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July 7, 2016

REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)

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Notice Concerning Revision of Operating Forecast
for Fiscal Year Ending December 2016 (17th Period)

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you of the revision of the operating forecast for the full year of the fiscal year ending December 2016 (January 1, 2016 through December 31, 2016) and the operating forecast for the midterm of the fiscal year ending December 2016 (January 1, 2016 through June 30, 2016), which were announced in the “Financial Report for the Fiscal Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)” dated February 24, 2016, as follows.

1. Revision of the operating forecast for the full year ending December 2016 (January 1, 2016 through December 31, 2016)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Previous forecast (A)	JPY1M 20,836	JPY1M 12,645	JPY1M 10,904	JPY1M 10,904	JPY 3,318	JPY 0
Revised forecast (B)	JPY1M 22,095	JPY1M 13,621	JPY1M 11,841	JPY1M 11,751	JPY 3,318	JPY 0
Variance (C)= (B) – (A)	JPY1M 1,258	JPY1M 976	JPY1M 937	JPY1M 847	JPY 0	JPY 0
Variance (D)= (C)/(A)	% 6.0	% 7.7	% 8.6	% 7.8	% 0.0	% 0

2. Revision of the operating forecast for the midterm of the fiscal year ending December 2016 (January 1, 2016 through June 30, 2016)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Previous forecast (A)	JPY1M 9,136	JPY1M 5,364	JPY1M 4,477	JPY1M 4,477	JPY —	JPY —
Actual (B)	JPY1M 9,199	JPY1M 5,427	JPY1M 4,569	JPY1M 4,479	JPY —	JPY —
Variance (C)= (B) – (A)	JPY1M 63	JPY1M 62	JPY1M 91	JPY1M 1	JPY —	JPY —
Variance (D)= (C)/(A)	% 0.7	% 1.2	% 2.0	% 0.0	% —	% —

Note: This document is intended to serve as a press release to make available the information on revision of the operating forecast for the fiscal year ending December 2016 (17th period) of JHR. The document should not be considered as an offer to sell or solicitation of an offer to purchase any investment unit or other investment of JHR. Prospective investors are advised to make any investment decision at their own risk and responsibility.

- (Reference) Forecast of net income per unit for the full year: ¥3,356
(Calculated based on the forecast of the average number of investment units during the period (3,501,175 units))
- (*1) The number of investment units issued as of today is 3,321,907 units. In addition, it is assumed that JHR will additionally issue up to 440,000 new investment units in total through (i) a global offering (up to 428,260 units) (investment units to be underwritten and purchased by the domestic underwriters and the overseas underwriters in the domestic public offering and overseas offerings), and investment units to be additionally issued in the overseas offering, which are subject to the right to purchase granted to the overseas underwriters in the overseas offering and (ii) by way of third-party allotment (up to 11,740 units) based on the resolution of the Board of Directors meeting held today.
 - (*2) Reserve for dividends in the amount of ¥730 million is planned to be allocated as a part of dividend payment.
 - (*3) For the assumptions of the operating forecast above, please refer to “<Reference Information> Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 2016 (17th period)” below.
 - (*4) The acquisition of the three properties (HOTEL VISTA GRANDE OSAKA, Hilton Nagoya and HOTEL ASCENT FUKUOKA) (hereinafter called the “Assets for Anticipated Acquisition”) is assumed as announced in the press release “Notice Concerning Acquisition and Lease of New Assets (HOTEL VISTA GRANDE OSAKA, Hilton Nagoya and HOTEL ASCENT FUKUOKA)” dated today. HOTEL VISTA GRANDE OSAKA is planned to be rebranded to “Holiday Inn”, an international brand of InterContinental Hotel Group. For the annualized effect (hypothetical result) that reflects the full-year impact of the properties acquired after January 2016 and acquisition of the Assets for Anticipated Acquisition, please refer to “4. Highlights of the operating forecast and forecast of dividend” below.
 - (*5) Amounts are rounded down to the nearest millions of yen.

3. Rationale for the revisions of the operating forecast

Major factors for the variance of operating forecast for the full fiscal year ending December 2016 (17th Period) and the operating forecast for the midterm of the fiscal year ending December 2016 (17th Period) and the previous forecasts are as follows.

(1) Full fiscal year ending December 2016 (January 1, 2016 through December 31, 2016)

In connection with the issuance of new investment units, resolution to acquire the Assets for Anticipated Acquisition, an increase in variable rent (revenue sharing scheme) from existing properties in the amount of ¥63 million, decrease in operating expenses due to review of various expenses in the amount of ¥152 million, decreases in financial expenses in the amount of ¥140 million, and record of extraordinary loss in the amount of ¥90 million due to earthquakes in Kumamoto Prefecture and Oita Prefecture (*1) (hereinafter called the “Kumamoto earthquake”), JHR revised the forecasts for the operating status. Although dilution of investment units due to the issuance of new investment units is expected, there is no change in the forecast of dividend per unit for the fiscal year ending December 2016 due to allocation of reserve for dividend from negative goodwill.

There is no change in the variable rent assumption for the eight HMJ group hotels (*2), the six Accor hotels (*3), and the six *the b* hotels (*4).

The annualized effect on dividend per unit, assuming that the Assets for Anticipated Acquisition, etc. are contributed on a full year basis, is expected to increase by 4.1% compared to the previous annualized effect. For details of the comparison with previous annualized effect, please refer to “4. Highlights of the operating forecast and forecast of dividend (1) The major factors causing the variance on annualized effect with the operating forecast announced in the “Financial Report for the Fiscal Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)” dated February 24, 2016”.

- (*1) For details of the impact of the Kumamoto earthquake, please refer to the press release “Notice Concerning Impact of Earthquakes in Kumamoto Region in Kumamoto Prefecture (Third Release)” dated today. (Available in Japanese only.)
- (*2) The eight HMJ group hotels are five hotels, namely, Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima (the five hotels hereinafter collectively called “the five HMJ hotels”) plus Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (the main facility of

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ACTIVE-INTER CITY HIROSHIMA) and Hotel Centraza Hakata.

The nine HMJ group hotels are the eight HMJ group hotels, plus HOTEL VISTA GRANDE OSAKA, one of the Assets for Anticipated Acquisition. HMJ is the abbreviation for Hotel Management Japan Co., Ltd. The same shall apply hereafter.

(*3) The six Accor hotels are ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo and Mercure Okinawa Naha (the five hotels hereinafter collectively called “the five Accor hotels”) plus Mercure Yokosuka which was acquired on April 2, 2015. The same shall apply hereafter.

(*4) The six *the b* hotels are the *b* akasaka-mitsuke, the *b* ikebukuro, the *b* ochanomizu, the *b* hachioji and the *b* hakata (the five hotels hereinafter collectively called “the five *the b* hotels”) plus the *b* suidobashi (rebranded from Dormy Inn Suidobashi on July 1, 2015). The same shall apply hereafter.

(2) Midterm of the fiscal year ending December 2016 (January 1, 2016 through June 30, 2016)

In connection with an increase in variable rent (revenue sharing scheme) from existing properties in the amount of ¥63 million, decreases in financial expenses in the amount of ¥28 million and record of extraordinary loss in the amount of ¥90 million due to the Kumamoto earthquake, JHR revised the forecasts for the operating status. There is no change in the variable rent assumption for the eight HMJ group hotels, the six Accor hotels and the six *the b* hotels.

4. Highlights of the operating forecast and forecast of dividend

(1) The major factors causing the variance on annualized effect with the operating forecast announced in the “Financial Report for the Fiscal Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)” dated February 24, 2016.

		17th Period				Comparison with		Major Factors Causing the Variance		
		Previous Forecast (*1)		Forecast This Time		Previous Forecast		Property Acquisition (*3)	Existing Properties (*4)	Causes of Variance (Existing Properties)
		Annualized (A)		Annualized (B) (*2)		(B)-(A)	Variance			
Properties	No. of properties	38	38	41	41	3	7.9%			
	Acquisition price	239,626	239,626	286,801	286,801	47,175	19.7%			
Profit and Loss	Operating revenue	20,836	21,019	22,095	24,357	3,338	15.9%	3,275	63	
	Real estate operating revenue	20,836	21,019	22,095	24,357	3,338	15.9%	3,275	63	
	Fixed rent	58.6% 12,204	58.7% 12,330	57.7% 12,745	56.6% 13,774	1,443	11.7%	1,443	-	
	Variable rent	41.4% 8,632	41.3% 8,688	42.3% 9,349	43.4% 10,582	1,894	21.8%	1,831	63	Increase in revenue sharing by JPY63M
	Gain on sale of real estate properties	-	-	-	-	-	-	-	-	
	NOI (*5)	17,625	17,618	18,742	20,178	2,560	14.5%	2,404	156	Decrease in real estate operating costs by JPY93M
	NOI yield	7.4%	7.4%	6.5%	7.0%	(0.3%)		5.1%	-	
	NOI after depreciation (*5)	14,404	14,336	15,402	16,581	2,245	15.7%	2,089	156	
	NOI yield after depreciation	6.0%	6.0%	5.4%	5.8%	(0.2%)		4.4%	-	
	Operating income	12,645	12,558	13,621	14,637	2,078	16.6%			
	Net income	10,904	10,893	11,751	12,869	1,976	18.1%			
Dividend	Use of negative goodwill	119	155	730	155	-	-			
	Total dividends	11,022	11,048	12,482	13,023	1,975	17.9%			
	No. of units issued	3,321,907	3,321,907	3,761,907	3,761,907	440,000	13.2%			
	Dividend per unit (JPY)	3,318	3,326	3,318	3,462	136	4.1%			

(*1) Annualized effect based on the operating forecast for the fiscal year ending December 2016 (17th period) announced in “Financial Report for the Fiscal Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)” dated February 24, 2016 and “<Reference Materials 3> Assumptions of the forecast of annualized effect” in the same Japanese disclosure.

(*2) For the assumptions of the forecast (this time) of the annualized effect (hypothetical result), please refer to “<Reference Materials 2 > Assumptions of the forecast of the annualized effect” below. The annualized effect is shown for reference purpose only calculated based on the assumption that the Assets for Anticipated Acquisition contributed on a full year basis, and does not represent any forecasts for the operating status and dividend of JHR in a specific calculation period.

(*3) The estimated impact as of today on the statements of income from anticipated acquisition of three properties (HOTEL VISTA GRANDE

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OSAKA, to be acquired on August 1, 2016, HOTEL ASCENT FUKUOKA, to be acquired on August 19, 2016, and Hilton Nagoya, to be acquired on September 1, 2016).

(*4) The 38 properties owned as of today.

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

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

NOI yield = NOI ÷ (Anticipated) acquisition price

NOI after depreciation = Real estate operating revenue – Real estate operating costs

NOI yield after depreciation = NOI after depreciation ÷ (Anticipated) acquisition price

(2) The major factors causing the variance with operating status for Fiscal Year ended December 31, 2015 (January 1, 2015 – December 31, 2015).

(millions of yen)

		16th Period	17th Period	Comparison with Previous Period		Major Factors Causing the Variance				Causes of Variance (Existing Properties)
		Actual (A)	Forecast This Time (B)			17th Period Property Acquisition (*1)	16th Period Property Acquisition (*2)	16th Period Property Disposition (*3)	Existing Properties (*4)	
Properties	No. of properties	36	41	5	13.9%					
	Acquisition price	225,723	286,801	61,077	27.1%					
Profit and Loss	Operating revenue	17,343	22,095	4,751	27.4%	1,989	2,057	(599)	1,303	
	Real estate operating revenue	17,033	22,095	5,061	29.7%	1,989	2,057	(293)	1,307	
	Fixed rent	Composition 60.5% 10,311	Composition 57.7% 12,745	2,434	23.6%	1,131	1,479	(293)	117	(1) Termination charge of JPY114M due to replacement of tenants
	Variable rent	39.5% 6,722	42.3% 9,349	2,626	39.1%	857	578	-	1,190	(1) The five HMJ hotels -- increase in variable rent by JPY650M (2) The five Accor hotels -- increase in income from management contracts, etc. by JPY356M (3) Increase from revenue sharing, etc. by JPY183M
	Gain on sale of real estate properties	309	-	(309)	-	-	-	(305)	(4)	
	NOI	14,829	18,742	3,913	26.4%	1,574	1,430	(257) (*7)	1,165	Increase in real estate operating costs by JPY141M
	NOI yield	6.6% (*5)(7.1%)	6.5% (*6)(7.0%)	(0.0%)	-	-	-	-	-	
	NOI after depreciation	12,031	15,402	3,371	28.0%	1,238	1,090	(184) (*7)	1,225	
	NOI yield after depreciation	5.3% (*5)(5.8%)	5.4% (*6)(5.8%)	0.0%	-	-	-	-	-	
	Operating income	10,988	13,621	2,632	24.0%					
	Net income	9,294	11,751	2,457	26.4%					Increase in extraordinary loss of JPY90M and others
Dividend	Use of negative goodwill	60	730	669	1100.8%					
	Total dividends	9,354	12,482	3,127	33.4%					
	No. of units issued	3,144,227	3,761,907	617,680	19.6%					
	Dividend per unit (JPY)	2,975	3,318	343	11.5%					

(*1) Stating the impact on the statements of income by acquisition of CANDEO HOTELS UENO-KOEN acquired on February 1, 2016, Hotel Centraza Hakata acquired on April 1, 2016 and the Assets for Anticipated Acquisition.

(*2) Stating the impact on the annualized effect by the nine properties, including the five *the b* hotels acquired on January 30, 2015, Hotel Francs acquired on March 31, 2015, Mercure Yokosuka acquired on April 2, 2015, Okinawa Marriott Resort & Spa acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015.

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

(*4) Means 27 properties which excludes the 3 properties sold during the fiscal year ended December 2015, from 30 properties owned as of December 31, 2014.

(*5) 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 period under management for ACTIVE-INTER CITY HIROSHIMA in the result of 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.

(*6) Annualized effect of NOI and NOI after depreciation of the forecast this time are stated in parentheses..

(*7) NOI and NOI after depreciation do not include gain on sale of real estate, etc. The factors causing the variance on NOI and NOI after

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depreciation with consideration of the effect by gain on sale are ¥(563) million and ¥(489) million, respectively.

[Note]

The above is the operating forecast as of today, and actual dividend per unit may fluctuate. This forecast does not guarantee the amount of dividend shown above.

* Website of Japan Hotel REIT Investment Corporation: <http://www.jhrth.co.jp/en/>

<Reference Information>

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 (17th Period): January 1, 2016 through June 30, 2016 (182 days) • Full year (17th Period): January 1, 2016 through December 31, 2016 (366 days)												
Assets under management	• The 38 properties owned by JHR as of today, plus the following three Assets for Anticipated Acquisition, to total 41 properties are assumed. <Assets for Anticipated Acquisition><table><tr><td>Scheduled acquisition date</td><td>Name of asset</td></tr><tr><td>August 1, 2016</td><td>HOTEL VISTA GRANDE OSAKA</td></tr><tr><td>August 19, 2016</td><td>HOTEL ASCENT FUKUOKA</td></tr><tr><td>September 1, 2016</td><td>Hilton Nagoya</td></tr></table> • It is assumed that there will be no change (acquisition or disposition, etc.) in assets under management other than the above through the end of the fiscal year ending December 2016 (17th period). However, the actual results may fluctuate depending on the changes in assets under management that may take place.	Scheduled acquisition date	Name of asset	August 1, 2016	HOTEL VISTA GRANDE OSAKA	August 19, 2016	HOTEL ASCENT FUKUOKA	September 1, 2016	Hilton Nagoya				
Scheduled acquisition date	Name of asset												
August 1, 2016	HOTEL VISTA GRANDE OSAKA												
August 19, 2016	HOTEL ASCENT FUKUOKA												
September 1, 2016	Hilton Nagoya												
Number of investment units issued	• In addition to the number of investment units issued as of today (3,321,907 units), it is assumed that JHR will issue new investment units in full through (i) a global offering (up to 428,260 units) (investment units to be underwritten and purchased by the domestic underwriters and the overseas underwriters in the domestic public offering and overseas offerings) and investment units to be additionally issued in the overseas offering, which are subject to the right to purchase granted to the overseas underwriters in the overseas offering and (ii) by way of third-party allotment (up to 11,740 units) based on the resolution at the Board of Directors meeting held today. Dividend per unit is calculated based on the assumed number of investment units issued (3,761,907 units) as of the end of December 2016, including the maximum number of the new investment units of 440,000. • It is assumed that there will be no additional issuance of investment units other than the above through the end of the fiscal year ending December 2016 (17th period).												
Operating revenue	• Operating revenue is calculated based on the lease and other contracts effective as of today and in consideration of competitiveness of hotels, market environment and other factors. If there are lease contracts with regard to facilities other than hotels, such as retail facilities and offices, operating revenue calculated on the said lease contracts is included. • Rents, etc. of the main hotels are calculated based on the following assumptions. (1) The Five HMJ Hotels The assumptions of the fixed rent and variable rent for the five HMJ hotels are as follows. Annual rent (¥6,797 million) = Fixed rent (¥3,221 million/year) + Variable rent (*1) Variable rent = [(a) Total GOP of the five HMJ hotels (*2) – (b) GOP base amount] × 85.0% The five HMJ hotels for the fiscal year ending December 2016 (17th period) (Unit: millions of yen) <table><tr><td></td><td>Total GOP of the five HMJ hotels (a)</td><td>GOP base amount (b)</td><td>Variable rent ((a) – (b)) × 85.0%</td></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) GOP is Gross Operating Profit, which is the remainder after operating expenses are deducted from total sales. Operating expenses are expenses such as personnel costs and general and administrative expenses, etc., incurred from hotel operation. The same shall apply hereafter. (*2) Please refer to “<Reference Materials 1> <1> Sales and GOP of the Nine HMJ Group Hotels” below for the comparison of sales and GOP of the five HMJ hotels.		Total GOP of the five HMJ 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
	Total GOP of the five HMJ 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										

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Item	Assumptions												
Operating revenue	(2) Okinawa Marriott Resort & Spa The fixed rent and variable rent of Okinawa Marriott Resort & Spa are calculated as follows. Annual rent (¥1,101 million) = Fixed rent (¥550 million/year) + Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0% (Unit: millions of yen) <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>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>		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b))×90.0%	Midterm	335	350	—	Full year	1,312	700	551
		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b))×90.0%									
	Midterm	335	350	—									
	Full year	1,312	700	551									
	(*) Please refer to “<Reference Materials 1> <1> Sales and GOP of the Nine HMJ Group Hotels” below for sales and GOP of Okinawa Marriott Hotel Resort & Spa.												
	(3) ACTIVE-INTER CITY HIROSHIMA ACTIVE-INTER CITY HIROSHIMA is a complex facility composed of a hotel building, an office building, and a retail zone. Rent for each facility is calculated as follows. (a) Hotel building (Sheraton Grand Hiroshima Hotel) Annual rent (¥594 million) = Fixed rent (¥348 million/year)+ Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 82.5% (Unit: millions of yen) <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									
	(*) Please refer to “<Reference Materials 1> <1> Sales and GOP of the Nine HMJ Group Hotels” below for sales and GOP of Sheraton Grand Hiroshima Hotel.												
(b) Office building and retail zone Rent from the office building and the retail zone for the fiscal year ending December 2016 (17th period) is expected to be ¥225 million for the midterm and ¥451 million for the full year. These figures include ¥10 million for the midterm and ¥20 million for the full year as variable rent pursuant to an agreement for revenue sharing with some retail tenants.													
(4) Hotel Centraza Hakata The fixed and variable rent of Hotel Centraza Hakata is calculated as follows. Rent for the fiscal year ending December 2016 (17th period) (*1) (¥503 million) = Fixed rent (¥300 million) + Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0% (Unit: millions of yen) <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 estimated figure to incur during the 275 days from April 1, 2016 to December 31, 2016. For your information, it is expected that the GOP base amount after January 1, 2017 will be ¥425 million and the annual fixed rent will be ¥400 million.													

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Item	Assumptions																															
Operating revenue	(*2) Please refer to “<Reference Materials 1> <1> Sales and GOP of the Nine HMJ Group Hotels” below for sales and GOP of Hotel Centraza Hakata.																															
	(5) HOTEL VISTA GRANDE OSAKA																															
	The fixed and variable rent of HOTEL VISTA GRANDE OSAKA is calculated as follows.																															
	Rent for the fiscal year ending December 2016 (17th period) (*1) (¥594 million) = Fixed rent (¥240 million) + Variable rent																															
	Variable rent = [(a) Hotel GOP - (b) GOP Base Amount] × 92.5%																															
	(Unit: millions of yen)																															
	<table><tr><td></td><td>Hotel GOP</td><td>GOP Base Amount</td><td>Variable rent</td></tr><tr><td></td><td>(a)</td><td>(b)</td><td>((a) − (b)) × 92.5%</td></tr><tr><td>Full year</td><td>652</td><td>270</td><td>354</td></tr></table>		Hotel GOP	GOP Base Amount	Variable rent		(a)	(b)	((a) − (b)) × 92.5%	Full year	652	270	354																			
		Hotel GOP	GOP Base Amount	Variable rent																												
		(a)	(b)	((a) − (b)) × 92.5%																												
	Full year	652	270	354																												
	(*1) Rent for the fiscal year ending December 2016 (17th period) shows the estimated figure to incur during the 153 days from August 1, 2016 to December 31, 2016. For your information, it is expected that the GOP base amount from the fiscal year ending in December 2017 will be ¥650 million and the annual fixed rent will be ¥576 million.																															
	(*2) Please refer to “<Reference Materials 1> <1> Sales and GOP of the Nine HMJ Group Hotels” below for sales and GOP of HOTEL VISTA GRANDE OSAKA.																															
	(6) The Six Accor Hotels																															
	Income from management contracts and variable rent of the six Accor hotels (Unit: millions of yen)																															
	<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																									
(*1) Please refer to “<Reference Materials 1> <2> Sales and GOP of the Six Accor Hotels” below for the comparison of sales and GOP of the six Accor hotels.																																
(*2) For income from management contracts, it is assumed that each hotel’s GOP amount is recognized as income from management contracts and the management contract fees to be paid by JHR are recognized as an operating expense. In cases where certain revenue from non-hotel tenant(s), etc is included in the hotel’s GOP, such tenant revenue is subtracted from GOP to calculate income from management contracts. Such tenant revenue is recognized as parking area rent.																																
(*3) At Mercure Sapporo, although tenants other than the hotel have concluded agreements for revenue sharing, variable rent is not expected for the fiscal year ending December 2016 (17th period).																																
(7) The Six the b Hotels																																
Fixed and variable rent of the six the b hotels (midterm) (Unit: millions of yen)																																
<table><tr><td></td><td>the b suidobashi</td><td>the b akasaka-mitsuke</td><td>the b ikebukuro</td><td>the b ochanomizu</td><td>the b hachioji</td><td>the b hakata</td><td>Total</td></tr><tr><td>Fixed (*1)</td><td>42</td><td>68</td><td>108</td><td>34</td><td>61</td><td>43</td><td>358</td></tr><tr><td>Variable</td><td>18</td><td>83</td><td>80</td><td>29</td><td>47</td><td>36</td><td>294</td></tr><tr><td>Total</td><td>61</td><td>151</td><td>189</td><td>63</td><td>108</td><td>79</td><td>653</td></tr></table>		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
	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																									

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Item	Assumptions							
Operating revenue	Fixed and variable rent of the six <i>the b</i> hotels (full year) (Unit: millions of yen)							
		the b suidobashi	the b akasaka- mitsuke	the b ikebukuro	the b ochanomizu	the b hachioji	the b hakata	Total
	Fixed (*1)	84	136	217	69	122	88	719
	Variable	40	183	168	61	103	82	639
	Total	125	319	386	130	226	170	1,358
	(*1) Fixed rent includes rent from non-hotel tenant(s).							
	(*2) Please refer to “<Reference Materials 1> <3> Sales and GOP of the Six <i>the b</i> Hotels” below for the comparison of sales and GOP of the six <i>the b</i> hotels.							
	(8) Other hotels subject to variable rent							
	Variable rent from other hotels subject to variable rent (Unit: millions of yen)							
		Midterm		Full year				
	Smile Hotel Nihombashi Mitsukoshimae	18		18				
	Hotel Vista Kamata Tokyo	—		28				
	Chisun Inn Kamata	36		73				
	Hotel Keihan Universal City	(*)		(*)				
	Hotel Sunroute Shinbashi	87		87				
	Hilton Tokyo Bay	(*)		(*)				
	Hilton Nagoya	—		(*)				
	Total	494		931				
	(*) No information is shown since tenants that concluded lease agreements did not agree to disclose rent revenue, etc.							
	• The following is the breakdown of variable rent and income from management contracts.							
	<Breakdown of variable rent for the fiscal year ending December 2016 (17th period)>							
	(Unit: millions of yen)							
	Midterm		Full year					
The Five HMJ Hotels	942		3,576					
Okinawa Marriott Resort & Spa	—		551					
ACTIVE-INTER CITY HIROSHIMA	99		266					
Hotel Centraza Hakata	62		203					
HOTEL VISTA GRANDE OSAKA	—		354					
The Six Accor Hotels	1,221		2,826					
The Six <i>the b</i> Hotels	294		639					
Other seven hotels with variable rent	494		931					
Total (28 hotels)	3,115		9,349					
(*) For details of variable rent and income from management contract, please refer to page 66, “D. Overview of the hotel business (1) Rent structures of hotels with variable rent, management contract or revenue sharing” of the “Financial Report for the Fiscal Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)” dated February 24, 2016								

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Item	Assumptions
Operating expenses	• With respect to real estate leasing expenses, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical 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, Hotel Centraza Hakata, acquired on April 1, 2016, and Assets for Anticipated Acquisition are calculated based on historical data as provided by previous owners, etc., and variable factors are reflected in the calculation. • It is assumed that the ¥1,201 million will be recognized as expenses for fixed asset tax, city planning tax and other taxes and public dues. • In general, fixed asset tax and city planning tax and other taxes and public dues on acquired assets are settled with the previous owners at the time of acquisition, calculated on a pro rata basis of the holding period. For JHR, such settlement amount is included in the acquisition price, and it will not be recognized 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, Hotel Centraza Hakata and the Assets for Anticipated Acquisition will not be recognized as expenses for the fiscal year ending December 2016 (17th period). The annual fixed asset tax and city planning tax and other taxes and public dues for CANDEO HOTELS UENO-KOEN are expected to be ¥23 million, and the annual fixed asset tax and city planning tax and other taxes and public dues for Hotel Centraza Hakata are expected to be ¥21 million and the annual fixed asset tax and city planning tax and other taxes and public dues for the Assets for Anticipated Acquisition are expected to be ¥175 million. Moreover, the fixed asset tax and city planning tax and other taxes and public dues to be recorded as expenses for the fiscal year ending December 2016 (17th period) for the nine properties (the five <i>the b</i> 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 ¥263 million (equivalent for nine months). • Depreciation is calculated using the straight-line method, and is estimated to be ¥3,327 million, after taking into consideration the acquisition price of the Assets for Anticipated Acquisition (including incidental costs) as well as the planned capital expenditures (¥2,885 million) (capital expenditure (1) for ¥1,387 million, capital expenditure (2) for ¥710 million, and capital expenditure (3) for ¥788 million)(*) for the fiscal year ending December 2016 (17th period). (*) JHR classifies capital expenditures into the following three categories. (1) Capital investment related to renewal of buildings, facilities, and equipment which is required to maintain proper values of properties, (2) capital investment for fixtures and furniture that are not directly related to building structure or facilities but necessary for operating hotels, and (3) strategic capital investment for renovating guest rooms, etc. for maintaining/improving the competitiveness of the hotels. • Repair expenses for buildings are recognized as expenses in the estimated amount necessary for each operating period. Please note 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 to buildings from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required on a regular basis.
Non-operating expenses	• ¥1,779 million is expected for all non-operating expenses, including interest expense, arrangement fee, amortization for the following (1) handling borrowing costs and (2) derivative instruments (interest rate caps). • Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method.

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Item	Assumptions																
Interest-bearing debt	- The balance of interest-bearing debt (sum of loans and investment corporation bonds) was ¥102,772 million as of January 1, 2016, and ¥111,587 million as of May 31, 2016, before acquiring the Assets for Anticipated Acquisition. It is assumed that the balance of interest bearing debt will be ¥125,518 million as of September 30, 2016 after acquiring the Assets for Anticipated Acquisition and ¥125,479 million as of December 31, 2016. - Loans for acquisition of the Assets for Anticipated Acquisition in the amount of ¥14,000 million are assumed. - It is assumed that the contractual repayment of the above-mentioned loans on or after June 1, 2016 in the amount of ¥108 million will be paid by cash on hand.																
Extraordinary loss	The Kumamoto earthquake, occurred since April 14, 2016, caused damage to part of exterior and facilities of Dormy Inn Kumamoto. Expenses for repairing such damage are preliminarily estimated to be ¥90 million. The expenses are expected to be recorded for the midterm of the fiscal year ending December 2016 and recorded as extraordinary loss.																
Dividend per unit	- Dividend per unit for the fiscal year ending December 2016 (17th period) is calculated based on the following assumptions. <table> <tr> <td>Net income</td><td>¥11,751 million</td></tr> <tr> <td>Use of dividend reserve (negative goodwill)</td><td></td></tr> <tr> <td> Loss on retirement of noncurrent assets (*1)</td><td>¥13 million</td></tr> <tr> <td> Amortization of fixed-term leasehold of land and asset retirement obligations (*2)</td><td>¥106 million</td></tr> <tr> <td> Adjustment for dilution (*3)</td><td>¥611 million</td></tr> <tr> <td>Distributable Amount</td><td>¥12,482 million</td></tr> <tr> <td>Total number of investment units issued</td><td>3,761,907 units</td></tr> <tr> <td>Dividend per unit</td><td>¥3,318</td></tr> </table> (*1) Amount recognized 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 subject to a 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 rights, etc.”) will arise. It is expected to be added to the dividends through appropriation of the dividend reserve for the amortization of land leasehold rights, etc. (*3) Although dilution of investment units due to the issuance of new investment units is expected, allocation of reserve for dividend from negative goodwill is planned to avoid the impact of said dilution on dividend per unit for fiscal period ending December 2016. - Dividend per unit may fluctuate due to various causes, such as fluctuation of rent revenue resulting from transfer of assets under management, change of tenants at hotels, change in the business environment for hotel business, unexpected repairs, and actual number of new units issued. - The balance of the dividend reserve (negative goodwill) after the appropriation of the dividend reserve (negative goodwill) for dividends for the fiscal year ending December 2016 (17th period) is expected to be ¥13,136 million.	Net income	¥11,751 million	Use of dividend reserve (negative goodwill)		Loss on retirement of noncurrent assets (*1)	¥13 million	Amortization of fixed-term leasehold of land and asset retirement obligations (*2)	¥106 million	Adjustment for dilution (*3)	¥611 million	Distributable Amount	¥12,482 million	Total number of investment units issued	3,761,907 units	Dividend per unit	¥3,318
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Total number of investment units issued	3,761,907 units																
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Item	Assumptions		
Acquired Asset and Assets for Anticipated Acquisition	• The operating status for the fiscal year ending December 2016 of Hotel Centraza Hakata, acquired on April 1, 2016, and the Assets for Anticipated Acquisition is estimated as follows.		
	<Hotel Centraza Hakata> (Unit: millions of yen)		
		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
	<HOTEL VISTA GRANDE OSAKA> (Unit: millions of yen)		
		Fiscal year ending December 2016	Annualized (*3)
	Operating days	153 days	366 days
	Operating revenue	594	1,411
	NOI (*1)	592	1,367
	NOI yield (%) (*2)	-	5.1
	<HOTEL ASCENT FUKUOKA> (Unit: millions of yen)		
		Fiscal year ending December 2016	Annualized (*3)
	Operating days	135 days	366 days
	Operating revenue	129	351
	NOI (*1)	112	274
	NOI yield (%) (*2)	-	5.6
	(*) Operating revenue of HOTEL ASCENT FUKUOKA includes fixed rent calculated based on the lease contracts with respect to retail facilities other than hotel.		

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Item	Assumptions		
Acquired Asset and Assets for Anticipated Acquisition	<Hilton Nagoya> (Unit: millions of yen)		
		Fiscal year ending December 2016	Annualized (*3)
	Operating days	122 days	366 days
	Operating revenue	471	1,511
	NOI (*1)	257	763
	NOI yield (%) (*2)	-	5.0
	(*) Operating revenue of Hilton Nagoya includes fixed rent calculated based on the lease contracts with respect to retail facilities and offices other than hotel. (*1) NOI = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets (*2) NOI yield = NOI ÷ (Anticipated) acquisition price NOI yield of Hotel Centraza Hakata and the Assets for Anticipated Acquisition for the fiscal year ending December 2016 are not indicated as these are acquisitions in the middle of the period. (*3) For the assumptions of calculating the annualized effect, 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 system, accounting standard, regulations of the listing, regulations of The Investment Trusts Association, Japan 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 and hotel business environment, etc. • The numerical values are rounded down to the nearest millions of yen in the assumptions above.		

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<Reference Materials 1>

Of the hotels that have adopted variable rent, the following presents sales and GOP of the nine HMJ group hotels, the six Accor hotels and the six *the b* hotels. The numerical figures are based on figures obtained from hotel lessees. Please note that these numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of the numbers and information. Sales and GOP are rounded off to the nearest millions of yen. Comparison with the previous period is rounded off to one decimal place.

<1> Sales and GOP of the Nine HMJ Group Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Nine HMJ Group Hotels		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)	
		Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Kobe Meriken Park Oriental Hotel	First half of the year	2,424	(0.0%)	2,646	9.2%
	Second half of the year	2,828	1.1%	3,204	13.3%
	Full year	5,252	0.6%	5,850	11.4%
Oriental Hotel tokyo bay	First half of the year	3,395	0.9%	3,500	3.1%
	Second half of the year	3,927	2.2%	4,045	3.0%
	Full year	7,322	1.6%	7,544	3.0%
Namba Oriental Hotel	First half of the year	1,189	19.1%	1,358	14.3%
	Second half of the year	1,341	16.6%	1,474	9.9%
	Full year	2,530	17.8%	2,832	11.9%
Hotel Nikko Alivila	First half of the year	2,377	8.6%	2,554	7.5%
	Second half of the year	3,571	8.2%	3,709	3.9%
	Full year	5,948	8.3%	6,264	5.3%
Oriental Hotel Hiroshima	First half of the year	991	(5.2%)	1,062	7.2%
	Second half of the year	1,142	(3.0%)	1,135	(0.6%)
	Full year	2,134	(4.0%)	2,197	3.0%
Total of the Five HMJ Hotels	First half of the year	10,376	3.5%	11,121	7.2%
	Second half of the year	12,810	4.4%	13,566	5.9%
	Full year	23,186	4.0%	24,688	6.5%
Okinawa Marriott Resort & Spa	First half of the year	1,614	0.9%	1,696	5.1%
	Second half of the year	2,402	8.7%	2,505	4.3%
	Full year	4,016	5.4%	4,201	4.6%
Sheraton Grand Hiroshima Hotel	First half of the year	1,346	(1.0%)	1,356	0.8%
	Second half of the year	1,502	(0.6%)	1,514	0.8%
	Full year	2,847	(0.8%)	2,870	0.8%
Hotel Centraza Hakata	First half of the year	1,124	2.0%	1,124	0.0%
	Second half of the year	1,205	6.6%	1,192	(1.2%)
	Full year	2,330	4.4%	2,316	(0.6%)
HOTEL VISTA GRANDE OSAKA	First half of the year	832	47.9%	1,110	33.5%
	Second half of the year	1,133	57.6%	1,180	4.1%
	Full year	1,965	53.4%	2,290	16.6%
Total of the Nine HMJ Group Hotels	First half of the year	15,291	4.4%	16,407	7.3%
	Second half of the year	19,053	6.8%	19,957	4.7%
	Full year	34,343	5.7%	36,364	5.9%

(*1) Although Okinawa Marriott Resort & Spa was acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) was acquired on December 18, 2015, the figures for the fiscal year ending in December 2015 are for the entire year including prior to the acquisition.

(*2) Hotel Centraza Hakata was acquired on April 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ending December 2016 are for the entire year including prior to the acquisition.

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(*3) HOTEL VISTA GRANDE OSAKA is planned to be acquired on August 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ending December 2016 are for the entire year including prior to the planned acquisition.

(*4) Renovation of HOTEL VISTA GRANDE OSAKA was completed by the previous owner in March 2014. The number of guest rooms has increased from 304 to 314. Therefore, the numbers of guest rooms available for sale in the first half or full year of 2015 and the first half or full year of 2014 are different.

(2) Hotel GOP

(Unit: millions of yen)

GOP of the Nine HMJ Group Hotels		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)	
		Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Total of the Five HMJ Hotels	GOP	6,941	10.1%	7,558	8.9%
	Ratio of GOP to sales	29.9%	1.7%	30.6%	0.7%
Okinawa Marriott Resort & Spa	GOP	1,230	11.3%	1,313	6.7%
	Ratio of GOP to sales	30.6%	1.6%	31.2%	0.6%
Sheraton Grand Hiroshima Hotel	GOP	716	10.0%	766	7.1%
	Ratio of GOP to sales	25.1%	2.5%	26.7%	1.6%
Hotel Centraza Hakata	GOP	715	8.7%	714	(0.2%)
	Ratio of GOP to sales	30.7%	1.2%	30.8%	0.1%
HOTEL VISTA GRANDE OSAKA	GOP	1,309	73.1%	1,553	18.6%
	Ratio of GOP to sales	66.6%	7.6%	67.8%	1.2%
Total of the Nine HMJ Group Hotels	GOP	10,912	15.2%	11,905	9.1%
	Ratio of GOP to sales	31.8%	2.6%	32.7%	1.0%

(*1) Although Okinawa Marriott Resort & Spa was acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) was acquired on December 18, 2015, the figures for the fiscal year ending in December 2015 are for the entire year including prior to the acquisition.

(*2) Hotel Centraza Hakata was acquired on April 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ending December 2016 are for the entire year including prior to the acquisition.

(*3) HOTEL VISTA GRANDE OSAKA is scheduled to be acquired on August 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ending December 2016 are for the entire year including prior to the planned acquisition.

<2> Sales and GOP of the Six Accor Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Six Accor Hotels		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)	
		Actual	Comparison with previous period	Forecast this time	Comparison with previous period
ibis Tokyo Shinjuku	First half of the year	453	6.1%	435	(3.9%)
	Second half of the year	421	(5.5%)	440	4.7%
	Full year	873	0.2%	875	0.2%
ibis Styles Kyoto Station	First half of the year	357	17.1%	429	20.2%
	Second half of the year	457	18.8%	500	9.5%
	Full year	814	18.0%	930	14.2%
ibis Styles Sapporo	First half of the year	429	7.9%	482	12.4%
	Second half of the year	591	13.1%	647	9.5%
	Full year	1,019	10.9%	1,128	10.7%
Mercure Sapporo	First half of the year	499	17.5%	562	12.5%
	Second half of the year	672	17.4%	756	12.4%
	Full year	1,172	17.4%	1,318	12.5%
Mercure Okinawa Naha	First half of the year	407	12.1%	484	19.0%
	Second half of the year	516	24.5%	572	10.9%
	Full year	923	18.7%	1,056	14.5%
Mercure Yokosuka	First half of the year	550	1.0%	580	5.5%
	Second half of the year	512	4.3%	517	1.0%
	Full year	1,062	2.6%	1,097	3.3%
Total	First half of the year	2,696	9.5%	2,973	10.3%
	Second half of the year	3,168	12.0%	3,432	8.3%
	Full year	5,863	10.8%	6,405	9.2%

(*) Although Mercure Yokosuka was acquired on April 2, 2015, the figures for the fiscal year ended December 2015 are the figures for the entire year including prior to the acquisition.

(2) Hotel GOP

(Unit: millions of yen)

GOP of the Six Accor Hotels	FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)	
	Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Total of the Six Accor Hotels	2,512	21.0%	2,882	14.8%
Ratio of GOP to sales	42.8%	3.6%	45.0%	2.2%

(*) Although Mercure Yokosuka was acquired on April 2, 2015, the figures for the fiscal year ended December 2015 are for the entire year including prior to the acquisition.

<3> Sales and GOP of the Six *the b* Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Six <i>the b</i> Hotels		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)	
		Actual	Comparison with previous period	Forecast this time	Comparison with previous period
the b akasaka-mitsuke	First half of the year	221	69.4%	250	13.1%
	Second half of the year	242	13.8%	271	12.0%
	Full year	464	35.0%	522	12.6%
the b ikebukuro	First half of the year	301	7.7%	335	11.6%
	Second half of the year	324	14.5%	350	7.8%
	Full year	625	11.1%	685	9.6%
the b ochanomizu	First half of the year	132	9.0%	145	9.5%
	Second half of the year	130	4.8%	149	14.5%
	Full year	262	6.9%	294	12.0%
the b hachioji	First half of the year	267	10.4%	300	12.5%
	Second half of the year	291	13.8%	316	8.5%
	Full year	558	12.2%	616	10.4%
the b hakata	First half of the year	191	10.9%	202	6.0%
	Second half of the year	215	12.8%	218	1.3%
	Full year	406	11.9%	420	3.5%
Total of the Five <i>the b</i> Hotels	First half of the year	1,111	17.7%	1,233	10.9%
	Second half of the year	1,203	12.8%	1,304	8.4%
	Full year	2,315	15.1%	2,537	9.6%
the b suidobashi	First half of the year	—	—	182	—
	Second half of the year	—	—	189	—
	Full year	—	—	372	—
Total of the Six <i>the b</i> Hotels	First half of the year	—	—	1,415	—
	Second half of the year	—	—	1,494	—
	Full year	—	—	2,909	—

(*1) Although the five *the b* hotels were acquired on January 30, 2015, the figures for the fiscal year ended December 2015 are the figures for the entire year including prior to the acquisition.

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

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

(2) Hotel GOP

(Unit: millions of yen)

GOP of the Five <i>the b</i> Hotels	FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)	
	Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Total of the Five <i>the b</i> Hotels	1,079	26.4%	1,215	12.6%
Ratio of GOP to sales	46.6%	4.2%	47.9%	1.3%

Note: This document is intended to serve as a press release to make available the information on revision of the operating forecast for the fiscal year ending December 2016 (17th period) of JHR. The document should not be considered as an offer to sell or solicitation of an offer to purchase any investment unit or other investment of JHR. Prospective investors are advised to make any investment decision at their own risk and responsibility.

GOP of the Six <i>the b</i> Hotels	FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)	
	Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Total of the Six <i>the b</i> Hotels	—	—	1,395	—
Ratio of GOP to sales	—	—	48.0%	—

(*1) Although the five *the b* hotels were acquired on January 30, 2015, the figures for the five *the b* hotels for the fiscal year ended December 2015 are for the entire year including prior to the acquisition.

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

<Reference Materials 2> Assumptions of the forecast of annualized effect

- The operating revenue and operating expenses for existing properties (properties other than CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata and the Assets for Anticipated Acquisition) remain unchanged, except for fixed asset tax and city planning tax and other taxes and public dues from “<Reference Information> Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 2016 (17th period)” above.
- The fixed rent for CANDEO HOTELS UENO-KOEN is assumed to be ¥316 million/year and the fixed rent for HOTEL ASCENT FUKUOKA (including the retail facilities) is assumed to be ¥298 million/year.
- The annual fixed rent and annualized variable rent for Hotel Centraza Hakata is calculated as follows.
Annual rent for the fiscal year ending December 2016 (17th period) (¥660 million) = Fixed rent (¥400 million) + Variable rent
Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%
Full year	714	425	260

- The annual fixed rent and annualized variable rent for HOTEL VISTA GRANDE OSAKA are calculated as follows.
Annual rent for the fiscal year ending December 2016 (17th period) (¥1,411 million) = Fixed rent (¥576 million) + Variable rent
Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 92.5%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 92.5%
Full year	1,553	650	835

- The annualized variable rent of Hilton Nagoya is the variable rent based on hotel sales in consideration of the impact of renovation of guest rooms (end of suspension of sales due to renovation construction and increase in ADR(*) due to the renovation of guest rooms) during the fiscal year ending December 2016. The annual fixed rent for the retail facilities and offices is assumed to be ¥104 million.
- 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 and other taxes and public dues for the nine properties (the five *the b* hotels, Hotel Francs, Mercure Yokosuka, Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA) acquired in the fiscal year ended December 2015 (16th period) are assumed to be ¥351 million (for twelve months), and the fixed asset tax and city planning tax and other taxes and public dues for CANDEO HOTELS UENO-KOEN and Hotel Centraza Hakata, acquired in the fiscal year ending December 2016 (17th Period) are assumed to be ¥23 million (for twelve months) and ¥21 million (for twelve months), respectively. The fixed asset tax and city planning tax and other taxes and public dues for the Assets for Anticipated Acquisition are assumed to be ¥175 million (for twelve months).
- For non-operating expenses, borrowing costs, expenses incurred in the issuance of new investment units and others is assumed on an annualized basis (twelve months). However, the major financial costs expensed all at once upon property acquisition are not included in the annualized effect.
- The extraordinary loss of ¥90 million for the repair expenses for Dormy Inn Kumamoto relating to the damage from the

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Kumamoto earthquake is not included in the annualized effect.

(*) ADR: Represents average daily rate, which is calculated by dividing total rooms revenue for a certain period by the total number of rooms sold during the period.

< Reference Materials 3 > ADR Sensitivity Analysis

For the 28 properties with variable rent or management contracts, including the Assets for Anticipated Acquisition, the sensitivity of NOI and dividend per unit to increases and decreases in the ADR is as follows.

Assumed ADR Increase/decrease (%)	(30.0%)	(20.0%)	(10.0%)	±0%	10.0%	20.0%	30.0%
NOI (JPY1M)	(4,830)	(3,248)	(1,658)	0	1,638	3,226	4,815
Increase/decrease (%)	(25.8%)	(17.3%)	(8.8%)	0.0%	8.7%	17.2%	25.7%
Dividend per unit (JPY)	(1,256)	(845)	(431)	0	426	839	1,252
Increase/decrease (%)	(37.9%)	(25.5%)	(13.0%)	0.0%	12.8%	25.3%	37.8%

(*) Change in hotel sales and hotel GOP caused by change in ADR is assumed based on historical results etc. of hotels owned by JHR. NOI and dividend per unit are calculated based on calculation of the variable rent and income from management contracts with assumed hotel sales and GOP of JHR above.