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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 JPY1M)

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

(1) Operating results

(Percentages show changes from the previous period)

	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 2015 includes gain on sale of real estate properties, etc. (JPY305M).

(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 2015 is calculated by adding appropriation for dividends (JPY60M) to unappropriated retained earnings. For details of the appropriation for dividends, please refer to “<Reference Materials 3> Dividend per unit and appropriation for dividends” on page 11.

(Note 2) The source of dividends for the fiscal year ended December 2014 is calculated by adding appropriation for dividends (JPY240M) to unappropriated retained earnings. For details of the appropriation for dividends, please refer to “<Reference Materials 3> Dividend per unit and appropriation for dividends” on page 11.

(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 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 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 2016 (January 1, 2016 – December 31, 2016)

(Percentages show changes from the previous period)

	Operating revenue		Operating income		Ordinary income		Net income		Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
	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 2016 (full year) JPY3,292

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

(Note) Reversal of reserve for dividends in amount of JPY119M 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 units issued

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

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 at the end of the fiscal year

As of December 31, 2015 0 units

As of December 31, 2014 0 units

*** 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 assumptions of the operating forecast and notes for making reference to 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 2016 (17th period)" on page 3.

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

Item	Assumptions																								
Calculation period	• Midterm: January 1, 2016 through June 30, 2016 (182 days) • Full year: January 1, 2016 through December 31, 2016 (366 days)																								
Investment assets	• 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 in assets (acquisition or disposition, etc.) other than the above through the end of the fiscal year ending December 2016 (17th period). The actual number may fluctuate, though, depending on the changes in assets that may take place.																								
Operating revenue	• 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) HMJ’s five hotels The assumptions of the fixed rent and variable rent for HMJ’s five hotels are as follows. Annual rent (JPY6,797M) = Fixed rent (JPY3,221M/year) + Variable rent (*1) Variable rent = [(a) Total GOP of HMJ’s five hotels – (b) GOP base amount] × 85.0% HMJ’s five hotels for the fiscal year ending December 2016 (17th period) (Unit: JPY1M) <table><tr><th></th><th>Total GOP of HMJ’s five 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 HMJ’s five 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 JPY3,429M, and the amount of increase in variable rent as a result of the revision is JPY147M. (2) Okinawa Marriott Resort & Spa The fixed and variable rent of Okinawa Marriott Resort & Spa are calculated as follows. Annual rent (JPY1,101M) = Fixed rent (JPY550M/year) + Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0% (Unit: JPY1M) <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>		Total GOP of HMJ’s five hotels (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 85.0%	Midterm	2,784	1,675	942	Full year	7,558	3,351	3,576		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%	Midterm	335	350	—	Full year	1,312	700	551
	Total GOP of HMJ’s five hotels (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 85.0%																						
Midterm	2,784	1,675	942																						
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	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%																						
Midterm	335	350	—																						
Full year	1,312	700	551																						

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 (JPY594M) = Fixed rent (JPY348M/year) + Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 82.5% (Unit: JPY1M)																							
	<table><tr><td></td><td>Hotel GOP (a)</td><td>GOP base amount (b)</td><td>Variable rent ((a) – (b)) × 82.5%</td></tr><tr><td>Midterm</td><td>342</td><td>234</td><td>89</td></tr><tr><td>Full year</td><td>766</td><td>468</td><td>246</td></tr></table>		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 82.5%	Midterm	342	234	89	Full year	766	468	246											
		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 82.5%																				
	Midterm	342	234	89																				
	Full year	766	468	246																				
	(b) Office building and commercial zone Rent from the office building and the commercial zone for the fiscal year ending December 2016 (17th period) is expected to be JPY225M for the midterm and JPY451M for the full year. These figures include JPY10M for the midterm and JPY20M 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 2016 (17th period) (*1) (JPY503M) = Fixed rent (JPY300M) + Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0% (Unit: JPY1M)																							
	<table><tr><td></td><td>Hotel GOP (a)</td><td>GOP base amount (b)</td><td>Variable rent ((a) – (b)) × 90.0%</td></tr><tr><td>Midterm</td><td>175</td><td>106</td><td>62</td></tr><tr><td>Full year</td><td>545</td><td>318</td><td>203</td></tr></table>		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%	Midterm	175	106	62	Full year	545	318	203											
		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 2016 (17th period) shows the figure estimated 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 JPY425M and the annual fixed rent will be JPY400M.																								
(5) Accor’s six hotels Income from management contract and variable rent of Accor’s six hotels (Unit: JPY1M)																								
<table><tr><td></td><td>ibis Tokyo Shinjuku</td><td>ibis Styles Kyoto Station</td><td>ibis Styles Sapporo</td><td>Mercure Sapporo</td><td>Mercure Okinawa Naha</td><td>Mercure Yokosuka</td><td>Total</td></tr><tr><td>Midterm</td><td>225</td><td>226</td><td>237</td><td>220</td><td>189</td><td>121</td><td>1,221</td></tr><tr><td>Full year</td><td>454</td><td>508</td><td>610</td><td>596</td><td>449</td><td>206</td><td>2,826</td></tr></table>		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
	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 income from management contract, it is assumed that the respective hotel's GOP amount is posted as income from management contract and the management contract fees to be paid by JHR is posted as an operating expenses item.							
	(*2) At Mercure Sapporo, although tenants other than the hotel have concluded agreements for revenue sharing, occurrence of variable rent is not expected for the fiscal year ending December 2016 (17th period).							
	(6) six “the b” hotels							
	Fixed and variable rent of six “the b” hotels (midterm) (Unit: JPY1M)							
		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 six “the b” hotels (full year) (Unit: JPY1M)							
		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).								
(7) Other hotels that have adopted variable rent								
Variable rent of other hotels that have adopted variable rent (Unit: JPY1M)								
	Smile Hotel Nihombashi- Mitsukoshimae	Hotel Vista Kamata Tokyo	Chisan Inn Kamata	Hotel Keihan Universal City	Hotel Sunroute Shimbashi	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 contract.								
<Breakdown of variable rent, etc. for the fiscal year ending December 2016 (17th period)> (Unit: JPY1M)								
	HMJ's five hotels	Okinawa Marriott Resort & Spa	ACTIVE-INTER CITY HIROSHIMA	Hotel Centraza Hakata	Accor's six hotels	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

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 “To-be-acquired Assets”) 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 JPY1,201M 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 2016 (17th period). The annual fixed asset tax and city planning tax, etc. for CANDEO HOTELS UENO-KOEN are expected to be JPY23M, and the annual fixed asset tax and city planning tax, etc. for Hotel Centraza Hakata are expected to be JPY21M. Moreover, the fixed asset tax and city planning tax, etc. to be recorded as expenses for the fiscal year ending December 2016 (17th period) for the nine properties (five “the b” hotels, Hotel Francs, Mercure Yokosuka, Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA) acquired in the fiscal year ended December 2015 (16th period) are assumed to be JPY263M (for nine months). • Depreciation is calculated by the straight-line method, and is estimated to be JPY3,207M, including the acquisition price of the To-be-acquired Assets (including incidental costs) as well as the planned capital expenditures (JPY2,532M) for the fiscal year ending December 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	• JPY1,740M 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 JPY102,772M as of January 1, 2016 and JPY111,593M as of December 31, 2016. • A loan for acquisition of Hotel Centraza Hakata in the amount of JPY7,000M is assumed.
Issuance of investment units	• The number of investment units issued 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 2016 (17th period).

Item	Assumptions															
Dividend per unit	• Dividend per unit for the fiscal year ending December 2016 (17th period) is calculated based on the following assumptions.															
	Net income JPY10,904M															
	Use of dividend reserve (negative goodwill)															
	Loss on retirement of noncurrent assets (*1) JPY13M															
	Amortization of fixed-term leasehold of land and asset retirement obligations (*2) JPY106M															
	Total dividends JPY11,024M															
	Total number of investment units issued 3,321,907 units															
	Dividend per unit JPY3,318															
	(*1) Amount posted as a loss on retirement of noncurrent assets will be appropriated by dividend reserve (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 dividend reserve for the amortization of land leasehold right, etc.															
• Dividend per unit may fluctuate by various causes, such as fluctuation of rental income resulting from transfer of asset, transfer of hotel lessee, etc, change of business environment, etc. for hotel lessee, etc. and unexpected repairs, etc.																
• The balance of the dividend reserve (negative goodwill) after the appropriation of dividend reserve (negative goodwill) for dividends for the fiscal year ending December 2016 (17th period) is expected to be JPY13,747M.																
Acquired assets and to-be-acquired asset	• The operating status for the fiscal year ending December 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> (Unit: JPY1M)															
	<table><tr><td></td><td>Fiscal year ending December 2016</td><td>Annualized (*3)</td></tr><tr><td>Operating days</td><td>366 days</td><td>366 days</td></tr><tr><td>Operating revenue</td><td>1,346</td><td>1,346</td></tr><tr><td>NOI (*1)</td><td>922</td><td>892</td></tr><tr><td>NOI yield (%) (*2)</td><td>5.3</td><td>5.2</td></tr></table>		Fiscal year ending December 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
		Fiscal year ending December 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> (Unit: JPY1M)															
	<table><tr><td></td><td>Fiscal year ending December 2016</td><td>Annualized (*3)</td></tr><tr><td>Operating days</td><td>335 days</td><td>366 days</td></tr><tr><td>Operating revenue</td><td>290</td><td>316</td></tr><tr><td>NOI (*1)</td><td>287</td><td>289</td></tr><tr><td>NOI yield (%) (*2)</td><td>-</td><td>4.3</td></tr></table>		Fiscal year ending December 2016	Annualized (*3)	Operating days	335 days	366 days	Operating revenue	290	316	NOI (*1)	287	289	NOI yield (%) (*2)	-	4.3
	Fiscal year ending December 2016	Annualized (*3)														
Operating days	335 days	366 days														
Operating revenue	290	316														
NOI (*1)	287	289														
NOI yield (%) (*2)	-	4.3														

Item	Assumptions		
New Assets (to-be-acquired Asset Inclusive)	<Hotel Centraza Hakata> (Unit: JPY1M)		
		Fiscal year ending December 2016	Annualized (*3)
	Operating days	275 days	366 days
	Operating revenue	503	660
	NOI (*1)	325	404
	NOI yield (%) (*2)	-	5.6
	(*1) NOI = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets (*2) NOI yield = NOI ÷ Acquisition price (planned acquisition price inclusive) NOI yield of CANDEO HOTELS UENO-KOEN and Hotel Centraza Hakata for the fiscal year ending December 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 2> Assumptions of the forecast of the annualized effect” below.		
Dividend per unit resulting from excess of earnings	It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.		
Other	- It is assumed that revision in law, tax law, accounting standard, regulations of the listing, regulations of The Investment Trusts Association, Japan, etc. that may impact the forecast above will not be made. - It is assumed that unexpected major incident will not occur in the general economy, real estate market, hotel business environment, etc. - The numerical values are rounded down to the nearest JPY1M in the assumptions above.		

<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 2014 (15th period) and the actual results for the fiscal year ended December 2015 (16th period).

(Unit: JPY M)

		15th Period	16th Period	Comparison with Previous Period (B) - (A) Variance	Major Causes of Variance			
		Actual (A)	Actual (B)		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	-	1,984	(1) HMJ's 5 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 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) 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

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

$$\text{NOI yield} = \text{NOI} \div \text{Acquisition price}$$

$$\text{NOI after depreciation} = \text{Real estate operating revenue} - \text{Real estate operating costs}$$

$$\text{NOI yield after depreciation} = \text{NOI after depreciation} \div \text{Acquisition price}$$
- (*7) The acquisition price of ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015 is included as of end of fiscal year ended December 2015. On the other hand, NOI and NOI after depreciation only include 14 days as management period of ACTIVE-INTER CITY HIROSHIMA. Please see numbers in parentheses for NOI yield and NOI yield after depreciation excluding the effect 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 JPY251M and JPY264M, respectively.

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

		16th Period	17th Period	(Reference)	Comparison with Forecast for Previous Period (B) - (A) Variance Ratio	Major Causes of Variance			
		Actual (A)	Forecast (*1) (B)	Forecast This Time Annualized (*2)		Property Acquisition (*3)	Property Disposition in 16th Period (*4)	Existing Properties (*5)	Causes of Variance for Existing Properties
Properties	No. of properties	36	38	38	2 5.6%				
	Acquisition price	225,723	239,626	239,626	13,902 6.2%				
Profit and loss	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	
		Composition	Composition	Composition					
	Fixed rent	60.5% 10,311	58.6% 12,204	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 HMJ's five hotels: JPY650M (2) Increase in income from management contract, etc. of Accor's five 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%	-	-	-	
Dividend	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 2016 (17th period) above.
- (*2) For the assumptions of calculating the annualized figures in the forecast this time, please refer to "<Reference Materials 2> Assumptions of the forecast of the annualized effect" below.
- (*3) The impact on the statement 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 statement 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 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 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 -JPY563M and -JPY489M, respectively.

<Reference Materials 2> 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 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 JPY400M/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 (five “the b” hotels, Hotel Francs, Mercure Yokosuka, Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA) acquired in the fiscal year ended December 2015 (16th period) are assumed to be JPY351M (for twelve months), and the fixed asset tax and city planning tax, etc. for the To-be-acquired Asset, CANDEO HOTELS UENO-KOEN, and Hotel Centraza Hakata are assumed to be JPY23M (for twelve months) and JPY21M (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 3> Dividend per unit and appropriation for dividends

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

	Fiscal year ended December 2014 (JPY1M)	Fiscal year ended December 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 (*)	164	—
Total dividends	6,015	9,354
Total number of investment units issued	2,791,281 units	3,144,227 units
Dividend per unit	JPY2,155	JPY2,975

- (*) 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 2014.