,776,116,820	¥9,296,121,922
II. Reversal of voluntary reserve		
Reversal of dividend reserve	¥240,538,162	¥60,847,707
III. Dividends	¥6,015,210,555	¥9,354,075,325
[Dividend per unit]	[¥2,155]	[¥2,975]
IV. Retained earnings carried forward	¥1,444,427	¥2,894,304
Method of calculating the amount of dividends	In accordance with the monetary distribution policy stipulated in Article 34, paragraph 1 of JHR's Articles of Incorporation, amount of dividend must exceed 90% of JHR's distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation. It was decided that ¥6,016,654,982, which was calculated by adding a reversal of dividend reserve of ¥240,538,162 to unappropriated retained earnings of ¥5,776,116,820, would all be distributed except for fractions of less than one yen of dividend per unit. Consequently, the dividend per unit came to ¥2,155. The monetary distribution in excess of earnings stipulated in Article 34, paragraph 1 (4) of JHR's Articles of Incorporation will not be made.	In accordance with the monetary distribution policy stipulated in Article 34, paragraph 1 of JHR's Articles of Incorporation, amount of dividend must exceed 90% of JHR's distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation. It was decided that ¥9,356,969,629, which was calculated by adding a reversal of dividend reserve of ¥60,847,707 to unappropriated retained earnings of ¥9,296,121,922, would all be distributed except for fractions of less than one yen of dividend per unit. Consequently, the dividend per unit came to ¥2,975. The monetary distribution in excess of earnings stipulated in Article 34, paragraph 1 (4) of JHR's Articles of Incorporation will not be made.

(5) Statements of cash flows

(thousands of yen)

	For the year ended December 31, 2014	For the year ended December 31, 2015
Cash flows from operating activities		
Income before income taxes	5,776,090	9,295,887
Depreciation and amortization	2,400,444	2,772,440
Loss on retirement of noncurrent assets	4,643	25,790
Loss on derivative instruments	63,357	24,584
Amortization of investment corporation bond issuance costs	8,677	12,500
Amortization of investment unit issuance costs	35,774	51,846
Decrease in property and equipment in trust due to sale	683,986	4,400,042
Gain on investment in silent partnership	—	(4,288)
Interest income	(2,111)	(2,977)
Interest expense	1,067,075	980,901
Interest on tax refunds	(447)	(292)
(Increase) decrease in operating accounts receivable	(275,570)	(240,193)
(Increase) decrease in consumption taxes receivable	—	(245,509)
(Increase) decrease in prepaid expenses	(51,910)	(28,602)
(Increase) decrease in long-term prepaid expenses	(358,452)	(189,593)
Increase (decrease) in operating accounts payable	(11,682)	69,222
Increase (decrease) in accounts payable	(46,197)	—
Increase (decrease) in accrued expenses	60,922	103,627
Increase (decrease) in consumption taxes payable	176,457	(290,174)
Increase (decrease) in advances received	16,960	41,141
Increase (decrease) in deposits received	(65,510)	62,058
Other – net	(4,307)	7,996
Subtotal	9,478,198	16,846,409
Interest received	2,111	2,977
Interest paid	(1,126,516)	(983,493)
Interest received on tax refunds	447	292
Income taxes – refunded (paid)	(1,233)	(3,838)
Net cash provided by operating activities	8,353,007	15,862,346
Cash flows from investing activities		
Purchase of investment securities	(602,725)	—
Proceeds from redemption of investment securities	—	607,013
Purchase of property and equipment in trust	(16,924,492)	(59,092,222)
Purchase of property and equipment	(317,551)	(299,812)
Purchase of intangible assets	(14,290)	(81,347)
Payments of reserve for repairs and maintenance	—	(49,219)
Proceeds from tenant leasehold and security deposits in trust	102,021	641,553
Reimbursements of tenant leasehold and security deposits in trust	(72,900)	(324,585)
Proceeds from tenant leasehold and security deposits	1,396	16
Net cash used in investing activities	(17,828,541)	(58,598,604)
Cash flows from financing activities		
Proceeds from short-term loans payable	6,800,000	15,000,000
Repayments of short-term loans payable	(9,469,150)	(6,000,000)
Proceeds from long-term loans payable	29,082,000	22,508,000
Repayments of long-term loans payable	(23,607,180)	(15,825,132)
Proceeds from investment corporation bonds	3,500,000	6,000,000
Proceeds from issuance of investment units	10,150,551	26,382,471
Payments for investment corporation bond issuance costs	(30,101)	(41,959)
Dividends paid	(5,079,101)	(6,013,599)
Net cash provided by financing activities	11,347,018	42,009,780
Net increase (decrease) in cash and cash equivalents	1,871,484	(726,477)
Cash and cash equivalents at beginning of year	12,553,289	14,424,774
Cash and cash equivalents at end of year	*1 14,424,774	*1 13,698,296

(6) Notes on going concern assumption

Not applicable.

(7) Notes on matters concerning significant accounting policies

1. Valuation standards and valuation method for assets	Securities, other securities, securities without market value. Stated at cost being determined by the moving average method. Equity interest in silent partnership is stated at its net asset value corresponding to the equity interest in the silent partnership.
2. Method of depreciation and amortization of noncurrent assets	(1) Property and equipment (including trust accounts) Depreciation of property and equipment is calculated using the straight-line method. The useful lives of major property and equipment components are as follows: Machinery and equipment 2 to 17 years Tools, furniture and fixtures 2 to 20 years Buildings in trust 2 to 62 years Structures in trust 2 to 62 years Machinery and equipment in trust 4 to 32 years Tools, furniture and fixtures in trust 2 to 27 years (2) Intangible assets Intangible assets are amortized using the straight-line method. The amortization period of major intangible assets is as follows. Software (for internal use) 5 years as internally usable years (3) Long-term prepaid expenses Long-term prepaid expenses are amortized using the straight-line method.
3. Accounting for deferred assets	(1) Investment unit issuance costs Investment unit issuance costs are amortized using the straight-line method over three years. The issuance of new investment units through public offerings on January 27, 2015 and June 22, 2015 was consummated under underwriting agreements in which underwriting securities companies committed to purchase all of the investment units being offered at an issue value and selling them at an offering price different from such issue value to general investors (the "spread method"). No underwriting fees were paid by JHR under the spread method since the underwriters were compensated by the underwriting spread, which amounted to ¥858,900 thousand for the year ended December 31, 2015 and ¥345,440 thousand for the year ended December 31, 2014, representing the difference between the issue price and the issue value of all new investment units issued. (2) Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized using the interest method over the respective term of the bond.
4. Standards for recognition of revenues and expenses	Treatment of property taxes and other taxes For taxes on properties under management such as property taxes, city planning taxes, and depreciable asset taxes, the imposed amounts are allocated to the respective period and expensed as "Real estate operating costs." Cash paid for property taxes and city planning taxes to the transferor of real properties at acquisition is not recorded as "Real estate operating costs" but capitalized as part of the acquisition cost of the relevant property. The amount of such taxes capitalized in the acquisition cost of real properties was ¥180,668 thousand for the year ended December 31, 2015 and ¥36,674 thousand for the year ended December 31, 2014.

5. Method of hedge accounting	(1) Method of hedge accounting Deferred hedge accounting is applied (2) Hedging instruments and hedged items Hedging instruments Interest rate swaps Interest rate caps Hedged items Interest rates on loans payable (3) Hedging policy JHR enters into certain derivative transactions in accordance with its financial policy in order to manage risks, which is provided in the Articles of Incorporation. (4) Method for assessing hedge effectiveness JHR evaluates hedge effectiveness by comparing the cumulative changes in cash flow of hedging instruments and the hedged items and assessing the ratio between the changes.
6. Scope of funds (cash and cash equivalents) in the statements of cash flows	Cash and cash equivalents in the statements of cash flows consist of cash on hand, cash in trust accounts, bank deposit and trust deposit, which can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased, which can easily be converted to cash and subject to minimal risk of change in value.
7. Other significant matters serving as the basis for preparing financial statements	(1) Accounting treatment of beneficial interests in trust with real estate, etc. as their asset For trust beneficial interests in real estate, etc., all assets and liabilities held in trust accounts as well as all income generated and expenses incurred from assets in trust are presented in the accompanying balance sheet and income statement accounts accordingly. The following material items of the trust accounts recorded in the relevant accounts are presented separately on the balance sheets. (a) Cash and deposits in trust (b) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust (c) Leasehold rights in trust; Leasehold and security deposits in trust (d) Tenant leasehold and security deposits in trust (2) Accounting treatment of consumption taxes Consumption taxes are excluded from the transaction amounts. However, non-deductible consumption taxes on property and equipment are included in the cost of the respective period.

(8) Notes to financial statements

Disclosure of notes on "securities," "share of (profit) loss of entities accounted for using equity method," "related-party transactions" and "retirement benefits" is omitted because there is thought to be no large necessity for disclosure in the financial report.

[Notes to balance sheets]

*1. Accumulated advanced depreciation of property and equipment deducted from acquisition costs due to government subsidies received

	As of December 31, 2014	As of December 31, 2015
Buildings in trust	¥24,921 thousand	¥24,921 thousand

*2. Minimum net assets as required by Article 67, paragraph 4 of the Investment Trusts Act

As of December 31, 2014	As of December 31, 2015
¥50,000 thousand	¥50,000 thousand

[Notes to statements of income]

*1. Components of real estate operating revenue and real estate operating costs

(thousands of yen)

	For the year ended December 31, 2014		For the year ended December 31, 2015	
A. Real estate operating revenue				
Real estate operating revenue				
Fixed rent	8,817,424		9,909,942	
Variable rent	2,739,966		4,460,082	
Income from management contracts	953,237	12,510,628	2,262,502	16,632,526
Other real estate operating revenue				
Parking lots	61,735		87,100	
Other incidental revenue	26,112		41,191	
Utilities	133,458		261,412	
Other	28,258	249,564	11,644	401,349
Total real estate operating revenue		12,760,192		17,033,876
B. Real estate operating costs				
Real estate operating costs				
Land lease and other rent expenses	463,124		463,289	
Property taxes	835,162		940,806	
Outsourcing expenses (Note)	197,668		387,958	
Nonlife insurance	26,480		32,334	
Depreciation and amortization	2,400,444		2,772,440	
Loss on retirement of noncurrent assets	4,643		25,790	
Repairs	45,507		65,240	
Utilities	132,826		259,741	
Trust fees	44,901		42,674	
Other	12,254	4,163,015	12,224	5,002,501
Total real estate operating costs		4,163,015		5,002,501
C. Net real estate operating income (A－B)		8,597,176		12,031,375

(Note) Outsourcing expenses include management contract fees of ¥239,507 thousand for the year ended December 31, 2015 and ¥81,689 thousand for the year ended December 31, 2014.

*2. Components of gain (loss) on sale of real estate properties

(thousands of yen)

	For the year ended December 31, 2014
	Dormy Inn Namba
Proceeds from sale of properties	700,000
Costs of sale of properties	683,986
Other selling expenses	16,000
Gain (loss) on sale of real estate properties	13

(thousands of yen)

	For the year ended December 31, 2015			
	Comfort Hotel Shin-Yamaguchi	Daiwa Roynet Hotel Akita	Hotel Sunroute Niigata	Total
Proceeds from sale of properties	—	—	—	4,890,000
Costs of sale of properties	787,727	1,644,598	1,967,716	4,400,042
Other selling expenses	33,684	72,401	78,203	184,288
Gain (loss) on sale of real estate properties	—	—	—	305,668

The sale prices for each property have not been disclosed as consent on disclosure has not been obtained from the purchaser.

*3. Depreciation was expensed as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2015
Property and equipment	¥2,387,845 thousand	¥2,748,885 thousand
Intangible assets	¥12,599 thousand	¥23,554 thousand

[Notes to statements of changes in net assets]

	For the year ended December 31, 2014	For the year ended December 31, 2015
*1 Total number of investment units authorized, and issued and outstanding		
Total number of investment units authorized	20,000,000 units	20,000,000 units
Total number of investment units issued and outstanding	2,791,281 units	3,144,227 units

[Notes to statements of cash flows]

*1. Relation of balance of cash and cash equivalents at end of year and the amount in balance sheet accounts

	For the year ended December 31, 2014	For the year ended December 31, 2015
Cash and deposits	¥7,539,897 thousand	¥5,450,696 thousand
Cash and deposits in trust	¥6,884,877 thousand	¥8,247,600 thousand
Cash and cash equivalents	¥14,424,774 thousand	¥13,698,296 thousand

[Notes on lease transactions]

Operating leases (as lessor)

Minimum rental revenue under non-cancellable operating leases

	As of December 31, 2014	As of December 31, 2015
Due within one year	¥1,308,494 thousand	¥1,788,631 thousand
Due after one year	¥6,161,012 thousand	¥7,565,169 thousand
Total	¥7,469,507 thousand	¥9,353,800 thousand

[Notes on financial instruments]

1. Matters concerning status of financial instruments

(1) Policy for financial instruments

JHR is an investment corporation set forth in Article 2, paragraph 12 of the Investment Trusts Act, managing investments mainly in specified assets as prescribed in the Investment Trusts Act. As a policy, JHR procures funds through issuance of investment units, etc. and loans from financial institutions in order to make investments in specified assets. JHR does not utilize surplus funds to invest in financial instruments except for short-term deposits and other equivalent short-term financial instruments. JHR may enter into derivative transactions in order to hedge against interest rate risk, but not for speculative trading purposes.

(2) Details of financial instruments, their risks, and risk management system

Investment securities, which represent an investment in a silent partnership, are exposed to credit risks of the issuer and risks of fluctuation of real estate property value, etc. JHR manages these risks by periodically measuring the actual market values of such properties and the financial conditions of the issuer.

The floating rate loans payable are exposed to risks of interest rate fluctuations. In order to mitigate interest rate risk, JHR may enter into derivative transactions, if necessary to fix the interest expense.

Derivative transactions are conducted principally in accordance with rules prescribed by JHR and risk management rules applied by the Asset Management Company. Derivative transactions are arranged by the section in charge of finance at the Asset Management Company by using financial institutions with high credit ratings through approval and resolution by authorized personnel and a meeting committee structure set forth in its decision-making standards and resolution of JHR's board of directors.

Loans payable are exposed to liquidity risks. The section in charge of finance at the Asset Management Company prepares and updates projections and actual cash flows on a monthly basis to manage liquidity risks and monitor compliance with restrictive covenants set forth in the loan agreements. JHR manages liquidity risks by managing the ratio of short-term and long-term loans payable considering the current financial environment through approval and resolution by authorized personnel and meeting committee structure in the Asset Management Company and resolution of JHR's board of directors.

(3) Supplementary explanation on matters concerning fair value, etc. of financial instruments

Regarding the contract amount, etc. of derivative transactions in "2. Matters concerning fair value of financial instruments," the amount itself does not indicate certain scale of market risk exposure related to derivative transactions.

2. Matters concerning fair value of financial instruments

Carrying amounts of financial instruments on the balance sheets, their fair values, and the differences as of December 31, 2014 were as follows. Financial instruments whose fair values are considered extremely difficult to measure are not included in the table. See Note 2 below.

	Carrying amount (JPY1000)	Fair value (JPY1000)	Difference (JPY1000)
(1) Cash and deposits	7,539,897	7,539,897	—
(2) Cash and deposits in trust	6,884,877	6,884,877	—
Total assets	14,424,774	14,424,774	—
(5) Current portion of long-term loans payable	11,825,132	11,825,132	—
(6) Investment corporation bonds	6,000,000	6,029,450	29,450
(7) Long-term loans payable	63,264,603	63,264,603	—
Total liabilities	81,089,735	81,119,185	29,450
(8) Derivative transactions (*)	(353,917)	(353,917)	—

Carrying amounts of financial instruments on the balance sheets, their fair values, and the differences as of December 31, 2015 were as follows. Financial instruments whose fair values are considered extremely difficult to measure are not included in the table. See Note 2 below.

	Carrying amount (JPY1000)	Fair value (JPY1000)	Difference (JPY1000)
(1) Cash and deposits	5,450,696	5,450,696	—
(2) Cash and deposits in trust	8,247,600	8,247,600	—
Total assets	13,698,296	13,698,296	—
(3) Short-term loans payable	9,000,000	9,000,000	—
(4) Current portion of investment corporation bonds	2,500,000	2,507,000	7,000
(5) Current portion of long-term loans payable	11,393,603	11,393,603	—
(6) Investment corporation bonds	9,500,000	9,544,450	44,450
(7) Long-term loans payable	70,379,000	70,379,000	—
Total liabilities	102,772,603	102,824,053	51,450
(8) Derivative transactions (*)	(532,584)	(532,584)	—

(*) Receivables and payables arising from derivative transactions are presented on a net basis and amounts in parenthesis denote net payables.

(Note 1) Methods to measure fair value of financial instruments

(1) Cash and deposits; (2) Cash and deposits in trust; (3) Short-term loans payable

The carrying value is deemed to approximate the fair value since the instruments are scheduled to be settled in a short period of time.

(4) Current portion of investment corporation bonds; (6) Investment corporation bonds

The fair value of these instruments is measured based on the market price.

(5) Current portion of long-term loans payable; (7) Long-term loans payable

The carrying value is deemed to approximate the fair value since the interest rate on long-term loans payable are floating interest rates which are revised periodically to reflect market interest rates.

(8) Derivative transactions

The information on the fair value of derivative transactions is presented in “Notes on derivative transactions.”

(Note 2) Carrying amount of financial instruments whose fair values are considered extremely difficult to measure

(thousands of yen)

Classification	As of December 31, 2014	As of December 31, 2015
Investment securities	602,725	—
Tenant leasehold and security deposits	2,041,916	2,041,032
Tenant leasehold and security deposits in trust	2,608,901	2,914,912
Total	5,253,542	4,955,944

Investment securities

Investment securities (equity investment in silent partnership) are not subject to fair value disclosure because they have no market price and their fair values are considered extremely difficult to measure.

Tenant leasehold and security deposits / Tenant leasehold and security deposits in trust

Tenant leasehold and security deposits (in trust) are not subject to fair value disclosure because they have no market price and their actual deposit periods from a tenant’s move-in to move-out are not estimable, thus making a reasonable estimate of future cash flows difficult.

3. Redemption schedule for monetary claims subsequent to the account closing date

As of December 31, 2014

	Due within one year (JPY1000)	Due after one to two years (JPY1000)	Due after two to three years (JPY1000)	Due after three to four years (JPY1000)	Due after four to five years (JPY1000)	Due after five years (JPY1000)
Cash and deposits	7,539,897	—	—	—	—	—
Cash and deposits in trust	6,884,877	—	—	—	—	—
Total	14,424,774	—	—	—	—	—

As of December 31, 2015

	Due within one year (JPY1000)	Due after one to two years (JPY1000)	Due after two to three years (JPY1000)	Due after three to four years (JPY1000)	Due after four to five years (JPY1000)	Due after five years (JPY1000)
Cash and deposits	5,450,696	—	—	—	—	—
Cash and deposits in trust	8,247,600	—	—	—	—	—
Total	13,698,296	—	—	—	—	—

4. Schedule for repayment of loans payable and redemption of investment corporation bonds subsequent to the account closing date

As of December 31, 2014

	Due within one year (JPY1000)	Due after one to two years (JPY1000)	Due after two to three years (JPY1000)	Due after three to four years (JPY1000)	Due after four to five years (JPY1000)	Due after five years (JPY1000)
Current portion of long-term loans payable	11,825,132	—	—	—	—	—
Investment corporation bonds	—	2,500,000	—	—	2,000,000	1,500,000
Long-term loans payable	—	13,847,603	10,618,250	13,322,750	6,794,000	18,682,000
Total	11,825,132	16,347,603	10,618,250	13,322,750	8,794,000	20,182,000

As of December 31, 2015

	Due within one year (JPY1000)	Due after one to two years (JPY1000)	Due after two to three years (JPY1000)	Due after three to four years (JPY1000)	Due after four to five years (JPY1000)	Due after five years (JPY1000)
Short-term loans payable	9,000,000	—	—	—	—	—
Current portion of investment corporation bonds	2,500,000	—	—	—	—	—
Current portion of long-term loans payable	11,393,603	—	—	—	—	—
Investment corporation bonds	—	—	—	2,000,000	—	7,500,000
Long-term loans payable	—	9,679,250	13,322,750	6,317,000	13,544,000	27,516,000
Total	22,893,603	9,679,250	13,322,750	8,317,000	13,544,000	35,016,000

[Notes on derivative transactions]

1. Derivative transactions to which hedge accounting is not applied

The contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date of derivative transactions to which hedge accounting is not applied was as follows:

As of December 31, 2014

(thousands of yen)

Classification	Type, etc. of derivative transaction	Contract amount, etc.		Fair value	Method to measure the fair value
			Of which, due after one year		
Transactions other than market transactions	Interest rate swaps (fixed rate payment, floating rate receipt)	5,000,000	5,000,000	(37,252)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

As of December 31, 2015

(thousands of yen)

Classification	Type, etc. of derivative transaction	Contract amount, etc.		Fair value	Method to measure the fair value
			Of which, due after one year		
Transactions other than market transactions	Interest rate swaps (fixed rate payment, floating rate receipt)	6,794,000	6,794,000	(38,598)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	848,250	848,250	34	

2. Derivative transactions to which hedge accounting is applied

The contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date for each method of hedge accounting of derivative transactions to which hedge accounting is applied was as follows:

As of December 31, 2014

(thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Defferal method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	55,604,250	48,659,950	(321,499)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	Long-term loans payable	9,413,500	9,413,500	4,834	

As of December 31, 2015

(thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Defferal method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	63,581,950	58,028,750	(495,258)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	Long-term loans payable	8,565,250	4,286,250	1,238	

[Notes on tax-effect accounting]

1. Significant components of deferred tax assets and liabilities by cause

(thousands of yen)

	As of December 31, 2014	As of December 31, 2015
Deferred tax assets – noncurrent:		
Valuation difference on assets accepted through merger	2,084,809	1,833,861
Deferred losses on hedges	135,963	179,626
Total gross deferred tax assets – noncurrent	2,220,772	2,013,488
Valuation allowance	(2,220,772)	(2,013,488)
Total deferred tax assets – noncurrent	—	—

2. Details of major causes of material differences between the statutory tax rate and the tax rate under effective tax accounting

	As of December 31, 2014	As of December 31, 2015
Statutory tax rate	34.16%	34.15%
[Adjustments]		
Deduction for dividends paid	(30.56%)	(32.59%)
Change in valuation allowance	(3.62%)	(2.72%)
Other – net	0.04%	1.17%
Actual effective tax rate	0.02%	0.01%

[Notes on asset retirement obligations]

For the year ended December 31, 2014

Not applicable.

For the year ended December 31, 2015

Not applicable.

[Notes on segment and related information]

1. Segment information

The segment information has been omitted because JHR has only one segment, which is the investment and management of hotel real estate.

2. Related information

For the year ended December 31, 2014

(1) Information about products and services

Information about products and services has been omitted because operating revenue from external customers in a single product/service category accounted for more than 90% of total operating revenue on the statements of income.

(2) Information about geographical areas

(i) Operating revenue

Information about geographical areas has been omitted because operating revenue from external customers in Japan accounted for more than 90% of total operating revenue on the statements of income.

(ii) Property and equipment

Information about property and equipment has been omitted because the amount of property and equipment located in Japan accounted for more than 90% of net property and equipment on the balance sheets.

(3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd.	5,627,554	Investment and management of hotel real estate
The Dai-ichi Building Co., Ltd.	1,872,000	Investment and management of hotel real estate

For the year ended December 31, 2015

(1) Information about products and services

Information about products and services has been omitted because operating revenue from external customers in a single product/service category accounted for more than 90% of total operating revenue on the statements of income.

(2) Information about geographical areas

(i) Operating revenue

Information about geographical areas has been omitted because operating revenue from external customers in Japan accounted for more than 90% of total operating revenue on the statements of income.

(ii) Property and equipment

Information about property and equipment has been omitted because the amount of property and equipment located in Japan accounted for more than 90% of net property and equipment on the balance sheets.

(3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd.	6,147,639	Investment and management of hotel real estate
AAPC Japan K.K.	2,546,023	Investment and management of hotel real estate
The Dai-ichi Building Co., Ltd.	(Note)	Investment and management of hotel real estate

(Note) The operating revenue is not disclosed as consent on disclosure has not been obtained from the hotel lessee.

[Notes on rental properties, etc.]

JHR owns rental properties for hotels to earn lease income and income from management contracts. The carrying amounts, changes in such balances, and fair values of such properties were as follows:

(thousands of yen)

Use		For the year ended December 31, 2014	For the year ended December 31, 2015
Hotel	Carrying amount		
	Balance at beginning of period	155,753,667	169,847,788
	Net increase (decrease) during period	14,094,120	52,514,962
	Balance at end of period	169,847,788	222,362,750
	Fair value at end of period	205,408,000	302,110,000

(Note 1) For a summary of the rental properties, please refer to "5. Reference information; (2) Assets under management; (C) Other major assets under management; A. Summary of real estate properties under management" on page 52.

(Note 2) Carrying amount recognized in the balance sheet is net of accumulated depreciation, if any, from acquisition price (including costs for acquisitions). Amounts for machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust, and intangible assets other than leasehold rights in trust and facility usage rights are not included.

(Note 3) With regards to Net increase (decrease) during period, increase during the year ended December 31, 2014 principally represents the acquisition of ibis Styles Sapporo for ¥6,868 million, Mercure Sapporo for ¥6,102 million and Mercure Okinawa Naha for ¥3,009 million. Decrease during the year ended December 31, 2014 principally represents the sale of Dormy Inn Namba for ¥683 million. Increase during the year ended December 31, 2015 principally represents the acquisition of the five *the b* hotels for ¥20,230 million, Hotel Francs for ¥3,181 million, Mercure Yokosuka for ¥1,649 million, Okinawa Marriott Resort & Spa for ¥15,094 million and ACTIVE-INTER CITY HIROSHIMA for ¥17,949 million. Decrease during the year ended December 31, 2015 principally represents the sale of Comfort Hotel Shin-Yamaguchi for ¥787 million, Daiwa Roynet Hotel Akita for ¥1,644 million and Hotel Sunroute Niigata for ¥1,967 million.

(Note 4) Fair value at end of period is generally the appraisal value determined by licensed real estate appraisers.

Real estate operating revenue and costs related to the rental properties were as follows:

(thousands of yen)

Use		For the year ended December 31, 2014	For the year ended December 31, 2015
Hotel	Amount on the statements of income		
	Real estate operating revenue	12,760,192	17,033,876
	Real estate operating costs	4,163,015	5,002,501
	Net real estate operating income	8,597,176	12,031,375

(Note) "Real estate operating revenue" and "Real estate operating costs" are income from real estate operation (including other income from real estate operation) and corresponding expenses (such as depreciation, property tax, etc, trust fees, and repairs, maintenance expenses and others), and are included in "Operating revenue" and "Real estate operating costs," respectively.

[Notes on per unit information]

	For the year ended December 31, 2014	For the year ended December 31, 2015
Net assets per unit	¥35,948	¥41,318
Net income per unit	¥2,159	¥3,036

(Note 1) The computation of net income per unit is based on the weighted-average number of units outstanding during the period.
Diluted net income per unit is not presented since there are no potentially dilutive units.

(Note 2) The basis of computation of net income per unit is as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2015
Net income (JPY1000)	5,774,880	9,294,677
Amount not attributable to common unitholders (JPY1000)	—	—
Net income attributable to common investment units (JPY1000)	5,774,880	9,294,677
Average number of investment units during period (units)	2,674,377	3,060,647

[Notes on significant subsequent events]

1. Acquisition of asset

On February 1, 2016, JHR acquired the following asset.

Property name	CANDEO HOTELS UENO-KOEN
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	1-2-13 Negishi, Taito-ku, Tokyo
Acquisition date	February 1, 2016
Seller	GK Ueno Parkside
Acquisition price (Note)	¥6,705 million

(Note) The acquisition price does not include expenses for acquisition, settlement of property taxes and city planning taxes, and consumption taxes.

2. Resolution on acquisition of asset

On February 18, 2016, JHR concluded a purchase and sale agreement regarding acquisition of the following asset.

Property name	Hotel Centraza Hakata
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	4-23 Hakata-eki Chuogai, Hakata-ku, Fukuoka-shi, Fukuoka
Anticipated acquisition date	April 1, 2016
Planned seller	The seller is not disclosed as consent on disclosure has not been obtained from the seller. There are no capital, human or business relationships to be noted between JHR or the Asset Management Company and the seller. In addition, the seller does not have any special interest relationship with either JHR or the Asset Management Company.
Anticipated acquisition price (Note)	¥7,197 million

(Note) The anticipated acquisition price does not include expenses for acquisition, settlement of property taxes and city planning taxes, and consumption taxes.

3. Resolution on borrowing of funds

On January 4, 2016, JHR resolved on new borrowings of ¥2,000 million as follows in order to partly fund the acquisition of the real estate beneficial interest in trust of CANDEO HOTELS UENO-KOEN and movable assets attached thereon as described above in "1. Acquisition of asset"

Lender	Financial syndicate arranged by Sumitomo Mitsui Banking Corporation
Planned amount of the loan	¥2,000 million
Interest rate	To be determined
Scheduled date of borrowing	February 29, 2016
Method of principal repayment	To be determined
Maturity date	To be determined
Collateral	Unsecured/Unguaranteed

On February 18, 2016, JHR resolved on new borrowings of ¥7,000 million as follows in order to partly fund the acquisition of the real estate beneficial interest in trust of Hotel Centraza Hakata and movable assets attached thereon as described above in "2. Resolution on acquisition of asset."

Lender	Financial syndicate arranged by Sumitomo Mitsui Banking Corporation
Planned amount of the loan	¥7,000 million
Interest rate	To be determined
Scheduled date of borrowing	April 1, 2016
Method of principal repayment	To be determined
Scheduled maturity date	March 31, 2017
Collateral	Unsecured/Unguaranteed

4. Issuance of new investment units

JHR resolved to issue new investment units at the Board of Directors meetings held on January 4, 2016 and January 13, 2016. Payment for the new investment units was completed on January 20, 2016 and February 17, 2016, and the investment units were issued under the following terms and conditions. As a result, JHR's unitholders' capital increased to ¥100,088,808,209, with the number of investment units issued and outstanding totaling 3,321,907 units.

(a) Issuance of new investment units (public offering)

Number of investment units issued:	170,000 units
Issue price:	¥85,020 per unit
Total issue price:	¥14,453,400,000
Paid-in amount (issue value):	¥82,273 per unit
Total paid-in amount (total issue value):	¥13,986,410,000
Payment date:	January 20, 2016

(b) Issuance of new investment units (third-party allotment)

Number of investment units issued:	7,680 units
Paid-in amount (issue value):	¥82,273 per unit
Total paid-in amount (total issue value):	¥631,856,640
Payment date:	February 17, 2016
Allottee:	SMBC Nikko Securities Inc.

(c) Use of funds

JHR allocated the proceeds obtained from the public offering and the third-party allotment to cash on hand in order to complement part of a decrease in cash on hand, which is a decrease that occurred when JHR had used cash on hand to partly fund the acquisition of ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel) (including expenses for acquisition) that it acquired on December 18, 2015. JHR also used the said proceeds to partly fund the acquisition of CANDEO HOTELS UENO-KOEN as described above in "1. Acquisition of asset"

(9) Changes in total number of investment units issued and outstanding

Issuance of new investment units through public offering (200,000 units) on January 27, 2015, issuance of new investment units by way of third-party allotment (9,041 units) on February 18, 2015, issuance of new investment units through public offering (140,000 units) on June 22, 2015 and issuance of new investment units by way of third-party allotment (3,905 units) on July 23, 2015 resulted in procurement of ¥26,445 million. The following is the status of increase (decrease) in the total number of investment units issued and outstanding and unitholders' capital through to the end of the fiscal period under review.

Date	Capital transaction	Total number of investment units issued and outstanding (Units)		Unitholders' capital (JPY1M)		Note
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
November 10, 2005	Incorporation through private placement	400	400	200	200	(Note 1)
June 13, 2006	Capital increase through public offering of investment units	41,800	42,200	19,361	19,561	(Note 2)
April 6, 2011	Capital increase through third-party allotment of investment units	15,831	58,031	3,599	23,161	(Note 3)
April 1, 2012	Investment unit split	638,341	696,372	—	23,161	(Note 4)
April 1, 2012	Merger	1,162,909	1,859,281	—	23,161	(Note 5)
September 12, 2012	Capital increase through public offering of investment units	240,000	2,099,281	4,855	28,017	(Note 6)
October 11, 2012	Capital increase through third-party allotment of investment units	12,000	2,111,281	242	28,260	(Note 7)
April 17, 2013	Capital increase through public offering of investment units	510,000	2,621,281	20,585	48,845	(Note 8)
September 9, 2014	Capital increase through public offering of investment units	170,000	2,791,281	10,179	59,024	(Note 9)
January 27, 2015	Capital increase through public offering of investment units	200,000	2,991,281	14,974	73,999	(Note 10)
February 18, 2015	Capital increase through third-party allotment of investment units	9,041	3,000,322	676	74,676	(Note 11)
June 22, 2015	Capital increase through public offering of investment units	140,000	3,140,322	10,500	85,177	(Note 12)
July 23, 2015	Capital increase through third-party allotment of investment units	3,905	3,144,227	292	85,470	(Note 13)

(Note 1) At the time of incorporation, investment units were issued with an issue price per unit of ¥500,000.

(Note 2) New investment units were issued through public offering with an issue price per unit of ¥480,000 (subscription price of ¥463,200) in order to procure funds for the acquisition of new properties, etc.

(Note 3) New investment units were issued through third-party allotment with an issue price per unit of ¥227,400 in order to procure funds for the acquisition of new properties.

(Note 4) Conducted a 12-for-1 split of investment units.

(Note 5) JHR (the former NHF) merged with Japan Hotel & Resort, Inc. (the former JHR). The merger was an absorption-type merger pursuant to Article 147 of the Investment Trusts Act where JHR is the surviving corporation and the former JHR is the absorbed corporation. Following this merger, 11 investment units of JHR after the split of investment units were delivered by allotment for each investment unit of the former JHR.

(Note 6) New investment units were issued through public offering with an issue price per unit of ¥20,990 (subscription price of ¥20,232) in order to procure funds for the acquisition of new properties, etc.

(Note 7) New investment units were issued through third-party allotment with an issue price per unit of ¥20,232 in order to repay loans payable, etc.

(Note 8) New investment units were issued through public offering with an issue price per unit of ¥41,778 (subscription price of ¥40,363) in order to procure funds for the acquisition of new properties, etc.

(Note 9) New investment units were issued through public offering with an issue price per unit of ¥61,912 (subscription price of ¥59,880) in order to procure funds for the acquisition of new properties, etc.

(Note 10) New investment units were issued through public offering with an issue price per unit of ¥77,415 (subscription price of ¥74,874) in order to procure funds for the acquisition of new properties, etc.

(Note 11) New investment units were issued through third-party allotment with an issue price per unit of ¥74,874 in order to procure funds for allocation to part of future acquisitions of specified assets, part of other repayment of loans, or capital expenditures to maintain or improve competitiveness of existing properties.

(Note 12) New investment units were issued through public offering with an issue price per unit of ¥77,512 (subscription price of ¥75,007) in order to procure funds for the acquisition of new properties, etc.

(Note 13) New investment units were issued through third-party allotment with an issue price per unit of ¥75,007 in order to procure funds for allocation to part of future acquisitions of specified assets, part of other repayment of loans, or capital expenditures to maintain or improve competitiveness of existing properties.

4. Changes in directors

(1) Directors of JHR

The following are the directors of JHR as of the date of this report.

Title	Name	Major career		Number of investment units held
Executive Director	Kaname Masuda	Apr. 1990	Registered as a lawyer (Daiichi Tokyo Bar Association) Joined Nishimura & Partners (Present Nishimura & Asahi)	0
		Oct. 1998	Joined Merrill Lynch Japan Securities Co., Ltd.	
		Nov. 2000	General Counsel	
		Mar. 2001	Executive Director (Concurrent position)	
		Aug. 2002	Enrolled in Columbia Law School, Columbia University, U.S.	
		May 2003	Graduated from Columbia Law School, Columbia University, U.S. (LL.M.)	
		Sep. 2006	Registered as a lawyer, State of New York	
		Feb. 2008	Established Masuda & Partners Law Office as Managing Partner (current)	
		Jun. 2008	Joined Jibun Bank Corporation as Outside Corporate Auditor (current)	
		Sep. 2010	Joined Japan Hotel and Resort, Inc. as Executive Director	
		Feb. 2012	Joined Commons Asset Management, Inc. as Outside Corporate Auditor (current)	
		Mar. 2014	Joined GMO Internet, Inc. as Outside Corporate Auditor (current)	
		Jun. 2014	Joined Kando Co., Ltd. as Outside Director (current)	
		Oct. 2014	Joined CROSSWARP Inc. as Outside Corporate Auditor (current)	
		Nov. 2015	Joined Japan Hotel REIT Investment Corporation as Executive Director (current)	
Supervisory Director	Hiroshi Matsuzawa	Apr. 1966	Joined Sumitomo Mitsui Trust Bank, Limited (formerly, The Mitsui Trust and Banking Co., Ltd.)	0
		May 1988	Branch Manager, Yokosuka Branch	
		Dec. 1989	Branch Manager, Umeda Branch	
		May 1991	General Manager, Investment Advisory Department	
		Jan. 1993	General Manager, Pension Fund Management Department	
		Jun. 1995	Joined JDC Corporation and served as Managing Director	
		Jul. 1999	Joined Sumitomo Mitsui Trust Asset Management Co., Ltd. (formerly, Chuo Mitsui Asset Management Co., Ltd.) as Managing Director	
		Sep. 2001	Representative Director and President	
		May 2004	Joined Premier Investment Corporation as Executive Officer	
		Apr. 2012	Joined Japan Hotel REIT Investment Corporation as Supervisory Director (current)	

Title	Name	Major career		Number of investment units held
Supervisory Director	Tetsuya Mishiku	Apr. 1993	Registered as a lawyer (Daiichi Tokyo Bar Association)	0
			Joined Iinuma Law Office	
		Dec. 2000	Partner	
		Sep. 2002	Part-time lecturer at Chuo University	
		Nov. 2003	Changed registration to Shizuoka Bar Association	
			Joined Aoba Law Office as Partner	
		Nov. 2005	Joined Japan Hotel REIT Investment Corporation (formerly, Nippon Hotel Fund Investment Corporation) as Supervisory Director (current)	
		Dec. 2005	Joined A-too Co., Ltd. as Part-time Corporate Auditor	
		Mar. 2007	Joined Healing Entertainment Co., Ltd. as Part-time Corporate Auditor (current)	
		Aug. 2010	Joined Mishiku & Nagamachi Law Office (formerly, Aoi Tower Law Office) as Representative (current)	
		Sep. 2010	Joined Koike Roof and Siding KK as Outside Corporate Auditor of (current)	
		Aug. 2011	Joined A-too Co., Ltd. as Outside Director (current)	
Supervisory Director	Hiroto Kashii	Apr. 1971	Joined Development Bank of Japan, Inc. (formerly, Japan Development Bank) responsible for lending and investment	0
		Apr. 1997	General Manager, Retail Department at Head Office	
		Apr. 1998	Joined K.K. Hotel Odakyu as Managing Director and General Manager of Accounting Department	
		Apr. 2002	Joined K.K. Hotel Odakyu (formerly, K.K. Odakyu Hotels and Resorts) as Managing Director responsible for marketing	
		Jun. 2003	Joined New Kansai International Airport Co., Ltd. (formerly, Kansai International Airport Co., Ltd.) as Executive Officer responsible for terminal sales promotion, subsidiaries management and hotel businesses	
		Jun. 2009	Joined Kyowa Co., Ltd. as Representative Director	
		Jun. 2012	Joined Japan Carbon Finance, Ltd. as Managing Director	
		Mar. 2013	Representative Director	
		Jun. 2013	Joined DBJ Asset Management Co., Ltd. as Corporate Auditor	
		Nov. 2015	Joined Japan Hotel REIT Investment Corporation as Supervisory Director (current)	

(Note 1) Based on the resolutions made at the 7th General Meeting of Unitholders held on November 26, 2015, Yukio Isa resigned from office of Executive Director as of the date, and Kaname Masuda newly took office of Executive Director of JHR. In addition, Hiroto Kashii newly took office as Supervisory Director of JHR.

(Note 2) In case the number of Executive Director does not meet the requirement stipulated by laws and regulations, Hisashi Furukawa, Representative Director of the Asset Management Company, was elected as Substitute Executive Director, based on the resolution made by the 7th General Meeting of Unitholders of JHR held on November 26, 2015.

(2) Directors of the Asset Management Company

The following are the directors of the Asset Management Company as of the date of this report.

Title	Name	Major career		Number of shares held
Representative Director and President	Hisashi Furukawa	Apr. 1982 Jan. 1984 Jul. 1990 Apr. 2000 May 2004 Aug. 2013 Jun. 2014	Joined Sumitomo Realty & Development Co., Ltd. Building Business Department Seconded to its subsidiary in the U.S. Joined Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (formerly, Morgan Stanley Japan Limited) and served as Executive Director of the Real Estate Group in the Investment Banking Division Joined UBS Securities Co., Ltd. (formerly, Warburg Dillon Read (Japan) Limited) and served as Co-head and Executive Director of the Real Estate Sector Team in the Corporate Finance Division Joined Rockpoint Group, L.L.C. as Representative of Japan Office and Principal Established River Flows, Inc. as Representative Director Joined Japan Hotel REIT Advisors Co., Ltd. as Representative Director and President (current)	0
Director	Shuya Matsubara	Apr. 1986 Dec. 1998 Mar. 2001 Jun. 2009 Apr. 2012 May 2013 Apr. 2014 Mar. 2015	Joined The Hyakujushi Bank, Ltd. and served as Deputy Manager of the International Affairs Department Joined Deloitte Tohmatsu Consulting LLC as Manager of the Financial Division Joined Goldman Sachs Realty Japan, Ltd. and served as Director and Joint Group Leader of the Strategic Management Group in the Acquisition Division Joined Japan Hotel & Resort K.K. as Director (part-time) Joined Japan Hotel REIT Advisors Co., Ltd. as Director (current) and Senior General Manager of the Finance & Planning Department Senior General Manager of the Finance & Accounting Division Senior General Manager of the Finance & Accounting Division General Manager of the Finance Department Senior General Manager of the Finance & Planning Department General Manager of the Finance & Planning Department (current)	0
Director	Toshitaka Ishido	Apr. 1999 Jul. 2002 Aug. 2003 Sep. 2006 Apr. 2007 Apr. 2012 Mar. 2013	Joined Value Management Institute, Inc. Joined Hospitality Advisory Group of KPMG Business Advisory LLC (Tokyo Branch) Manager of the Hospitality Group of KPMG FAS Co., Ltd. (Tokyo Branch of KPMG Business Advisory LLC was merged with KPMG FAS Co., Ltd.) Joined Japan Hotel & Resort K.K. and served as Senior Manager Director and Senior General Manager of Asset Management Department Joined Japan Hotel REIT Advisors Co., Ltd. as Senior General Manager of Investment Division (current) and General Manager of Acquisitions Department Director (current)	0

Title	Name	Major career		Number of shares held
Director	Noboru Itabashi	Apr. 1995 Jan. 1998 Aug. 1999 Sep. 2006 Apr. 2007 Apr. 2012 Mar. 2015	Joined Asahi Sangyo Kaisha, Ltd., Fabricated Metals Department Joined British American Tobacco Japan, Ltd. (formerly, Rothmans Japan), Finance Department Joined Sun Microsystems K.K., Field Finance Division Joined Japan Hotel & Resort K.K. and served as Senior Manager of the Finance and Accounting Division Senior General Manager of Operations Division Joined Japan Hotel REIT Advisors Co., Ltd. as General Manager of the Accounting Department Director, Senior General Manager of Operations Division & General Manager of Accounting and Reporting Department (current)	0
Director	Hiroyuki Aoki	Sep. 1994 Jun. 1997 Nov. 2001 Jul. 2002 Aug. 2005 Jan. 2008 Nov. 2011 Dec. 2011 Apr. 2012	Joined Deloitte & Touche LLP, New York Office, Accounting & Audit Department Joined Ingersoll-Rand Headquarters, Internal Audit Department Joined KPMG Tax Corporation (formerly, Arthur Andersen LLP) Joined Ripplewood Holdings LLC, Hotel Investment Group as Vice President Joined Creative Renovation Group Japan, Inc. as Vice President of Finance Joined Tokyo Venture Gear Co. Ltd. as Director Appointed Representative Director of SC Capital Partners Japan Co. Ltd. (formerly, RE Capital Services Japan Co., Ltd.) (current) Appointed Statutory Auditor (part-time) of Japan Hotel & Resort K.K. Appointed Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)	0
Director (Chairman)	Suchad Chiaranussati	Oct. 1987 Oct. 1991 Nov. 1992 Nov. 1998 Apr. 1999 Nov. 2004 May 2010 Aug. 2010 Mar. 2011 Aug. 2015 Oct. 2015	Joined the Central Bank of Thailand, Foreign Exchange Reserve Management Division Joined Temasek Holdings (in Singapore) and served as Manager of Direct Investment Joined JP Morgan (in Singapore) and served as Vice President in the Real Estate Investment and Investment Banking Division Appointed Advisor at the Central Bank of Thailand Joined Westbrook in Singapore as Principal and Managing Director responsible for Asian investment activities Established Real Estate Capital Asia Partners, L.P. Appointed Director of Rockrise Sdn Bhd as Director (current) Appointed Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current) Appointed Director of SC Capital Partners Pte. Ltd. (current) Appointed Director of SC J-Holdings Pte. Ltd. (current) Appointed Chairman (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)	0

Title	Name	Major career		Number of shares held
Director	Ian George Winston Lien	May 1989	Joined Starwood Hotels & Resort Worldwide, Inc. (formerly, Westin Hotel Company)	0
		Jan. 2003	Participated in the establishment of Octagon Capital Partners Pte Ltd. (Co-founder)	
		Oct. 2007	Joined SC Management Ltd. as Managing Director	
		Aug. 2010	Appointed Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)	
		Mar. 2011	Joined SC Capital Partners Pte. Ltd. as Managing Director (current)	
Director	Chua Keng Kim	Mar. 1988	Joined Government of Singapore Investment Corporation (GIC)	0
		Apr. 1995	Joined Rodamco PACIFIC B.V. / Rodamco Asia N.V. as Managing Director and Head of Investment Management	
		Jun. 2007	Appointed independent Non-Executive Director and member of the Audit Committee of Travelsky Technology Ltd	
		Nov. 2007	Participated in the establishment of Stonegate China Properties Limited (Founder and CEO)	
		Sep. 2008	Joined SC Management Ltd. as Managing Director	
		Aug. 2010	Appointed Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)	
		Aug. 2013	Appointed Director of SC J-Holdings Pte. Ltd. (formerly, SC Core Manager Pte. Ltd.) (current)	
		Dec. 2015	Appointed Director of SC Capital Partners Pte. Ltd. (current)	
Corporate Auditor	Shigeo Sekita	Apr. 1974	Joined Daiwa Securities Co. Ltd.	0
		Oct. 1979	Joined Mizuho Securities Co., Ltd. (formerly, Wako Securities Co., Ltd.)	
		Mar. 1998	Seconded to Wako International (Europe) Ltd. as President	
		Apr. 2000	Joined Mizuho Securities Co., Ltd. (corporation's name changed due to merger) (formerly, Shinko Securities Co., Ltd.) as Manager of the IPO department	
		Jan. 2002	Joined WestLB Securities Inc. as Director of the Investment Banking Group	
		Aug. 2005	Joined Credit Suisse Securities (Japan) Ltd. as Director of the Structured Investment Department	
		Sep. 2010	Joined Japan Hotel REIT Advisors Co., Ltd. as Advisor	
		Dec. 2010	Representative Director	
		Apr. 2012	Corporate Auditor (part-time) (current)	
		Oct. 2013	Joined Alpha Japan Asset Advisors Ltd. as Compliance Manager (current)	

(Note) Based on the resolutions made at the Annual Shareholders' Meeting held on March 20, 2015, Kazuyuki Udo resigned from office of Director, and Noboru Itabashi newly took office of Director.

5. Reference information

(1) Investment status

The following outlines the investment status of JHR as of the end of the fiscal period under review.

Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2014		As of December 31, 2015	
				Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)
Real estate in trust	Limited-service hotel	Tokyo	ibis Tokyo Shinjuku	7,386	3.9	7,487	3.1
			the b ikebukuro	–	–	6,591	2.7
			the b akasaka-mitsuke	–	–	6,295	2.6
			Hotel Sunroute Shinbashi	4,893	2.6	4,873	2.0
			Comfort Hotel Tokyo Higashi Nihombashi	3,689	2.0	3,655	1.5
			the b hachioji	–	–	2,670	1.1
			the b ochanomizu	–	–	2,350	1.0
			Smile Hotel Nihombashi Mitsukoshimae	2,056	1.1	2,056	0.9
			R&B Hotel Ueno Hirokoji	1,760	0.9	1,761	0.7
			R&B Hotel Higashi Nihonbashi	1,516	0.8	1,528	0.6
			Hotel Vista Kamata Tokyo	1,467	0.8	1,473	0.6
			the b suidobashi (Note 4)	1,065	0.6	1,204	0.5
			Dormy Inn EXPRESS Asakusa	974	0.5	963	0.4
			Chisun Inn Kamata	810	0.4	802	0.3
		Osaka	Namba Oriental Hotel	14,746	7.8	14,689	6.1
		Hokkaido	ibis Styles Sapporo	6,849	3.6	6,788	2.8
			Mercure Sapporo	6,079	3.2	6,010	2.5
		Kyoto	ibis Styles Kyoto Station	6,743	3.6	6,725	2.8
		Fukuoka	the b hakata	–	–	2,323	1.0
			Hakata Nakasu Washington Hotel Plaza	2,072	1.1	2,075	0.9
			Toyoko Inn Hakata-guchi Ekimae	1,520	0.8	1,498	0.6
		Okinawa	Mercure Okinawa Naha	2,994	1.6	2,953	1.2
		Kumamoto	Dormy Inn Kumamoto	2,268	1.2	2,232	0.9
		Nara	Nara Washington Hotel Plaza	1,949	1.0	1,910	0.8
		Niigata	Hotel Sunroute Niigata	1,967	1.0	–	–
		Akita	Daiwa Roynet Hotel Akita	1,672	0.9	–	–
		Yamaguchi	Comfort Hotel Shin-Yamaguchi	799	0.4	–	–
	Subtotal			75,284	40.0	90,924	37.8
	Full-service hotel	Chiba	Oriental Hotel tokyo bay	18,800	10.0	18,512	7.7
			Hotel Francs	–	–	3,165	1.3
		Hiroshima	ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel) (Note 5)	–	–	17,934	7.5
			Oriental Hotel Hiroshima	4,026	2.1	4,043	1.7
		Hyogo	Kobe Meriken Park Oriental Hotel	10,171	5.4	9,963	4.1
		Kanagawa	Mercure Yokosuka	–	–	1,659	0.7
	Subtotal			32,999	17.5	55,277	23.0
	Resort hotel	Chiba	Hilton Tokyo Bay	26,189	13.9	26,109	10.9
		Okinawa	Hotel Nikko Alivila	18,475	9.8	18,325	7.6
			Okinawa Marriott Resort & Spa	–	–	15,025	6.3
			The Beach Tower Okinawa	6,953	3.7	6,882	2.9
		Osaka	Hotel Keihan Universal City	6,085	3.2	6,019	2.5
		Kanagawa	Hakone Setsugetsuka	3,848	2.0	3,788	1.6
	Subtotal			61,553	32.7	76,150	31.7
	Real estate in trust – Total			169,837	90.3	222,352	92.5

Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2014		As of December 31, 2015	
				Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)
Equity interest in silent partnership (Note 6)				602	0.3	—	—
Deposits and other assets (Note 7)				17,651	9.4	18,003	7.5
Total assets				188,091	100.0	240,356	100.0

	Amount (JPY1M)	Ratio to total assets (%)	Amount (JPY1M)	Ratio to total assets (%)
Total liabilities	87,748	46.7	110,442	45.9
Total net assets	100,342	53.3	129,914	54.1

(Note 1) Hotels are categorized as limited-service hotels, full-service hotels or resort hotels according to the manner of operation.

(Note 2) For real estate in trust, "Total amount held" shows the amount calculated by deducting accumulated depreciation from acquisition price (including expenses incidental to acquisition).

(Note 3) "Ratio to total assets" shows the ratio of total amount of each asset held to total assets, rounded off to one decimal place.

(Note 4) Dormy Inn Suidobashi terminated operations as a hotel on March 31, 2015. Furthermore, with the completion of the refurbishment work conducted in accordance with the rebranding of the hotel, it started operations as a hotel from July 1, 2015 under the name of the b suidobashi. In this report, the same shall apply hereinafter.

(Note 5) ACTIVE-INTER CITY HIROSHIMA is classified in accordance with the business category of Sheraton Hiroshima Hotel, its main facility.

(Note 6) Represents the equity interest in silent partnership with G.K. Tourism Japan No. 1 as a business operator.

(Note 7) Includes machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust, and intangible assets (excluding leasehold rights in trust).

(2) Assets under management

(A) Major issues of investment securities

Not applicable.

(B) Real estate properties under management

Not applicable.

(C) Other major assets under management

A. Summary of real estate properties under management

The following summarizes the real estate properties under management by JHR as of the end of the fiscal period under review.

Details of property assets 1 (location, form of ownership, area, structural size, etc.)

Property No.	Name	Location	Form of ownership (Note 1)		Area		Structures and stories (Note 4)	Building completion (Note 5)	Total number of guest rooms (rooms) (Note 6)
			Land	Building	Acreage (m^2) (Note 2)	Total floor area (m^2) (Note 3)			
1	Kobe Meriken Park Oriental Hotel	Chuo-ku, Kobe-shi, Hyogo	Leasehold right (Note 7)	Compartmentalized ownership (Note 7)	22,660.09 (Note 7)	48,701.82 (Note 7)	S 14F	July 1995	319
2	Oriental Hotel tokyo bay	Urayasu-shi, Chiba	Ownership	Ownership	9,914.00	44,833.11	SRC/S/RC B2/12F	May 1995	503
3	Namba Oriental Hotel	Chuo-ku, Osaka-shi, Osaka	Ownership	Ownership	4,505.23	19,364.33	S/SRC B1/9F	March 1996	257
4	Hotel Nikko Alivila	Yomitan-son, Nakagami-gun, Okinawa	Ownership/ Leasehold right (Note 8)	Ownership	65,850.05 (Note 8)	38,024.98 (Note 8)	SRC B1/10F	April 1994	396
5	Oriental Hotel Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	Ownership	Ownership	1,792.84	13,752.22	SRC B2/23F	September 1993 Extended in September 2006	227
6	ibis Tokyo Shinjuku	Nishi-Shinjuku, Shinjuku-ku, Tokyo	Ownership	Ownership	937.67	7,398.19	SRC/RC/S B1/11F	September 1980	206
8	The Beach Tower Okinawa	Chatan-cho, Nakagami-gun, Okinawa	Ownership	Ownership	10,242.00	20,140.01	SRC 24F	March 2004 Extended in June 2005 Extended in May 2006	280
9	Hakone Setsugetsuka	Hakone-machi, Ashigarashimo-gun, Kanagawa	Ownership	Ownership	10,478.89	10,655.03	RC B1/5F	October 2006	158
10	Dormy Inn Kumamoto	Kumamoto-shi, Kumamoto	Ownership	Ownership	1,295.85	7,701.19	SRC 13F	January 2008	294
12	the b suidobashi	Hongo, Bunkyo-ku, Tokyo	Ownership	Ownership	723.86	3,097.25	SRC/RC B1/8F	August 1986 Extended in September 1989	99
13	Dormy Inn EXPRESS Asakusa	Hanakawado, Taito-ku, Tokyo	Ownership	Ownership	287.66	2,006.51	SRC/RC 10F	March 1997	77
14	Hakata Nakasu Washington Hotel Plaza	Hakata-ku, Fukuoka-shi, Fukuoka	Ownership	Ownership	1,128.46	5,692.24	S 12F	March 1995	247
15	Nara Washington Hotel Plaza	Nara-shi, Nara	Ownership	Ownership	2,322.28	5,385.82	S 7F	March 2000	204
16	R&B Hotel Ueno Hirokoji	Ueno, Taito-ku, Tokyo	Ownership	Ownership	446.29	3,060.21	S 13F	April 2002	187
17	R&B Hotel Higashi Nihonbashi	Higashi-Nihonbashi, Chuo-ku, Tokyo	Ownership/ Leasehold right	Ownership	507.83 (Note 9)	3,715.26	S 10F	March 1998	202
18	Comfort Hotel Tokyo Higashi Nihombashi	Nihonbashi-bakurocho, Chuo-ku, Tokyo	Ownership	Ownership	823.67	5,765.26	S 11F	January 2008	259

Property No.	Name	Location	Form of ownership (Note 1)		Area		Structures and stories (Note 4)	Building completion (Note 5)	Total number of guest rooms (rooms) (Note 6)
			Land	Building	Acreage (m^2) (Note 2)	Total floor area (m^2) (Note 3)			
22	Smile Hotel Nihombashi Mitsukoshimae	Nihonbashi-Honcho, Chuo-ku, Tokyo	Ownership	Ownership	512.58	3,097.85	SRC/RC B1/10F	March 1997	164
24	Toyoko Inn Hakata-guchi Ekimae	Hakata-ku, Fukuoka-shi, Fukuoka	Ownership	Ownership	Main building: 565.98 Annex: 152.37	Main building: 3,566.46 Annex: 856.68	Main building: SRC 14F Annex: SRC 9F	Main building and annex both September 2001	257
25	Hotel Vista Kamata Tokyo	Nishikamata, Ota-ku, Tokyo	Ownership	Ownership	743.46	3,831.80	SRC/S B1/9F	January 1992	106
26	Chisun Inn Kamata	Kamata, Ota-ku, Tokyo	Ownership	Ownership	240.35	1,499.87	SRC 12F	April 2003	70
29	Hotel Keihan Universal City	Konohana-ku, Osaka-shi, Osaka	Ownership/ Leasehold right (Note 10)	Compartmentalized ownership (Note 10)	3,350.14 (Note 10)	17,252.71 (Note 10)	S/SRC 21F	June 2001	330
30	Hotel Sunroute Shinbashi	Shinbashi, Minato-ku, Tokyo	Ownership	Ownership	761.01	5,476.39	S/SRC 16F	March 2008	220
31	Hilton Tokyo Bay	Urayasu-shi, Chiba	Ownership (Note 11)	Ownership (Note 11)	36,121.00 (Note 11)	72,146.60 (Note 11)	SRC B1/11F	June 1988	818
32	ibis Styles Kyoto Station	Minami-ku, Kyoto-shi, Kyoto	Ownership	Ownership	1,107.77	5,003.99	RC 10F	March 2009	215
33	ibis Styles Sapporo	Chuo-ku, Sapporo-shi, Hokkaido	Ownership	Ownership	2,515.22	14,992.49	RC B1/16F	July 2010	278
34	Mercure Sapporo	Chuo-ku, Sapporo-shi, Hokkaido	Ownership	Ownership	2,016.27	16,145.79	S B1/15F	April 2009	285
35	Mercure Okinawa Naha	Naha-shi, Okinawa	Ownership/ Leasehold right	Ownership	2,860.69 (Note 12)	10,884.25	RC 14F	August 2009	260
36	the b akasaka-mitsuke	Akasaka, Minato-ku, Tokyo	Ownership	Ownership	625.46	2,867.04	S 8F	November 2002	122
37	the b ikebukuro	Higashi-ikebukuro, Toshima-ku, Tokyo	Ownership	Ownership	718.71	5,650.01	SRC/S B2/10F	June 1982	175
38	the b ochanomizu	Kanda-awajicho, Chiyoda-ku, Tokyo	Ownership	Ownership	357.47	1,742.23	SRC 9F	August 1999	72
39	the b hachioji	Hachioji-shi, Tokyo	Ownership	Ownership	1,227.29	7,847.65	SRC B2/12F	August 1986	196
40	the b hakata	Hakata-ku, Fukuoka-shi, Fukuoka	Ownership	Ownership	719.46	3,986.09	SRC 8F	September 1997	175
41	Hotel Francs	Mihama-ku, Chiba-shi, Chiba	Ownership	Ownership	4,828.00	19,213.39	SRC B1/13F	August 1991	222
42	Mercure Yokosuka	Yokosuka-shi, Kanagawa	Right of site (co-ownership) (Note 13)	Compartmentalized ownership (Note 13)	1,887.86 (Note 13)	16,881.82 (Note 13)	SRC/S B3/21F	November 1993	160
43	Okinawa Marriott Resort & Spa	Nago-shi, Okinawa	Ownership	Ownership	52,988.00	36,430.15	SRC 14F	February 2005 Extended in December 2006	361
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel)	Higashi-ku, Hiroshima-shi, Hiroshima	Right of site (co-ownership) (Note 14)	Compartmentalized ownership (Note 14)	6,379.02 (Note 14)	39,540.75 (Note 14)	S/RC/SRC B1/21F	August 2010	238 (Note 15)

(Note 1) "Form of ownership" is the type of right held by the owner of the real estate that is the asset held (the trustee in the case of a real estate in trust).

(Note 2) "Acreage" is the area of the entire site based on the registration or registration record. The registration or registration record entry may not coincide with the present state of the land.

(Note 3) "Total floor area" is the area of the building based on the registration or registration record. The area of the accessory building, if any, is included unless otherwise stated. The registration or registration record entry may not coincide with the present state of the building.

(Note 4) Under "Structures and stories," "S" means steel-framed building, "RC" means reinforced concrete building and "SRC" means steel reinforced concrete building. The structure of the main building is shown, but there may be cases where there is a parking lot or storage space as an accessory to the building in a separate building.

(Note 5) "Building completion" is based on the registration or registration record.

(Note 6) "Total number of guest rooms" is the respective number of guest rooms available for sale (excluding rooms occupied by the hotel for a long term) at the end of the fiscal period under review.

(Note 7) The land of Kobe Meriken Park Oriental Hotel is land leased by JHR from the City of Kobe and land with permission for use from the City of Kobe under the City of Kobe's ordinance for harbor facilities, etc. The acreage above is based on the value on the building confirmation application form. The acreage for which permission for use has been obtained is 2,804.18 square meters, of which 1,188.32 square meters is included in the acreage above. In addition, the building of Kobe Meriken Park Oriental Hotel is a building under compartmentalized ownership by two compartmentalized owners (JHR and the City of Kobe). The figure above is the total floor area of the entire building under compartmentalized ownership (including an accessory building of 764.83 square meters), where the portion owned exclusively by JHR (excluding an accessory building of 764.83 square meters) is 31,899.07 square meters, the portion owned exclusively by the City of Kobe is 13,960.11 square meters, and the portion that is the common area of JHR and the City of Kobe is 2,077.81 square meters (JHR has 72.18% interest and the City of Kobe has 27.82% interest of the common area). Furthermore, regarding the portion of the building owned exclusively by the City of Kobe, the building for which JHR has obtained the permission for use is 694.00 square meters (part of the building for which the permission for use was obtained was returned on April 1, 2010, resulting in total floor area changing from 824.00 square meters to 694.00 square meters) and is included in the total floor area above of 48,701.82 square meters.

(Note 8) The land of Hotel Nikko Alivila is land owned by JHR or land leased or subleased by JHR from Kabushiki Kaisha Okinawa Umi No Sono (hereinafter referred to as the "Umi No Sono"). The acreage above is the sum total of the area on the certified copy of the real estate registry of each land. Furthermore, the land leased or land subleased includes those where only a portion of a parcel of land is leased or subleased and, thus, the acreage above includes some area that is not leased or subleased by JHR from Umi No Sono. In addition, subdivision of part of the subleased land resulted in the acreage above changing from 67,038.05 square meters to 65,850.05 square meters on June 12, 2012. The sum total of the acreage of the land owned by JHR and the land leased or subleased calculated based on the certified copy of the real estate registry, lease contract with Umi No Sono, etc. is 57,406.26 square meters. The total floor area above includes an accessory building of 120.10 square meters and excludes a building leased from Umi No Sono of 493.50 square meters.

(Note 9) Of the acreage of R&B Hotel Higashi Nihonbashi, the area of the land leased is 77.38 square meters.

(Note 10) The land of Hotel Keihan Universal City comprises land under co-ownership with other right holders (8,785.43 square meters) and land leased under quasi-co-ownership with other right holders from the City of Osaka (8,788.67 square meters). The acreage above is the sum total of JHR's co-ownership interest of the land under co-ownership of 1,674.76 square meters (approximately 19.06% of co-ownership interest) and JHR's quasi-co-ownership interest in the land leasehold right of the land leased from the City of Osaka of 1,675.38 square meters (approximately 19.06% of quasi-co-ownership interest). In addition, the building of Hotel Keihan Universal City is a building under compartmentalized ownership for Universal CityWalk Osaka, which comprises two hotel buildings, business facilities, commercial facilities and others, as a single building (86,888.64 square meters). The portion owned exclusively by JHR (including the common area by bylaws) is 15,749.32 square meters, and JHR's co-ownership interest of the common area (15,648.98 square meters) is 3,466.56 square meters (approximately 22.15% of co-ownership interest). "Total floor area" in the table above is the total floor area based on the completion drawing of new construction of Hotel Keihan.

(Note 11) The land of Hilton Tokyo Bay is land under co-ownership with other right holders. The acreage is the total area of the land under co-ownership. Of the acreage, JHR's co-ownership interest is 32,508.90 square meters (9/10 of co-ownership interest). In addition, the building of Hilton Tokyo Bay is a building under co-ownership with other right holders. The total floor area is the total area of the building under co-ownership (including an accessory building of 37.38 square meters). Of the total floor area, JHR's co-ownership interest is 64,931.94 square meters (9/10 of co-ownership interest).

(Note 12) The acreage of Mercure Okinawa Naha includes land leased of 125.67 square meters.

(Note 13) The land of Mercure Yokosuka comprises the entire joint ownership of right of site. The acreage is the area equivalent to JHR's co-ownership interest of the right to use the site (181,372/1,000,000 or approximately 18.14%) of the entire area of the subject land (10,408.79 square meters), which is 1,887.86 square meters. In addition, the building is a building under compartmentalized ownership for Bay Square Yokosuka Ichibankan, which comprises a hotel, a theater, stores, residential complex, office spaces and parking lots, as a single building (67,019.04 square meters). Total floor area is the area of the portion owned exclusively by the hotel on the certified copy of the real estate registry.

(Note 14) The land of ACTIVE-INTER CITY HIROSHIMA comprises the entire joint ownership of right of site. The acreage is the area equivalent to JHR's co-ownership interest of the right to use the site (9,862,454/10,000,000 or approximately 98.62%) of the entire area of the subject land (6,468.28 square meters), which is 6,379.02 square meters. In addition, the building is a building under compartmentalized ownership for ACTIVE-INTER CITY HIROSHIMA, which comprises Sheraton Hiroshima Hotel, office spaces, retail zone, parking lots and bicycle parking lots, etc., as a single building (6,379.02 square meters). Total floor area is the area of the portion owned exclusively by the hotel, office spaces, stores and parking lots on the certified copy of the real estate registry.

(Note 15) The total number of guest rooms of ACTIVE-INTER CITY HIROSHIMA is the total number of guest rooms of the main facility Sheraton Hiroshima Hotel.

(Note 16) The omitted numbers are the property numbers of assets that have been transferred before the end of the previous fiscal year.

Details of property assets 2 (acquisition price, etc.)

Property No.	Name	Grade (Note 1)	Acquisition price (JPY1M) (Note 2)	Carrying amount at end of period (JPY1M) (Note 3)	Appraisal value at end of period (JPY1M) (Note 4)	Appraisal agency (Note 5)	Investment ratio (%) (Note 6)	Collateral (Note 7)
1	Kobe Meriken Park Oriental Hotel	Upper-middle	10,900	10,120	13,300	J	4.8	Unsecured
2	Oriental Hotel tokyo bay	Mid-price	19,900	18,698	32,600	J	8.8	Unsecured
3	Namba Oriental Hotel	Mid-price	15,000	14,775	27,000	J	6.6	Unsecured
4	Hotel Nikko Alivila	Luxury	18,900	18,556	25,400	J	8.4	Unsecured
5	Oriental Hotel Hiroshima	Upper-middle	4,100	4,078	4,180	J	1.8	Unsecured
6	ibis Tokyo Shinjuku	Mid-price	7,243	7,559	8,830	J	3.2	Unsecured
8	The Beach Tower Okinawa	Mid-price	7,610	6,882	9,070	J	3.4	Unsecured
9	Hakone Setsugetsuka	Mid-price	4,070	3,797	4,730	J	1.8	Unsecured
10	Dormy Inn Kumamoto	Mid-price	2,334	2,232	2,950	M	1.0	Unsecured
12	the b suidobashi	Mid-price	1,120	1,230	1,750	J	0.5	Unsecured
13	Dormy Inn EXPRESS Asakusa	Economy	999	963	1,220	M	0.4	Unsecured
14	Hakata Nakasu Washington Hotel Plaza	Mid-price	2,130	2,076	3,680	J	0.9	Unsecured
15	Nara Washington Hotel Plaza	Mid-price	2,050	1,916	2,330	J	0.9	Unsecured
16	R&B Hotel Ueno Hirokoji	Economy	1,720	1,761	1,810	M	0.8	Unsecured
17	R&B Hotel Higashi Nihonbashi	Economy	1,534	1,528	1,960	M	0.7	Unsecured
18	Comfort Hotel Tokyo Higashi Nihombashi	Economy	3,746	3,655	5,110	M	1.7	Unsecured
22	Smile Hotel Nihombashi Mitsukoshimae	Economy	2,108	2,056	2,850	M	0.9	Unsecured
24	Toyoko Inn Hakata-guchi Ekimae	Economy	1,652	1,498	2,490	T	0.7	Unsecured
25	Hotel Vista Kamata Tokyo	Economy	1,512	1,473	1,870	T	0.7	Unsecured
26	Chisun Inn Kamata	Economy	823	806	1,270	T	0.4	Unsecured
29	Hotel Keihan Universal City	Mid-price	6,000	6,020	13,600	R	2.7	Unsecured
30	Hotel Sunroute Shinbashi	Mid-price	4,800	4,873	7,420	D	2.1	Unsecured
31	Hilton Tokyo Bay	Luxury	26,050	26,109	34,400	D	11.5	Unsecured
32	ibis Styles Kyoto Station	Mid-price	6,600	6,752	8,590	D	2.9	Unsecured
33	ibis Styles Sapporo	Mid-price	6,797	6,802	7,940	J	3.0	Unsecured
34	Mercure Sapporo	Mid-price	6,000	6,023	7,840	J	2.7	Unsecured
35	Mercure Okinawa Naha	Mid-price	3,000	2,971	5,730	J	1.3	Unsecured
36	the b akasaka-mitsuke	Mid-price	6,250	6,313	6,730	J	2.8	Unsecured
37	the b ikebukuro	Mid-price	6,520	6,599	7,040	J	2.9	Unsecured
38	the b ochanomizu	Mid-price	2,320	2,357	2,540	J	1.0	Unsecured
39	the b hachioji	Mid-price	2,610	2,687	2,920	J	1.2	Unsecured
40	the b hakata	Mid-price	2,300	2,349	2,700	J	1.0	Unsecured
41	Hotel Francs	Mid-price	3,105	3,165	3,900	D	1.4	Unsecured
42	Mercure Yokosuka	Mid-price	1,650	1,668	1,760	D	0.7	Unsecured
43	Okinawa Marriott Resort & Spa	Upper-middle	14,950	15,062	16,700	J	6.6	Unsecured
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel)	Luxury	17,320	17,943	17,900	D	7.7	Unsecured
	Total		225,723	223,372	302,110		100.0	

(Note 1) JHR categorizes hotels into the four classes “Luxury,” “Upper-middle,” “Mid-price” and “Economy” mainly from the perspective of average daily rate, etc.

(Note 2) “Acquisition price” is the acquisition price stated on the purchase and sale agreement for beneficial interest in trust or real estate purchase and sale agreement (consumption tax, local consumption tax and the acquisition expense such as broker’s fee are not included). The acceptance prices are indicated for the properties that have been accepted from the former JHR.

(Note 3) “Carrying amount at end of period” is the book value at the end of the fiscal period under review, and includes not only the amounts for real estate in trust, but also machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust, and intangible assets.

(Note 4) In general, "appraisal value at end of period" is the appraisal value at the end of the fiscal period under review as the date of appraisal, in accordance with the asset valuation methods and standards provided in JHR's Articles of Incorporation and the regulations set forth by The Investment Trusts Association, Japan.

(Note 5) Under "Appraisal agency," the letters indicate the appraisers for the properties as follows:

M: Morii Appraisal & Investment Consulting, Inc.

T: The Tanizawa Sōgō Appraisal Co., Ltd.

J: Japan Real Estate Institute

R: Rich Appraisal Institute Co., Ltd.

D: DAIWA REAL ESTATE APPRAISAL CO.,LTD.

(Note 6) "Investment ratio" is the ratio of acquisition price of the respective asset held at the end of the fiscal period under review to the total amount of acquisition price of all assets held at the end of the fiscal period under review, rounded off to one decimal place.

(Note 7) "Collateral" is whether or not a pledge has been established for the beneficial interest in trust.

(Note 8) The omitted numbers are the property numbers of assets that have been transferred before the end of the previous fiscal year.

Details of property assets 3 (change in portfolio tenants)

The following is the change in total number of tenants, occupancy rate, etc. of real estate properties under management for the past five years.

	10th period March 2011	11th period September 2011	12th period March 2012	13th period December 2012	14th period December 2013	15th period December 2014	16th period December 2015
Number of tenants (Note 1)	18	21	24	37	38	57	113
Total leasable area (Note 2)	87,562.03 m^2	101,028.49 m^2	101,028.49 m^2	288,875.32 m^2	349,162.63 m^2	386,826.71 m^2	493,758.78 m^2
Total leased area (Note 3)	87,562.03 m^2	100,529.62 m^2	101,028.49 m^2	288,875.32 m^2	349,162.63 m^2	386,447.08 m^2	493,138.06 m^2
Occupancy rate (Note 4)	100.0%	99.5%	100.0%	100.0%	100.0%	99.9%	99.9%

(Note 1) Number of tenants indicates the total number of tenants based on the lease contracts for respective real estate in trust (excluding tenants of parking lots, etc.) as of the end of each fiscal period. However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amount of rents, etc. from end tenants as is in principle, the total number of end tenants (excluding tenants of parking lots, etc.) is indicated.

(Note 2) In principle, leasable area represents leasable area of the building, which does not include leasable area of land (including parking lots on ground), based on a lease contract or plan for each real estate in trust. For properties in which the leased area is not described in the lease contract, leasable area represents the area described in the registration of the building. Furthermore, when the leasable area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578 square meters per one tsubo). In this report, the same shall apply hereinafter.

(Note 3) In principle, leased area represents the leased area described in the lease contract of the building. For properties in which the leased area is not described in the lease contract, leased area shows the area described in the registration of the building. Furthermore, when the leased area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578 square meters per one tsubo). However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amount of rents, etc. from rents, etc. from end tenants as is in principle, the total area for which lease contracts have been concluded with end tenants and which are actually leased is indicated. In this report, the same shall apply hereinafter.

(Note 4) Occupancy rate indicates the percentage of leased area to leasable area of respective real estate properties in trust as of the end of each fiscal period. In this report, the same shall apply hereinafter.

Details of property assets 4 (information on major real estate)

Property name (Note 1)	Total number of tenants	Total annual rent	Total leased area	Total leasable area	Change in occupancy rate for the past five years (Note 2)	
Hilton Tokyo Bay	1	Fixed rent ¥1,872 million Variable rent (Note 3)	64,931.94 m^2 (Note 4)	64,931.94 m^2 (Note 4)	2013	100.0%
					2014	100.0%
					2015	100.0%

(Note 1) The information on major real estate, which are those where the annual rent total accounts for at least 10% of total annual rent of the entire portfolio. Total annual rent of the entire portfolio is the total annual rent calculated based on Note 2 of "C. Status of portfolio diversification" on page 65.

(Note 2) "Change in occupancy rate for the past five years" is only the occupancy rate subsequent to the commencement of asset management by JHR, and indicates the percentage of leased area to leasable area of respective real estate properties in trust as of the end of each fiscal period.

(Note 3) The variable rent of Hilton Tokyo Bay is not disclosed as consent on disclosure has not been obtained from the tenant and thus considered to be a case where disclosure cannot be made due to unavoidable circumstances.

(Note 4) The building of Hilton Tokyo Bay is a building under co-ownership with other right holders. JHR's co-ownership interest is 64,931.94 square meters (9/10 of co-ownership interest).

Details of property assets 5 (NOI, etc.)

Property No.	Name	Rent type (Note 1)	Real estate operating revenue (JPY1000)	NOI (Note 2) (JPY1000)	NOI after depreciation (Note 3) (JPY1000)
1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	1,110,773	827,720	474,249
2	Oriental Hotel tokyo bay	Variable/Fixed	1,732,754	1,612,380	1,124,380
3	Namba Oriental Hotel	Variable/Fixed	1,279,514	1,179,589	993,375
4	Hotel Nikko Alivila	Variable/Fixed	1,604,117	1,452,185	1,126,712
5	Oriental Hotel Hiroshima	Variable/Fixed	421,449	374,552	304,195
6	ibis Tokyo Shinjuku	Management contract	645,794	441,934	382,513
8	The Beach Tower Okinawa	Fixed	511,010	466,552	346,795
9	Hakone Setsugetsuka	Fixed	294,946	272,184	190,332
10	Dormy Inn Kumamoto	Fixed	194,460	170,974	131,364
12	the b suidobashi (Note 4)	Variable/Fixed	95,857	80,587	63,050
13	Dormy Inn EXPRESS Asakusa	Fixed	63,995	55,280	43,016
14	Hakata Nakasu Washington Hotel Plaza (Note 5)	Fixed	240,000	224,000	197,000
15	Nara Washington Hotel Plaza (Note 5)	Fixed	151,000	134,000	93,000
16	R&B Hotel Ueno Hirokoji	Fixed	99,144	84,755	71,987
17	R&B Hotel Higashi Nihonbashi	Fixed	122,207	105,294	87,593
18	Comfort Hotel Tokyo Higashi Nihombashi	Fixed	270,114	239,672	204,084
19	Comfort Hotel Shin-Yamaguchi (Note 6)	Fixed	50,115	42,088	30,150
21	Daiwa Roynet Hotel Akita (Note 5) (Note 6)	Fixed	114,000	100,000	71,000
22	Smile Hotel Nihombashi Mitsukoshimae	Variable/Fixed (Note 7)	150,510	134,600	116,388
23	Hotel Sunroute Niigata (Note 6)	Fixed	129,162	115,321	82,603
24	Toyoko Inn Hakata-guchi Ekimae	Fixed	141,039	127,984	106,594
25	Hotel Vista Kamata Tokyo	Variable/Fixed (Note 7)	113,644	98,871	76,467
26	Chisun Inn Kamata	Variable	70,445	61,205	49,632
29	Hotel Keihan Universal City	Variable/Fixed (Note 7)	796,456	718,442	634,605
30	Hotel Sunroute Shinbashi	Variable/Fixed (Note 7)	379,770	317,967	296,872
31	Hilton Tokyo Bay	Variable/Fixed (Note 7)	1,953,746	1,648,528	1,488,585
32	ibis Styles Kyoto Station	Management contract	483,439	419,855	388,127
33	ibis Styles Sapporo	Management contract	573,050	475,680	404,389
34	Mercure Sapporo	Management contract	651,976	439,825	362,969
35	Mercure Okinawa Naha	Management contract	392,480	319,576	269,897
36	the b akasaka-mitsuke (Note 8)	Variable/Fixed	262,591	258,959	239,816
37	the b ikebukuro (Note 8)	Variable/Fixed	330,644	326,021	299,015
38	the b ochanomizu (Note 8)	Variable/Fixed	105,117	102,184	93,641
39	the b hachioji (Note 8)	Variable/Fixed	200,646	194,205	173,458
40	the b hakata (Note 8)	Variable/Fixed	154,833	150,818	135,421
41	Hotel Francs (Note 9)	Fixed	229,558	227,037	188,452
42	Mercure Yokosuka (Note 10)	Variable	154,815	97,376	76,445
43	Okinawa Marriott Resort & Spa (Note 11)	Variable/Fixed	722,575	712,453	608,650
44	ACTIVE-INTER CITY HIROSHIMA (Note 12)	Variable/Fixed	34,635	17,620	2,600
	Total		17,033,876	14,829,605	12,031,375

(Note 1) Under “Rent type,” “Fixed” is a property under a fixed rent structure, “Variable” is a property under a variable rent structure, “Management contract” is a property under a management contract structure, and “Variable/Fixed” is a property under a combined fixed and variable rent structure.

(Note 2) NOI = Real estate operating revenue − Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets

(Note 3) NOI after depreciation (net real estate operating income) = Real estate operating revenue − Real estate operating costs

(Note 4) For the b suidobashi, the contract was changed to a variable rent contract with Ishin Suidobashi Operations K.K. as lessee on July 1, 2015. In this report, the same shall apply hereinafter.

(Note 5) For Hakata Nakasu Washington Hotel Plaza, Nara Washington Hotel Plaza and Daiwa Roynet Hotel Akita, consent on disclosure of rent in units of thousand yen has not been obtained from the lessor and is thus rounded down to the nearest million yen.

(Note 6) Comfort Hotel Shin-Yamaguchi, Daiwa Roynet Hotel Akita and Hotel Sunroute Niigata were transferred as of October 30, 2015.

(Note 7) For Smile Hotel Nihombashi Mitsukoshimae, Hotel Vista Kamata Tokyo, Hotel Keihan Universal City, Hotel Sunroute Shinbashi and Hilton Tokyo Bay, the rent structure is one that has set not only fixed rent, but also partly rent based on revenue sharing.

(Note 8) The b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji and the b hakata were acquired as of January 30, 2015.

(Note 9) Hotel Francs was acquired as of March 31, 2015.

(Note 10) Mercure Yokosuka was acquired as of April 2, 2015.

(Note 11) Okinawa Marriott Resort & Spa was acquired as of July 10, 2015.

(Note 12) ACTIVE-INTER CITY HIROSHIMA was acquired as of December 18, 2015.

(Note 13) The property numbers of assets that were transferred before the end of the previous fiscal year are intentionally omitted.

Details of property assets 6 (status of rent settings of major tenants)

Tenant name (Note 1)	Property name	Business type	Contract commencement date Contract expiration date	Total leased area (By hotel)		Total leased area (By tenant)		Annual rent (By hotel) (Note 3) (JPY1M)	Total annual rent (By tenant) (Note 3) (JPY1M)
					Ratio to total (Note 2)		Ratio to total (Note 2)	Fixed rent (Note 4) Variable rent	Fixed rent (Note 4) Variable rent
HMJ (Hotel Management Japan Co., Ltd.) (Note 5) (Note 6)	Kobe Meriken Park Oriental Hotel	Hotel	April 1, 2012 December 31, 2019	32,663.90 m^2	6.6%	148,638.54 m^2	30.1%	645 (Note 7)	3,221 (Note 7)
	Oriental Hotel tokyo bay		April 1, 2012 December 31, 2019	44,833.11 m^2	9.1%			631 (Note 7)	
	Namba Oriental Hotel		April 1, 2012 December 31, 2019	19,364.33 m^2	3.9%			797 (Note 7)	
	Hotel Nikko Alivila		April 1, 2012 December 31, 2019	38,024.98 m^2	7.7%			804 (Note 7)	
	Oriental Hotel Hiroshima		April 1, 2012 December 31, 2019	13,752.22 m^2	2.8%			341 (Note 7)	
Accor (AAPC Japan K.K.)	ibis Tokyo Shinjuku	Ryokan/ Hotel	July 1, 2012 June 30, 2024	5,789.26 m^2	1.2%	65,148.46 m^2	13.2%	— (Note 8)	— (Note 8)
	ibis Styles Kyoto Station		October 31, 2013 December 31, 2018	4,628.32 m^2	0.9%			— (Note 8)	
	ibis Styles Sapporo		December 27, 2014 December 27, 2019	14,076.45 m^2	2.9%			— (Note 8)	
	Mercure Sapporo		September 30, 2014 September 30, 2029	12,888.36 m^2	2.6%			— (Note 8)	
	Mercure Okinawa Naha		September 30, 2014 April 26, 2024	10,884.25 m^2	2.2%			— (Note 8)	
	Mercure Yokosuka		April 2, 2015 August 30, 2019	16,881.82 m^2	3.4%			— (Note 8)	
The Dai-ichi Building Co., Ltd. (Note 9)	Hilton Tokyo Bay	Real estate leasing and management	July 1, 2015 December 31, 2018	64,931.94 m^2	13.2%	64,931.94 m^2	13.2%	1,872 (Note 10)	1,872 (Note 10)
Total for major tenants				278,718.94 m^2	56.5%	278,718.94 m^2	56.5%	5,093 —	5,093 —
Total for entire portfolio				493,138.06 m^2	100.0%	493,138.06 m^2	100.0%	10,768 —	10,768 —

(Note 1) The information on major tenants, which are those accounting for at least 10% of total leased area of the entire portfolio.

(Note 2) Ratio to total is rounded off to one decimal place.

(Note 3) The ratio of annual rent by hotel or by tenant may vary depending on the amount of variable rent and income from management contracts and is thus not shown.

(Note 4) Fixed rent is the amount arrived at when the monthly fixed rent income based on lease contracts valid as of December 31, 2015 between JHR and the major tenant (rent of the building itself only, excluding common area maintenance charges and signage and parking usage fees; not factoring in any change in rent during the fiscal period under review) is multiplied by 12, excluding variable rent and income from management contracts.

(Note 5) HMJ falls under the category of interested party, etc. under the Investment Trusts Act and sponsor-related party as stipulated in the Asset Management Company's company rule for transactions with sponsor-related persons.

(Note 6) HMJ has acquired all shares of Lagoon resort Nago Co., Ltd., which is the lessee and hotel operator of Okinawa Marriott Resort & Spa, and K.K. A.I.C Hiroshima Management, which is the lessee and hotel operator of Sheraton Hiroshima Hotel (the main facility of ACTIVE-INTER CITY HIROSHIMA). Accordingly, Lagoon resort Nago Co., Ltd. and K.K. A.I.C Hiroshima Management fall under the category of interested party, etc. under the Investment Trusts Act and sponsor-related party as stipulated in the Asset Management Company's company rule for transactions with sponsor-related persons.

The following are the leasing terms and conditions of Okinawa Marriott Resort & Spa and Sheraton Hiroshima Hotel (the main facility of ACTIVE-INTER CITY HIROSHIMA). The leased area, ratio of leased area and total annual fixed rent of HMJ and including its wholly-owned subsidiaries Lagoon resort Nago Co., Ltd. and K.K. A.I.C Hiroshima Management is 206,959.02 square meters, 42.0% and ¥4,119 million, respectively.

Tenant name	Property name	Business type	Contract commencement date Contract expiration date	Total leased area (m^2)	Ratio of total leased area	Annual rent Fixed rent Variable rent (JPY1M)
Lagoon resort Nago Co., Ltd.	Okinawa Marriott Resort & Spa	Hotel	July 10, 2015 December 31, 2020	36,430.15	7.4%	550 (*)
K.K. A.I.C Hiroshima Management	ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel)	Hotel	December 18, 2015 December 31, 2026	21,890.33	4.4%	348 (*)

(*) For details of the variable rent arrangements for Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 66.

(Note 7) For details of the variable rent arrangements for HMJ, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 66.

(Note 8) Variable rent for Accor (AAPC Japan K.K.) means income from management contracts and variable rent. For details of the income from management contract arrangements, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 66.

(Note 9) With expiration of the lease agreement at the end of June 2015, the fixed-term building lease agreement was renewed as of June 30, 2015.

(Note 10) The variable rent for The Dai-ichi Building Co., Ltd. is not disclosed as consent on disclosure has not been obtained from the tenant and thus considered to be a case where disclosure cannot be made due to unavoidable circumstances. There is thus also no entry of the total for major tenants.

B. Income statements for individual real estate properties under management

The following are the individual income statements for real estate properties under management for the fiscal period under review (from January 1, 2015 to December 31, 2015).

Figures are rounded down to the nearest thousand yen in principle, but are otherwise noted if circumstances do not allow for the figures to be stated in units of thousand yen. Income statement items that are not directly attributable to the property are not included.

Property No.	-	1	2	3	4	5
Property name	Portfolio total	Kobe Meriken Park Oriental Hotel	Oriental Hotel tokyo bay	Namba Oriental Hotel	Hotel Nikko Alivila	Oriental Hotel Hiroshima
Number of operating days	-	365	365	365	365	365
(A) Real estate operating revenue subtotal	17,033,876	1,110,773	1,732,754	1,279,514	1,604,117	421,449
Fixed rent	9,909,942	645,900	631,600	797,900	804,100	341,504
Variable rent	6,722,584	463,373	1,101,154	481,614	800,017	79,945
Other revenue	401,349	1,499	-	-	-	-
(B) Real estate operating costs subtotal	5,002,501	636,523	608,374	286,139	477,404	117,254
Land lease and other rent expenses	463,289	220,038	-	-	84,149	-
Property taxes	940,806	55,725	115,123	96,574	60,401	42,210
Outsourcing expenses	387,958	960	960	960	1,920	960
Nonlife insurance	32,334	3,405	3,277	1,367	2,423	1,113
Depreciation and amortization	2,772,440	352,144	486,562	166,125	322,536	70,356
Loss on retirement of noncurrent assets	25,790	1,326	1,437	20,088	2,936	-
Other costs	379,881	2,924	1,013	1,023	3,037	2,613
(C) Net real estate operating income = (A) − (B)	12,031,375	474,249	1,124,380	993,375	1,126,712	304,195
(Reference) Occupancy rate at end of period	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants at end of period	113	1	1	1	1	1

Property No.	6	8	9	10	12	13
Property name	ibis Tokyo Shinjuku (Note 1)	The Beach Tower Okinawa	Hakone Setsugetsuka	Dormy Inn Kumamoto	the b suidobashi	Dormy Inn EXPRESS Asakusa
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	645,794	511,010	294,946	194,460	95,857	63,995
Fixed rent	101,172	511,008	294,340	194,460	84,499	63,395
Variable rent	470,000	-	-	-	11,357	-
Other revenue	74,621	2	606	-	-	600
(B) Real estate operating costs subtotal	263,281	164,214	104,613	63,095	32,806	20,979
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	33,572	39,364	21,277	19,578	7,989	6,026
Outsourcing expenses	88,346	-	-	-	700	1,320
Nonlife insurance	652	1,307	671	470	211	130
Depreciation and amortization	59,420	119,756	81,851	39,609	17,536	12,264
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	81,289	3,786	813	3,436	6,368	1,238
(C) Net real estate operating income = (A) − (B)	382,513	346,795	190,332	131,364	63,050	43,016
(Reference) Occupancy rate at end of period	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants at end of period	4	1	1	1	1	1

Property No.	14	15	16	17	18	19
Property name	Hakata Nakasu Washington Hotel Plaza (Note 2)	Nara Washington Hotel Plaza (Note 2)	R&B Hotel Ueno Hirokoji	R&B Hotel Higashi Nihonbashi	Comfort Hotel Tokyo Higashi Nihombashi	Comfort Hotel Shin-Yamaguchi (Note 3)
Number of operating days	365	365	365	365	365	302
(A) Real estate operating revenue subtotal	240,000	151,000	99,144	122,207	270,114	50,115
Fixed rent	240,000	146,000	96,504	122,207	258,909	49,616
Variable rent	-	-	-	-	-	-
Other revenue	0	4,000	2,639	-	11,205	499
(B) Real estate operating costs subtotal	43,000	57,000	27,156	34,613	66,030	19,965
Land lease and other rent expenses	-	-	-	5,400	-	-
Property taxes	12,000	12,000	11,830	8,627	26,374	5,123
Outsourcing expenses	1,000	3,000	840	1,200	1,614	695
Nonlife insurance	0	0	182	225	442	128
Depreciation and amortization	26,000	40,000	12,767	17,700	35,587	11,938
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	1,000	1,000	1,535	1,459	2,011	2,079
(C) Net real estate operating income = (A) − (B)	197,000	93,000	71,987	87,593	204,084	30,150
(Reference) Occupancy rate at end of period	100.0%	100.0%	100.0%	100.0%	100.0%	-
(Reference) Number of tenants at end of period	1	2	1	1	2	-

Property No.	21	22	23	24	25	26
Property name	Daiwa Roynet Hotel Akita (Note 2) (Note 3)	Smile Hotel Nihombashi Mitsukoshimae	Hotel Sunroute Niigata (Note 3)	Toyoko Inn Hakata-guchi Ekimae	Hotel Vista Kamata Tokyo	Chisun Inn Kamata
Number of operating days	302	365	302	365	365	365
(A) Real estate operating revenue subtotal	114,000	150,510	129,162	141,039	113,644	70,445
Fixed rent	114,000	134,400	129,161	141,039	93,534	-
Variable rent	-	16,110	-	-	20,040	70,445
Other revenue	-	-	1	-	70	-
(B) Real estate operating costs subtotal	42,000	34,122	46,558	34,444	37,177	20,812
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	10,000	12,272	8,815	10,445	11,931	4,676
Outsourcing expenses	2,000	1,200	1,689	1,080	1,200	1,080
Nonlife insurance	0	221	423	282	246	103
Depreciation and amortization	28,000	18,212	32,717	21,390	22,403	11,573
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	0	2,216	2,913	1,246	1,395	3,379
(C) Net real estate operating income = (A) − (B)	71,000	116,388	82,603	106,594	76,467	49,632
(Reference) Occupancy rate at end of period	-	100.0%	-	100.0%	100.0%	100.0%
(Reference) Number of tenants at end of period	-	1	-	1	1	1

Property No.	29	30	31	32	33	34
Property name	Hotel Keihan Universal City	Hotel Sunroute Shinbashi	Hilton Tokyo Bay	ibis Styles Kyoto Station (Note 1)	ibis Styles Sapporo (Note 1)	Mercure Sapporo (Note 1)
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	796,456	379,770	1,953,746	483,439	573,050	651,976
Fixed rent	(Note 4)	282,266	(Note 4)	42,334	26,266	63,515
Variable rent	(Note 4)	64,463	(Note 4)	437,444	513,155	464,422
Other revenue	(Note 4)	33,039	(Note 4)	3,660	33,628	124,038
(B) Real estate operating costs subtotal	161,851	82,897	465,161	95,312	168,660	289,007
Land lease and other rent expenses	21,110	-	132,257	-	-	42
Property taxes	45,614	24,999	137,629	17,978	27,414	36,349
Outsourcing expenses	6,186	4,710	25,309	38,879	36,364	87,497
Nonlife insurance	1,432	359	3,712	434	925	1,055
Depreciation and amortization	83,837	21,094	159,942	31,728	71,290	76,855
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	3,669	31,733	6,310	6,291	32,666	87,206
(C) Net real estate operating income = (A) − (B)	634,605	296,872	1,488,585	388,127	404,389	362,969
(Reference) Occupancy rate at end of period	100.0%	100.0%	100.0%	100.0%	99.4%	97.5%
(Reference) Number of tenants at end of period	1	4	1	2	5	13

Property No.	35	36	37	38	39	40
Property name	Mercure Okinawa Naha (Note 1)	the b akasaka-mitsuke (Note 5)	the b ikebukuro (Note 5)	the b ochanomizu (Note 5)	the b hachioji (Note 5)	the b hakata (Note 5)
Number of operating days	365	336	336	336	336	336
(A) Real estate operating revenue subtotal	392,480	262,591	330,644	105,117	200,646	154,833
Fixed rent	3,150	125,751	199,933	63,620	111,627	77,635
Variable rent	378,377	136,840	129,394	41,322	81,105	76,803
Other revenue	10,952	-	1,316	173	7,913	393
(B) Real estate operating costs subtotal	122,583	22,775	31,629	11,475	27,187	19,412
Land lease and other rent expenses	291	-	-	-	-	-
Property taxes	17,371	-	-	-	-	-
Outsourcing expenses	48,954	1,206	1,206	1,206	1,206	1,206
Nonlife insurance	670	238	420	126	456	238
Depreciation and amortization	49,678	19,143	27,005	8,543	20,746	15,397
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	5,617	2,187	2,996	1,599	4,778	2,570
(C) Net real estate operating income = (A) − (B)	269,897	239,816	299,015	93,641	173,458	135,421
(Reference) Occupancy rate at end of period	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants at end of period	1	2	4	1	13	1

Property No.	41	42	43	44
Property name	Hotel Francs (Note 6)	Mercure Yokosuka (Note 7)	Okinawa Marriott Resort & Spa (Note 8)	ACTIVE-INTER CITY HIROSHIMA (Note 9)
Number of operating days	276	274	175	14
(A) Real estate operating revenue subtotal	229,558	154,815	722,575	34,635
Fixed rent	(Note 4)	-	261,693	29,324
Variable rent	-	117,907	460,881	907
Other revenue	(Note 4)	36,907	-	4,403
(B) Real estate operating costs subtotal	41,106	78,369	113,924	32,035
Land lease and other rent expenses	-	-	-	-
Property taxes	-	-	-	-
Outsourcing expenses	1,354	13,356	1,341	3,875
Nonlife insurance	793	1,743	1,247	142
Depreciation and amortization	38,585	20,931	103,802	15,020
Loss on retirement of noncurrent assets	-	-	-	-
Other costs	372	42,338	7,532	12,996
(C) Net real estate operating income = (A) − (B)	188,452	76,445	608,650	2,600
(Reference) Occupancy rate at end of period	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants at end of period	1	1	1	37

(Note 1) Variable rent includes income from management contracts. For details of the management contract, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 66.

(Note 2) Consent on disclosure of rent in units of thousand yen has not been obtained from the lessee and is thus rounded down to the nearest million yen.

(Note 3) Comfort Hotel Shin-Yamaguchi, Daiwa Roynet Hotel Akita and Hotel Sunroute Niigata were transferred as of October 30, 2015.

(Note 4) Rent income, etc. is not disclosed as consent on disclosure has not been obtained from the tenant with whom a lease contract has been concluded and thus considered to be a case where disclosure cannot be made due to unavoidable circumstances.

(Note 5) The b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji and the b hakata were acquired as of January 30, 2015.

(Note 6) Hotel Francs was acquired as of March 31, 2015.

(Note 7) Mercure Yokosuka was acquired as of April 2, 2015.

(Note 8) Okinawa Marriott Resort & Spa was acquired as of July 10, 2015.

(Note 9) ACTIVE-INTER CITY HIROSHIMA was acquired as of December 18, 2015.

(Note 10) The property numbers of assets that were transferred before the end of the previous fiscal year are intentionally omitted.

C. Status of portfolio diversification

a. Diversification by hotel type

The total annual rent, the total of acquisition price and the investment ratio by the hotel type of the assets held at the end of the fiscal period under review were as follows:

Hotel type (Note 1)	Total annual rent (Note 2) (JPY1M)	Acquisition price (Note 3) (JPY1M)	Investment ratio (Note 4) (%)
Limited-service hotel	6,949	91,168	40.4
Full-service hotel	4,517	56,975	25.2
Resort hotel	6,626	77,580	34.4
Total	18,093	225,723	100.0

b. Diversification by geographical area

The total annual rent, the total of acquisition price and the investment ratio by the geographical area of the assets held at the end of the fiscal period under review were as follows:

Geographical area (Note 5)	Total annual rent (Note 2) (JPY1M)	Acquisition price (Note 3) (JPY1M)	Investment ratio (Note 4) (%)
Hokkaido	1,067	12,797	5.7
Tokyo	2,856	43,305	19.2
Kanto (excluding Tokyo)	4,425	54,775	24.3
Kansai	3,780	40,550	18.0
Okinawa	4,004	44,460	19.7
Other	1,959	29,836	13.2
Total	18,093	225,723	100.0

c. Diversification by hotel grade

The total annual rent, the total of acquisition price and the investment ratio by the hotel grade of the assets held at the end of the fiscal period under review were as follows:

Hotel grade	Total annual rent (Note 2) (JPY1M)	Acquisition price (Note 3) (JPY1M)	Investment ratio (Note 4) (%)
Luxury	4,342	62,270	27.6
Upper-middle	3,041	29,950	13.3
Mid-price	9,692	119,409	52.9
Economy	1,016	14,094	6.2
Total	18,093	225,723	100.0

d. Diversification by building age

The total annual rent, the total of acquisition price and the investment ratio by the building age of the assets held at the end of the fiscal period under review were as follows. The building age is the period from the date stated as the date of new construction on the registration or registration record to the last day of December 2015:

Building age	Total annual rent (Note 2) (JPY1M)	Acquisition price (Note 3) (JPY1M)	Investment ratio (Note 4) (%)
Less than 5 years (inclusive)	—	—	—
More than 5 years, less than 10 years (inclusive)	3,816	54,667	24.2
More than 10 years, less than 20 years (inclusive)	5,421	65,316	28.9
More than 20 years	8,854	105,740	46.8
Total	18,093	225,723	100.0

e. Diversification by remaining contract term

The total annual rent and the ratio of the total annual rent of the concerned properties to the total annual rent of all assets held at the end of the fiscal period under review by the remaining contract term of the assets held at the end of the fiscal period under review were as follows, where the remaining contract term is the period from the last day of December 2015 to the lease contract expiration date:

Remaining contract term	Total annual rent (Note 2) (JPY1M)	Ratio of total annual rent to total (%)
Less than 5 years (inclusive)	10,720	59.3
More than 5 years, less than 10 years (inclusive)	5,311	29.4
More than 10 years, less than 20 years (inclusive)	2,060	11.4
More than 20 years	—	—
Total	18,093	100.0

f. Diversification by rent type

The total annual rent and the ratio of the total annual rent of the concerned properties to the total annual rent of all assets held at the end of the fiscal period under review by the rent type of the assets held at the end of the fiscal period under review were as follows, where fixed rent refers to fixed rent contracts and variable rent, etc. refers to variable rent contracts and management contracts:

Rent type	Total annual rent (Note 2) (JPY1M)	Ratio of total annual rent to total (%)
Fixed rent	10,768	59.5
Variable rent, etc.	7,325	40.5
Total	18,093	100.0

(Note 1) Hotels are categorized as limited-service hotels, full-service hotels or resort hotels according to the manner of operation.

(Note 2) "Total annual rent" is the total of the amount arrived at when the monthly fixed rent income based on lease contracts valid as of December 31, 2015 (rent of the building itself only, excluding common area maintenance charges and signage and parking usage fees; not factoring in any change in rent during the fiscal period under review) is multiplied by 12, variable rent and income from management contracts. Variable rent and income from management contracts are based on the amount actually generated from January 1, 2015 to December 31, 2015. However, the calculation for the five *the b* hotels is the amount arrived at when the total amount of variable rent actually generated in the period of 336 days from January 30, 2015 to December 31, 2015 is divided by 336 and multiplied by 365, that for Mercure Yokosuka is the amount arrived at when the total amount of variable rent actually generated in the period of 274 days from April 2, 2015 to December 31, 2015 is divided by 274 and multiplied by 365, that for Okinawa Marriott Resort & Spa is the amount arrived at when the total amount of variable rent actually generated in the period of 175 days from July 10, 2015 to December 31, 2015 is divided by 175 and multiplied by 365, and that for ACTIVE-INTER CITY HIROSHIMA is the amount arrived at when the total amount of variable rent actually generated in the period of 14 days from December 18, 2015 to December 31, 2015 is divided by 14 and multiplied by 365. For details of the contracts of the hotels with revenue sharing, with variable rent or operated under a management contract structure, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 66.

(Note 3) "Acquisition price" is the acquisition price stated on the purchase and sale agreement for beneficial interest in trust or real estate purchase and sale agreement (consumption tax, local consumption tax and the acquisition expense such as broker's fee are not included). The acceptance prices are indicated for the properties that have been accepted from the former JHR.

(Note 4) "Investment ratio" is the ratio of total acquisition price of the assets held at the end of the fiscal period under review that are of the respective type to the total of acquisition price of all assets held at the end of the fiscal period under review, rounded off to one decimal place.

(Note 5) Tokyo means Tokyo metropolitan area. Kanto (excluding Tokyo) means Kanagawa, Chiba, Saitama, Ibaraki, Gunma, Tochigi and Yamanashi prefectures. Kansai means Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Okinawa means Okinawa prefecture.

D. Overview of the hotel business

(1) Rent structures of hotels with variable rent, management contract or revenue sharing

	Property No.	Name	Rent type	Method of calculating variable rent and income from management contracts
The HMJ Group Hotels	1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	When total GOP of the five HMJ hotels exceeds GOP base amount (set at ¥3,351 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 81.5% (Note 1). GOP base amount is set individually for each hotel for such purposes as payment of variable rent from each hotel. The breakdown of GOP base amount is presented below (Note 2).
	2	Oriental Hotel tokyo bay		
	3	Namba Oriental Hotel		
	4	Hotel Nikko Alivila		
	5	Oriental Hotel Hiroshima		
	43	Okinawa Marriott Resort & Spa	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥700 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 90.0%
	44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel)	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥468 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 82.5%
The Six Accor Hotels	6	ibis Tokyo Shinjuku	Management contract (Note 3)	Amount equivalent to GOP
	32	ibis Styles Kyoto Station		Amount equivalent to GOP
	33	ibis Styles Sapporo		Amount equivalent to GOP
	34	Mercure Sapporo		Amount equivalent to GOP
	35	Mercure Okinawa Naha		Amount equivalent to GOP
	42	Mercure Yokosuka	Variable	Amount linked to GOP
The Six *the b* Hotels	12	the b suidobashi (Note 4)	Variable/Fixed	Amount linked to GOP (Note 5)
	36	the b akasaka-mitsuke		
	37	the b ikebukuro		
	38	the b ochanomizu		
	39	the b hachioji		
	40	the b hakata		
Other hotels with variable rent or revenue sharing	22	Smile Hotel Nihombashi Mitsukoshimae	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	25	Hotel Vista Kamata Tokyo (Note 6)	Fixed + Revenue sharing	When hotel total sales from January 1 to December 31 of every year exceeds ¥270 million, the amount arrived at when the amount exceeding ¥270 million is multiplied by 32.5%
	26	Chisun Inn Kamata	Variable	Amount that is the monthly GOP multiplied by 85.0% (¥0 if the amount is below ¥0).
	29	Hotel Keihan Universal City	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	30	Hotel Sunroute Shinbashi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	31	Hilton Tokyo Bay	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)

(Note 1) Concerning a fixed-term lease agreement on the five HMJ hotels, JHR concluded an agreement to change the variable rent ratio from 81.5% to 85.0% effective as of January 1, 2016.

(Note 2) Breakdown of the GOP base amount set individually for the five HMJ hotels

Hotel name	Annual GOP base amount
Kobe Meriken Park Oriental Hotel	¥599,900 thousand
Oriental Hotel tokyo bay	¥693,200 thousand
Namba Oriental Hotel	¥832,200 thousand
Hotel Nikko Alivila	¥995,700 thousand
Oriental Hotel Hiroshima	¥230,000 thousand
Total	¥3,351,000 thousand

(Note 3) The management contract structure is a structure for hotel real estate owned by JHR in which JHR entrusts an operator to operate the hotel and takes in the outcome of that business as real estate operating revenue. Specifically, JHR, the owner of the hotel real estate, concludes a management contract with an operator and entrusts the operator with the tasks necessary to run the hotel business. JHR receives the hotel revenue achieved from the hotel business (operation) by the operator and, at the same time, pays a management fee to the operator. This hotel revenue achieved is recognized as "real estate operating revenue through management contract" and is equivalent to the rent that is the real estate operating revenue under the leasing structure.

(Note 4) On July 1, 2015, Dormy Inn Suidobashi was changed to a variable rent contract with Ishin Suidobashi Operations K.K. as lessee and started operations as a hotel under the name of the b suidobashi. In this report, the same shall apply hereinafter.

(Note 5) The detailed content of the contract is not disclosed as consent on disclosure has not been obtained from the lessee.

(Note 6) Hotel Vista Kamata Tokyo underwent a contract change on July 1, 2015. When hotel total sales from January 1 to December 31 of every year (however, from July 1 to December 31 in the case of 2015) exceeds ¥270 million (however, ¥270 million × Actual number of days from July 1 to December 31 ÷ 365 days in the case of 2015), the amount arrived at when the amount exceeding that is multiplied by 32.5% is received as revenue sharing in addition to fixed rent.

(2) Major indicators of the hotel business

The following tables indicate the figures related to the hotel business of the HMJ group hotels, the six Accor hotels and the six *the b* hotels for the operating period from January 1, 2015 through December 31, 2015, based on the data provided by the hotel lessees. Furthermore, while the indicators of the hotels are among the indicators that show the operating status of the rooms departments, they do not necessarily represent the operating revenue and the ability to bear rent, etc. of the respective hotels, as the daily rates and profit margins, etc. of the respective rooms available for sale are not uniform, among other reasons. As such, the indicators are no more than the reference figures.

(a) The HMJ Group Hotels

	Kobe Meriken Park Oriental Hotel		Oriental Hotel tokyo bay		Namba Oriental Hotel		Hotel Nikko Alivila		Oriental Hotel Hiroshima		The Five HMJ Hotels Total/Average		Okinawa Marriott Resort & Spa (Note 4)		Sheraton Hiroshima Hotel (Note 5)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	80.0%	—	98.1%	—	89.7%	—	83.6%	—	80.0%	—	87.7%	—	87.9%	—	85.4%	—
ADR (Note 1)	17,361	—	20,027	—	16,949	—	26,651	—	8,908	—	19,212	—	19,025	—	16,429	—
RevPAR (Note 2)	13,896	—	19,655	—	15,204	—	22,283	—	7,122	—	16,843	—	16,717	—	14,024	—
Total sales	5,252	100.0	7,322	100.0	2,530	100.0	5,948	100.0	2,134	100.0	23,186	100.0	4,016	100.0	2,847	100.0
Rooms department	1,783	33.9	3,978	54.3	1,571	62.1	3,551	59.7	649	30.4	11,532	49.7	2,427	60.4	1,340	47.1
Food & beverage department	3,126	59.5	2,871	39.2	165	6.5	1,905	32.0	1,410	66.1	9,477	40.9	1,159	28.9	1,408	49.4
Tenant department	60	1.1	250	3.4	750	29.6	2	0.0	23	1.1	1,083	4.7	79	2.0	13	0.5
Other departments (Note 3)	284	5.4	224	3.1	45	1.8	489	8.2	52	2.4	1,093	4.7	352	8.8	87	3.0
GOP	1,168	22.2	2,044	27.9	1,423	56.2	1,977	33.2	328	15.4	6,941	29.9	1,230	30.6	716	25.1

(Note 1) ADR: Represents average daily rate, which is calculated by dividing total rooms revenue for a certain period (excluding service charges) by the total number of rooms sold during the period. The same shall apply hereinafter.

(Note 2) RevPAR: Represents revenue per available room, which is calculated by dividing total rooms revenue for a certain period (excluding service charges) by the total number of rooms available for sale during the period. Revenue per available room equals the product of ADR and occupancy rate. The same shall apply hereinafter.

(Note 3) Figures for the Other departments include sales of the department for sale of goods.

(Note 4) For Okinawa Marriott Resort & Spa, which JHR acquired on July 10, 2015, the annual figures are for throughout the year including those prior to the acquisition.

(Note 5) The indicated figures are for Sheraton Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA. For ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel), which JHR acquired on December 18, 2015, the annual figures are for throughout the year including those prior to the acquisition.

(Note 6) The occupancy rate is rounded off to one decimal place, while ADR and RevPAR are rounded off to single units. Sales and GOP are rounded off to the nearest million yen. For the ratio to total sales, the ratio of sales in each department to total sales is rounded off to one decimal place. The same shall apply hereinafter.

(b) The Six Accor Hotels

	ibis Tokyo Shinjuku		ibis Styles Kyoto Station		ibis Styles Sapporo		Mercure Sapporo		Mercure Okinawa Naha		Mercure Yokosuka (Note 1)		Total/Average (Note 2)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	88.5%	—	90.7%	—	87.8%	—	82.1%	—	80.7%	—	89.5%	—	86.1%	—
ADR	11,809	—	10,491	—	9,335	—	11,009	—	10,038	—	11,561	—	10,605	—
RevPAR	10,456	—	9,520	—	8,197	—	9,044	—	8,097	—	10,352	—	9,130	—
Total sales	873	100.0	814	100.0	1,019	100.0	1,172	100.0	923	100.0	1,062	100.0	5,863	100.0
Rooms department	782	89.6	747	91.8	832	81.6	941	80.3	765	82.9	605	56.9	4,672	79.7
Food & beverage department	71	8.1	61	7.5	163	16.0	221	18.9	131	14.2	437	41.1	1,084	18.5
Other departments	20	2.3	6	0.7	24	2.4	10	0.8	26	2.8	21	2.0	108	1.8
GOP	470	53.8	437	53.7	513	50.3	464	39.6	392	42.5	235	22.1	2,512	42.8

(Note 1) For Mercure Yokosuka, which JHR acquired on April 2, 2015, the annual figures are for throughout the year including those prior to the acquisition.

(Note 2) For Total/Average, figures are calculated by JHR since no figures have been provided by the hotel operators or hotel lessees.

(c) The Six *the b* Hotels

	the b suidobashi (Note 1)		the b akasaka-mitsuke (Note 2)		the b ikebukuro (Note 2)		the b ochanomizu (Note 2)		the b hachioji (Note 2)		the b hakata (Note 2)		Total/Average (Note 3)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	—%	—	89.6%	—	91.7%	—	90.8%	—	90.7%	—	95.4%	—	91.9%	—
ADR	—	—	11,494	—	10,494	—	10,936	—	7,074	—	6,580	—	8,842	—
RevPAR	—	—	10,301	—	9,626	—	9,932	—	6,414	—	6,277	—	8,124	—
Total sales	—	—	464	100.0	625	100.0	262	100.0	558	100.0	406	100.0	2,315	100.0
Rooms department	—	—	459	98.9	615	98.4	261	99.4	459	82.3	401	98.8	2,194	94.8
Food & beverage department	—	—	—	—	—	—	—	—	95	17.0	—	—	95	4.1
Other departments	—	—	5	1.1	10	1.6	1	0.6	4	0.8	5	1.2	26	1.1
GOP	—	—	266	57.4	320	51.2	122	46.5	193	34.5	178	43.9	1,079	46.6

(Note 1) For the b suidobashi, there is no figure available for disclosure for the operating period ended December 31, 2015 as no data exist for the period before July 1, 2015.

(Note 2) For the five *the b* hotels, which JHR acquired on January 30, 2015, the annual figures are for throughout the year including those prior to the acquisition.

(Note 3) For Total/Average, figures are calculated by JHR since no figures have been provided by the hotel lessees. Furthermore, the figures represent the total and average of the five *the b* hotels, or the six *the b* hotels excluding the b suidobashi.

E. Status of capital expenditures

a. Planned capital expenditures (Note)

The following table shows major estimated capital expenditures for renovation work planned as of the end of the fiscal period under review for real estate properties under management by JHR. Expenditures are expected to total ¥2,582 million, which consists of capital expenditures of ¥2,532 million and repair expenses of ¥49 million, for the following fiscal period.

Name of property, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (JPY1M)		
			Total amount	Payment for the period	Total amount paid
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renewal of guest rooms on the 7th floor	From January 2016 to March 2016	50	—	—
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renovation of guest room balconies	From January 2016 to April 2016	62	—	—
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renewal of sky lounge "Kou's" and renovation of elevator halls and pathways on the 14th floor	From June 2016 to July 2016	80	—	—
Oriental Hotel tokyo bay (Urayasu-shi, Chiba)	Renewal of guest rooms on the 4th floor	From January 2016 to February 2016	102	—	—
Namba Oriental Hotel (Osaka-shi, Osaka)	Renewal of guest rooms on the 9th floor	From January 2016 to February 2016	91	—	—
Hotel Nikko Alivila (Yomitan-son, Nakagami-gun, Okinawa)	Renewal of guest rooms on the 9th floor	From May 2016 to June 2016	55	—	—
ibis Tokyo Shinjuku (Shinjuku-ku, Tokyo)	Replacement of piping	From May 2016 to July 2016	83	—	—
ibis Tokyo Shinjuku (Shinjuku-ku, Tokyo)	Replacement of interior fittings and furniture and prefabricated bathrooms in guest rooms on the 3rd through 10th floors	From May 2016 to July 2016	164	—	—
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Replacement of emergency power generator	From February 2016 to April 2016	60	—	—
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of disaster prevention facilities	From January 2016 to July 2016	92	—	—
Okinawa Marriott Resort & Spa (Nago-shi, Okinawa)	Renewal of hotel operation systems	From November 2015 to March 2016	55	—	—
Total			895	—	—

(Note) For new construction and renewal work, estimated construction costs include those for buildings, attached facilities, etc. as well as items classified as furniture and fixtures. The scheduled period of the above planned repair work and whether or not the repair work will be performed may change.

b. Capital expenditures during the period (Note)

For real estate properties under management by JHR, major construction work conducted during the fiscal period under review that represents capital expenditures is as below. Capital expenditures for the fiscal period under review totaled ¥1,811 million, and repair expenses that were accounted for as expense in the fiscal period under review totaled ¥65 million. In aggregate, ¥1,876 million of construction work was carried out.

Name of property, etc. (Location)	Purpose	Period	Construction costs (JPY1M)
the b suidobashi (Bunkyo-ku, Tokyo)	Replacement of air conditioning units	From April 2015 to June 2015	55
the b suidobashi (Bunkyo-ku, Tokyo)	Renewal in association with re-branding	From April 2015 to June 2015	60
ibis Tokyo Shinjuku (Shinjuku-ku, Tokyo)	Replacement of interior fittings and furniture and prefabricated bathrooms in guest rooms on the 4th through 10th floors	From September 2015 to November 2015	91
Total			207

(Note) For new construction and renewal work, construction costs include those for buildings, attached facilities, etc. as well as items classified as furniture and fixtures.