



Japan Hotel REIT Investment Corporation

Financial Results Briefing 16th Period (FY12/2015)

February 25, 2016

(TSE: 8985)

<http://www.jhrth.co.jp/en/>

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

I. Settlement of Accounts for FY12/2015 - Highlights

1. FY12/2015 Highlights

1. External Growth

▶ Ongoing Property Acquisitions

End of 12/2014 **30** properties / JPY**173.4** billion

◆ Public offering in January

Acquired

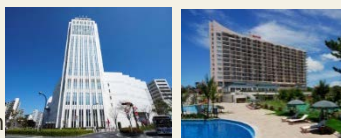
6 properties / JPY**23.1** billion



2015 ◆ Public offering in June

Acquired

2 properties / JPY**16.6** billion



Sold **3** properties / JPY**4.7** billion (October)

Acquired **ACTIVE-INTER CITY HIROSHIMA**
(Sheraton Hiroshima Hotel) JPY**17.3** billion
(December)



End of 12/2015 **36** properties / JPY**225.7** billion

◆ Public offering in January

Acquired **CANDEO HOTELS UENO-KOEN**
JPY**6.7** billion (February)



Scheduled to acquire **Hotel Centraza Hakata**
JPY**7.2** billion (April)



End of April 2016 (Planned) **38** properties / JPY**239.6** billion (Planned)

2. Internal Growth (*1, 2, 3, 4)

▶ Improved Performance of Hotels Adopting Variable Rent, etc.

◆ High growth of RevPAR throughout the year

(Unit: JPY)

| | 2014 | 2015 | Variance |
|---------------------|--------|---------------|----------|
| HMJ's five hotels | 15,245 | 16,843 | 10.5% |
| Accor's six hotels | 8,137 | 9,130 | 12.2% |
| Five "the b" hotels | 7,132 | 8,124 | 13.9% |
| Total | 11,103 | 12,352 | 11.2% |

▶ Increase in Revenue Sharing by JPY349M

◆ Increase in revenue sharing by revised lease agreements

3. Improvement in Financial Conditions

▶ Improvement in Financial Indicators (2014 → 2015)

Management of LTV

Longer average life of debt

43.1%⇒**42.8%** 2.4 yrs⇒**3.7 yrs**

▶ Issuance of Investment Corporation Bonds to Retail Investors (First Time for JHR)

Total amount: JPY6 billion, Period: 7 yrs, Rate: 0.82%

▶ Review of Credit Rating

JCR : A (positive), R&I : A- (positive)

Direction of the rating: Both JCR and R&I revised to positive

(*1) HMJ's five hotels are Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima (hereinafter called "HMJ's five hotels").

(*2) Accor's six hotels are ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka (hereinafter called "Accor's six hotels").

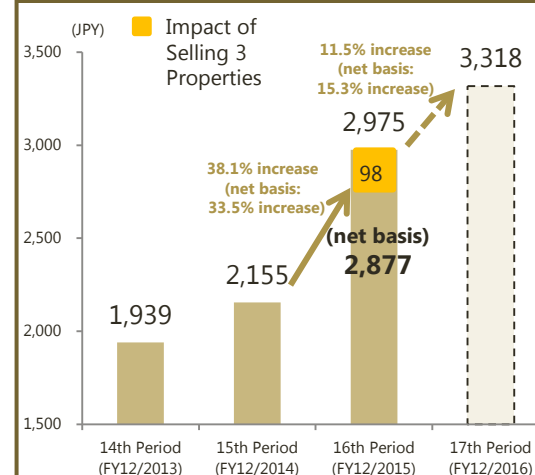
(*3) Five "the b" hotels are the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji, and the b hakata (hereinafter called the "five 'the b' hotels").

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

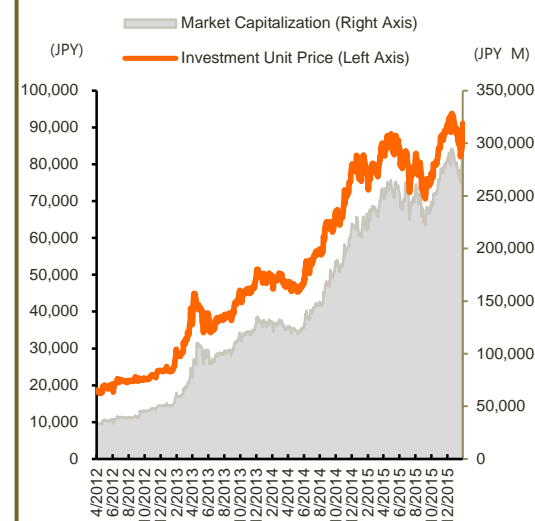
(*5) Fiscal year ending December 2012 (13th period) is irregular settlement of accounts of nine months. Therefore, the dividend of FY12/2012 is an annualized number based on certain conditions.

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

Steady Growth of Dividend(*5, 6)



Rising Market Capitalization and Investment Unit Price



II. Summary of Settlement of Accounts

1. Operational Performance

| | | (A) | (B) | (B) – (A) | | | |
|-----------------|---|--------------------|--------------------|-------------|----------------------|----------------------|---------------------|
| | | FY12/2014 | FY12/2015 | Variance | | | |
| | | Actual | Actual | Total | Property Acquisition | Property Disposition | Existing Properties |
| | | | | (C)+(D)+(E) | (C) (*1) | (D) (*2) | (E) |
| Property | No. of Properties | 30 | 36 | 6 | 9 | - 3 | - |
| | Acquisition Price | 173,429 | 225,723 | 52,294 | 57,025 | - 4,731 | - |
| Profit and Loss | Operating Revenue | 12,760 | 17,343 | 4,583 | 2,195 | 244 | 2,143 |
| | Real Estate Operating Revenue | Composition 12,760 | Composition 17,033 | 4,273 | 2,195 | - 60 | 2,139 |
| | Variable Rent | 28.9% 3,693 | 39.5% 6,722 | ① → 3,029 | 1,045 | - | 1,984 |
| | Fixed Rent | 71.1% 9,066 | 60.5% 10,311 | ② → 1,244 | 1,150 | - 60 | 155 |
| | Gain on Sale of Real Estate Properties | 0 | 309 | 309 | - | 305 | 4 |
| | NOI | 11,002 | 14,829 | 3,827 | 2,086 | - 54 | 1,795 |
| | | 6.3% | 6.6% | 0.2% | - | - | - |
| | Depreciation | 2,400 | 2,772 | 371 | 269 | - 13 | 115 |
| | Loss on Retirement of Noncurrent Assets | 4 | 25 | 21 | - | - | 21 |
| | Loss on Sale | - | - | - | - | - | - |
| | NOI after Depreciation | 8,597 | 12,031 | 3,434 | 1,817 | - 41 | 1,658 |
| | | 5.0% | 5.3% | 0.4% | - | - | - |
| | Other Operating Expenses | 1,051 | 1,352 | 300 | | | |
| | Operating Income | 7,545 | 10,988 | 3,443 | | | |
| | Non-Operating Income | 4 | 18 | 13 | | | |
| | Non-Operating Expenses | 1,774 | 1,711 | - 62 | | | |
| | Ordinary Income | 5,776 | 9,295 | 3,519 | | | |
| | Net Income | 5,774 | 9,294 | 3,519 | | | |
| Dividend | Use of Negative Goodwill | 240 | 60 | - 179 | | | |
| | Total Dividends | 6,015 | 9,354 | 3,338 | | | |
| | Number of Units Issued (Units) | 2,791,281 | 3,144,227 | 352,946 | | | |
| | Dividend per Unit (JPY) | 2,155 | 2,975 | 820 | +38.1% | | |

(Unit: JPY M)

Major Causes of Variance

① Operating Revenue – Variable Rent, etc.

- Increase in variable rent of HMJ's five hotels -- JPY521M
- Increase in income from management contracts -- JPY100M (*3)
- Increase in revenue sharing, etc. -- JPY369M (Including other variable rent)
- Full-year impact, etc. of 3 properties acquired in FY12/2014 -- JPY993M
- Variable rent from 9 properties acquired during FY12/2015 -- JPY1,045M

② Operating Revenue – Fixed Rent

- Full-year impact, etc. of 3 properties (*4) acquired during FY12/2014 -- JPY180M
- Decrease, etc. from selling 1 property during FY12/2014 (*5) -- -JPY21M
- Fixed rent from 9 properties acquired during FY12/2015 -- JPY1,150M

(*1) This indicates an impact from acquiring nine properties on the statement of income. Nine properties are 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 3 properties (Comfort Hotel Shin-Yamaguchi, Daiwa Roynet Hotel Akita, and Hotel Sunroute Niigata) on October 30, 2015 on the statement of income.

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

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

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

(*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

2. Revenue Forecast

(Unit: JPY M)

| | | (A) | (B) | | [Reference] | (B) – (A) | | |
|-----------------|---|--------------------|--------------------|---------------------------|-------------|----------------------|----------------------|---------------------|
| | | FY12/2015 | FY12/2016 | FY12/2016 | Variance | Variance | | |
| | | Actual | Forecast | Forecast | Total | Property Acquisition | Property Disposition | Existing Properties |
| | | | (*1) | (Annualized Numbers) (*1) | (C)+(D)+(E) | (C) (*2) | (E) (*3) | (D) (*4) |
| Property | No. of Properties | 36 | 38 | 38 | 2 | 2 | - | - |
| | Acquisition Price | 225,723 | 239,626 | 239,626 | 13,902 | 13,902 | - | - |
| Profit and Loss | Operating Revenue | 17,343 | 20,836 | 21,019 | 3,492 | 2,105 | - 599 | 1,986 |
| | Real Estate Operating Revenue | Composition 17,033 | Composition 20,836 | Composition 21,019 | 3,802 | 2,105 | -293 | 1,990 |
| | Variable Rent | 39.5% 6,722 | 41.4% 8,632 | 41.3% 8,688 | 1,909 | 469 | - ① → 1,440 | - |
| | Fixed Rent | 60.5% 10,311 | 58.6% 12,204 | 58.7% 12,330 | 1,893 | 1,636 | - 293 ② → 550 | - |
| | Gain on Sale of Real Estate Properties | 309 | - | - | -309 | - | - 305 | - 4 |
| | NOI (*6) | 14,829 | 17,625 | 17,618 | 2,795 | 1,517 | (*)7 - 257 | 1,535 |
| | | 6.6% | 7.4% | 7.4% | 0.8% | - | - | - |
| | Depreciation | 2,772 | 3,207 | 3,269 | 435 | 395 | - 73 | 112 |
| | Loss on Retirement of Noncurrent Assets | 25 | 13 | 13 | - 12 | - | - | -12 |
| | Loss on Sale | - | - | - | - | - | - | - |
| | NOI after Depreciation (*6) | 12,031 | 14,404 | 14,336 | 2,373 | 1,122 | (*)7 - 184 | 1,435 |
| | | 5.3% | 6.0% | 6.0% | 0.7% | - | - | - |
| | Other Operating Expenses | 1,352 | 1,759 | 1,777 | 406 | | | |
| | Operating Income | 10,988 | 12,645 | 12,558 | 1,656 | | | |
| | Non-Operating Income | 18 | - | - | - 18 | | | |
| | Non-Operating Expenses | 1,711 | 1,740 | 1,664 | 28 | | | |
| | Ordinary Income | 9,295 | 10,904 | 10,893 | 1,608 | | | |
| | Net Income | 9,294 | 10,904 | 10,893 | 1,610 | | | |
| Dividend | Use of Negative Goodwill | 60 | 119 | 155 | 58 | | | |
| | Total Dividends | 9,354 | 11,022 | 11,048 | 1,668 | | | |
| | Number of Units Issued (Units) | 3,144,227 | 3,321,907 | 3,321,907 | 177,680 | | | |
| | Dividend per Unit (JPY) | 2,975 | 3,318 | 3,326 | 343 | +11.5% | | |

(*1) For details, please refer to the "Financial Report for the Fiscal Year Ended December 31, 2015 (January 1, 2015 – December 31, 2015)" dated February 24, 2016.

(*2) This indicates an impact from acquisition of 3 properties on the statement of income. Three properties are ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015, CANDEO HOTELS UENO-KOEN acquired on February 1, 2016, and Hotel Centraza Hakata which is scheduled to be acquired on April 1, 2016.

(*3) This indicates an impact from sale of 3 properties (Comfort Hotel Shin-Yamaguchi, Daiwa Roynet Hotel Akita, and Hotel Sunroute Niigata) on October 30, 2015 on the statement of income.

(*4) 35 properties (36 properties as of December 31, 2015 minus ACTIVE-INTER CITY HIROSHIMA)

(*5) This indicates an impact from acquiring the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji, and the b hakata (hereinafter called "five 'the b' hotels") on January 30, 2015, Hotel Francs on March 31, 2015, Mercure Yokosuka on April 2, 2015, and Okinawa Marriott Resort & Spa on July 10, 2015.

(*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) FYI, NOI and NOI after depreciation do not include gain on sale of real estate properties, etc. Variance of NOI and NOI after depreciation including the impact will be -JPY563M and -JPY489M, respectively.

Major Causes of Variance

① Operating Revenue – Variable Rent, etc.

- Increase in variable rent of HMJ's five hotels – JPY650M
(Revised variable rent ratio from 81.5% to 85% starting January 1, 2016.)
- Increase in income from management contracts, etc. from Accor's five hotels– JPY356M
- Increase in revenue sharing, etc. – JPY120M
(Include other variable rent.)
- Full-year impact, etc. of 8 properties acquired in FY12/2015 -- JPY313M

② Operating Revenue – Fixed Rent

- Full-year impact, etc. of 8 properties (*5) acquired during FY12/2015 -- JPY433M
- Cancellation fees by replacement of tenants – JPY114M

Major Assumptions for FY12/2016 (*1)

- **Operating assets:** In addition to 37 properties currently owned plus 1 property to be acquired in April 2016, total 38 properties will be owned/operated until end of the year. No property transfer (acquisition, disposition, etc.) is assumed.
- **Operating revenue:** Based on the lease contracts, etc., hotels' competitiveness and market environment have been considered.
- **Operating expenses:** JPY1,201M for fixed asset tax and city planning tax, etc. is assumed. The taxes of the two new acquired properties (including planned acquisition) this fiscal year will not be posted as operating expenses since they will be posted as acquisition expenses. (The fixed asset tax and city planning tax for the two properties is posted with the assumption of JPY45M in annualized number.) Straight-line method is applied to calculate depreciation.
- **Non-operating expenses:** JPY1,740M is assumed as interest payments, amortization of loan-related fees, loan-related costs and amortized expenses for issuing new investment units.
- **Borrowing:** It is assumed that the balance of loans and investment corporation bonds at the beginning of the FY12/2016 totals JPY102,772M. The amount is assumed to be JPY111,593M at the end of FY12/2016.
- **No. of investment units issued:** Assume 3,321,907 units
- **Dividend per unit:** Negative goodwill will be used for amortization for fixed-term leasehold rights of land and asset retirement obligations (JPY119M).

3. Balance Sheet

(Unit: JPY M)

| | End of FY12/2014 | End of FY12/2015 | Variance |
|--|------------------|------------------|---------------|
| (As of) | 12.31.2014 | 12.31.2015 | |
| ASSETS | | | |
| Current Assets | 15,836 | 15,633 | - 203 |
| Cash and Deposits (*1) | 14,424 | 13,698 | - 726 |
| Operating Accounts Receivables | 1,029 | 1,269 | 240 |
| Others | 382 | 665 | 283 |
| Property and Equipment, at Cost | 172,160 | 224,588 | 52,428 |
| Net Property and Equipment | 150,736 | 203,488 | 52,752 |
| Building in Trust (*2) | 61,007 | 81,660 | 20,653 |
| Land in Trust | 89,055 | 120,918 | 31,863 |
| Others(*3) | 672 | 908 | 236 |
| Intangible Assets | 19,842 | 19,884 | 42 |
| Other Assets | 1,582 | 1,214 | - 368 |
| Investment Securities | 602 | 0 | - 602 |
| Leasehold and Security Deposits | 170 | 170 | 0 |
| Others | 808 | 1,043 | 235 |
| Deferred Assets | 94 | 135 | 41 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| TOTAL ASSETS | 188,091 | 240,356 | 52,265 |

| | End of FY12/2014 | End of FY12/2015 | Variance |
|---|------------------|------------------|---------------|
| (As of) | 12.31.2014 | 12.31.2015 | |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | 13,474 | 25,073 | 11,599 |
| Operating Accounts Payable | 285 | 875 | 590 |
| Short-Term Loans Payable | 0 | 9,000 | 9,000 |
| Current Portion of Investment Corporation Bond | 0 | 2,500 | 2,500 |
| Current Portion of Long-Term Loans Payable | 11,825 | 11,393 | - 432 |
| Accounts Payable | 691 | 502 | - 189 |
| Advances Received | 651 | 692 | 41 |
| Others | 20 | 109 | 89 |
| Long-Term Liabilities | 74,274 | 85,368 | 11,094 |
| Investment Corporation Bonds | 6,000 | 9,500 | 3,500 |
| Long-Term Loans Payable | 63,264 | 70,379 | 7,115 |
| Tenant Leasehold and Security Deposits | 4,650 | 4,955 | 305 |
| Others | 358 | 533 | 175 |
| TOTAL LIABILITIES | 87,748 | 110,442 | 22,694 |
| NET ASSETS | | | |
| Unitholders' Capital | 59,024 | 85,470 | 26,446 |
| Capital Surplus | 21,746 | 21,746 | 0 |
| Dividend Reserve | 14,168 | 13,928 | - 240 |
| Unappropriated Retained Earnings (midterm/year) | 5,776 | 9,296 | 3,520 |
| Others | - 373 | - 526 | - 153 |
| TOTAL NET ASSETS | 100,342 | 129,914 | 29,572 |
| TOTAL LIABILITIES AND NET ASSETS | 188,091 | 240,356 | 52,265 |







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

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

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

III. External Growth

1. Properties Acquired in 2015

| Year | (Acquired in January 2015) | | | | | (Acquired in March 2015) |
|---|---|---|--|---|---|---|
| Name of Acquired Property | "the b" Portfolio | | | | | Hotel Francs |
| | the b akasaka-mitsuke | the b ikebukuro | the b ochanomizu | the b hachioji | the b hakata | |
| External Appearance of the Building |  |  |  |  |  |  |
| Address | Minato-ku, Tokyo | Toshima-ku, Tokyo | Chiyoda-ku, Tokyo | Hachioji-shi, Tokyo | Hakata-ku, Fukuoka-shi, Fukuoka Prefecture | Mihama-ku, Chiba-shi, Chiba Prefecture |
| Completion | 11/2002 | 06/1982 | 08/1999 | 08/1986 | 09/1997 | 08/1991 |
| Acreage | 625.46㎡ | 718.71㎡ | 357.47㎡ | 1,227.29㎡ | 719.46㎡ | 4,828.00㎡ |
| Total Floor Space | 2,867.04㎡ | 5,650.01㎡ | 1,742.23㎡ | 7,847.65㎡ | 3,986.09㎡ | 19,213.39㎡ |
| Structures | Steel-framed bldg | Steel-reinforced concrete / steel-framed bldg | Steel-reinforced concrete | Steel-reinforced concrete | Steel-reinforced concrete | Steel-reinforced concrete |
| Floors | 8 floors | 10 fl above + 2 fl below ground | 9 floors | 12 fl above + 2 fl below ground | 8 floors | 13 fl above + 1 fl below ground |
| Acquisition Price | JPY6,250M | JPY6,520M | JPY2,320M | JPY2,610M | JPY2,300M | JPY3,105M |
| Appraisal Value | JPY6,420M | JPY6,770M | JPY2,470M | JPY2,720M | JPY2,370M | JPY3,500M |
| Type | Limited service | Limited service | Limited service | Limited service | Limited service | Full service |
| Grade | Mid-priced | Mid-priced | Mid-priced | Mid-priced | Mid-priced | Mid-priced |
| Total No. of Guest Rooms | 122 rooms | 175 rooms | 72 rooms | 196 rooms | 175 rooms | 222 rooms |
| Rent Scheme | Fixed rent + Variable rent | Fixed rent + Variable rent | Fixed rent + Variable rent | Fixed rent + Variable rent | Fixed rent + Variable rent | Fixed rent |
| NOI Yield (*) (Assumed at the time of acquisition) | 4.3% | 4.7% | 4.6% | 6.1% | 5.2% | 7.4% |

(*) NOI yield which is described in the press release, "Notice Concerning Operating Forecast and Forecast of Dividend," when the property acquisitions were resolved.

Note: 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

1. Properties Acquired in 2015 (Cont.)

| Year | (Acquired in April 2015) | (Acquired in July 2015) | (Acquired in December 2015) |
|--|---|--|---|
| Name of Acquired Property | Mercure Yokosuka | Okinawa Marriott Resort & Spa | ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel) |
| External Appearance of the Building |  |  |  |
| Address | Yokosuka-shi, Kanagawa Prefecture | Nago-shi, Okinawa Prefecture | Higashi-ku, Hiroshima-shi, Hiroshima Prefecture |
| Completion | 11/1993 | 02/2002 | 08/2010 |
| Acreage | 1,887.86㎡ | 52,988.00㎡ | 6,379.02㎡ |
| Total Floor Space | 16,881.82㎡ | 36,430.15㎡ | 39,540.75㎡ |
| Structures | Steel-reinforced concrete bldg | Steel-reinforced concrete bldg | Steel-framed bldg / reinforced concrete bldg / steel-reinforced concrete bldg |
| Floors | 21 floors + 3 fl below ground | 14 floors | 21 floors + 1 fl below ground |
| Acquisition Price | JPY1,650M | JPY14,950M | JPY17,320M |
| Appraisal Value | JPY1,680M | JPY15,400M | JPY17,900M |
| Type | Full service | Resort | Full service |
| Grade | Mid-priced | Upper middle | Luxury |
| Total No. of Guest Rooms | 160 rooms | 361 rooms | 238 rooms |
| Rent Scheme | Variable rent | Fixed rent + Variable rent | Fixed rent + Variable rent |
| NOI Yield (*) (Assumed at the time of acquisition) | 7.0% | 6.2% | 5.2% |

(*) NOI yield which is described in the press release, "Notice Concerning Revision of Operating Forecast and Forecast of Dividend," when the property acquisitions or public offerings were resolved.

Note: NOI (Net Operating Income)=Real estate operating revenue-Real estate operating costs+Depreciation+Loss on retirement of noncurrent assets, NOI yield=NOI/acquisition price, NOI after depreciation=Real estate operating revenue-Real estate operating costs, NOI yield after depreciation=NOI after depreciation/acquisition price

2. Properties Acquired / to be Acquired in 2016

| Year | (Acquired in February 2016) | (To be Acquire in April 2016) |
|---|---|---|
| Name of Property | CANDEO HOTELS UENO-KOEN | Hotel Centraza Hakata |
| External Appearance of the Building |  |  |
| Address | Taito-ku, Tokyo | Hakata-ku, Fukuoka-shi, Fukuoka Prefecture |
| Completion | 12/2009 | 09/1985 |
| Acreage | 1,559.03㎡ | 2,163.42㎡ |
| Total Floor Space | 7,030.10㎡ | 18,640.55㎡ |
| Structures | Steel-framed bldg | Steel-reinforced concrete |
| Floors | 12 floors | 12 floors + 3 fl below ground, 1 penthouse |
| Acquisition Price | JPY6,705M | JPY7,197M |
| Appraisal Value | JPY6,820M | JPY7,240M |
| Type | Limited service | Full service |
| Grade | Mid-priced | Mid-priced |
| Total No. of Guest Rooms | 268 rooms | 194 rooms |
| Rent Scheme | Fixed rent | Fixed rent + Variable rent |
| NOI Yield (*) (Assumed at the time of acquisition) | 4.3% | 5.6% |

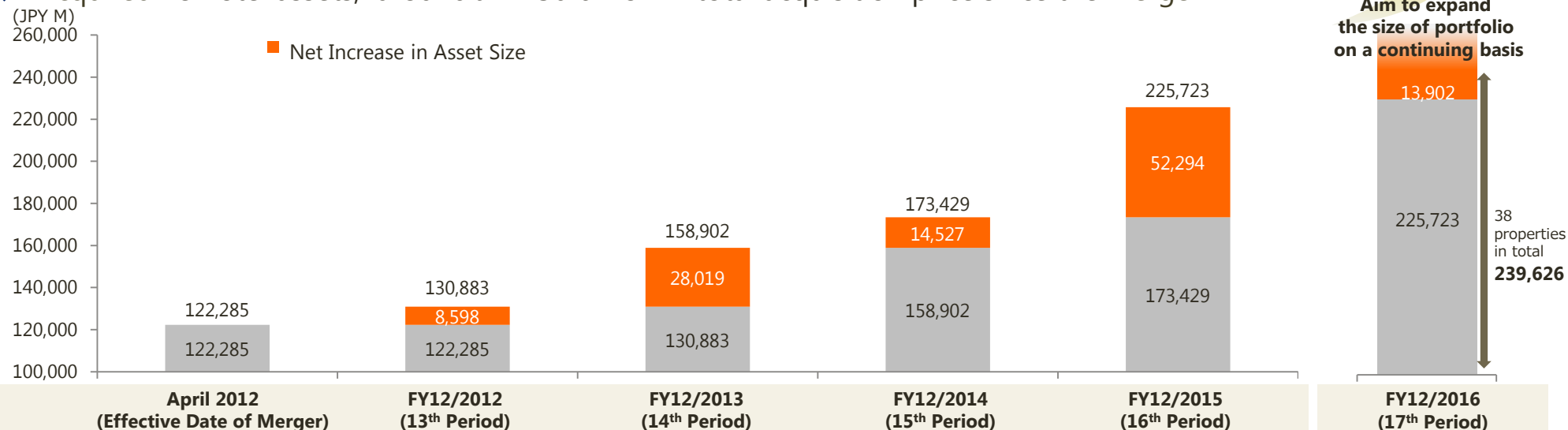
(*) NOI yield which is described in the press release, "Notice Concerning (Revision of) Operating Forecast and Forecast of Dividend," when the property acquisitions were resolved.

Note: 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

3. Continuous Property Acquisitions

Changes in Asset Size (*)

- ◆ Realize external growth by acquiring properties in a way unique to REIT specializing in hotels
- ◆ Acquired 18 hotel assets, around JPY130 billion in total acquisition price since the merger



Aim to expand the size of portfolio on a continuing basis

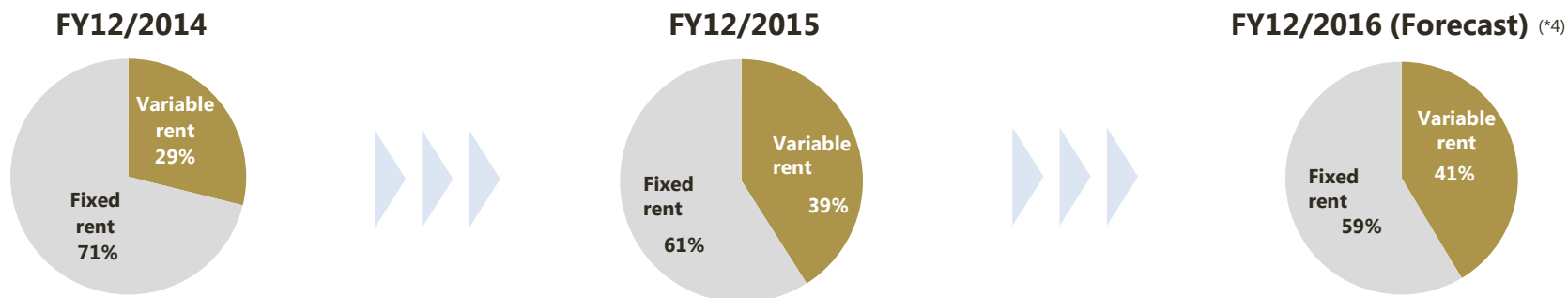
38 properties in total
239,626

| | April 2012 (Effective Date of Merger) | FY12/2012 (13 th Period) | FY12/2013 (14 th Period) | FY12/2014 (15 th Period) | FY12/2015 (16 th Period) | FY12/2016 (17 th Period) |
|------------------|--|--|--|---|---|--|
| Acquisition | | 2 • Hotel Keihan Universal City • Hotel Sunroute Shimbashi | 2 • Hilton Tokyo Bay • ibis Styles Kyoto Station | 3 • ibis Styles Sapporo • Mercure Sapporo • Mercure Okinawa Naha | 9 • the b akasaka-mitsuke • the b ikebukuro • the b ochanomizu • the b hachioji • the b hakata • Hotel Francs • Mercure Yokosuka • Okinawa Marriott Resort & Spa • ACTIVE-INTER CITY HIROSHIMA | 2 Properties acquired (disclosed as of Feb. 24, 2016) • CANDEO HOTELS UENO-KOEN (Acquisition price JPY6,705M) • Hotel Centraza Hakata (Planned acquisition price JPY7,197M) |
| Disposition | | 2 | 2 | 1 | 3 | |
| Total Properties | 28 | 28 | 28 | 30 | 36 | 38 |

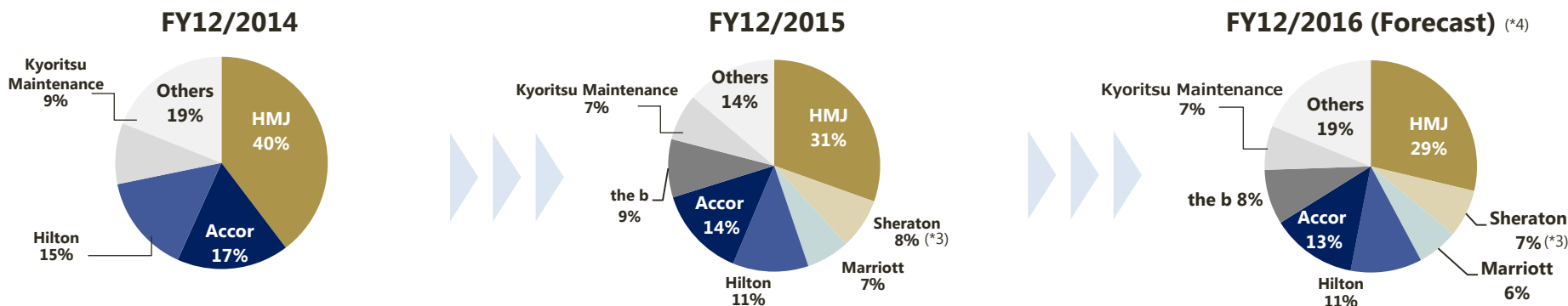
(*) Asset size refers to the total amount of acquisition price.

4. Status of Portfolio after Property Acquisitions

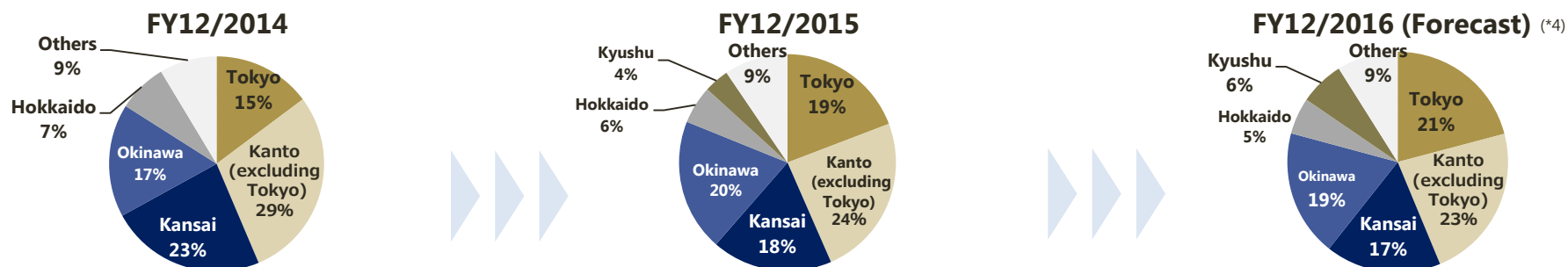
◆ Ratio of rent types^(*1)



◆ Diversification of operators^(*2)



◆ Diversification^(*2)



(*1) Based on proportion of rental income

(*2) Based on acquisition price

(*3) Calculations are based on the acquisition price of the entire ACTIVE-INTER CITY HIROSHIMA.

(*4) The forecast for FY12/2016 includes Hotel Centraza Hakata which is scheduled to be acquired in April 2016.

IV. Internal Growth

1. Rent Schemes

Stability

Upside

(As of the end of December 2015)

| Type of rent | Fixed rent | Fixed rent + Revenue sharing | Fixed rent + Variable rent | Variable rent | Management contract | Total |
|---|---|--|--|---|---|------------------|
| Type of contract | Lease contract | Lease contract | Lease contract | Lease contract | Management contract | |
| Rent schemes | Fixed | ○ | ○ | ○ | - | - |
| | Variable | - | A certain percentage of sales exceeding the threshold | A certain percentage of hotel GOP | A certain percentage of hotel GOP | GOP of hotel |
| Real estate operating revenue (JPY M) (%) | 2,612 (15.3%) | 3,394 (19.9%) | 8,055 (47.2%) | 225 (1.3%) | 2,746 (16.1%) | 17,033 (100%) |
| (Break-down) | Fixed rent (%) | 2,612 (15.3%) | 2,988 (17.5%) | 4,190 (24.6%) | 36 (0.2%) | 483 (2.8%) |
| | Variable rent (%) | — | 406 (2.3%) | 3,864 (22.6%) | 188 (1.1%) | 2,263 (13.2%) |
| Involvement in hotel operation | Low | Low | High | High | High | |
| CAPEX paid by JHR | 1) Renewal of building and facilities | 1) Renewal of building and facilities < 3) Strategic investment> | 1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment | 1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment | 1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment | |
| No. of properties | 11 | 5 | 13 | 2 | 5 | 36 |
| Acquisition price (JPY M) (%) | 30,950 13.7% | 40,470 17.9% | 122,190 54.1% | 2,473 1.0% | 29,640 13.1% | 225,723 100% |
| Hotels | Hakone Setsugetsuka The Beach Tower Okinawa Dormy Inn Kumamoto <u>Hotel Francs</u> (7 other hotels) | <u>Smile Hotel Nihombashi</u> <u>Mitsukoshimae</u> <u>Hotel Vista Kamata Tokyo</u> <u>Hotel Keihan Universal City</u> <u>Hotel Sunroute Shimbashi</u> <u>Hilton Tokyo Bay</u> | Kobe Meriken Park Oriental Hotel Oriental Hotel tokyo bay Namba Oriental Hotel Hotel Nikko Alivila Oriental Hotel Hiroshima <u>the b akasaka-mitsuke</u> <u>the b ikebukuro</u> <u>the b ochanomizu</u> <u>the b hachioji</u> <u>the b hakata</u> <u>the b suidobashi (*1)</u> <u>Okinawa Marriott Resort & Spa</u> <u>ACTIVE-INTER CITY HIROSHIMA</u> | <u>Chisan Inn Kamata</u> <u>Mercure Yokosuka</u> | <u>ibis Tokyo Shinjuku</u> <u>ibis Styles Kyoto Station</u> <u>ibis Styles Sapporo</u> <u>Mercure Sapporo</u> <u>Mercure Okinawa Naha</u> | |

(*1) Dormy Inn Suidobashi was rebranded to the b suidobashi in July 2015. The rent scheme is changed from fixed rent to fixed rent + variable rent.

(*2) Underlined hotels are hotels that JHR purchased after the merger.

(*3) Hotels in red characters are those JHR adopted revenue sharing or variable rent, etc. after the acquisitions.

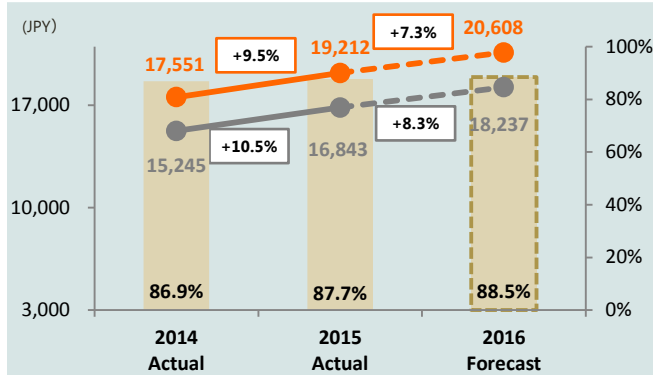
(*4) Ratios of operating revenue and acquisition price are ratios by each type of rent against total amount (rounded down to the first decimal place).

2. Performance of Major Hotels Adopting Variable Rent Scheme, etc.

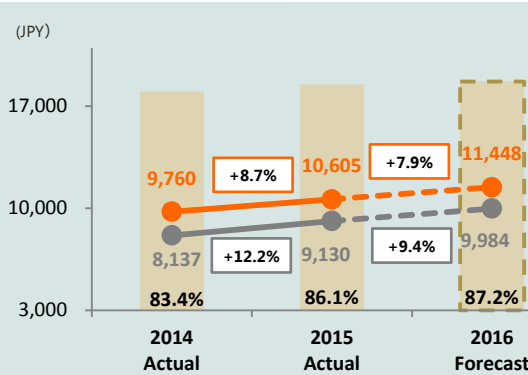
Major Performance Indicators of Rooms Departments

Occupancy rate (right axis) ADR (left axis) RevPAR (left axis)

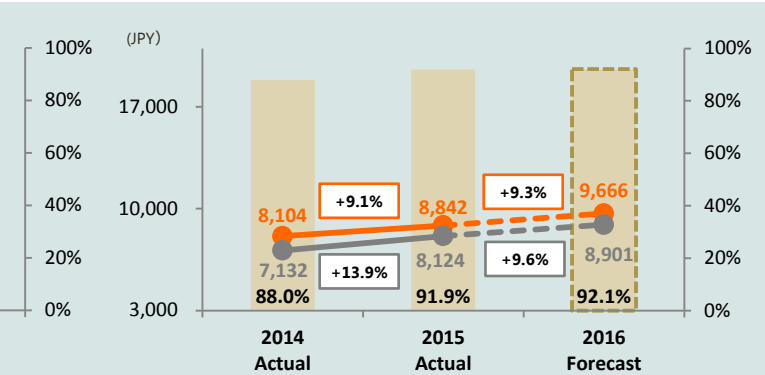
HMJ's Five Hotels



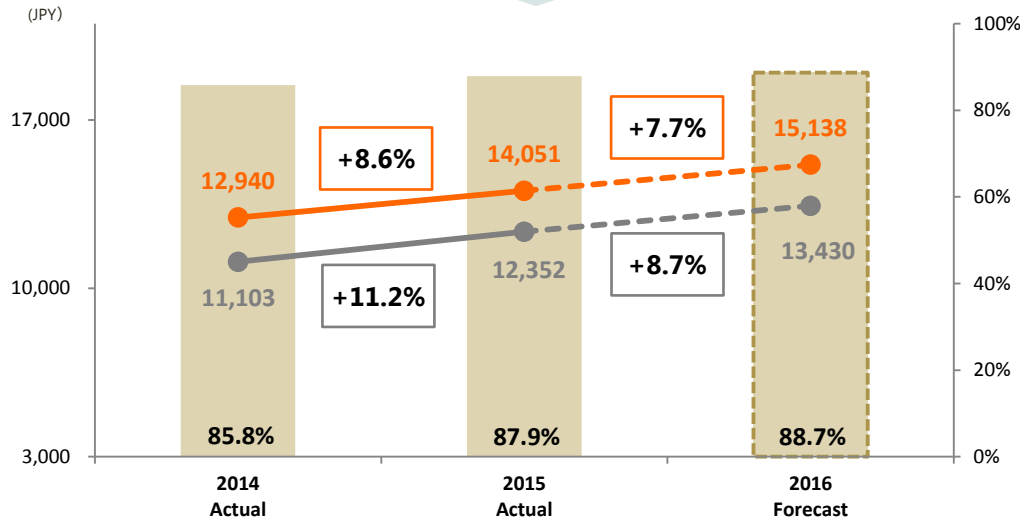
Accor's Six Hotels



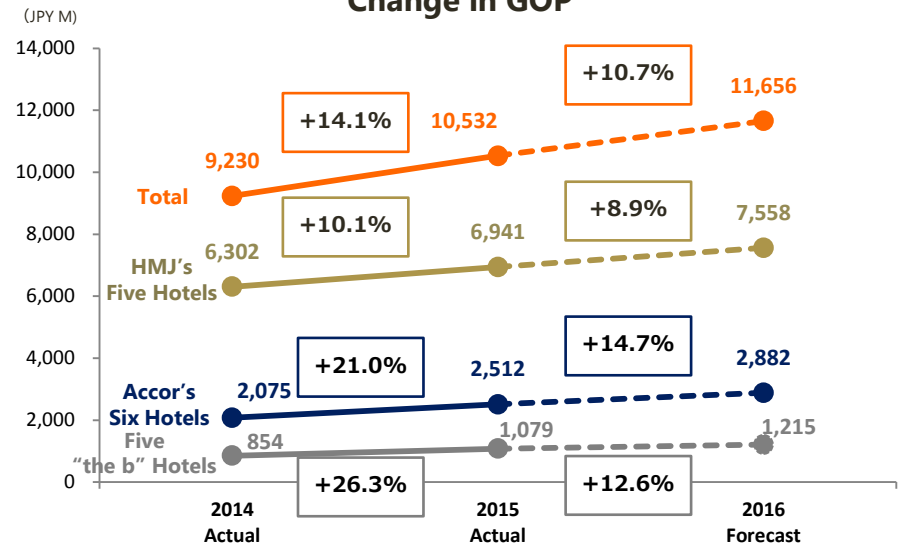
Five "the b" Hotels



Total of 3 Hotel Groups

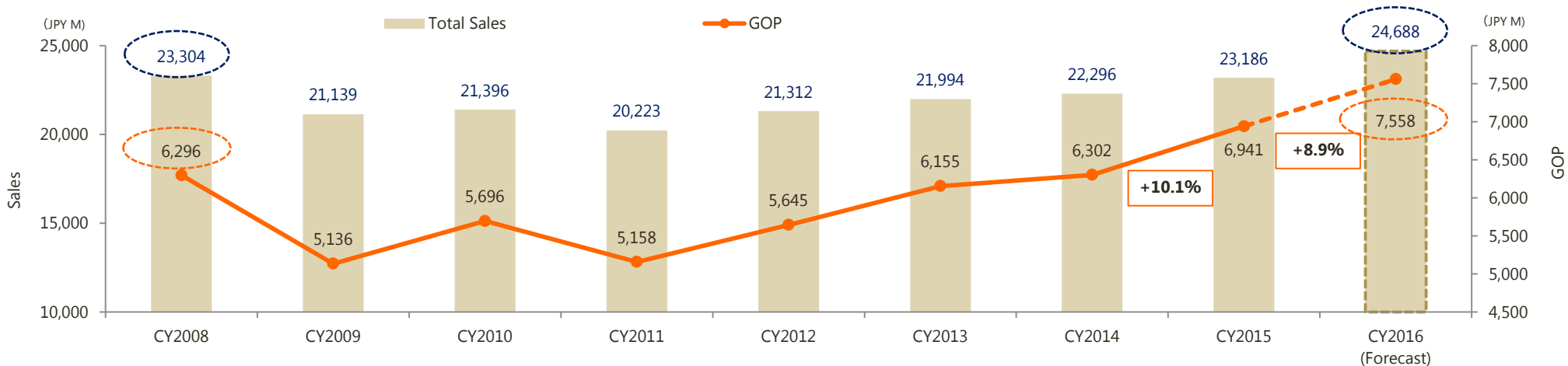


Change in GOP

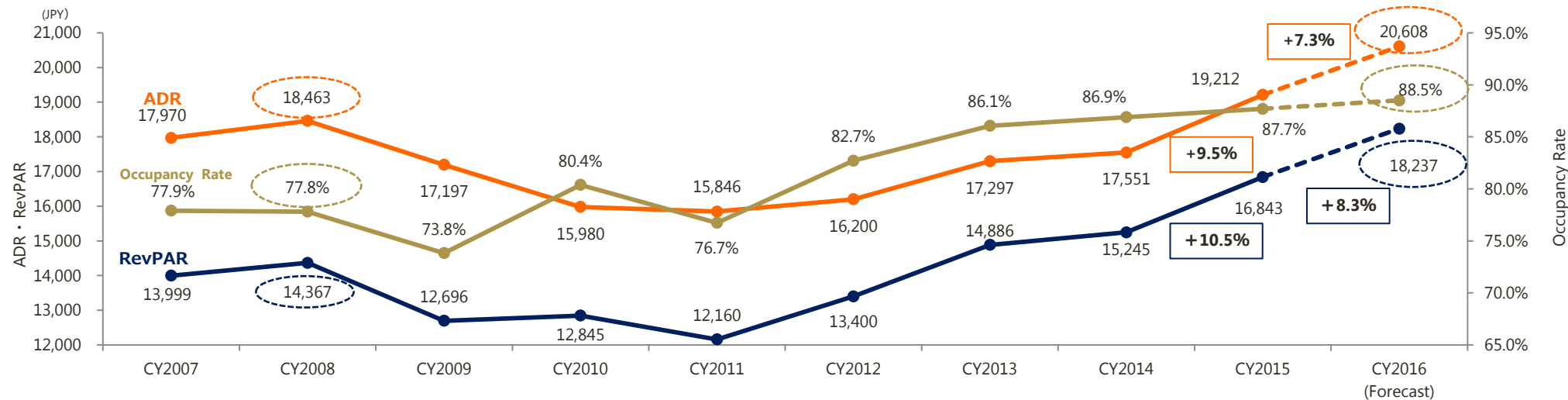


3. HMJ's Five Hotels - Highlights

Changes in Total Sales and GOP



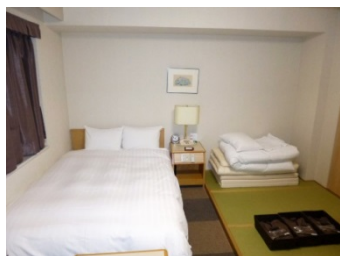
Changes in KPI



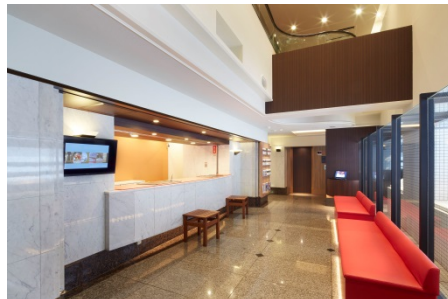
4. Case Studies of Internal Growth Strategy

Case Study of Six "the b" Hotels

the b suidobashi (former Dormy Inn Suidobashi) : Rebranding



Guest Room



Lobby

- ✓ **Operator**
 - Switched the operator to Ishin Hotels, which is familiar with the Tokyo market
- ✓ **Rent scheme**
 - Changed from fixed rent to fixed rent + variable rent
→ **Pursue upside**
- ✓ **Configuration of guest rooms**
 - Changed double bedrooms to twin rooms (21 rooms)
→ **Attract leisure demand**
- ✓ **Introduction of the concept of "the b" hotels**
 - Create a stylish space which is comfortable and clean
→ **Boost competitiveness**

Case Study of Accor's Six Hotels

ibis Tokyo Shinjuku : Renovation of Guest Rooms



Guest Room

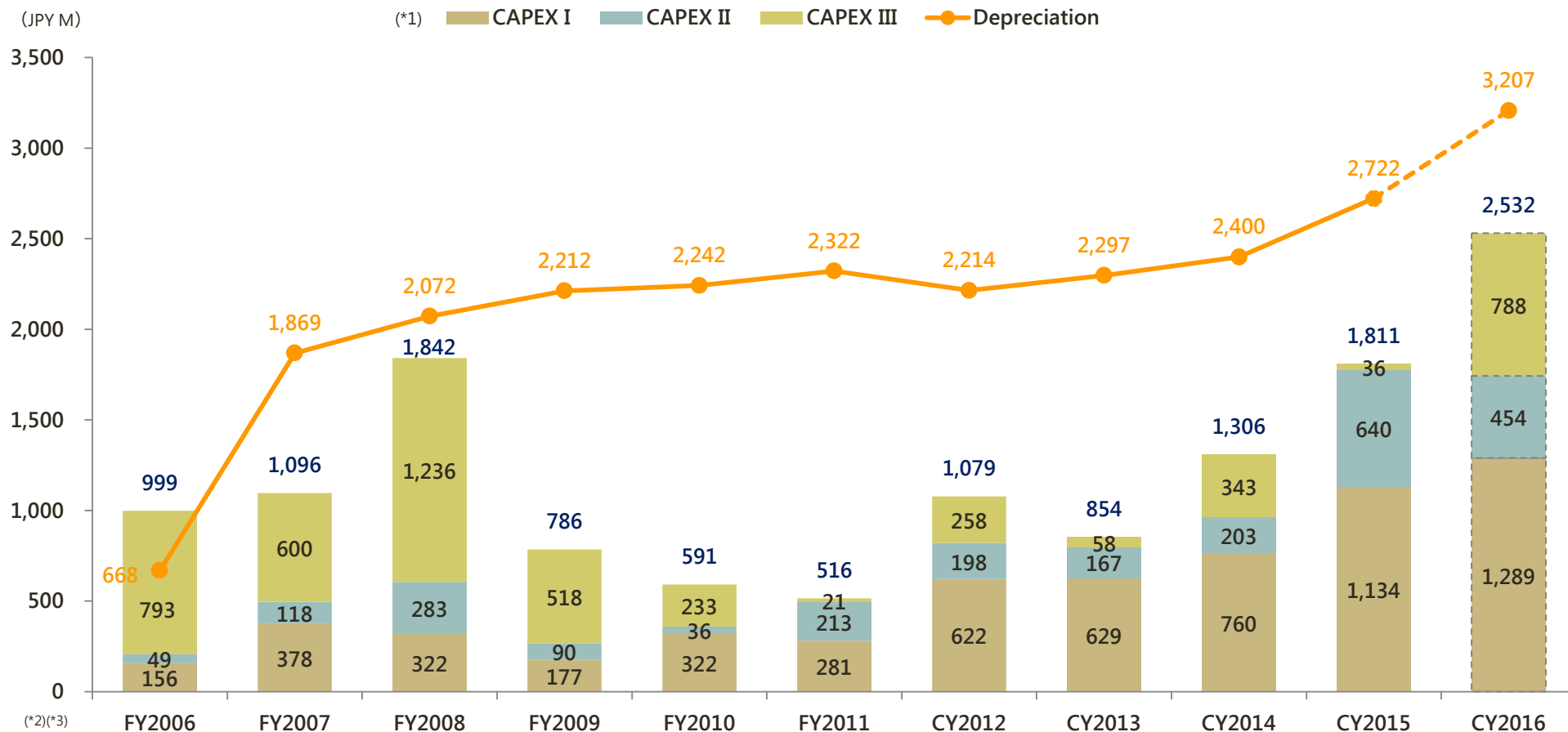
- ✓ **Configuration of guest rooms**
 - Changed single bedrooms to double bedrooms (14 rooms)
→ **Attract leisure demand**
 - *A 3-year project is in progress to renovate all guest rooms (from 2015 through 2017)
- ✓ **Renew facilities**
 - Renewed drainage pipes

Mercure Sapporo and ibis Styles Sapporo : Creation of Synergy Effects

- ✓ **Rebranding to ibis Styles Sapporo (Former Best Western Hotel Sapporo Nakajima Koen)**
 - Changed the operator to Accor, the operator of Mercure Sapporo
→ **Pursue synergy effects by operating hotels located nearby**
- ✓ **Synergy effects by rebranding**
 - Sales: Sales increase by receiving large-group reservations through allocating guests between the two hotels.
 - Costs: Cost reductions by sharing purchasing information, integration of back office staff, etc.
→ **Pursue maximization of GOP**

5. Capital Expenditure and Depreciation

◆ JHR will focus on CAPEX III in 2016 and invest strategically to maintain and improve hotels' competitiveness



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

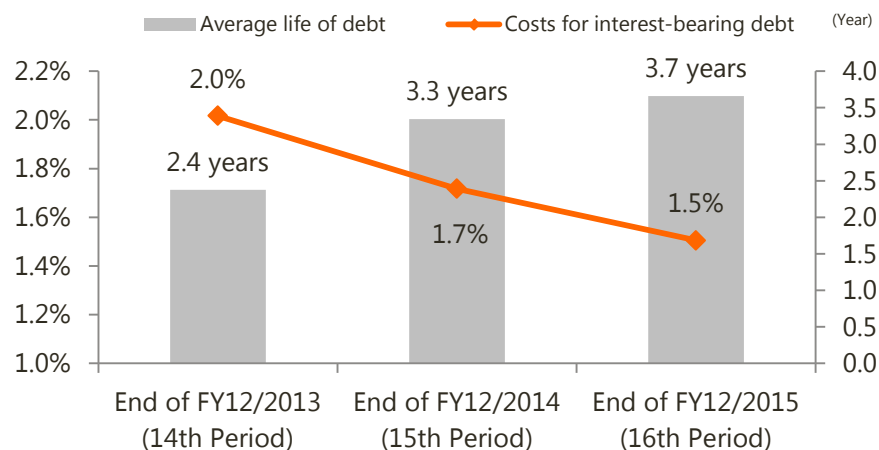
(*2) The actual for FY2006 is the actual of the former JHR for the period from IPO to August 2006 (6.5 months). The actual for FY2007 is the sum of the actual of the former JHR from September 2006 through August 2007 and that of the former NHF from IPO to September 2007 (15.5 months). The actual for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

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

V. Financial Status

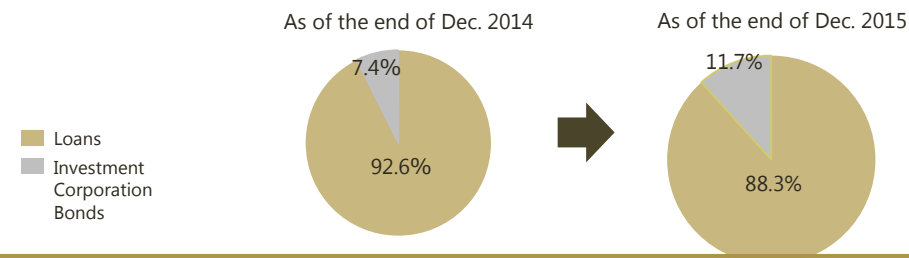
1. Financial Status

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

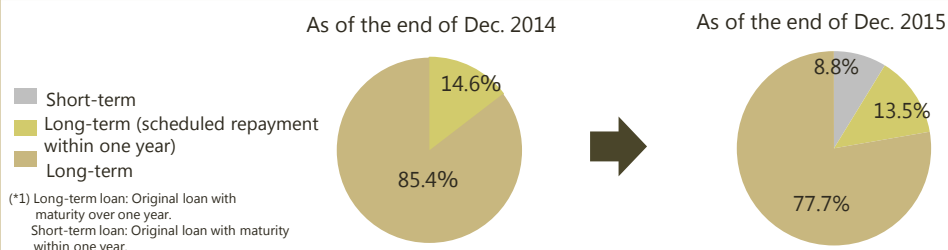


(*)1 Weighted-average number of costs for interest-bearing debt (including up-front fee, etc.) as of the end of each fiscal period/year.
 (**)2 Average life of debt as of the end of each fiscal period/year.

Breakdown of Interest-Bearing Debt

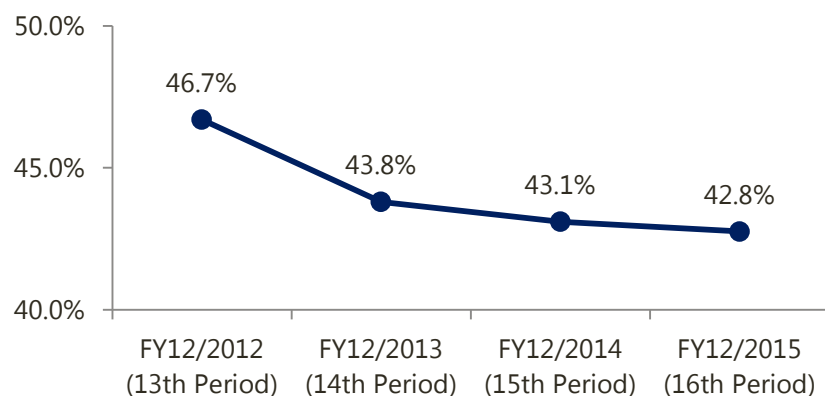


Term of Interest-Bearing Debt



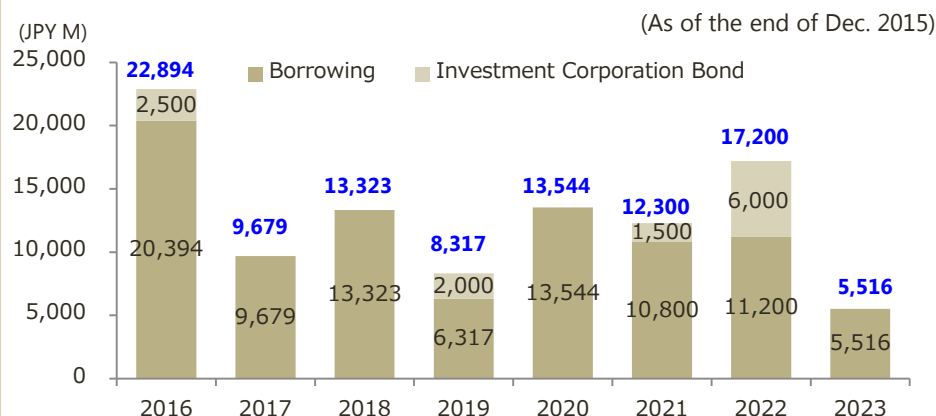
(*)1 Long-term loan: Original loan with maturity over one year.
 Short-term loan: Original loan with maturity within one year.

Changes in LTV (Total Asset Base)



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

Repayment Schedule of Interest-Bearing Debt



1. Financial Status (Cont.)

Lender List for Interest-Bearing Debts

| Lenders | (JPY M) | | | | |
|--|---|---------------|---|---------------|---------------|
| | Balance As of the End of Previous Period (As of the End of Dec. 2014) | | Balance As of the End of This Period (As of the End of Dec. 2015) | | Variance |
| | Balance | Percentage | Balance | Percentage | Balance |
| Sumitomo Mitsui Banking Corporation | 20,205 | 24.9% | 25,052 | 24.4% | 4,847 |
| Shinsei Bank, Limited | 10,318 | 12.7% | 13,528 | 13.2% | 3,209 |
| Mizuho Bank, Ltd. | 9,526 | 11.7% | 13,295 | 12.9% | 3,769 |
| Resona Bank, Limited | 7,002 | 8.6% | 8,113 | 7.9% | 1,111 |
| The Tokyo Star Bank, Limited | 8,199 | 10.1% | 8,109 | 7.9% | - 89 |
| Sumitomo Mitsui Trust Bank, Limited | 6,998 | 8.6% | 8,096 | 7.9% | 1,098 |
| The Nomura Trust and Banking Co., Ltd. | 4,100 | 5.1% | 3,892 | 3.8% | - 208 |
| The Hiroshima Bank, Ltd. | 1,492 | 2.3% | 1,927 | 1.7% | 434 |
| Development Bank of Japan Inc. | 1,879 | 1.9% | 1,788 | 1.7% | - 91 |
| The Chiba Bank, Ltd. | 1,531 | 1.8% | 1,734 | 1.9% | 203 |
| Mitsubishi UFJ Trust and Banking Corporation | 1,000 | 1.8% | 1,435 | 1.4% | 435 |
| Aozora Bank, Ltd. | 350 | 1.2% | 1,435 | 1.4% | 1,085 |
| The Bank of Fukuoka, Ltd. | 1,488 | 1.2% | 1,418 | 0.9% | - 70 |
| Sompo Japan Nipponkoa Insurance Inc. | 996 | 0.4% | 945 | 1.4% | - 51 |
| Borrowing (Sub-Total) | 75,089 | 92.6% | 90,772 | 88.3% | 15,682 |
| 2nd Investment Corporation Bond without collateral (3-year bond) | 2,500 | 3.1% | 2,500 | 2.4% | 0 |
| 3rd Investment Corporation Bond without collateral (5-year bond) | 2,000 | 2.5% | 2,000 | 1.9% | 0 |
| 4th Investment Corporation Bond without collateral (7-year bond) | 1,500 | 1.8% | 1,500 | 1.5% | 0 |
| 5th Investment Corporation Bond without collateral (7-year bond) | - | - | 6,000 | 5.8% | 6,000 |
| Investment Corporation Bond (Sub-Total) | 6,000 | 7.4% | 12,000 | 11.7% | 6,000 |
| Total Interest-Bearing Debt | 81,089 | 100.0% | 102,772 | 100.0% | 21,682 |

Status of Credit Rating (16th Period (As of the End of December 2015))

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

Issuance of Retail Bonds (Investment Corporation Bonds)

Issued investment corporation bonds to retail investors (JHR's first time)

- Total amount of investment corporation bonds: JPY6 billion
- Term: 7 years
- Rate: 0.82%

Fixation Ratio

| As of end of Dec. 2014 | As of end of Dec. 2015 |
|------------------------|------------------------|
| 89.8% | 84.8% |

Use of Negative Goodwill

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

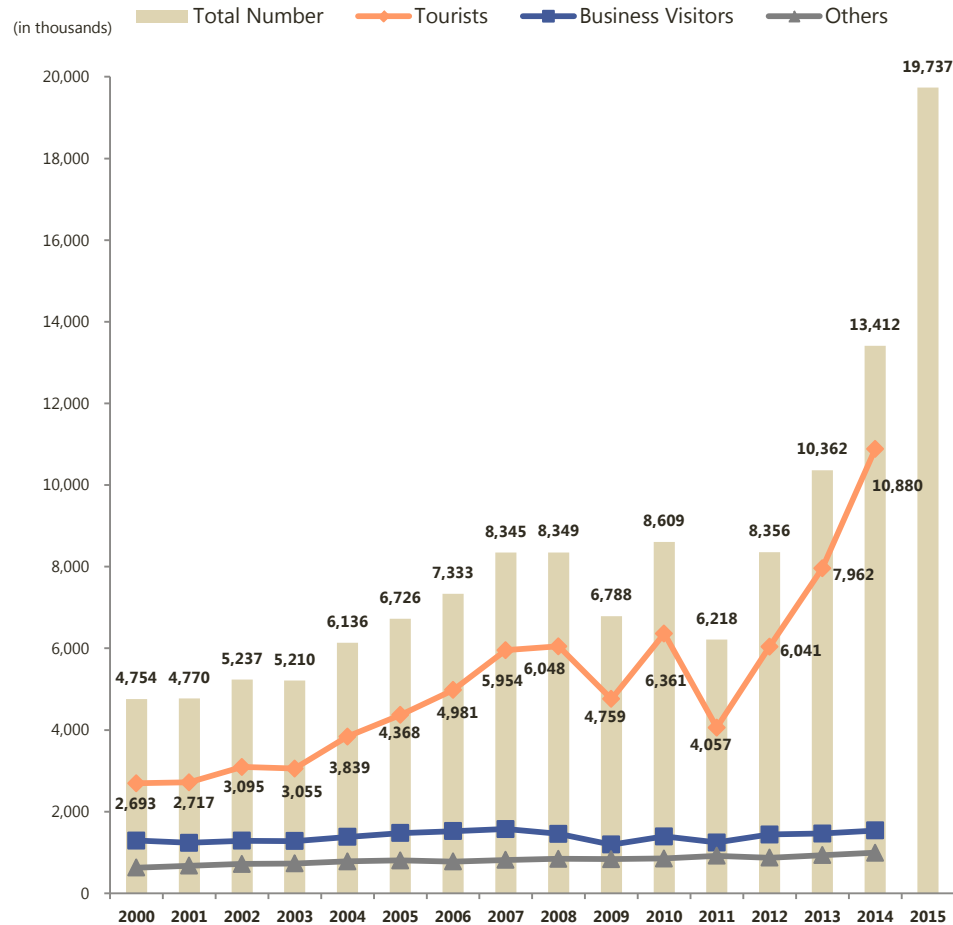
- JHR plans to announce in FY2016 regarding its change in policy for using negative goodwill as a result of change in the law.

| | |
|---|----------|
| Amount of negative goodwill used Jan. through Dec. 2015 | JPY60M |
| Balance of negative goodwill as of end of Dec. 2015 | JPY13.8B |

VI. Market Environment

Changes in the Number of Inbound Visitors by Purpose

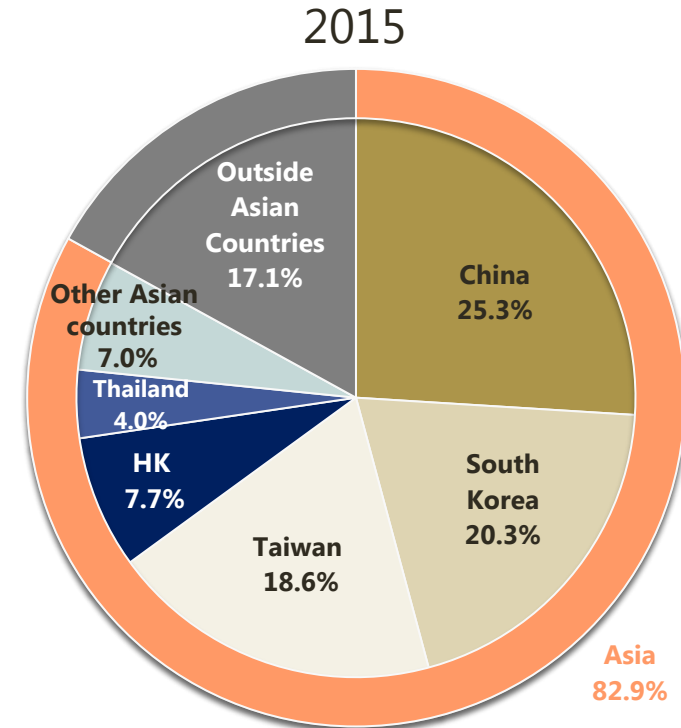
- The growth in the total number of inbound visitors is accelerating. The key driver of growth is inbound leisure tourists.



Source: "Trend of the number of inbound visitors" Japan National Tourism Organization (JNTO)

Breakdown of Inbound Visitors by Country

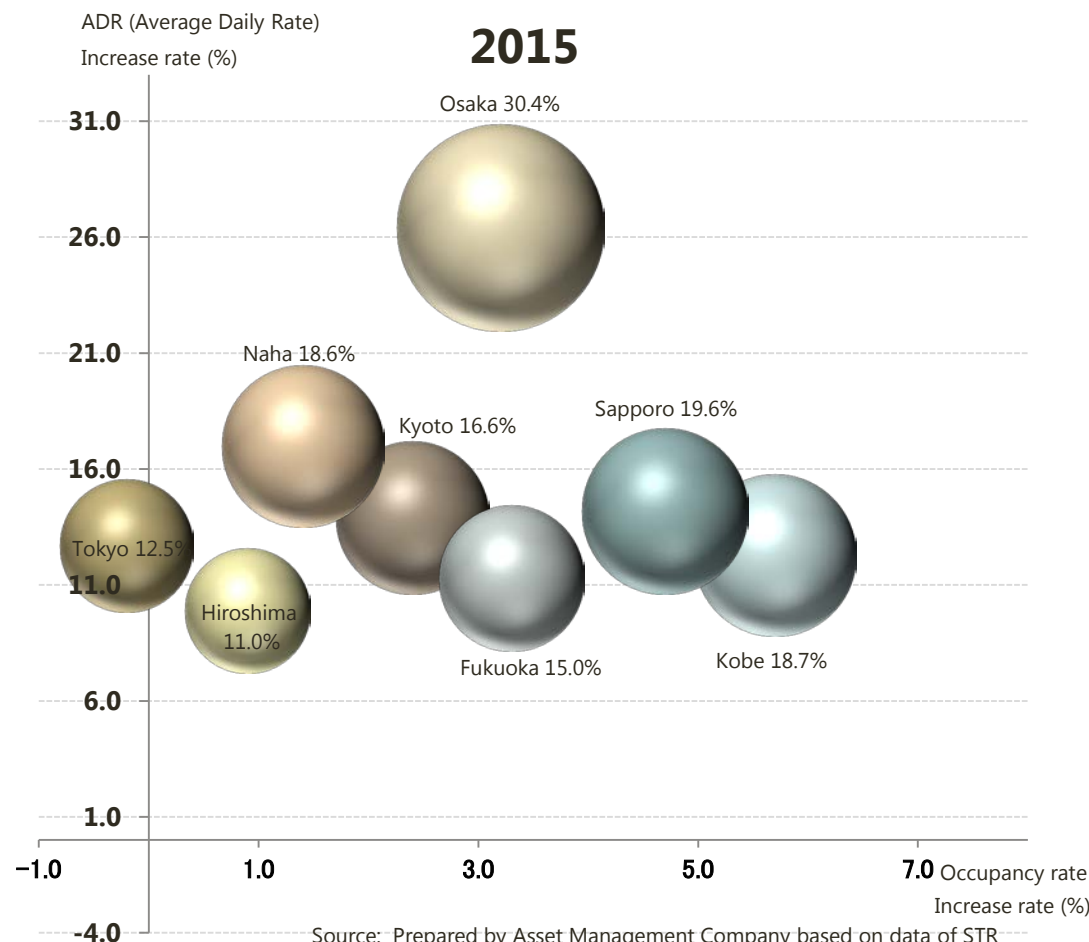
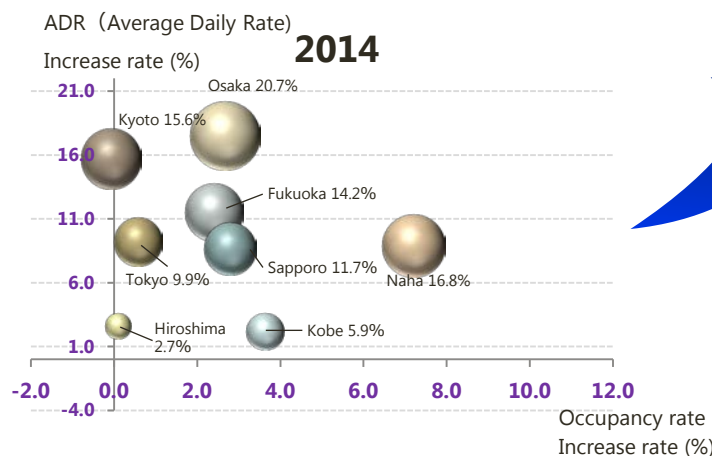
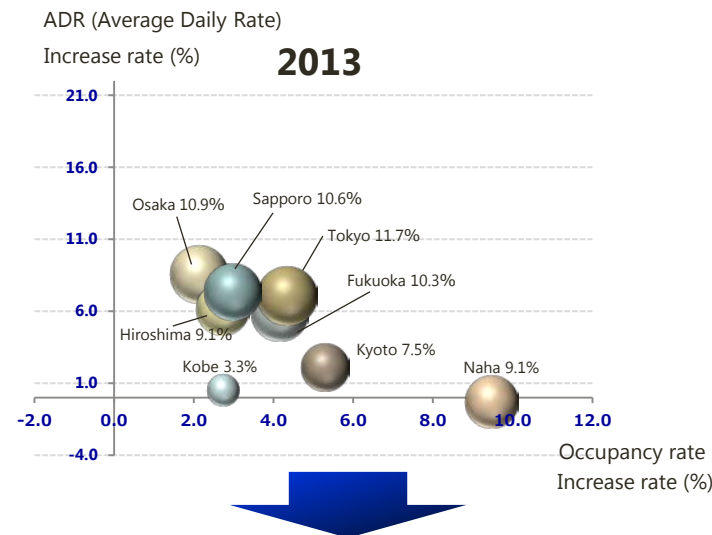
- The number of inbound visitors from Asian countries accounts for just over 80% of the total inbound visitors.



Source: Japan National Tourism Organization (JNTO)

Changes in Performance Index of Rooms Departments by City

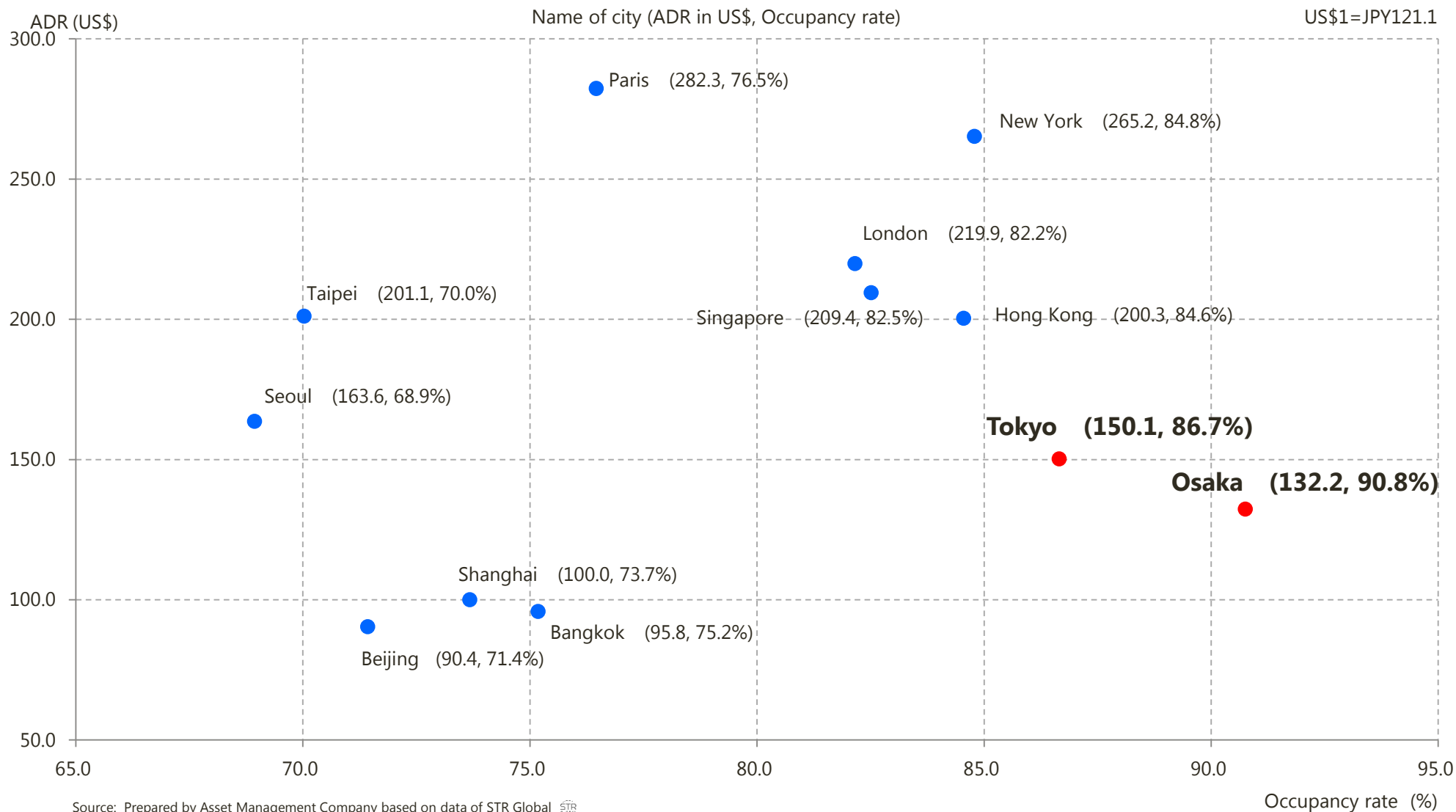
- In 2013, RevPAR in major cities grew by slightly over 10%, but Kyoto, Kobe, and Naha were still lagging and waiting for higher ADR (Average Daily Rate).
- In 2014, ADR (Average Daily Rate) in Kyoto and Naha, which had slow growth in past years, increased and RevPAR grew in many cities.
- In 2015, an increase in RevPAR accelerated in all major cities led by Osaka.



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

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

Comparison of Key Property Indexes in Major Cities Around the World (2015)



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

(*) The numbers in the chart show ADR and occupancies. For ADR, annual ADR for 2015 is converted into US\$ (exchange rate as of the end of December 2015).

Appendix 1

JHR's Characteristics

1. Simultaneous Pursuit of Stability and Upside Potential

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

Implement various rent schemes which meet each hotel's character

Fixed rent

Ensure stable revenue

**Increase in tenants' rent-paying capacity
through improvement in hotels' performance**

Variable rent

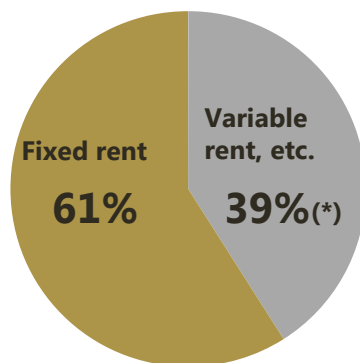
**Revenue
sharing**

**Income from
management
contracts**

**Pursue upside
(revenue improvement)**

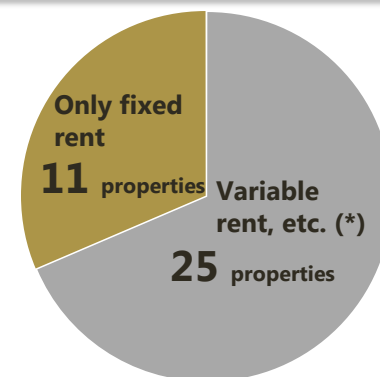
**Increase in rental income, etc. through
improvement in hotels' performance**

Percentage of rental income



(*) Variable rent
Revenue sharing
Income from management contracts

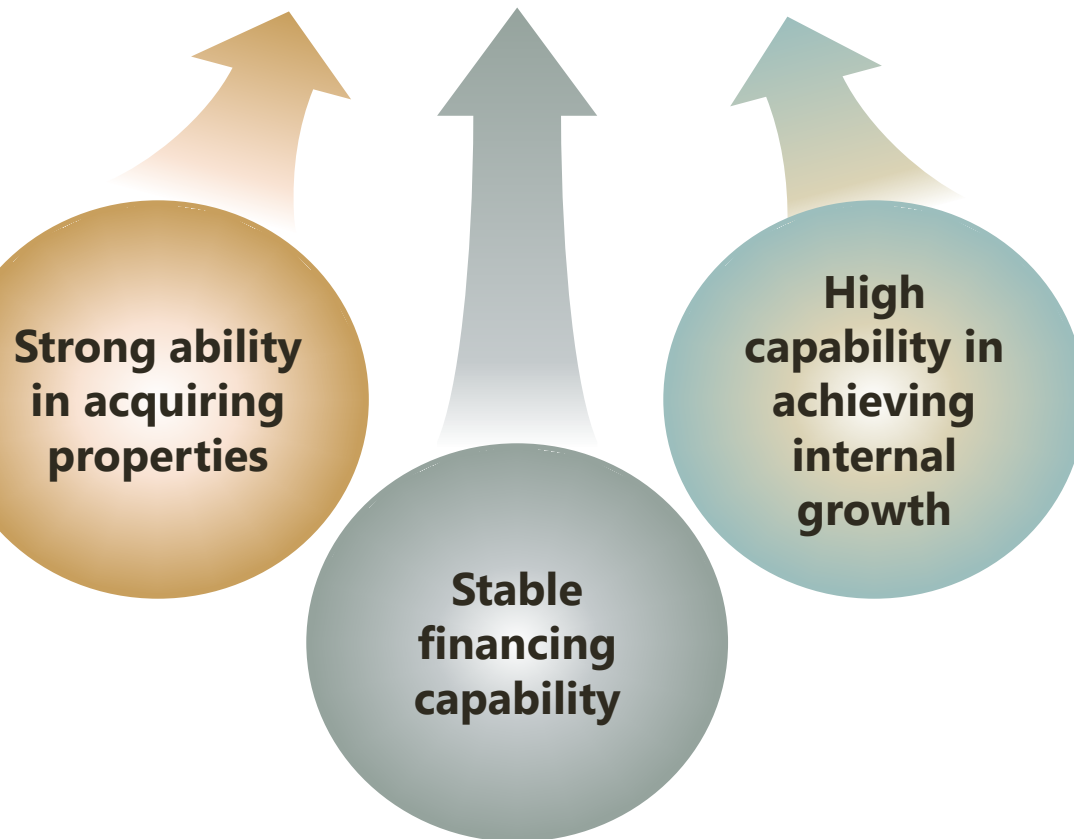
Proportion of rent schemes



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

(As of the end of December 2015)

Aim to pay higher dividend



Strong ability in acquiring properties

- Highly recognized as Japan's largest J-REIT specializing in hotels
- High presence and credibility in the property market by continuously acquiring properties
- A variety of proposals on and execution of acquisition schemes

High capability in achieving internal growth

- Management methods that achieve a good balance between stability and upside potential
- Increase in hotel revenue resulting from collaboration with high-quality operators
- Maintain and boost competitiveness by investing in appropriate capital expenditure

Stable financing capability

- Secure sound and stable finance
- Diversification of financing methods

3. External Growth Strategy

Perception of External Environment

Trend of the Hotel Investment Market

- ◆ Along with a rise in hotel revenue due to economic recovery and increase in domestic and inbound demand, hotel assets are gaining attractiveness as investment target. In addition, since the yields of other asset classes are decreasing and hotel investors are increasing, competition to acquire hotel assets have become intense, and yields on transactions are on a downward trend.
- ◆ This trend is predicted to continue for some time and transaction prices are expected to rise further.

Basic Policies

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



Key Measures

- ◆ Emphasize the superiority of buildings and facilities (infrastructure), operations (services), and locations of hotel real estate.
 - The prime investment targets are “full-service hotels” and “resort hotels” that have high barriers to entry due to operation and management know-how, capital outlay and location.
 - In the case of “limited-service hotels,” the creditworthiness of the hotel lessee, the age of the building, location, guest room composition and profitability are important.
 - Hotels specialized in selling single rooms only are carefully chosen.
 - Especially review the purchase of hotels that have potential for internal growth in a proactive manner.
- ◆ Strategic investment areas
 - Hokkaido area, Tokyo and bay area, Osaka/Kyoto area, Fukuoka area, and Okinawa area.
- ◆ Investigation and planning of the internal growth strategy upon property acquisition.
 - Investigate the appropriate rent level and rent scheme upon renewal, etc., cost reduction possibilities, and possibilities to improve buildings and facilities.
 - If the hotel pays variable rent, etc., promote internal growth through collaboration with the operators.

Perception of External Environment

General Market Conditions

- ◆ Thanks to effects of various measures implemented by Japanese Prime Minister Shinzo Abe's administration to assure that the nation will be out of deflation, and simultaneously accomplish revitalization of economy and restoration of fiscal health, the nation's economy continues to recover mildly despite some weakness.

Hotel Market Environment

- ◆ In addition to stable demand on domestic leisure, the number of inbound tourists, mainly from Asian countries, is continuing to increase due to the government-led measures to promote the country and weak yen, etc. With such strong tailwinds for Japan's tourism and hotel industries, demand for accommodation is expected to continue strongly, driven by domestic and inbound leisure demand.

Basic Policies

- ◆ Increase variable rent through improvement of hotel revenues
- ◆ Set, maintain, and increase proper fixed rent levels based on rent-paying capacity



Key Measures

- ◆ Monitoring, planning and execution of the asset management strategy based on an in-depth understanding of the hotel business.
 - Analyze the creditworthiness of hotel lessees, understand and improve hotel income and expenditures.
 - Understand the ever-changing needs of customers and diligently cope with changes.
 - Provide global level services to hotel guests.
 - Differentiation strategy that enables "value competition," not "price competition."
 - Propose a structuring for hotel organization which can spur innovations.
- ◆ Plan and execute strategic CAPEX.
 - Strategic investment that will improve profitability and strengthen competitiveness.
 - Make investment to maintain asset value and current revenue.
- ◆ Maximization of asset value through revenue management including cost reduction and proper building maintenance.

Perception of the External Environment

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

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

Basic Policies

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



Key Measures

- ◆ Maintain LTV level at a maximum of 50% (total asset base) for the time being
- ◆ Diverse fund procurement methods including issuance of the investment corporation bonds, etc.
- ◆ Diverse maturity
- ◆ Interest-rate risk management preparing for interest rate hike in the future

6. Benefits Program for Unitholders

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

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

◆ Eligible recipients of complimentary coupons

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

◆ Details of the benefits program

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

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

Five complimentary coupons for accommodations and five complimentary coupons for restaurants

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

◆ Hotels that offer the benefits program

HMJ's five hotels and Accor's six hotels

◆ HMJ's five hotels



Kobe Meriken Park Oriental Hotel



Oriental Hotel Tokyo Bay



Namba Oriental Hotel



Oriental Hotel Hiroshima



Hotel Nikko Aliviva

◆ Coupon redemption (October 2014 through September 2015)

| Hotels | Rooms | | Restaurants | |
|----------------------------------|--------------------|--------------------------------|--------------------|--------------------------------|
| | No. of Coupon Used | No. of People Who Used Coupons | No. of Coupon Used | No. of People Who Used Coupons |
| Kobe Meriken Park Oriental Hotel | 345 | 391 | 736 | 2,109 |
| Oriental Hotel Tokyo Bay | 1,402 | 1,763 | 1,587 | 4,525 |
| Namba Oriental Hotel | 218 | 281 | 133 | 329 |
| Hotel Nikko Aliviva | 257 | 481 | 542 | 1,463 |
| Oriental Hotel Hiroshima | 232 | 272 | 257 | 681 |
| Total | 2,454 | 3,188 | 3,255 | 9,107 |

(*) No. of eligible recipients: 12,211 (unitholders of 10 units or over as of end of June 2014)

◆ Accor's six hotels



ibis Tokyo Shinjuku



ibis Styles Kyoto Station



ibis Styles Sapporo



Mercure Sapporo



Mercure Okinawa Naha



Mercure Yokosuka

Appendix 2

Information on Properties

1. Property List (1/2)

(As of Dec. 31st 2015)

| No. | Property Name | Hotel Type | Grade | No. of Guest Room | Location | Age | Acquisition Price | Book Value | Appraisal value | | | | Investment Ratio | Revenue from Real Estate Operation | NOI | P/L from Real Estate Operation | NOI Yield (Actual) |
|-----|--|-----------------|--------------|-------------------|-----------|------|-------------------|--------------|--------------------------------|----------|--------------------------------|----------|------------------|------------------------------------|----------------|--------------------------------|--------------------|
| | | | | | | | | | 15th Period (as of 12.31.2014) | | 16th Period (as of 12.31.2015) | | | | | | |
| | | | | | | | | | Appraisal Value (JPY M) (*4) | CAP Rate | Appraisal Value (JPY M) (*6) | CAP Rate | | | | | |
| | | (*1) | (*2) | | | (*3) | (JPY M) (*4) | (JPY M) (*5) | | | | | (*7) | (JPY1000) (*8) | (JPY1000) (*8) | (JPY1000) (*8) | (*9) |
| 1 | Kobe Meriken Park Oriental Hotel | Full-service | Upper-middle | 319 | Hyogo | 20.5 | 10,900 | 10,120 | 12,500 | 5.8% | 13,300 | 5.5% | 4.8% | 1,110,773 | 827,720 | 474,249 | 7.6% |
| 2 | Oriental Hotel tokyo bay | Full-service | Mid-price | 503 | Chiba | 20.7 | 19,900 | 18,698 | 27,700 | 4.8% | 32,600 | 4.6% | 8.8% | 1,732,754 | 1,612,380 | 1,124,380 | 8.1% |
| 3 | Namba Oriental Hotel | Limited-service | Mid-price | 257 (*11) | Osaka | 19.8 | 15,000 | 14,775 | 19,200 | 4.7% | 27,000 | 4.4% | 6.6% | 1,279,514 | 1,179,589 | 993,375 | 7.9% |
| 4 | Oriental Hotel Hiroshima | Full-service | Upper-middle | 227 | Hiroshima | 22.3 | 4,100 | 4,078 | 4,150 | 7.8% | 4,180 | 7.5% | 1.8% | 421,449 | 374,552 | 304,195 | 9.1% |
| 5 | Hotel Nikko Alivila | Resort | Luxury | 396 | Okinawa | 21.8 | 18,900 | 18,556 | 21,300 | 5.7% | 25,400 | 5.3% | 8.4% | 1,604,117 | 1,452,185 | 1,126,712 | 7.7% |
| 6 | The Beach Tower Okinawa | Resort | Mid-price | 280 | Okinawa | 11.8 | 7,610 | 6,882 | 8,400 | 5.3% | 9,070 | 4.9% | 3.4% | 511,010 | 466,552 | 346,795 | 6.1% |
| 7 | Hakone Setsugetsuka | Resort | Mid-price | 158 | Kanagawa | 9.3 | 4,070 | 3,797 | 4,480 | 5.9% | 4,730 | 5.6% | 1.8% | 294,946 | 272,184 | 190,332 | 6.7% |
| 8 | Dormy Inn Kumamoto | Limited-service | Mid-price | 294 | Kumamoto | 7.9 | 2,334 | 2,232 | 2,790 | 6.3% | 2,950 | 5.8% | 1.0% | 194,460 | 170,974 | 131,364 | 7.3% |
| 9 | the b suidobashi (*10) | Limited-service | Mid-price | 99 | Tokyo | 29.4 | 1,120 | 1,230 | 1,620 | 5.0% | 1,750 | 4.5% | 0.5% | 95,857 | 80,587 | 63,050 | 7.2% |
| 10 | Dormy Inn EXPRESS Asakusa | Limited-service | Economy | 77 | Tokyo | 18.8 | 999 | 963 | 1,080 | 4.8% | 1,220 | 4.4% | 0.4% | 63,995 | 55,280 | 43,016 | 5.5% |
| 11 | Hakata Nakasu Washington Hotel Plaza | Limited-service | Mid-price | 247 | Fukuoka | 20.8 | 2,130 | 2,076 | 2,780 | 5.6% | 3,680 | 5.1% | 0.9% | 240,000 | 224,000 | 197,000 | 10.5% |
| 12 | Nara Washington Hotel Plaza | Limited-service | Mid-price | 204 | Nara | 15.8 | 2,050 | 1,916 | 2,160 | 5.9% | 2,330 | 5.5% | 0.9% | 151,000 | 134,000 | 93,000 | 6.6% |
| 13 | R&B Hotel Ueno-Hirokoji | Limited-service | Economy | 187 | Tokyo | 13.8 | 1,720 | 1,761 | 1,670 | 4.8% | 1,810 | 4.4% | 0.8% | 99,144 | 84,755 | 71,987 | 4.9% |
| 14 | R&B Hotal Higashi-Nihombashi | Limited-service | Economy | 202 | Tokyo | 17.8 | 1,534 | 1,528 | 1,850 | 5.2% | 1,960 | 4.9% | 0.7% | 122,207 | 105,294 | 87,593 | 6.9% |
| 15 | Comfort Hotel Tokyo Higashi Nihombashi | Limited-service | Economy | 259 | Tokyo | 7.9 | 3,746 | 3,655 | 4,740 | 5.2% | 5,110 | 4.7% | 1.7% | 270,114 | 239,672 | 204,084 | 6.4% |
| 16 | Smile Hotel Nihombashi Mitsukoshimae | Limited-service | Economy | 164 | Tokyo | 18.8 | 2,108 | 2,056 | 2,550 | 4.8% | 2,850 | 4.5% | 0.9% | 150,510 | 134,600 | 116,388 | 6.4% |
| 17 | Toyoko Inn Hakataguchi Ekimae | Limited-service | Economy | 257 | Fukuoka | 14.3 | 1,652 | 1,498 | 2,280 | 5.6% | 2,490 | 5.1% | 0.7% | 141,039 | 127,984 | 106,594 | 7.7% |
| 18 | Hotel Keihan Universal City | Resort | Mid-price | 330 | Osaka | 14.5 | 6,000 | 6,020 | 8,920 | 5.9% | 13,600 | 5.5% | 2.7% | 796,456 | 718,442 | 634,605 | 12.0% |
| 19 | Chisan Inn Kamata | Limited-service | Economy | 70 | Tokyo | 12.7 | 823 | 806 | 886 | 5.3% | 1,270 | 4.7% | 0.4% | 70,445 | 61,205 | 49,632 | 7.4% |
| 20 | Hotel Vista Kamata Tokyo | Limited-service | Economy | 106 | Tokyo | 23.9 | 1,512 | 1,473 | 1,520 | 5.1% | 1,870 | 4.7% | 0.7% | 113,644 | 98,871 | 76,467 | 6.5% |
| 21 | Hotel Sunroute Shimbashi | Limited-service | Mid-price | 220 | Tokyo | 7.8 | 4,800 | 4,873 | 6,360 | 4.7% | 7,420 | 4.2% | 2.1% | 379,770 | 317,967 | 296,872 | 6.6% |
| 22 | Hilton Tokyo Bay | Resort | Luxury | 818 | Chiba | 27.5 | 26,050 | 26,109 | 30,700 | 4.9% | 34,400 | 4.5% | 11.5% | 1,953,746 | 1,648,528 | 1,488,585 | 6.3% |
| 23 | ibis Tokyo Shinjuku | Limited-service | Mid-price | 206 | Tokyo | 35.3 | 7,243 | 7,559 | 7,740 | 4.8% | 8,830 | 4.4% | 3.2% | 645,794 | 441,934 | 382,513 | 6.1% |
| 24 | ibis Styles Kyoto Station | Limited-service | Mid-price | 215 | Kyoto | 6.8 | 6,600 | 6,752 | 7,020 | 5.0% | 8,590 | 4.6% | 2.9% | 483,439 | 419,855 | 388,127 | 6.4% |

1. Property List (2/2)

(As of Dec. 31st 2015)

| No. | Property Name | Hotel Type | Grade | No. of Guest Room | Location | Age | Acquisition Price | Book Value | Appraisal value | | | | Investment Ratio | Revenue from Real Estate Operation | NOI | P/L from Real Estate Operation | NOI Yield (Actual) |
|------------------|-------------------------------|-----------------|--------------|-------------------|-----------|------|-------------------|--------------|--------------------------------|----------|--------------------------------|----------|------------------|------------------------------------|------------------|--------------------------------|--------------------|
| | | | | | | | | | 15th Period (as of 12.31.2014) | | 16th Period (as of 12.31.2015) | | | | | | |
| | | | | | | | | | Appraisal Value (JPY M) | CAP Rate | Appraisal Value (JPY M) | CAP Rate | | | | | |
| | | (*1) | (*2) | | | (*3) | (JPY M) (*4) | (JPY M) (*5) | (JPY M) (*6) | | | | (*)7) | (JPY1000) (*8) | (JPY1000) (*8) | (JPY1000) (*8) | (*)9) |
| 25 | ibis Styles Sapporo | Limited-service | Mid-price | 278 | Hokkaido | 5.4 | 6,797 | 6,802 | 7,080 | 5.7% | 7,940 | 5.3% | 3.0% | 573,050 | 475,680 | 404,389 | 7.0% |
| 26 | Mercure Sapporo | Limited-service | Mid-price | 285 | Hokkaido | 6.7 | 6,000 | 6,023 | 6,170 | 5.5% | 7,840 | 5.1% | 2.7% | 651,976 | 439,825 | 362,969 | 7.3% |
| 27 | Mercure Okinawa Naha | Limited-service | Mid-price | 260 | Okinawa | 6.4 | 3,000 | 2,971 | 3,220 | 5.4% | 5,730 | 5.1% | 1.3% | 392,480 | 319,576 | 269,897 | 10.7% |
| 28 | the b akasaka-mitsuke | Limited-service | Mid-price | 122 | Tokyo | 13.1 | 6,250 | 6,313 | 6,420 | 4.4% | 6,730 | 4.2% | 2.8% | 262,591 | 258,959 | 239,816 | - |
| 29 | the b ikebukuro | Limited-service | Mid-price | 175 | Tokyo | 33.5 | 6,520 | 6,599 | 6,770 | 4.8% | 7,040 | 4.6% | 2.9% | 330,644 | 326,021 | 299,015 | - |
| 30 | the b ochanomizu | Limited-service | Mid-price | 72 | Tokyo | 16.4 | 2,320 | 2,357 | 2,470 | 4.5% | 2,540 | 4.4% | 1.0% | 105,117 | 102,184 | 93,641 | - |
| 31 | the b hachioji | Limited-service | Mid-price | 196 | Tokyo | 29.4 | 2,610 | 2,687 | 2,720 | 5.8% | 2,920 | 5.5% | 1.2% | 200,646 | 194,205 | 173,458 | - |
| 32 | the b hakata | Limited-service | Mid-price | 175 | Fukuoka | 18.3 | 2,300 | 2,349 | 2,370 | 5.2% | 2,700 | 4.9% | 1.0% | 154,833 | 150,818 | 135,421 | - |
| 33 | Hotel Francs | Full-service | Mid-price | 222 | Chiba | 24.4 | 3,105 | 3,165 | 3,500 | 5.3% | 3,900 | 4.9% | 1.4% | 229,558 | 227,037 | 188,452 | - |
| 34 | Mercure Yokosuka | Full-service | Mid-price | 160 | Kanagawa | 23.2 | 1,650 | 1,668 | 1,680 | 4.9% | 1,760 | 4.8% | 0.7% | 154,815 | 97,376 | 76,445 | - |
| 35 | Okinawa Marriott Resort & Spa | Resort | Upper-middle | 361 | Okinawa | 10.8 | 14,950 | 15,062 | 15,400 | 5.4% | 16,700 | 5.2% | 6.6% | 722,575 | 712,453 | 608,650 | - |
| 36 | ACTIVE-INTER CITY HIROSHIMA | Full-service | Luxury | 238 | Hiroshima | 5.4 | 17,320 | 17,943 | 17,900 | 4.8% | 17,900 | 4.8% | 7.7% | 34,635 | 17,620 | 2,600 | - |
| Total or Average | | - | - | 8,639 | - | 17.6 | 225,723 | 223,372 | 260,096 | - | 302,110 | - | 100.0% | 16,739,118 (*12) | 14,570,880 (*12) | 11,845,683 (*12) | 6.6% |

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

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

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

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

(*5) Book value as of the end of December 2015.

(*6) No. 28-36 are appraisal value at the time of acquisition.

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

(*8) Actual for one year from January through December 2015. Since the lessees did not agree to disclose numbers in units of JPY1000 for Nos. 11 and 12, amounts are rounded down to the nearest JPY 1M.

(*9) No. 28-36 were acquired during the fiscal year 2015 and NOI yields (actual) are not calculated. Also the average NOI yield = the actual NOI for FY12/2015 ÷ total acquisition price of properties held as of the end of FY12/2015.

(*10) "Dormy Inn Suidobashi" was rebranded to "the b suidobashi" on July 1, 2015.

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

(*12) Since three properties, Comfort Hotel Shin-Yamaguchi, Daiwa Roynet Hotel Akita, and Hotel Sunroute Niigata, were sold during the fiscal year December 2015, the numbers are different from those described on page 5 "1. Operational Performance."

2. Summary of Lease Contracts (1/2)

(As of Dec. 31st 2015)

| No. | Property Name | Lease Type | Rent Type (*1) | Lessee | Hotel Operator/Hotel Consulting and Management Company | Lease/ MC Term | Remaining Contract Term (*2) | Contractual Rent (*3) | Rent Summary | Rent Modification Summary (Acquisition to End of December 2015) | | Rent Modification Schedule (2016 - 2017) | |
|-----|--|-------------|-----------------------|-----------------------------------|--|----------------|------------------------------|--|---|---|---|--|-----------------------|
| | | | | | | | | | | Period | Condition (*4) | 2016 | 2017 |
| 1 | Kobe Meriken Park Oriental Hotel | Fixed-lease | Fixed +Variable | Hotel Management Japan Co., Ltd. | Abilitas Hospitality Co., Ltd. (*5) | 8 | 4 | (Fixed rent) JPY3,221M/year + (Variable rent) When the total GOP of HMJ's five hotels exceeds GOP base amount (JPY3,351M), the excess x 81.5% is paid.(*7) | In principle, the same rent will be applied until expiration of the contract. | Sep. 2011 | Scheme is modified. | - | - |
| 2 | Oriental Hotel tokyo bay | | | | | | | | | | | | |
| 3 | Namba Oriental Hotel | | | | | | | | | | | | |
| 4 | Oriental Hotel Hiroshima | | | | | | | | | | | | |
| 5 | Hotel Nikko Alivila | | | | Okura Nikko Hotel Management Co., Ltd. (*6) | | | | | | | | |
| 6 | The Beach Tower Okinawa | Fixed-lease | Fixed | Kyoritsu Maintenance Co., Ltd. | | 20 | 11 | JPY42M/month | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 7 | Hakone Setsugetsuka | Fixed-lease | Fixed | | | 20 | 11 | JPY24M/month | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 8 | Dormy Inn Kumamoto | Fixed-lease | Fixed | | | 12 | 7 | JPY16M/month | Rent can be modified through mutual agreement every three years. | - | - | - | - |
| 9 | Dormy Inn EXPRESS Asakusa | Lease | Fixed | | | 20 | 1 | JPY5M/month | Rent can be modified through mutual agreement every three years. | Apr. 2012 | Same | - | To be expired (March) |
| 10 | Hakata Nakasu Washington Hotel Plaza | Lease | Fixed | Washington Hotel K.K. | | 3 | 2 | JPY20M/month | Rent can be modified through mutual agreement. | Apr. 2015 | Contract is renewed. (same) | - | - |
| 11 | Nara Washington Hotel Plaza | Lease | Fixed | | | 20 | 4 | JPY11M/month | Rent can be modified through mutual agreement. | - | - | - | - |
| 12 | R&B Hotel Ueno-Hirokoji | Lease | Fixed | | | 20 | 6 | JPY8M/month | Rent can be modified through mutual agreement. | Apr. 2011 | Increased (+3.0%) | - | - |
| 13 | R&B Hotel Higashi-Nihombashi | Lease | Fixed | | | 20 | 2 | JPY10M/month | Rent can be modified through mutual agreement. | Apr. 2013 | Same | - | - |
| 14 | Comfort Hotel Tokyo Higashi Nihombashi | Fixed-lease | Fixed | Greens Co., Ltd. | | 20 | 12 | JPY21M/month | Rent can be modified through mutual agreement every five years. | Jan. 2013 | Same | - | - |
| 15 | Smile Hotel Nihombashi Mitsukoshimae | Lease | Fixed+Revenue sharing | The Kamogawa Grand Hotel, Ltd. | | 20 | 1 | JPY11M/month + Revenue sharing | Rent can be modified through mutual agreement. | Apr. 2014 | Scheme is modified. | - | To be expired (March) |
| 16 | Toyoko Inn Hakataguchi Ekimae | Lease | Fixed | Toyoko Inn Co., Ltd. | | 30 | 16 | JPY11M/month | No rule has been stipulated. | Oct. 2007 | Increased (+9.4%) | - | - |
| 17 | Hotel Keihan Universal City | Lease | Fixed+Revenue sharing | K.K. Hotel Keihan | | 20 | 6 | Nondisclosure | Nondisclosure | Jul. 2014 | Scheme is modified. | - | - |
| 18 | Chisan Inn Kamata | Fixed-lease | Variable | Solare Hotels & Resorts Co., Ltd. | SHR Hotels, Co., Ltd. | 5 | 1 | Hotel GOP x 85% (If it is below zero, it will be JPY0.-) | - | Jul. 2012 | Scheme is modified. | - | To be expired (June) |
| 19 | Hotel Vista Kamata Tokyo | Lease | Fixed+Revenue sharing | Vista Hotel Management Co., Ltd. | | 4 | 3 | JPY7M/month + Revenue sharing | In principle, the same rent will be applied until expiration of the contract. | Jul. 2015 | Contract is renewed (Modify the calculation method of revenue sharing.) | - | - |
| 20 | Hotel Sunroute Shimbashi | Fixed-lease | Fixed+Revenue sharing | Sunroute Co., Ltd. | | 15 | 7 | JPY18M/month + Revenue sharing | No rule has been stipulated. | - | - | - | - |
| 21 | Hilton Tokyo Bay | Fixed-lease | Fixed+Revenue sharing | THE DAIICHI BUILDING CO., LTD. | Hilton International Company | 4 | 3 | JPY157M/month + Revenue sharing | Rent can be modified through mutual agreement. | Jul. 2015 | Contract is renewed. | - | - |

2. Summary of Lease Contracts (2/2)

(As of Dec. 31st 2015)

| No. | Property Name | Lease Type | Rent Type (*1) | Lessee | Hotel Operator/Hotel Consulting and Management Company | Lease/ MC Term | Remaining Contract Term (*2) | Contractual Rent (*3) | Rent Summary | Rent Modification Summary (Acquisition to End of December 2015) | | Rent Modification Schedule (2016 - 2017) | |
|-----|-------------------------------|-------------|---------------------|----------------------------------|--|----------------|------------------------------|---|---|---|---------------------|--|------|
| | | | | | | | | | | Period | Condition (*4) | 2016 | 2017 |
| 22 | ibis Tokyo Shinjuku | - | Management contract | - | A.A.P.C. Japan K.K. | 12 | 9 | Amount equivalent to hotel GOP | - | Jul. 2012 | Scheme is modified. | - | - |
| 23 | ibis Styles Kyoto Station | - | Management contract | | | 5 | 3 | Amount equivalent to hotel GOP | - | - | - | - | - |
| 24 | ibis Styles Sapporo | - | Management contract | | | 5 | 4 | Amount equivalent to hotel GOP | - | Dec. 2014 | Scheme is modified. | - | - |
| 25 | Mercure Sapporo | - | Management contract | | | 15 | 14 | Amount equivalent to hotel GOP | - | - | - | - | - |
| 26 | Mercure Okinawa Naha | - | Management contract | | | 10 | 8 | Amount equivalent to hotel GOP | - | - | - | - | - |
| 27 | Mercure Yokosuka | Fixed-lease | Variable | A.A.P.C. Japan K.K. | | 5 | 4 | Linked to hotel GOP | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 28 | the b akasaka-mitsuke | Fixed-lease | Fixed +Variable | Ishin Akasaka Operations, K.K. | | 7 | 6 | JPY102M/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 29 | the b ikebukuro | Fixed-lease | Fixed +Variable | Ishin Ikebukuro Operations K.K. | | 7 | 6 | JPY163M/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 30 | the b ochanomizu | Fixed-lease | Fixed +Variable | Ishin Ochanomizu Operations K.K. | | 7 | 6 | JPY69M/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 31 | the b hachioji | Fixed-lease | Fixed +Variable | Ishin Hachioji Operations, Y.K. | | 7 | 6 | JPY98M/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 32 | the b hakata | Fixed-lease | Fixed +Variable | Ishin Hakata Operations K.K. | | 7 | 6 | JPY82M/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 33 | the b suidobashi (*8) | Fixed-lease | Fixed +Variable | Ishin Suidobashi Operations K.K. | | 5 | 5 | JPY85M/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | Jul. 2015 | Rebranded | - | - |
| 34 | Hotel Francs | Fixed-lease | Fixed | K.K. Bridal Produce | | 19 | 9 | JPY25M/month | The same rent will be applied until expiration of the contract. | - | - | - | - |
| 35 | Okinawa Marriott Resort & Spa | Fixed-lease | Fixed +Variable | Lagoon resort Nago Co., Ltd. | Solare Hotels and Resorts K.K. | 5 | 5 | (Fixed rent) JPY550M/year + (Variable rent) When the total GOP exceeds GOP base amount (JPY700M), the excess x 90% is paid. | In principle, the same rent will be applied until expiration of the contract. | - | - | - | - |
| 36 | ACTIVE-INTER CITY HIROSHIMA | Fixed-lease | Fixed +Variable | K.K. A.I.C Hiroshima Management | | 11 | 11 | (Fixed rent) JPY348M/year + (Variable rent) When the total GOP exceeds GOP base amount (JPY468M), the excess x 82.5% is paid. | In principle, the same rent will be applied until expiration of the contract. | - | - | - | - |

(*1) Rent type is as follows:

Fixed: Fixed rent

Variable: Variable rent

Management contract: Management contract

Fixed+Variable: Property paying both fixed and variable rent

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

(*2) Remaining contract term as of the end of December, 2015.

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

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

No. 1 to No. 5: Variable rent was modified from sales-base to GOP-linked.

No. 15, 17: Revenue sharing scheme has been applied in addition to fixed rent.

No. 18: Fixed rent has been replaced with the variable rent due to the replacement of the lessee.

No. 22, 24: JHR has commenced direct management contract schemes.

(*5) The hotel management support agreement with Abilitas Hospitality Co., Ltd. expired on December 31, 2015 and HJM operates hotels by itself.

(*6) The company name was changed from JAL Hotels Co., Ltd. to Okura Nikko Hotel Management Co., Ltd. on October 1, 2015.

(*7) Variable rent rate was changed from 81.5% to 85% on January 1, 2016.

(*8) No. 33: Changed the lessee to Ishin Suidobashi Operations K.K. from July 2015. After rebranding the hotel to the b suidobashi, the rent scheme was changed from fixed rent to fixed rent+variable rent.

3. Portfolio Map

(As of end of April 2016 (Planned))

Total Assets

JPY**239.6** Billion

No. of Hotels

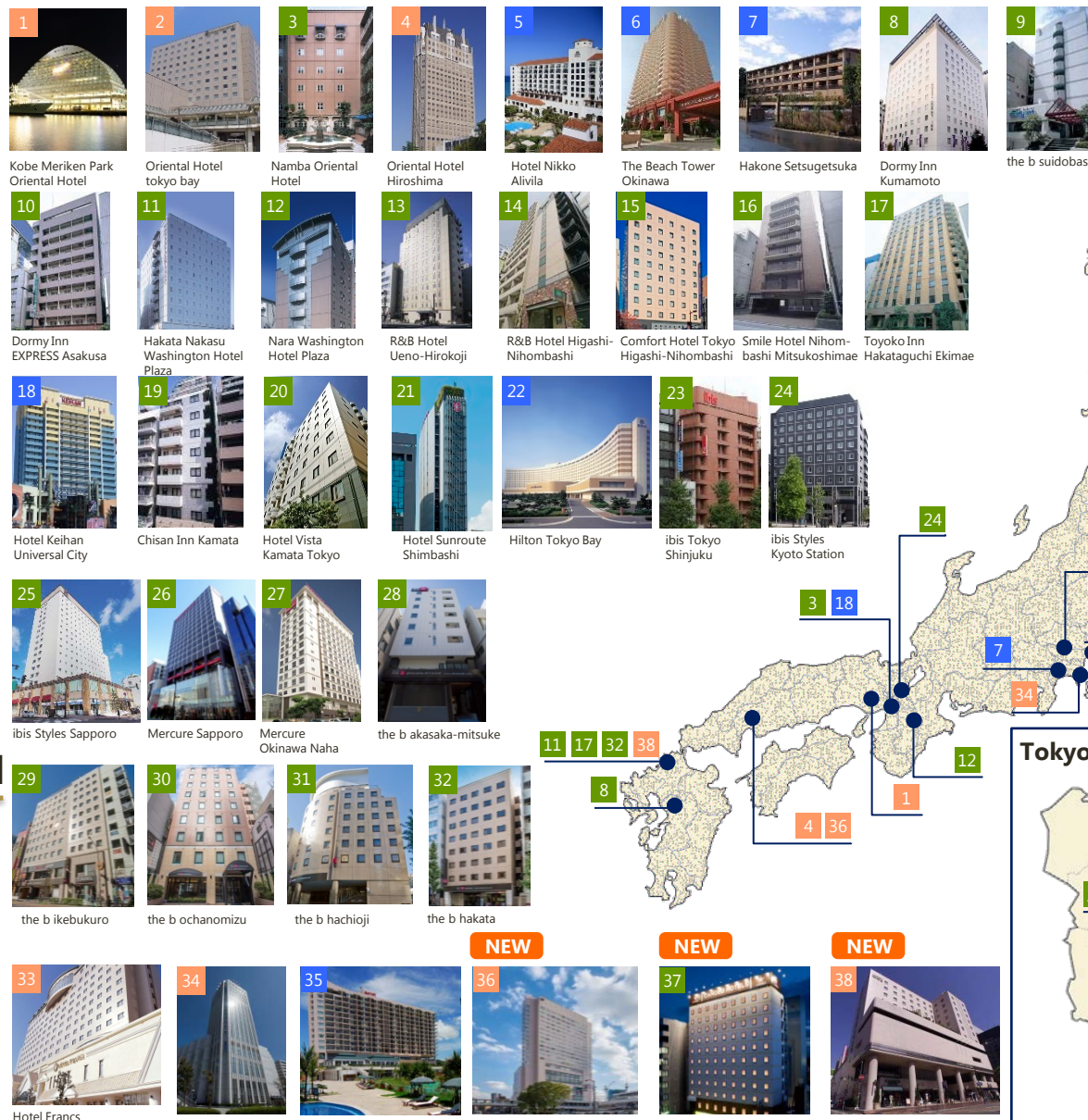
38 Hotels

Total No. of Guest Rooms

9,102 Rooms

Guest Rooms/Hotel

Avg. **240** Rooms



- Limited-service hotel
- Full-service hotel
- Resort hotel



4. Major CAPEX III by Hotel

Unit: JPY M * (Numbers in parentheses are CAPEX amounts)

| | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2012 (New) | CY2013 | CY2014 | CY2015 | CY2016 |
|----------------------------------|---|--|--|--|---|--|---|--|--|--|---|---|
| | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Forecast |
| Former JHR | 1 st period (IPO-2006/8) | 2 nd period (2006/9-2007/8) | 3 rd period (2007/9-2008/8) | 4 th period (2008/9-2009/8) | 5 th period (2009/9-2010/8) | 6 th period (2010/9-2011/8) | 7 th period (2011/9-2012/3) | 13 th period 2012/4-2012/12 | 14 th period 2013/1-2013/12 | 15 th period 2014/1-2014/12 | 16 th period 2015/1-2015/12 | 17 th period 2016/1-2016/12 |
| Former NHF | - | 2 nd to 3 rd period (IPO-2007/9) | 4 th to 5 th period (2007/10-2008/9) | 6 th to 7 th period (2008/10-2009/9) | 8 th to 9 th period (2009/10-2010/9) | 10 th to 11 th period (2010/10-2011/9) | 12 th period (2011/10-2012/3) | | | | | |
| Kobe Meriken Park Oriental Hotel | <ul style="list-style-type: none"> Guest rooms on 12th and 13th floors (189) Restaurant (51) | <ul style="list-style-type: none"> Guest rooms on 10th and 11th floors (222) Pier (98) | <ul style="list-style-type: none"> Bride's room (68) Banquet room (46) | - | - | - | - | - | - | - | <ul style="list-style-type: none"> Chapel (30) | <ul style="list-style-type: none"> Guest rooms on 7th floor (50) Balconies on each floor (62) Bar (80) |
| Oriental Hotel Tokyo Bay | <ul style="list-style-type: none"> Guest rooms on 9th and 10th floors (145) Banquet room (59) | <ul style="list-style-type: none"> Guest rooms on 7th and 8th floors (171) Restaurant (58) | <ul style="list-style-type: none"> Guest rooms on 5th and 6th floors (210) Lobby (60) | - | <ul style="list-style-type: none"> Chapel (77) Guest rooms, etc. on 12th floor (135) | - | <ul style="list-style-type: none"> Restaurant (79) | - | <ul style="list-style-type: none"> Restaurant (45) | - | - | <ul style="list-style-type: none"> Guest rooms on 4th floor (102) |
| Namba Oriental Hotel | <ul style="list-style-type: none"> Guest rooms on 7th and 8th floors (93) | <ul style="list-style-type: none"> Restaurant (40) | - | - | <ul style="list-style-type: none"> Guest rooms on 4th floor and corridors on 4th, 5th, and 6th floors (20) | - | - | - | <ul style="list-style-type: none"> Corner rooms on 5th to 8th floors (10) | - | - | <ul style="list-style-type: none"> Guest rooms on 9th floor (91) |
| Hotel Nikko Alivila | <ul style="list-style-type: none"> Suite (32) Restaurant (155) | - | <ul style="list-style-type: none"> Guest rooms on 3rd to 8th floors (479) | <ul style="list-style-type: none"> Guest rooms on 1st to 6th floors of South and West wings (361) | - | - | - | - | - | <ul style="list-style-type: none"> Guest rooms on 3rd to 8th floors of North building and 3rd to 5th floors of Central building (333) | - | <ul style="list-style-type: none"> Guest rooms on 9th floor (55) Restaurant (30) |
| Oriental Hotel Hiroshima | - | (Acquired in Oct. 2007) | <ul style="list-style-type: none"> Guest rooms on 7th to 18th floors (347) Tenant floor (23) | <ul style="list-style-type: none"> Banquet rooms on 3rd and 4th floors (138) | - | <ul style="list-style-type: none"> Renovation of banquet room on 3rd floor. Renovation of corner double room to twin room (21) | - | - | - | <ul style="list-style-type: none"> Banquet rooms on 23rd floor (10) | - | <ul style="list-style-type: none"> Guest rooms on 7th to 10th floors (41) Banquet room on 4th floor (30) |
| ibis Tokyo Shinjuku | - | - | - | - | - | - | - | <ul style="list-style-type: none"> Lobby and restaurant on 2nd floor, and guest rooms on 3rd, 5th, 6th, and 9th floors (170) | - | - | - | <ul style="list-style-type: none"> Guest rooms on 3rd to 10th floor (164) |
| Okinawa Marriott Resort & Spa | - | - | - | - | - | - | - | - | - | - | - | <ul style="list-style-type: none"> Banquet rooms (25) |

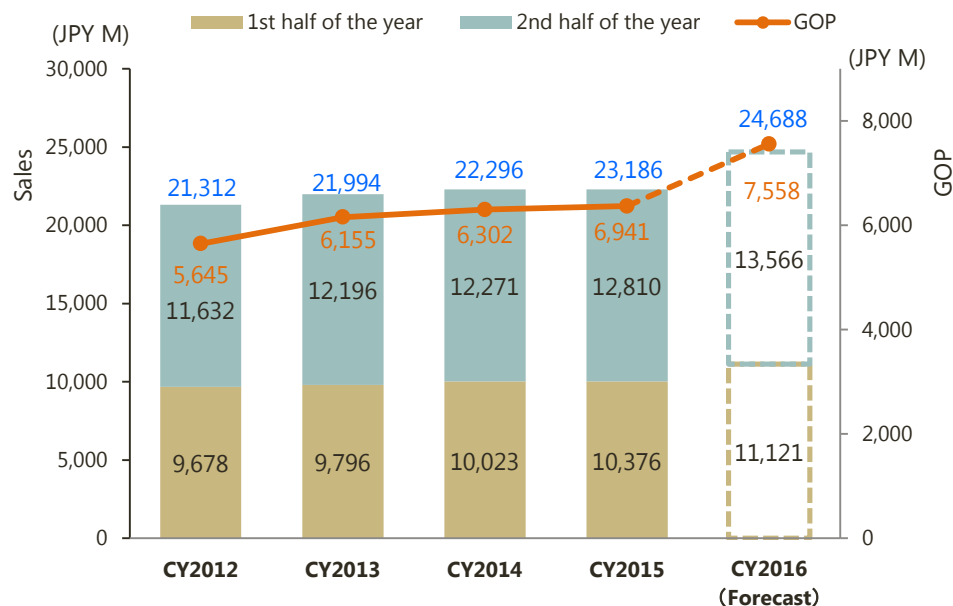
Appendix 3

Comments on Performance of Major Hotels with Variable Rent

1. Performance Highlights of HMJ's Five Hotels

Changes in Sales Volume, GOP, and Management Indicators(*) of HMJ's Five Hotels

◆ Sales and GOP



◆ Management Indicators

| | CY2012 | CY2013 | CY2014 | CY2015 | CY2016 (Forecast) |
|--------------------|--------|--------|--------|--------|-------------------|
| Occupancy Rate (%) | 82.7% | 86.1% | 86.9% | 87.7% | 88.5% |
| ADR (JPY) | 16,200 | 17,297 | 17,551 | 19,212 | 20,608 |
| RevPAR (JPY) | 13,400 | 14,886 | 15,245 | 16,843 | 18,237 |
| GOP (JPY M) | 5,645 | 6,155 | 6,302 | 6,941 | 7,558 |
| GOP Ratio (%) | 26.5% | 28.0% | 28.3% | 29.9% | 30.6% |

(*) Sales volume, GOP, and management indicators have been provided by a lessee or an operator.
CY2016 is a forecast: actual figures may differ due to various factors. (Same applies to other hotels hereafter.)

Actual Performance from January 2015 through December 2015

- Total sales increased by JPY890M or 4.0% compared with the previous year.
- Against a backdrop of the strong market led by an increase in inbound tourists, the rooms department attracted both domestic and inbound leisure demand proactively. As a result, RevPAR increased in all five hotels. Rooms department sales increased by JPY1,098M or 10.5% compared with the previous year.
- General banquet and restaurant sections in the food and beverage department saw an increase in sales. But since sales of wedding section decreased due to a fierce competition in wedding industry, sales of the food and beverage department decreased by JPY224M or 2.3% compared with the previous year.

Sales Forecast from January 2016 through December 2016

- Total sales are expected to increase by JPY1,502M or 6.5% compared with the previous year.
- The rooms department intends to attract both domestic and inbound demand in the higher rate segment by refining the revenue management. Rooms department sales are expected to increase by JPY977M or 8.5% compared with the previous year.
- Sales of the food and beverage department are predicted to increase by JPY502M or 5.3% compared with the previous year due to strengthened sales efforts by each of wedding, general banquet, and restaurant sections.

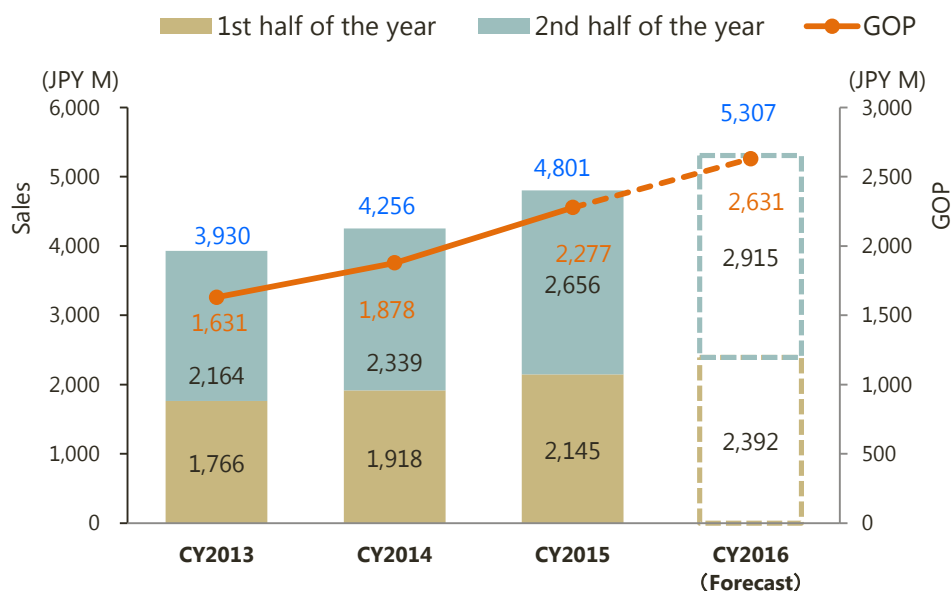
GOP Forecast from January 2016 through December 2016

- GOP is expected to increase by JPY617M or 8.9% compared with the previous year.
- Although labor costs, etc. are expected to increase in association with improvement in service levels and strengthened sales efforts, GOP ratio is expected to increase by 0.7 point compared with the previous year due to management efficiency and an increase in rooms department sales which have high profit contribution.

2. Performance Highlights of Accor's Five Hotels

Changes in Sales Volume, GOP, and Management Indicators(*) of Accor's Five Hotels

◆ Sales and GOP



◆ Management Indicators

| | CY2013 | CY2014 | CY2015 | CY2016 (Forecast) |
|--------------------|--------|--------|--------|-------------------|
| Occupancy Rate (%) | 81.9% | 82.8% | 85.7% | 86.8% |
| ADR (JPY) | 8,805 | 9,524 | 10,476 | 11,391 |
| RevPAR (JPY) | 7,208 | 7,886 | 8,972 | 9,889 |
| GOP (JPY M) | 1,631 | 1,878 | 2,277 | 2,631 |
| GOP Ratio (%) | 41.5% | 44.1% | 47.4% | 49.6% |

(*) Sales volume, GOP, and management indicators have been provided by a lessee or an operator. CY2016 is a forecast; actual figures may differ due to various factors.

Actual Performance from January 2015 through December 2015

- Total sales increased JPY545M or 12.8% compared with the previous year.
- In addition to attracting domestic leisure demand, the rooms department drew inbound tourists proactively through the operator's own network system (booking website). Sales of Mercure Sapporo, ibis Styles Sapporo, ibis Styles Kyoto Station, Mercure Okinawa Naha especially remained strong, and rooms department sales increased by JPY498M or 14.0% compared with the previous year.

Sales Forecast from January 2016 through December 2016

- Total sales are expected to increase by JPY506M or 10.5% compared with the previous year.
- The rooms department intends to continue attracting domestic and inbound leisure demand in the higher rate segment. Rooms department sales are expected to increase by JPY431M or 10.6% compared with the previous year.

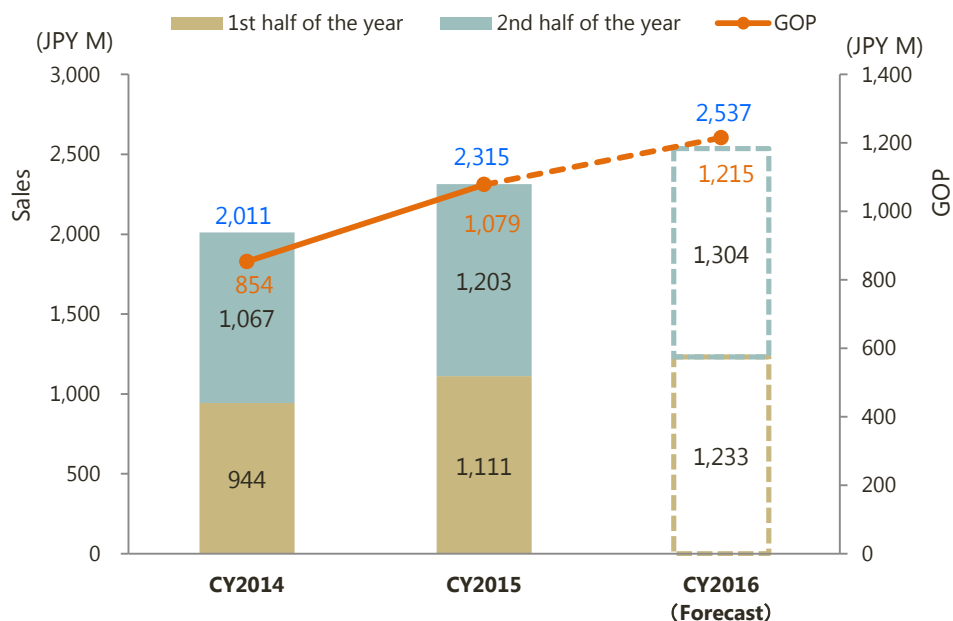
GOP Forecast from January 2016 through December 2016

- GOP is expected to increase by JPY354M or 15.5% compared with the previous year.
- GOP ratio is expected to increase by 2.2 points compared with the previous year resulting from an increase in rooms department sales with high profit contribution and cost reduction measures, which Mercure Sapporo has been working on since the previous year.

3. Performance Highlights of Five “the b” Hotels

Changes in Sales Volume, GOP, and Management Indicators (*) of Five “the b” Hotels

◆ Sales and GOP



◆ Management Indicators

| | CY2014 | CY2015 | CY2016 (Forecast) |
|--------------------|--------|--------|-------------------|
| Occupancy Rate (%) | 88.0% | 91.9% | 92.1% |
| ADR (JPY) | 8,104 | 8,842 | 9,666 |
| RevPAR (JPY) | 7,132 | 8,124 | 8,901 |
| GOP (JPY M) | 854 | 1,079 | 1,215 |
| GOP Ratio (%) | 42.4% | 46.6% | 47.9% |

(*) Sales volume, GOP, and management indicators have been provided by a lessee or an operator.
CY2016 is a forecast; actual figures may differ due to various factors.

Actual Performance from January 2015 through December 2015

- Total sales increased by JPY303M or 15.1% compared with the previous year.
- Against a backdrop of the strong market, the rooms department attracted inbound tourists proactively due to the operator's expansion of sales channels, in addition to drawing domestic demand. As a result, all five hotels increased their RevPAR. Rooms department sales increased by JPY295M or 15.5% compared with the previous year.

Sales Forecast from January 2016 through December 2016

- Total sales are expected to increase by JPY222M or 9.6% compared with the previous year.
- The rooms department intends to continue attracting domestic and inbound leisure demand in the higher rate segment. Rooms department sales are expected to increase by JPY216M or 9.9%.

GOP Forecast from January 2016 through December 2016

- GOP is expected to increase by JPY136M or 12.6% compared with the previous year.
- GOP ratio is expected to increase by 1.3 points compared with the previous year due to an increase in rooms department sales which has high profit contribution.

Appendix 4

Investors Composition and Investment Unit Price

1. Major Unitholders and Unitholders of Investment Units

Top Ten Major Unitholders

◆ As of the End of December 2014

| Ranking | Name | No. of Units | Percentage(*) |
|---------|---|--------------|---------------|
| 1 | Japan Trustee Service Bank, Ltd. (Trust) | 524,068 | 18.77 |
| 2 | The Master Trust Bank of Japan, Ltd. (Trust) | 287,523 | 10.30 |
| 3 | Trust and Custody Services Bank, Ltd. (Securities Investment Trust) | 252,508 | 9.04 |
| 4 | The Nomura Trust and Banking Co., Ltd. (Investment Trust) | 118,089 | 4.23 |
| 5 | Nomura Bank (Luxembourg) S.A. | 97,755 | 3.50 |
| 6 | Shikoku Railway Company | 58,311 | 2.08 |
| 7 | Goldman Sachs International | 41,638 | 1.49 |
| 8 | Nomura PB Nominees TK1 Limited | 38,269 | 1.37 |
| 9 | NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB) | 36,314 | 1.30 |
| 10 | The Bank of New York Mellon SA/NV10 | 29,695 | 1.06 |
| Total | | 1,484,170 | 53.17 |

◆ As of the End of December 2015

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

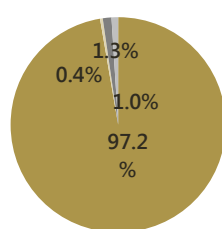
(*) The total units held by each investor to the total units issued by JHR as of the end of December 2014 and the end of December 2015. (Rounded off to two decimal places.)

Owners of the Investment Units

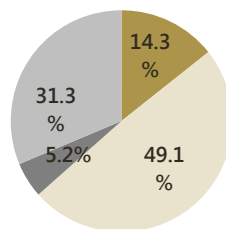
◆ As of the End of December 2014

| Owners | No. of Investors | No. of Units |
|---|------------------|------------------|
| Individuals and Others | 22,227 | 399,789 |
| Financial Institutions (including Securities Firms) | 95 | 1,370,607 |
| Other Domestic Firms | 313 | 145,417 |
| Foreign Firms and Individuals | 231 | 875,468 |
| Total | 22,866 | 2,791,281 |

No. of Investors



No. of Units

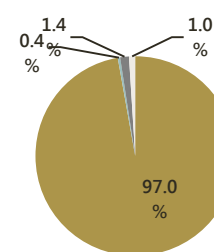


Individuals and Others
 Financial Institutions (including Securities Firms)
 Other Domestic Firms
 Foreign Firms and Individuals

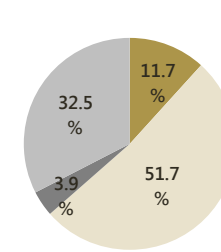
◆ As of the End of December 2015

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

No. of Investors



No. of Units



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

2. Changes in Investment Unit Price and Market Capitalization

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

Price of the investment unit:
JPY89,500.-

Total market capitalization:
JPY281.4B

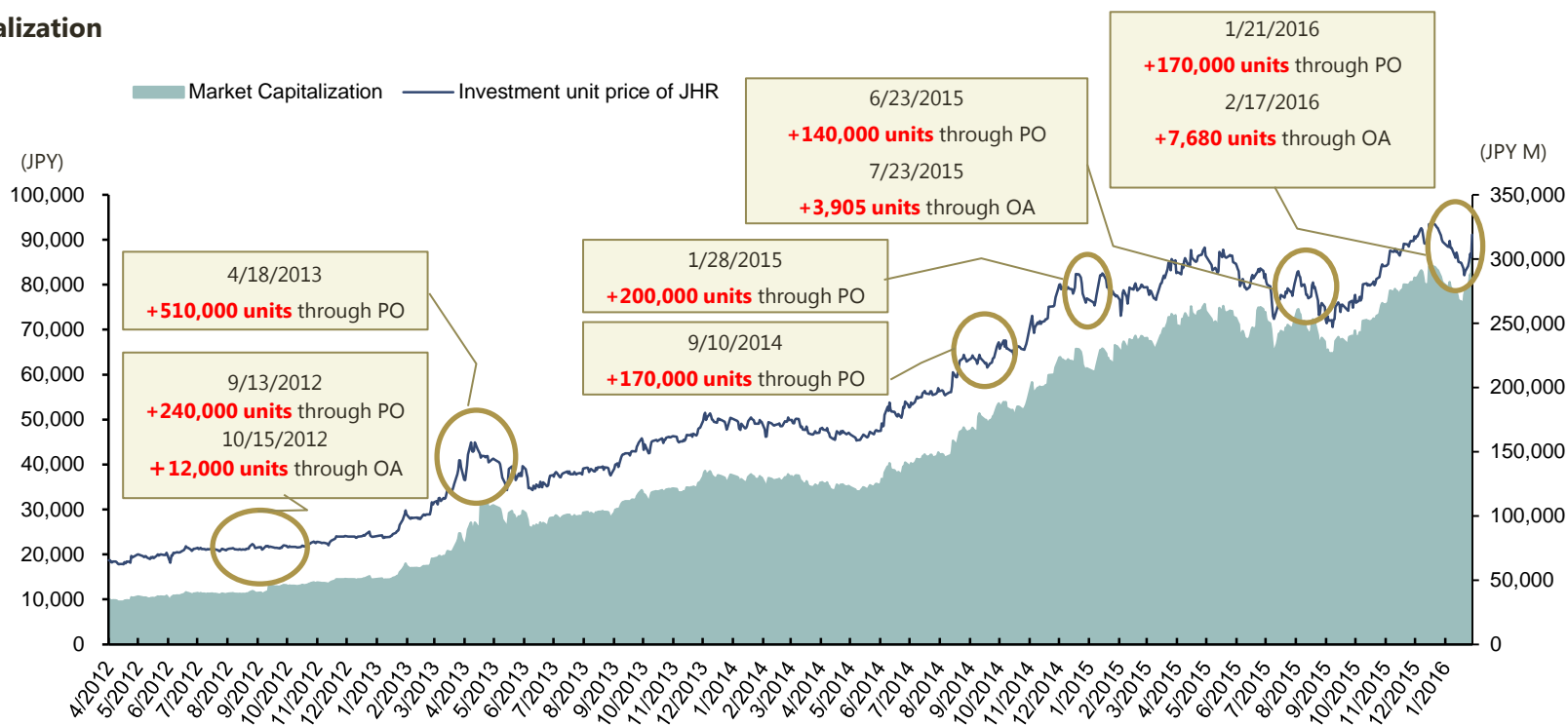
(Based on the closing price of Dec. 30, 2015)

Price of the investment unit:
JPY91,100.-

Total market capitalization:
JPY301.9B

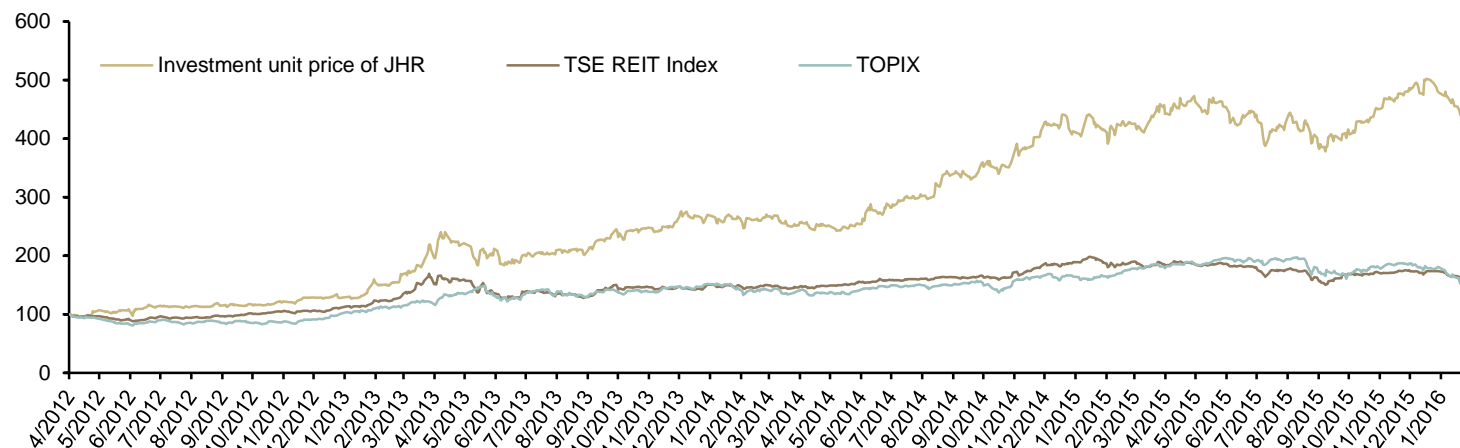
(Based on the closing price of Jan. 29, 2016)

(*) Price of the real estate investment securities may fall depending on the price of the real estate under management or fluctuations of its profitability, etc., and investors may suffer losses. Investors may also suffer losses through the bankruptcy or deteriorated financial condition of the issuer.
With reference to the risk of investment in JHR units, see Securities Registration Statement of JHR dated January 4, 2016.



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

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

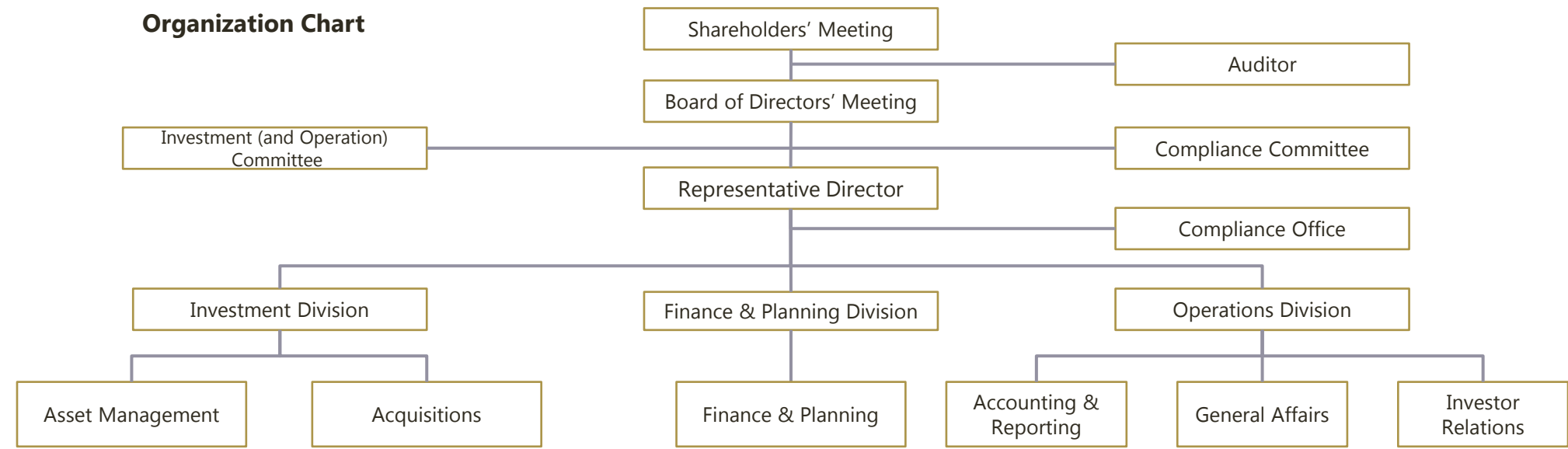


Appendix 5

Summary of the Asset Management Company

1. Summary of the Asset Management Company

| | |
|----------------------------------|--|
| Company | Japan Hotel REIT Advisors Co., Ltd. |
| Location | Ebisu Neonato 4F, 4-1-18 Ebisu, Shibuya-ku, Tokyo 150-0013 |
| Establishment | August 10, 2004 |
| Capital | JPY300M as of June 30, 2015 |
| Shareholders | Rockrise Sdn Bhd, Kyoritsu Maintenance Co., Ltd., ORIX Corporation |
| Representative Director | Hisashi Furukawa |
| Registration and Licenses | Building Lots and Buildings Transaction Business Operator, Governor of Tokyo (3) No. 83613 Discretionary Transaction Agent by Minister of Land, Infrastructure, Transport and Tourism No. 38 Financial Instruments Trading Company, Director-General of Kanto Local Finance Bureau No. 334 Member of The Investment Trusts Association, Japan |



2. Features and Governance of the Asset Management Company

Features of the Asset Management Company

【1】 Mission Statement

We continue challenge and creation, and provide you with attractive hotel investment opportunities.

【2】 Advanced Expertise

- ✓ Planned and executed unprecedented measures for the asset management of JHR.
- ✓ Extensive experience, planning and execution abilities in renovation or rebranding through collaboration with hotel lessees or hotel operators.
- ✓ Good and long-term business relationships with many hotel lessees and hotel operators.
- ✓ Ensure managerial independence from the main sponsor^(*1) and commitment to the growth of JHR.
- ✓ Conduct unique proprietary research on the hotel and tourism industries.

Rule to Prevent Conflict of Interest in Dealing with Sponsor-Related Persons

Strict decision-making rules including those detailed below have been set for dealing with “sponsor-related persons.”^(*2) In order to prevent conflict, we strive to comply with arms-length rules and ensure transparent deals.

Asset Management Company: Compliance Committee

- ✓ The compliance committee consists of committee members including outside specialists, and attendance of the outside.
- ✓ In principle, outside specialists are authorized to dismiss proposals.

JHR: Committee

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

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

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

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

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

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

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

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

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

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