# Japan Hotel REIT Investment Corporation

# Financial Results Briefing 17th Period (FY12/2016)

February 24, 2017

(TSE:8985)
http://www.jhrth.co.jp/en/

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

# I. Settlement of Accounts for FY12/2016 - Highlights

# 1． FY12/2016 Highlights

## 1. External Growth

- Ongoing Acquisitions of High-Quality Properties

**End of FY12/2014** — **30 properties / JPY173.4 billion**

**2015**

- Public offering in January
  Acquired **6** properties / JPY**23.1** billion
- Public offering in June
  Acquired **2** properties / JPY**16.6** billion
- Sold (October)
  **-3 properties / -** JPY**4.7** billion

Actual Results (2015)

| Total Acquisition Price | Total Funds Raised through Public Offerings |
|---|---|
| JPY**39.7**B | JPY**26.4**B |

**End of FY12/2015** — **36** properties / JPY**225.7** billion

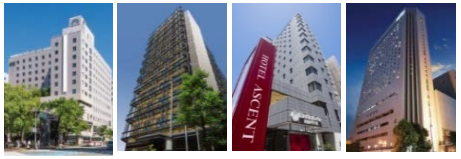
**2016**

- Public offering in January
  Acquired **2** properties / JPY**24.0** billion(*1)

Actual Results (2016)

| Total Acquisition Price(*1, 2) | Total Funds Raised through Public Offerings |
|---|---|
| JPY**78.3**B | JPY**49.3**B |

- Public offering in July
  Acquired **4** properties / JPY**54.3** billion (*2)



**End of FY12/2016** — **41** properties / JPY**286.8** billion

## 2. Internal Growth (*3, 4, 5)

- Improvement in hotel performance and an increase in variable rent, etc. through active asset management

| | | 2015 | 2016 | Variance |
|---|---|---|---|---|
| | | | | (Unit: JPY) |
| **RevPAR** | The Five HMJ Hotels | 16,843 | **17,807** | 5.7% |
| | The Six Accor Hotels | 9,130 | **9,868** | 8.1% |
| | The Five *the b* Hotels | 8,124 | **8,482** | 4.4% |
| | Total of 3 Hotel Groups | 12,352 | **13,116** | 6.2% |
| | | | | (Unit: JPY M) |
| **GOP** | Total of 3 Hotel Groups | 10,532 | **11,671** | 10.8% |
| | | | | (Unit: JPY M) |
| **Revenue Sharing** | Total of Revenue Sharing | 406 | **556** | 36.9% |

## 3. Strengthening of Financial Base

- Reduce financial costs while carrying out conservative financial management
  - **Improvement in financial stability** (End of FY12/2015→End of FY12/2016)

| LTV | Costs for Interest-Bearing Debt(*6) | Average Life of Debt |
|---|---|---|
| 42.8% ⇒ **39.7%** | 1.5% ⇒ **1.2%** | 3.7 years ⇒ **5.0 years** |

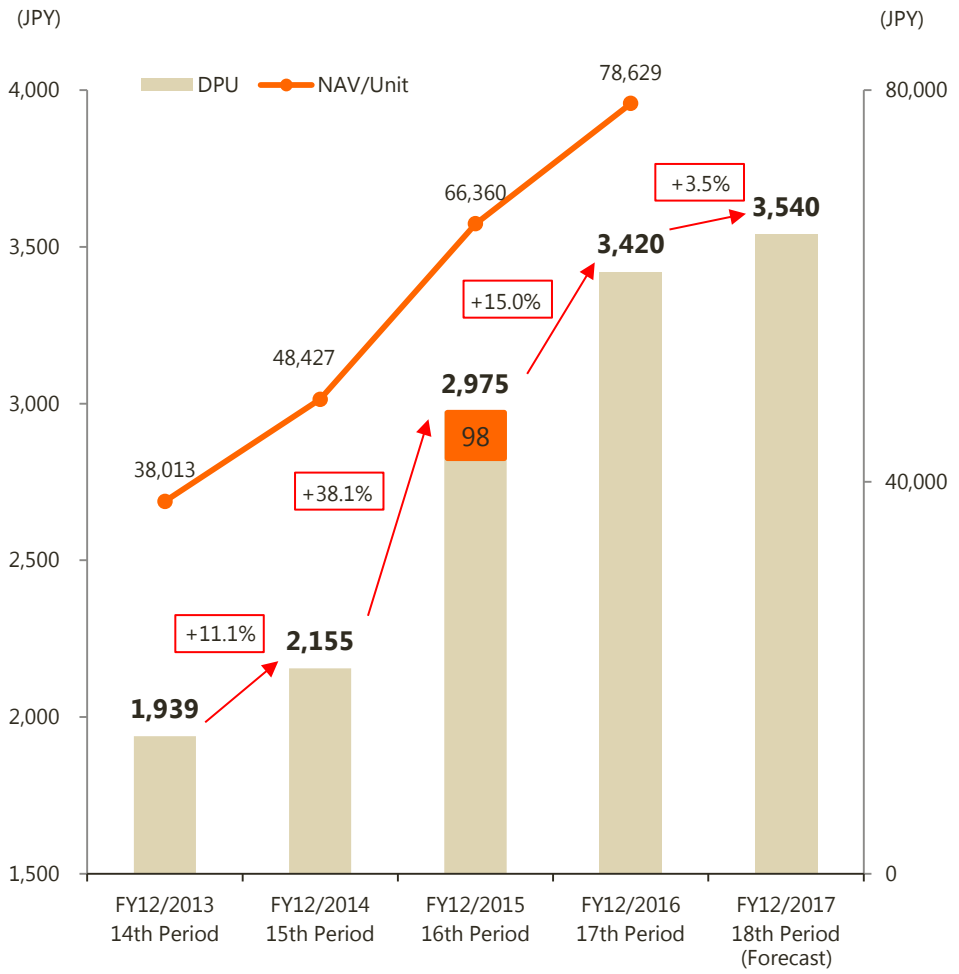
  - **Diversified funding methods and reduction in interest rate costs by issuance of investment corporation bonds (total amount JPY13.1 billion)**
  - **Improvement in credit rating**

| JCR | | | R&I | | |
|---|---|---|---|---|---|
| A (Positive) | ⇒ | **A+** (Stable) | A- (Positive) | ⇒ | **A** (Stable) |

(*1) Includes JPY17.3 billion of ACTIVE-INTER CITY HIROSHIMA acquired in December 2015
(*2) Includes JPY 7.1 billion of Hotel Centraza Hakata acquired in April 2016.
(*3) The Five HMJ Hotels are Kobe Meriken Park Oriental Hotel, Oriental Hotel tokyo bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima.
(*4) The Six Accor Hotels are ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha, and Mercure Yokosuka.
(*5) The Five *the b* Hotels are the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji, and the b hakata.
(*6) Costs for interest-bearing debt are rounded off to one decimal place.

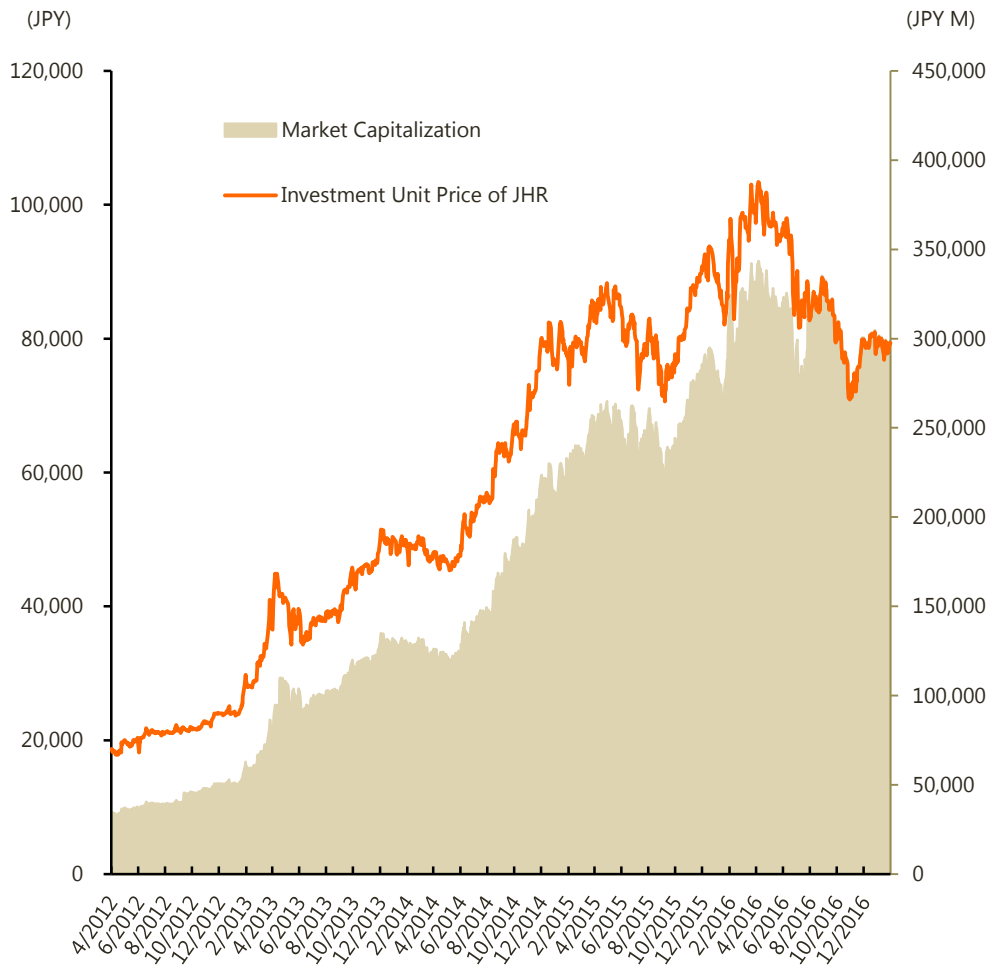
## Realized Steady Growth of Dividends

### Changes in Dividends and NAV/Unit




(*) Dividends for 16th period include JPY98, which is equivalent to gain on sale.

### Changes in Market Capitalization and Investment Unit Price



# II. Summary of Settlement of Accounts

# 1. Operational Performance

(Unit: JPY M)

| | | FY12/2015 (16th Period) Actual (A) | FY12/2016 (17th Period) Actual (B) | Comparison with Previous Period (B)-(A) | Comparison with Previous Period Variance | Major Factors Causing the Variance: Property Acquisition in 17th Period (*1) | Property Acquisition in 16th Period (*2) | Property Disposition in 16th Period (*3) | Other 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** | **22,107** | **4,763** | **27.5%** | **2,038** | **2,043** | **-599** | **1,281** |
| | Real Estate Operating Revenue | 17,033 | 22,107 | 5,073 | 29.8% | 2,038 | 2,043 | -293 | 1,285 |
| | Fixed Rent | Composition 60.5% 10,311 | Composition 57.5% 12,714 | 2,403 | 23.3% | 1,161 | 1,432 | -293 | 102 |
| | Variable Rent | 39.5% 6,722 | 42.5% 9,392 | 2,670 | 39.7% | 876 | 610 | - | 1,183 |
| | Gain on Sale of Real Estate Properties | 309 | - | -309 | - | - | - | -305 | -4 |
| | **NOI** (*5) | **14,829** | **18,829** | **4,000** | **27.0%** | **1,601** | **1,457** | **-257** (*6) | **1,199** |
| | *NOI Yield* | *6.6%(7.2%)* | *6.6%(7.1%)* | *0.0%* | | - | - | - | - |
| | Depreciation | *-2,772* | *-3,294* | *-521* | | *-314* | *-315* | *73* | *35* |
| | Loss on Retirement of Noncurrent Assets | *-25* | *-16* | *9* | | - | *-0* | - | *9* |
| | **NOI after Depreciation** (*5) | **12,031** | **15,517** | **3,486** | **29.0%** | **1,285** | **1,141** | **-184** (*6) | **1,243** |
| | *NOI Yield after Depreciation* | *5.3%(5.8%)* | *5.4%(5.9%)* | *0.1%* | | - | - | - | - |
| | Other Operating Expenses | *-1,352* | *-1,632* | *-279* | | | | | |
| | **Operating Income** | **10,988** | **13,885** | **2,896** | **26.4%** | | | | |
| | Non-Operating Income | *18* | *5* | *-12* | | | | | |
| | Non-Operating Expenses | *-1,711* | *-1,671* | *40* | | | | | |
| | **Ordinary Income** | **9,295** | **12,220** | **2,924** | **31.5%** | | | | |
| | Extraordinary Losses or Income, etc. | -1 | -97 | -95 | | | | | |
| | **Net Income** | **9,294** | **12,123** | **2,828** | **30.4%** | | | | |
| Dividend | Use of Negative Goodwill | 60 | 740 | 679 | 1116.3% | | | | |
| | Total Dividends | 9,354 | 12,865 | 3,511 | 37.5% | | | | |
| | Number of Units Issued (Unit) | 3,144,227 | 3,761,907 | 617,680 | 19.6% | | | | |
| | **Dividend per Unit (JPY)** | **2,975** | **3,420** | **445** | **15.0%** | | | | |

## Major Causes of Variance

**① Operating Revenue – Fixed Rent, etc.**

- Receipt of termination charge due to replacement of tenants in 17th period: JPY126M

**② Operating Revenue – Variable Rent, etc.**

- The five HMJ hotels – increase in variable rent: JPY677M
- The five Accor hotels – increase in income from management contracts, etc.: JPY321M
- Increase in revenue sharing, etc.: JPY149M and others

③ Extraordinary Losses, etc.

- Repair expenses in the amount of JPY95M for damage caused by the Kumamoto earthquakes, and others.

(*1) Stating the impact on the statements of income by properties acquired during fiscal year ended December 2016 (17th period), namely CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata, Holiday Inn Osaka Namba, HOTEL ASCENT FUKUOKA, and Hilton Nagoya.

(*2) Stating the impact on the statements of income by properties acquired during fiscal year ended December 2015 (16th period), namely the five *the b* hotels, Hotel Francs, Mercure Yokosuka, Okinawa Marriott Resort & Spa, and ACTIVE-INTER CITY HIROSHIMA.

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

(*4) Twenty-seven properties excluding three properties sold during the fiscal year ended December 2015 from thirty properties JHR owned as of December 31, 2014.

(*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 + Asset retirement obligations expenses
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
The sum of (NOI of each property ÷ operating days x 365) ÷ acquisition price is indicated as an annualized NOI yield in parenthesis.
The sum of (NOI after depreciation of each property ÷ operating days x 365) ÷ acquisition price is indicated as an annualized NOI after depreciation in parenthesis. Please note that depreciation is calculated as the sum of (depreciation of each property ÷ operating months x 12).

(*6) NOI and NOI after depreciation do not include gain on sale of real estate properties, etc. The factors causing the variance on NOI and NOI after depreciation with consideration of the effect by gain on sale are -¥563 million and -¥489 million, respectively.

# 2. Revenue Forecast

(Unit: JPY M)

| | | FY12/2016 (17th Period) Actual (A) | FY12/2017 (18th Period) Forecast (*1) (B) | Comparison with Previous Period (B)-(A) | Comparison with Previous Period Variance | Major Factors Causing the Variance: Property Acquisition in 17th Period (*2) | Major Factors Causing the Variance: Existing Properties |
|---|---|---|---|---|---|---|---|
| Properties | No. of Properties | 41 | 41 | - | - | | |
| | Acquisition Price | 286,801 | 286,801 | - | - | | |
| Profit and Loss | **Operating Revenue** | **22,107** | **24,530** | **2,422** | **11.0%** | **2,376** | **46** |
| | **Real Estate Operating Revenue** | 22,107 | 24,530 | 2,422 | 11.0% | 2,376 | 46 |
| | **Fixed Rent** | Composition **57.5%** 12,714 | Composition **55.9%** 13,718 | 1,004 | 7.9% | 1,120 | -116 |
| | **Variable Rent** | **42.5%** 9,392 | **44.1%** 10,811 | 1,418 | 15.1% | 1,255 | 163 |
| | **Gain on Sale of Real Estate Properties** | - | - | - | - | - | - |
| | **NOI** (*4) | **18,829** | **20,312** | **1,482** | **7.9%** | **1,618** | **-135** |
| | NOI Yield | *6.6%(7.1%)* | *7.1%* | *0.5%* | | | |
| | Depreciation | -3,294 | -3,639 | -345 | | -269 | -75 |
| | Loss on Retirement of Noncurrent Assets | -16 | -70 | -53 | | - | -53 |
| | **NOI after Depreciation** (*4) | **15,517** | **16,600** | **1,082** | **7.0%** | **1,347** | **-265** |
| | NOI Yield after Depreciation | *5.4%(5.9%)* | *5.8%* | *0.4%* | | | |
| | Other Operating Expenses | -1,632 | -1,880 | -248 | - | | |
| | **Operating Income** | **13,885** | **14,719** | **833** | **6.0%** | | |
| | Non-Operating Income | 5 | 3 | -2 | | | |
| | Non-Operating Expenses | -1,671 | -1,734 | -63 | | | |
| | **Ordinary Income** | **12,220** | **12,987** | **767** | **6.3%** | | |
| | Extraordinary Losses or Income, etc. | -97 | -1 | 95 | - | | |
| | **Net Income** | **12,123** | **12,986** | **863** | **7.1%** | | |
| Dividend | Use of Negative Goodwill (*5) | 740 | 332 | -407 | -55% | | |
| | Total Dividends | 12,865 | 13,317 | 451 | 3.5% | | |
| | Number of Units Issued (Unit) | 3,761,907 | 3,761,907 | - | - | | |
| | **Dividend per Unit (JPY)** | **3,420** | **3,540** | **120** | **3.5%** | | |

## Major Causes of Variance

**① Operating Revenue – Fixed Rent, etc.**

- Decrease in receipt of termination charge due to replacement of tenants in 17th period: -JPY126M

**② Operating Revenue – Variable Rent, etc.**

- The seven HMJ group hotels (*3) – increase in variable rent: JPY154M
- The six Accor hotels – increase in income from management contracts, etc.: JPY110M
- The six *the b* hotels – increase in variable rent: JPY8M
- Decrease in revenue sharing, etc.: -JPY111M and others

(*1) For details, please refer to the "Financial Report for the Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)" dated February 23, 2017.

(*2) Stating the impact on the statements of income by properties acquired during fiscal year ended December 2016 (17th period), namely CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata, Holiday Inn Osaka Namba, HOTEL ASCENT FUKUOKA, and Hilton Nagoya in the fiscal year ended December 2016 (17th period).

(*3) The seven HMJ group hotels are the five HMJ hotels plus Okinawa Marriott Resort & Spa and Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA.

(*4) 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 + Asset retirement obligations expenses, 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
The sum of (NOI of each property ÷ operating days x 365) ÷ acquisition price is indicated as an annualized NOI yield in parenthesis.
The sum of (NOI after depreciation of each property ÷ operating days x 365) ÷ acquisition price is indicated as an annualized NOI after depreciation in parenthesis.
Please note that depreciation is calculated as the sum of (depreciation of each property ÷ operating months x 12).

(*5) Please refer to P25 for the use of negative goodwill.

# 3. Balance Sheet



(Unit: JPY M)

| (As of) | FY12/2015 End of Fiscal Year 12.31.2015 | FY12/2016 End of Fiscal Year 12.31.2016 | Variance |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | **15,633** | **29,050** | **13,417** |
| Cash and Deposits (*1) | 13,698 | 26,373 | 12,675 |
| Operating Accounts Receivables | 1,269 | 2,071 | 802 |
| Others | 665 | 605 | -60 |
| **Property and Equipment, at Cost** | **224,588** | **288,441** | **63,853** |
| Net Property and Equipment | 203,488 | 250,690 | 47,202 |
| Buildings in Trust (*2) | 81,660 | 94,608 | 12,948 |
| Land in Trust | 120,918 | 154,841 | 33,923 |
| Others (*3) | 908 | 1,240 | 332 |
| Intangible Assets | 19,884 | 34,278 | 14,394 |
| Other Assets | 1,214 | 3,472 | 2,258 |
| Leasehold and Security Deposits | 170 | 170 | 0 |
| Others | 1,043 | 3,301 | 2,258 |
| **Deferred Assets** | **135** | **387** | **252** |
| **TOTAL ASSETS** | **240,356** | **317,878** | **77,522** |

| (As of) | FY12/2015 End of Fiscal Year 12.31.2015 | FY12/2016 End of Fiscal Year 12.31.2016 | Variance |
|---|---|---|---|
| **LIABILITIES AND NET ASSETS** | | | |
| **Current Liabilities** | **25,073** | **14,364** | **-10,709** |
| Operating Accounts Payable | 875 | 666 | -209 |
| Short-Term Loans Payable | 9,000 | 1,800 | -7,200 |
| Current Portion of Investment Corporation Bonds | 2,500 | 0 | -2,500 |
| Current Portion of Long-Term Loans Payable | 11,393 | 9,679 | -1,714 |
| Accounts Payable | 502 | 1,107 | 605 |
| Advances Received | 692 | 899 | 207 |
| Others | 109 | 211 | 102 |
| **Long-Term Liabilities** | **85,368** | **121,524** | **36,156** |
| Investment Corporation Bonds | 9,500 | 22,600 | 13,100 |
| Long-Term Loans Payable | 70,379 | 92,099 | 21,720 |
| Tenant Leasehold and Security Deposits | 4,955 | 5,660 | 705 |
| Derivative Assets | 533 | 676 | 143 |
| Others | 0 | 487 | 487 |
| **TOTAL LIABILITIES** | **110,442** | **135,889** | **25,447** |
| **NET ASSETS** | | | |
| Unitholders' Capital | 85,470 | 134,829 | 49,359 |
| Capital Surplus | 21,746 | 21,746 | 0 |
| Dividend Reserve | 13,928 | 13,867 | -61 |
| Unappropriated Retained Earnings (midterm/year) | 9,296 | 12,126 | 2,830 |
| Others | -526 | -580 | -54 |
| **TOTAL NET ASSETS** | **129,914** | **181,989** | **52,075** |
| **TOTAL LIABILITIES AND NET ASSETS** | **240,356** | **317,878** | **77,522** |

(*1) Cash and deposits in trust is included.
(*2) The sum of buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, and construction in progress in trust.
(*3) The sum of machinery and equipment, tools, furniture and fixtures, and construction in progress.

# III. Portfolio

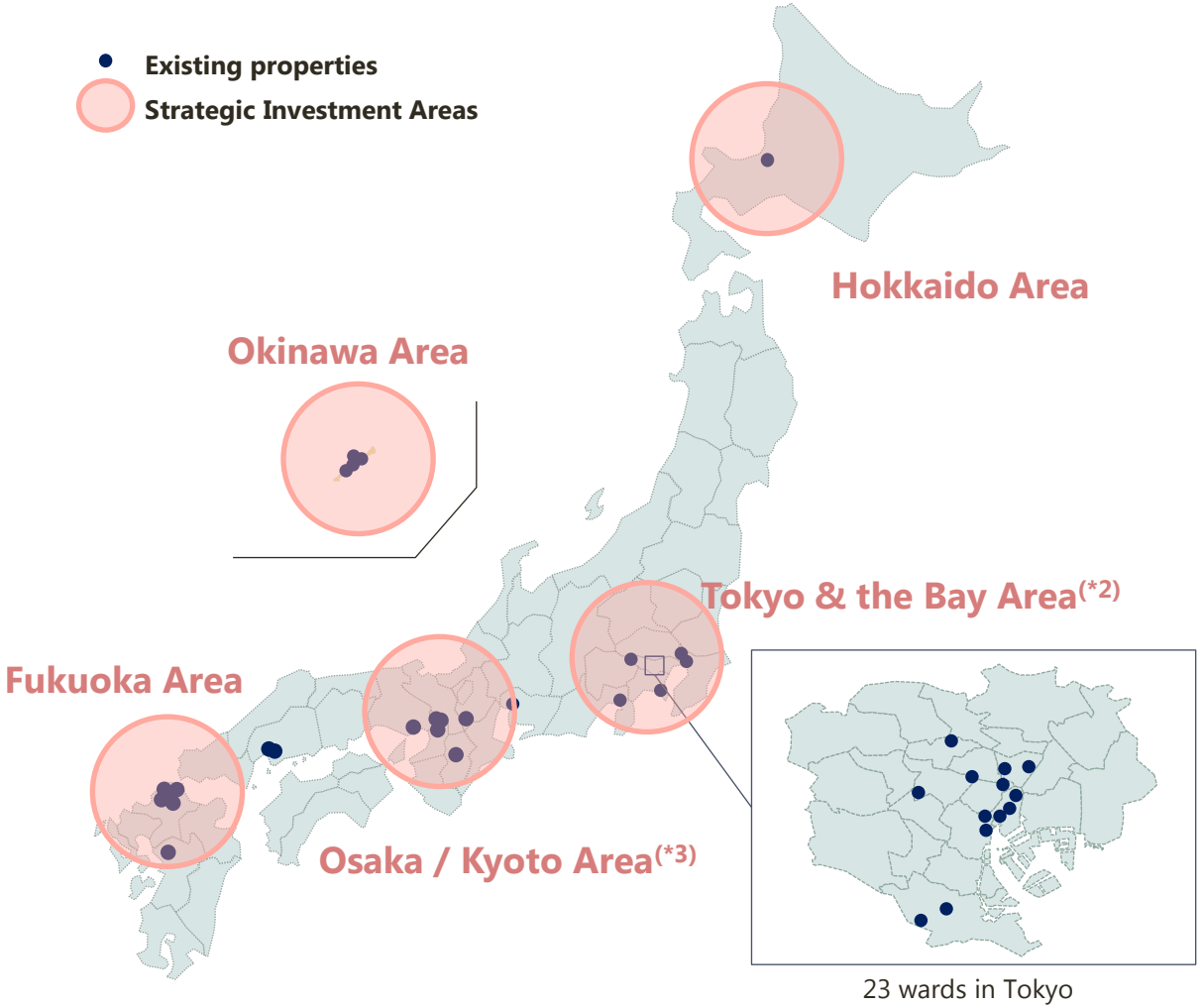
# 1. Portfolio

- Consists of highly competitive hotels in markets with strong leisure demand with a focus on strategic investment areas

## Portfolio Summary

| | |
|---|---|
| **Total Assets (*1)** | JPY **286.8** Billion |
| **No. of Hotels** | **41** Hotels |
| **No. of Guest Rooms** | **10,140** Rooms |

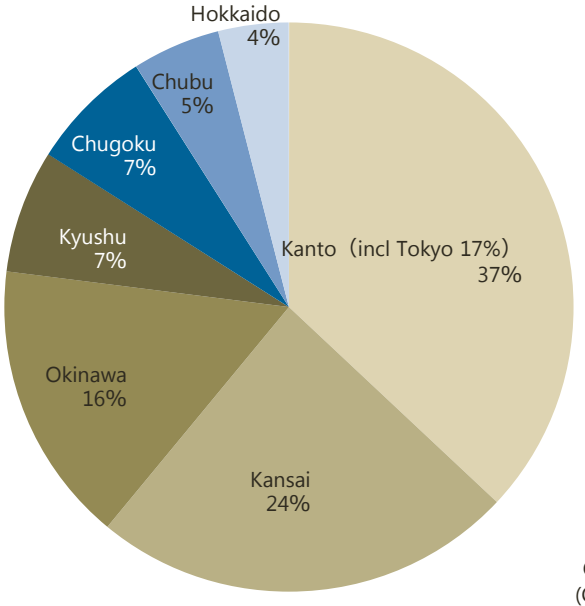
## Strategic Investment Areas and Locations of Properties




(*1) Total Assets refers to the total acquisition price.
(*2) Tokyo & the Bay Area includes Tokyo, Kanagawa and Chiba prefectures.
(*3) Osaka / Kyoto Area includes Osaka and Kyoto prefectures.

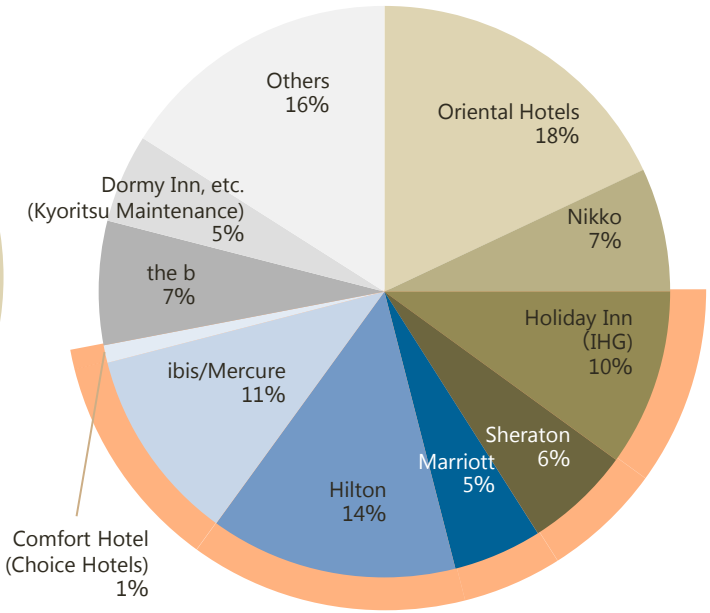
# 2. Diversification of Portfolio

## Diversification in Areas



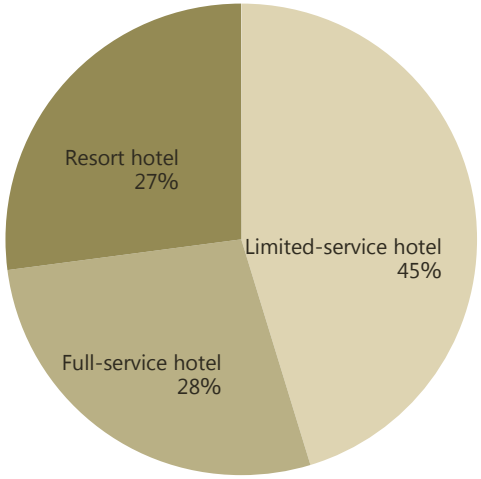

**Strategic Investment Areas**
**35 Hotels / 82%**

## Diversification in Brands

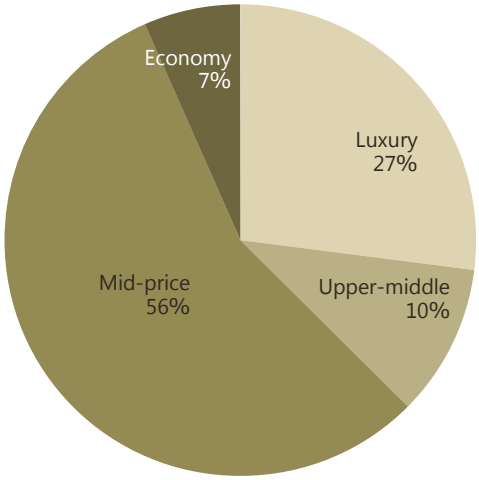



**International Brands**
**47%**

## Diversification in Hotel Types



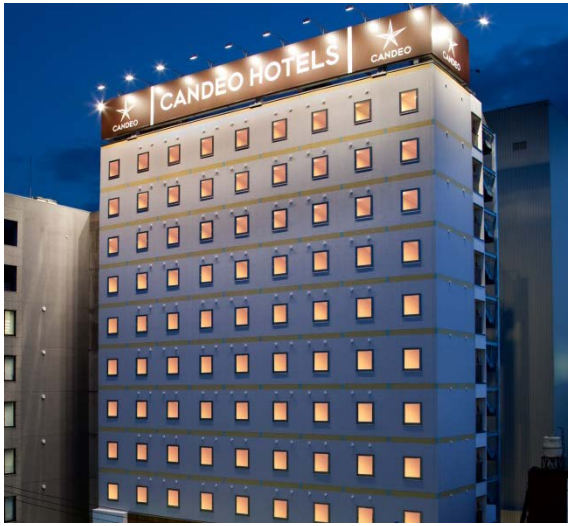

## Diversification in Grades




(*) Ratio calculated based on acquisition price as of the end of December 2016.

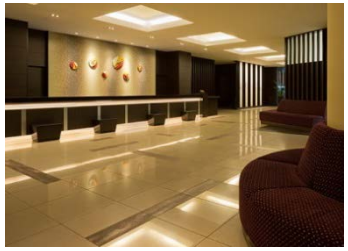
# IV. External Growth

# 1. Properties Acquired in 2016

| | CANDEO HOTELS UENO-KOEN | Hotel Centraza Hakata | HOTEL ASCENT FUKUOKA |
|---|---|---|---|
| |   | | |
| Acquisition Price | JPY6,705M | JPY7,197M | JPY4,925M |
| No. of Rooms | 268 | 194 | 263 |
| NOI Yield (*) | 4.8% | 7.1% | 5.8% |
| Brand / Operator | CANDEO /<br>Candeo Hospitality Management, Inc. | Centraza / HMJ Group | Ascent / NIKOH SANGYO co.,Ltd. |
| Rent Structure | Fixed | Fixed + Variable | Fixed |
| Location | • Located at three-minute walk from Uguisudani Station on the JR Yamanote Line | • Directly connected to major JR Lines and Hakata airport subway station | • Center of the business and commercial area of Fukuoka, where a growing number of Asian tourists visit |
| Feature | • A relatively new limited-service hotel<br>• Approximately over 90% of its guest rooms are available for two or more guests | • Mid-price full-service hotel<br>• Operated by HMJ group | • Limited-service hotel with stable fixed rent |
| Investment Strategy | • Enhance the stability of portfolio by receiving fixed rent income | • Improve RevPAR by attracting increasing inbound demand and renovating guest rooms, etc. | • Enhance the stability of portfolio by receiving fixed rent income |

(*) NOI yield is calculated as annualized NOI forecast for FY12/2017 divided by acquisition price.

# 1. Properties Acquired in 2016 (Cont.)

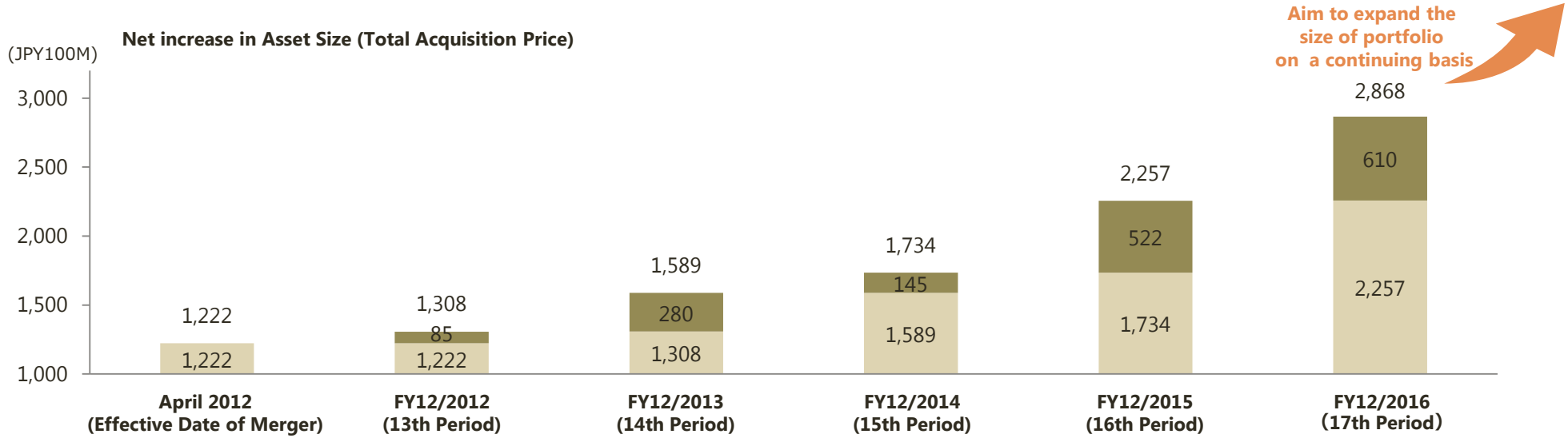
| | Holiday Inn Osaka Namba | Hilton Nagoya |
|---|---|---|
| |  | |
| Acquisition Price | JPY27,000M | JPY15,250M |
| No. of Rooms | 314 | 460 |
| NOI Yield (*) | 4.9% | 4.8% |
| Brand / Operator | Holiday Inn / HMG Group | Hilton / Nagoya Hilton |
| Rent Structure | Fixed + Variable | Variable |
| Location | • Center of the Namba area in Osaka, a popular destination for inbound tourists | • Center of a business district in Nagoya, the third largest Japanese metropolitan area |
| Feature | • Limited-service hotel built only 8 years ago<br>• Operated by HMJ group | • One of only a few full-service hotels with the international brand in Nagoya |
| Investment Strategy | • Additional investment in Namba market in Osaka<br>• Rebranded to Holiday Inn Osaka Namba<br>• Seek synergies with neighboring Namba Oriental Hotel | • Completed full renovation in March 2016 to increase ADR |

(*) NOI yield is calculated as annualized NOI forecast for FY12/2017 divided by acquisition price.

# 2. Changes in Asset Size

- Improved the quality of portfolio and continued to realize external growth by taking advantage of JHR's strength as REIT specializing in hotels
- Acquired **21 hotel assets**, **around JPY177.3 billion** in total acquisition price since the merger

## Changes in Asset Size



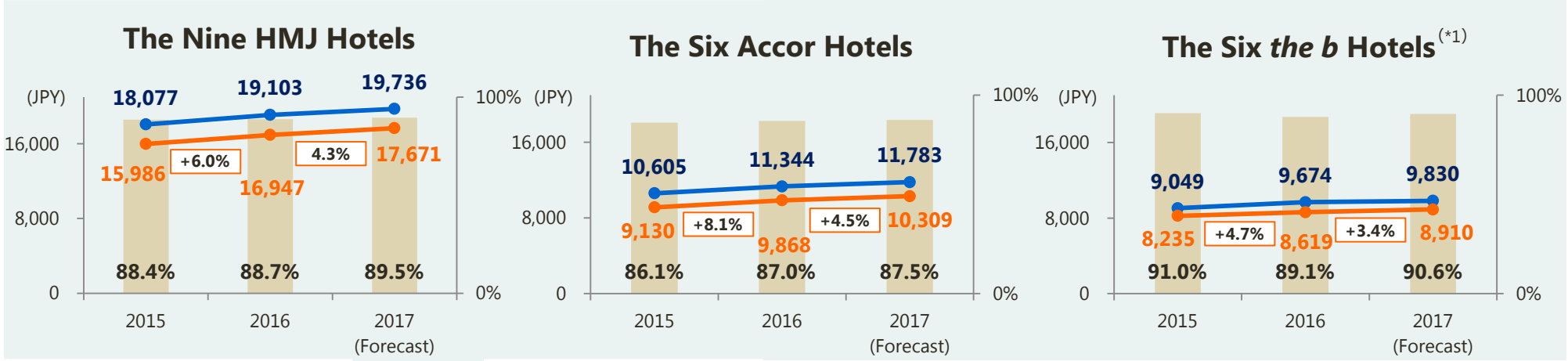

| | | FY12/2012 (13th Period) | FY12/2013 (14th Period) | FY12/2014 (15th Period) | FY12/2015 (16th Period) | FY12/2016 (17th Period) |
|---|---|---|---|---|---|---|
| **Acquisition** | | **2**<br>・Hotel Keihan Universal City<br>・Hotel Sunroute Shinbashi | **2**<br>・Hilton Tokyo Bay<br>・ibis Styles Kyoto Station | **3**<br>・ibis Styles Sapporo<br>・Mercure Sapporo<br>・Mercure Okinawa Naha | **9**<br>・the b akasaka-mitsuke<br>・the b ikebukuro<br>・the b ochanomizu<br>・the b hachioji<br>・the b hakata<br>・Hotel Francs<br>・Mercure Yokosuka<br>・Okinawa Marriott Resort & Spa<br>・ACTIVE-INTER CITY HIROSHIMA | **5**<br>・CANDEO HOTELS UENO-KOEN<br>・Hotel Centraza Hakata<br>・Holiday Inn Osaka Namba<br>・HOTEL ASCENT FUKUOKA<br>・Hilton Nagoya |
| **Disposition** | | **2** | **2** | **1** | **3** | |
| **Total Properties** | **28** | **28** | **28** | **30** | **36** | **41** |

# V. Internal Growth

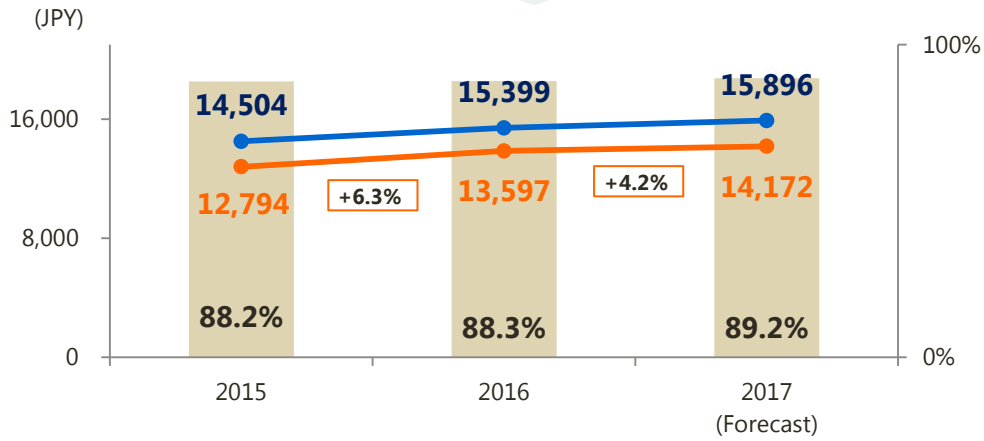
# 1. Performance of Major Hotels Adopting Variable Rent Scheme, etc.

## Indicators of Rooms Department

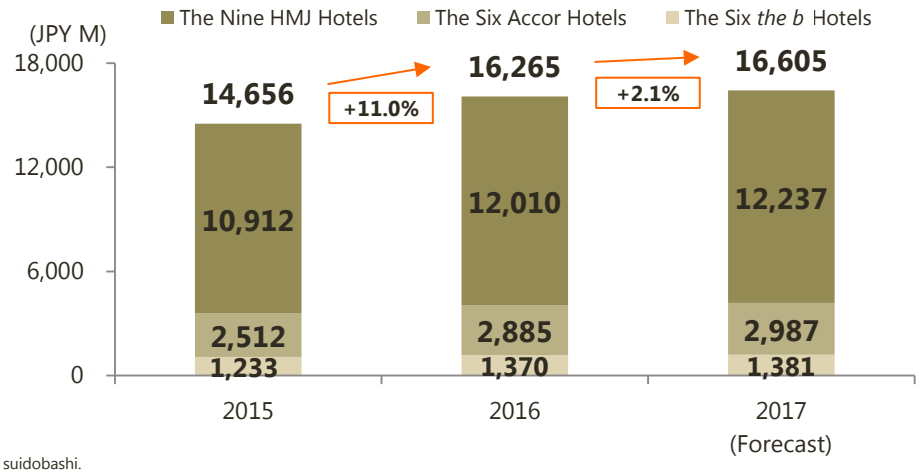
ADR (left axis) RevPAR (left axis) Occupancy rate (right axis)




## Total of Three Hotel Groups



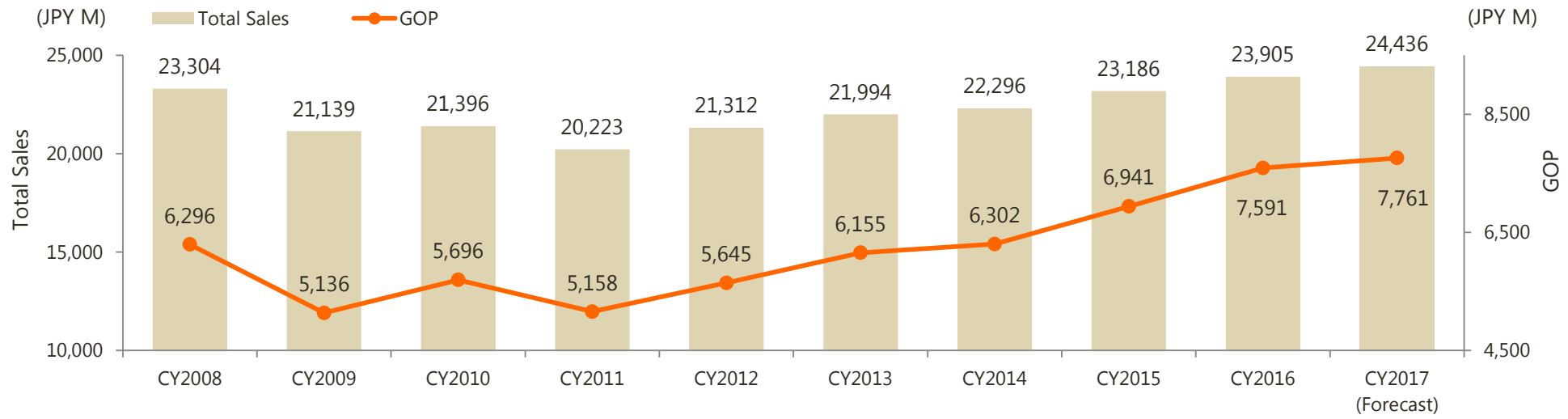

## Changes in GOP



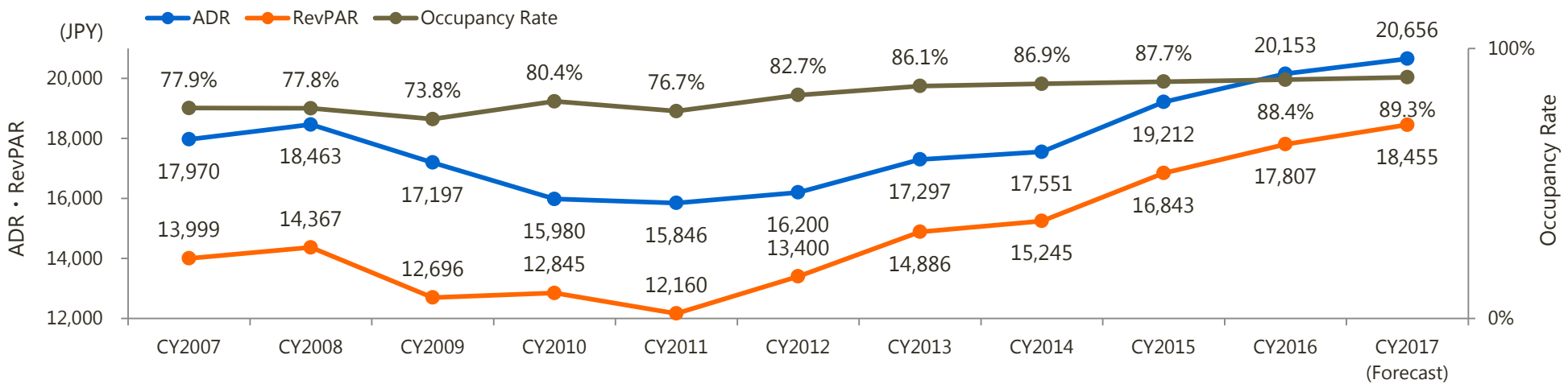

(*1) The Six *the b* Hotels are the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji, the b hakata, and the b suidobashi.
(*2) The numbers of the six *the b* hotels and total of three hotel groups for 2015 are calculated by annualizing the actual number of the b suidobashi for six months.
(*3) For properties acquired in 2015 and 2016, numbers prior to acquisition which were obtained from hotel lessees, etc. are used for the calculation.

# 2. The Five HMJ Hotels - Highlights

## Changes in Total Sales and GOP




## Changes in KPI



# 3. Case Studies of Internal Growth Strategy

- Aggressively implemented **active asset management** approach to actively improve profitability of properties and to increase asset value

## Revision of Rent Schemes

- **The Five HMJ Hotels**
  Changed the variable rent rate from 81.5% to 85.0% from January 2016
  ➔ **rent increase by JPY148M (4.3%)**

- **CANDEO HOTELS UENO-KOEN**
  Revised to new rent from July 2016
  ➔ **NOI yield 4.3% (*1) → 4.8% (*2)**

(*1) Assumed yield at the time of acquisition.
(*2) Annualized NOI yield for FY12/2017.

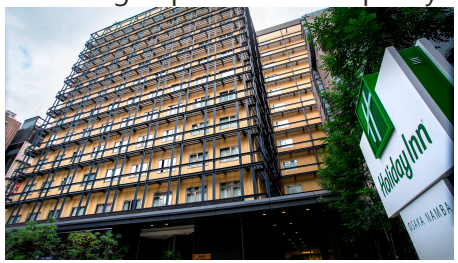
## Renovation by Strategical Capital Expenditures

Renovated guest rooms, etc. to increase RevPAR

- **Kobe Meriken Park Oriental Hotel**: guest rooms on 7F (51 rooms) balconies, bar
- **Namba Oriental Hotel**: guest rooms on 9F (42 rooms)
- **Oriental Hotel tokyo bay**: guest rooms on 4F (54 rooms)
- **ibis Tokyo Shinjuku**: guest rooms on 3F-10F (67 rooms)

## Rebranding

- **Holiday Inn Osaka Namba** (Former HOTEL VISTA GRANDE OSAKA)
  Completed rebranding in November 2016 after the acquisition in August 2016
  - Increase the number of international brands
    ➔ Plan to attract more inbound visitors
    ➔ International brands account for 47% of the portfolio, which is a big improvement in quality



## Pursuit of Synergy Effects by Operating Hotels of the Same Group Located Nearby

Create synergy effects from both sales and costs perspective and maximize GOP

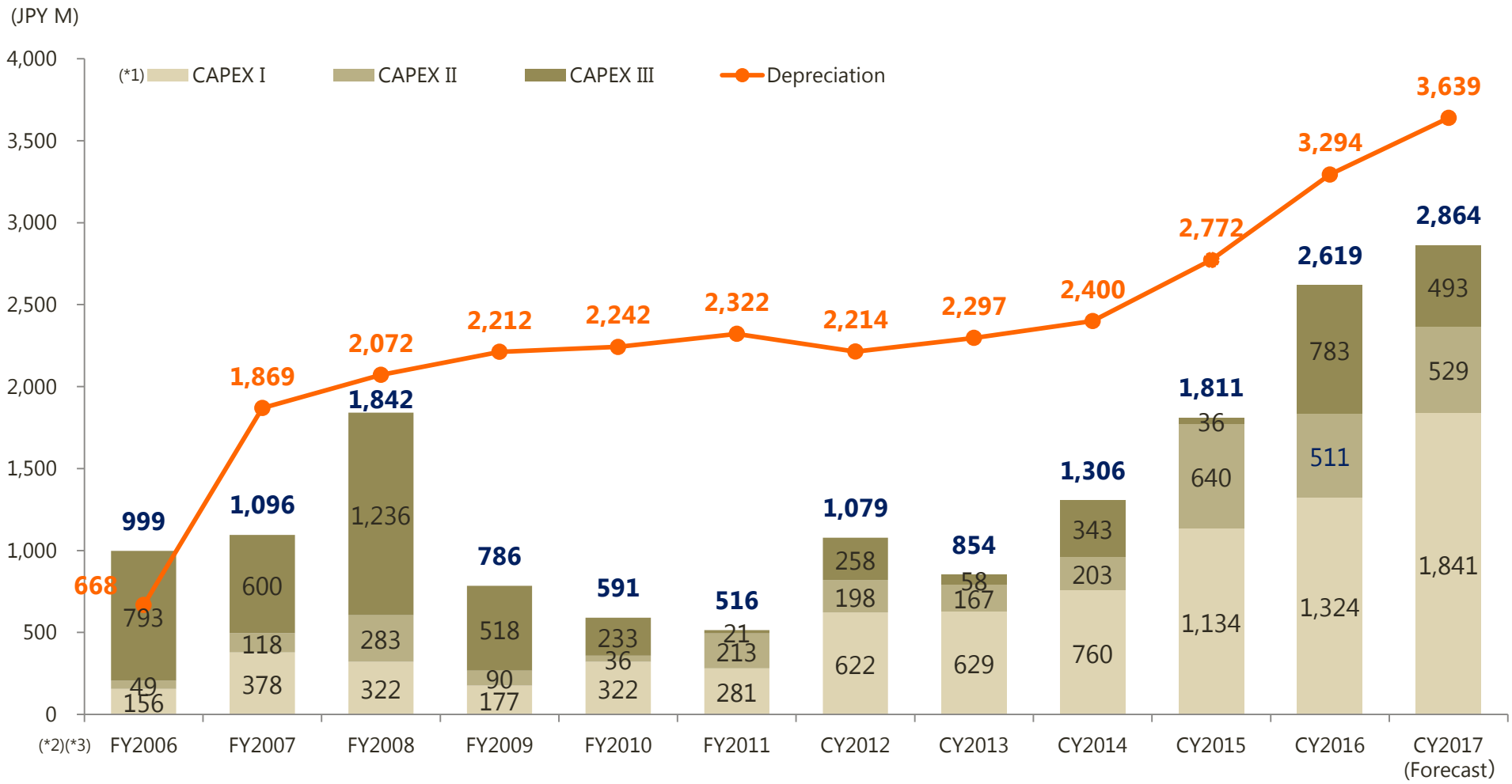
- **HMJ group**
  Namba Oriental Hotel, Holiday Inn Osaka Namba
  ➔ Share guests, integrate back office

  Hotel Centraza Hakata
  ➔Share staff among HMJ group to complement positions in shortage

- **Accor group**
  Mercure Sapporo, ibis Styles Sapporo
  ➔ Share guests, integrate back office, share purchasing items

# 4. Capital Expenditures and Depreciation

- Strengthen competitiveness and improve asset value by continuing investment in CAPEX




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

(*2) The actual for FY2006 is the actual of the former JHR for the period from IPO to August 2006 (6.5 months). The actual for FY2007 is the sum of the actual of the former JHR from September 2006 through August 2007 and that of the former NHF from IPO to September 2007 (15.5 months). The actual for FY2008 is the sum of the actual of former JHR from September 2007 through August 2008 and that of former NHF from October 2007 through September 2008 (the same method applies for FY2009 to FY2011). The sum of CY2012 is the actual from January 2012 through December 2012 (depreciation is the annualized number for the 13th period), and the actual for CY2013 through CY2016 is actual number for the period from January through December each year. The plan for CY2017 for the period from January 2017 through December 2017 is based on the operating forecast in the Financial Report dated February 23, 2017.

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

# 5. Rent Structures

**Stability** ⟵ ⟶ **Upside**

(As of end of December 2016)

| Rent structure | | Fixed rent | Fixed rent + Revenue sharing | Fixed rent + Variable Rent | Variable rent | Management contract | **Total** |
|---|---|---|---|---|---|---|---|
| Type of contract | | Lease contract | Lease contract | Lease contract | Lease contract | Management contract | |
| Type of rent | Fixed | ○ | ○ | ○ | - | - | - |
| | Variable | - | A certain percentage of sales exceeding the threshold | A certain percentage of hotel GOP | A certain percentage of hotel GOP | GOP of hotel | - |
| Involvement in hotel operation | | Low | Low | High | High | High | |
| CAPEX paid by JHR | | 1) Renewal of building and facilities | 1) Renewal of building and facilities<br>< 3) Strategic investment> | 1) Renewal of building and facilities<br>2) Fixtures and equipment<br>3) Strategic investment | 1) Renewal of building and facilities<br>2) Fixtures and equipment<br>3) Strategic investment | 1) Renewal of building and facilities<br>2) Fixtures and equipment<br>3) Strategic investment | |
| No. of properties | | 13 | 5 | 15 | 3 | 5 | 41 |
| Acquisition price (JPY M) | | 42,580 | 40,470 | 156,387 | 17,723 | 29,640 | 286,801 |
| (%) | | 14.8% | 14.1% | 54.5% | 6.2% | 10.3% | 100% |
| Hotels | | Hakone Setsugetsuka<br>The Beach Tower Okinawa<br>Dormy Inn Kumamoto<br>Hotel Francs<br>HOTEL ASCENT FUKUOKA<br>(8 other hotels) | Smile Hotel Nihombashi Mitsukoshimae<br>Hotel Vista Kamata Tokyo<br>Hotel Keihan Universal City<br>Hotel Sunroute Shinbashi<br>Hilton Tokyo Bay | **HMJ group**<br>Kobe Meriken Park Oriental Hotel<br>Oriental Hotel tokyo bay<br>Namba Oriental Hotel<br>Hotel Nikko Alivila<br>Oriental Hotel Hiroshima<br>Okinawa Marriott Resort & Spa<br>ACTIVE-INTER CITY HIROSHIMA<br>Hotel Centraza Hakata<br>Holiday Inn Osaka Namba<br>***the b* group**<br>The Six *the b* Hotels (akasaka-mitsuke, ikebukuro, ochanomizu, hachioji, hakata, suidobashi) | Chisun Inn Kamata<br>Mercure Yokosuka<br>Hilton Nagoya | **Accor group**<br>ibis Tokyo Shinjuku<br>ibis Styles Kyoto Station<br>ibis Styles Sapporo<br>Mercure Sapporo<br>Mercure Okinawa Naha | |

## Breakdown of Real Estate Operating Revenue

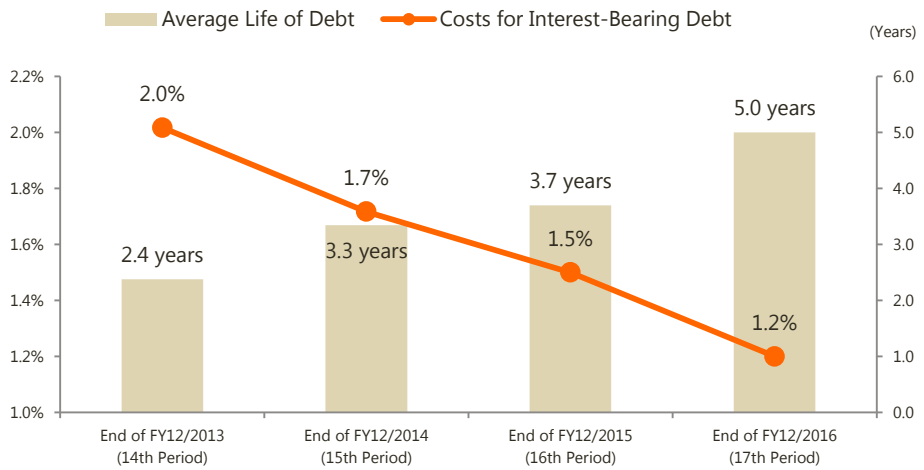
(As of December 2016)

| Real estate operating revenue (Variable rent / Fixed rent, etc.) | | | | | | |
|---|---|---|---|---|---|---|
| | JPY2,856M (12.9%) | JPY556M (2.5%) | JPY5,660M (25.6%) | JPY591M (2.7%) | JPY2,584M (11.7%) | JPY9,392M (42.5%) |
| | | JPY2,989M (13.5%) | JPY6,098M (27.6%) | JPY189M (0.9%) | JPY580M (2.6%) | JPY12,714M (57.5%) |
| **Total** | JPY2,856M (12.9%) | JPY3,545M (16.0%) | JPY11,758M (53.2%) | JPY781M (3.5%) | JPY3,165M (14.3%) | JPY22,107M (100.0%) |

(*) Ratios of fixed rent and variable rent and acquisition price are ratios by each rent structure against total amount (rounded down to the first decimal place).

# VI. Financial Status

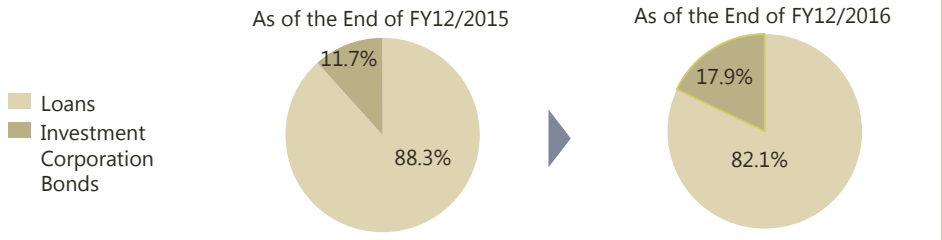
## Changes in Costs for Interest-Bearing Debt(*1) and Average Life of Debt(*2)



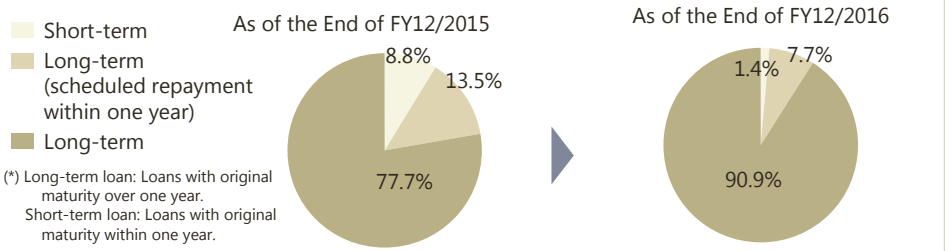

(*1) Weighted-average costs for interest-bearing debt (including up-front fee, etc.) as of the end of each period/year. Rounded off to one decimal place.

(*2) Average life of debt as of the end of each period/year.

## Breakdown of Interest-Bearing Debt

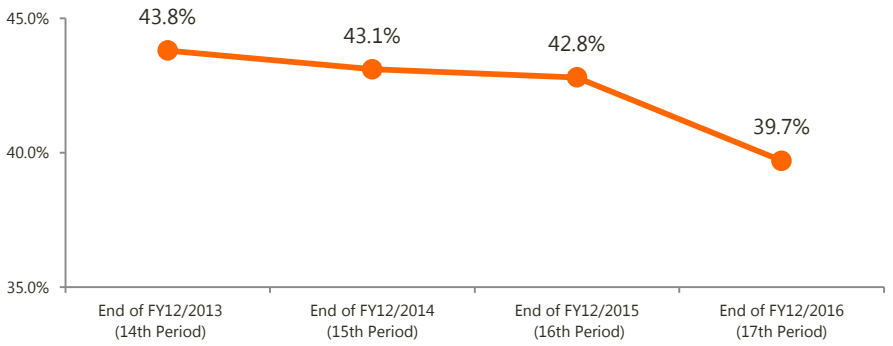



## Term of Interest-Bearing Debt



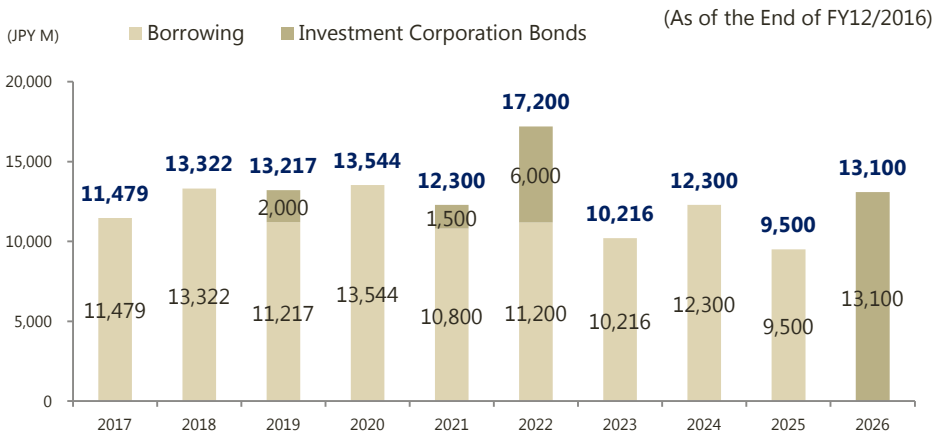

(*) Long-term loan: Loans with original maturity over one year.
Short-term loan: Loans with original maturity within one year.

## Changes in LTV (Total Asset Base)




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

## Repayment Schedule of Interest-Bearing Debt



# 1. Financial Status (Cont.)

## Lender List for Interest-Bearing Debt

(JPY M)

| Lenders | Balance As of the End of Previous Period (As of the End of Dec. 2015) | | Balance As of the End of Previous Period (As of the End of Dec. 2016) | | Variance |
|---|---|---|---|---|---|
| | Balance | Percentage | Balance | Percentage | Balance |
| Sumitomo Mitsui Banking Corporation | 25,052 | 24.4% | 25,556 | 20.3% | 504 |
| Shinsei Bank, Limited | 13,528 | 13.2% | 14,210 | 11.3% | 682 |
| Mizuho Bank, Ltd. | 13,295 | 12.9% | 13,980 | 11.1% | 684 |
| Sumitomo Mitsui Trust Bank, Limited | 8,096 | 7.9% | 10,163 | 8.1% | 2,067 |
| Resona Bank, Limited | 8,113 | 7.9% | 9,593 | 7.6% | 1,480 |
| The Tokyo Star Bank, Limited | 8,109 | 7.9% | 8,570 | 6.8% | 460 |
| The Nomura Trust and Banking Co., Ltd. | 3,892 | 3.8% | 4,868 | 3.9% | 975 |
| Mitsubishi UFJ Trust and Banking Corporation | 1,435 | 1.4% | 3,435 | 2.7% | 2,000 |
| Development Bank of Japan Inc. | 1,788 | 1.7% | 2,980 | 2.4% | 1,191 |
| The Bank of Fukuoka, Ltd. | 1,418 | 1.4% | 2,610 | 2.1% | 1,191 |
| The Hiroshima Bank, Ltd. | 1,927 | 1.9% | 2,427 | 1.9% | 500 |
| The Chiba Bank, Ltd. | 1,734 | 1.7% | 2,213 | 1.8% | 478 |
| Aozora Bank, Ltd. | 1,435 | 1.4% | 1,935 | 1.5% | 500 |
| Sompo Japan Nipponkoa Insurance Inc. | 945 | 0.9% | 937 | 0.7% | - 8 |
| The Higo Bank, Ltd. | - | - | 100 | 0.1% | 100 |
| **Borrowing (Sub-Total)** | **90,772** | **88.3%** | **103,579** | **82.1%** | **12,806** |
| 2nd Investment Corporation Bonds without Collateral | 2,500 | 2.4% | 0 | 0.0% | - 2,500 |
| 3rd Investment Corporation Bonds without Collateral | 2,000 | 1.9% | 2,000 | 1.6% | 0 |
| 4th Investment Corporation Bonds without Collateral | 1,500 | 1.5% | 1,500 | 1.2% | 0 |
| 5th Investment Corporation Bonds without Collateral | 6,000 | 5.8% | 6,000 | 4.8% | 0 |
| 6th Investment Corporation Bonds without Collateral | - | - | 3,000 | 2.4% | 3,000 |
| 7th Investment Corporation Bonds without Collateral | - | - | 9,000 | 7.1% | 9,000 |
| 8th Investment Corporation Bonds without Collateral | - | - | 1,100 | 0.9% | 1,100 |
| **Investment Corporation Bonds (Sub-Total)** | **12,000** | **11.7%** | **22,600** | **17.9%** | **10,600** |
| **Total Interest-Bearing Debt** | **102,772** | **100.0%** | **126,179** | **100.0%** | **23,406** |

## Status of Credit Rating

| | |
|---|---|
| Japan Credit Rating Agency, Ltd. (JCR) | **A+** (stable) |
| Rating and Investment Information, Inc. (R&I) | **A** (stable) |

## Fixed Interest Rate Ratio

As of end of Dec. 2015
**84.8%**

As of end of Dec. 2016
**98.0%**

## Investment Corporation Bonds (Issued in FY12/2016)

| | Date of Issuance | Total Amount of Investment Corporation Bonds | Period | Rate |
|---|---|---|---|---|
| 6th Investment Corporation Bonds (Wholesale Bonds) | March 22, 2016 | JPY3B | 10 years | 0.935% |
| 7th Investment Corporation Bonds (Retail Bonds) | November 29, 2016 | JPY9B | 10 years | 0.6% |
| 8th Investment Corporation Bonds (Wholesale Bonds) | November 29, 2016 | JPY1.1B | 10 years | 0.6% |

# 1. Financial Status (Cont.)

## Negative Goodwill

**<Policy for Use of Negative Goodwill>**

1. **Add JPY262M (50-year amortization amount of negative goodwill) to dividends every period.**
2. **In addition to above, dividends will be increased in response to the following.**
   - Cope with losses caused by property dispositions
   - Cope with loss on retirement of noncurrent assets
   - Cope with dilution of dividend per unit
   - Cope with inconsistency between tax and accounting treatments*
     (*Amortization of fixed-term leasehold of land, amortization of asset retirement obligations, etc.)

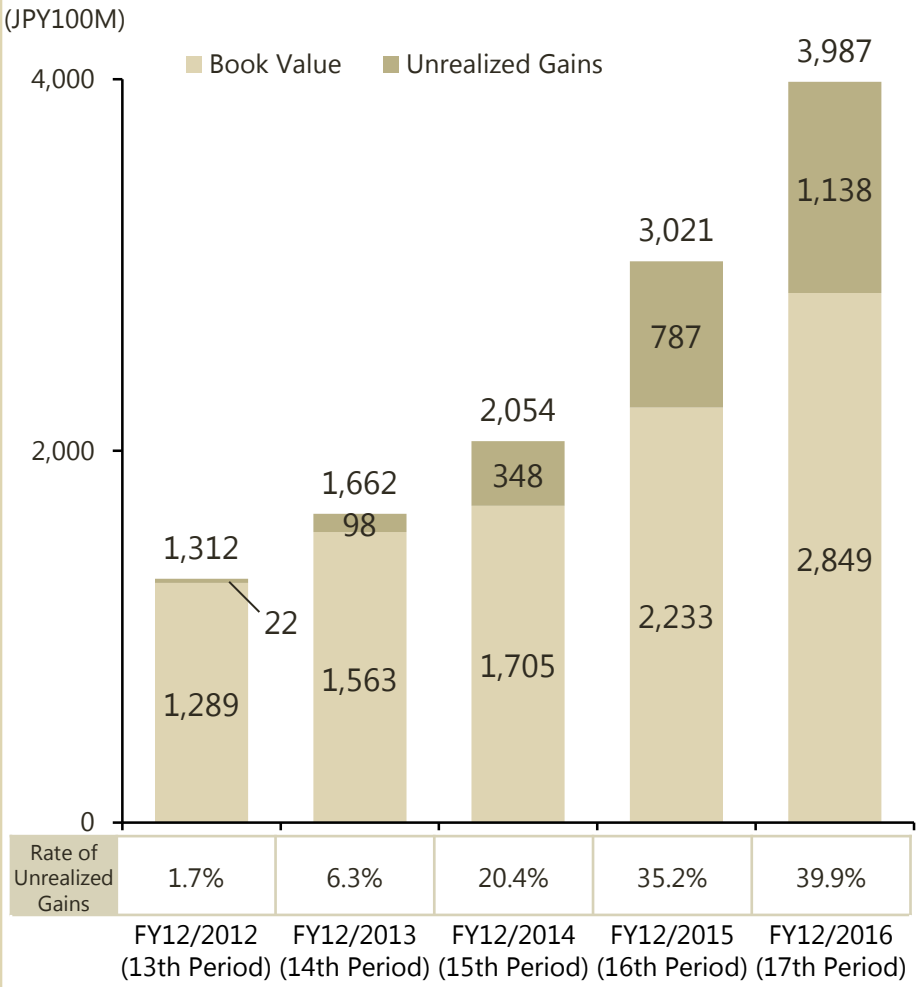
**<Amount to be Used in FY12/2017>**

| | | |
|---|---|---|
| 50-year amortization amount of negative goodwill | : | JPY262M |
| Cope with loss on retirement of noncurrent assets | : | JPY70M |
| Total amount of negative goodwill to be used in FY12/2017 | : | **JPY332M** |

| | |
|---|---|
| **Balance of Negative Goodwill as of the End of December 2017 (Forecast)** | **JPY12.7B** |

(*) The "50-year amortization amount of negative goodwill" includes amortization, etc. of fixed-term leasehold of land, asset retirement obligations, etc. of Hotel Centraza Hakata and HOTEL ASCENT FUKUOKA, which were purchased in the year ended December 2016 (17th Period).
JHR expects the amount of amortizations, etc. to be JPY152M for the fiscal year ending December 2017 (18th Period).

## Changes in Unrealized Gains



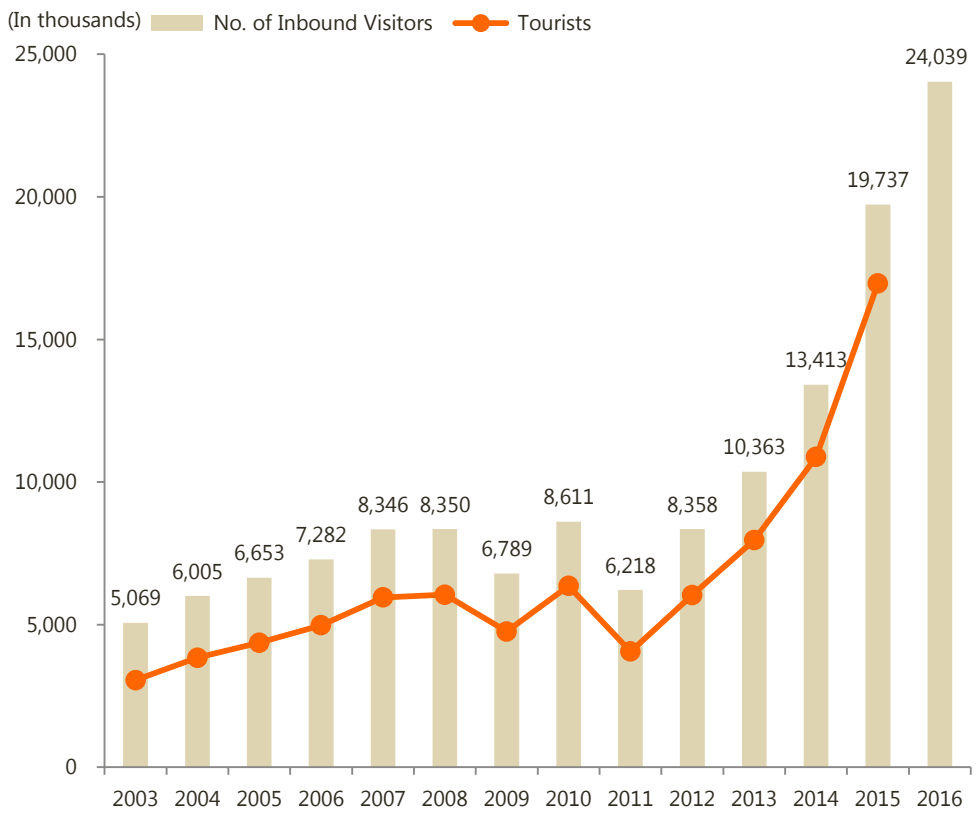

(*) Appraisal value is book value plus unrealized gains.

# VII. Market Environment

# 1. Market Environment

- Number of inbound visitors in 2016 increased to over 24 million
  Government's goal: 40 million in 2020, 60 million in 2030

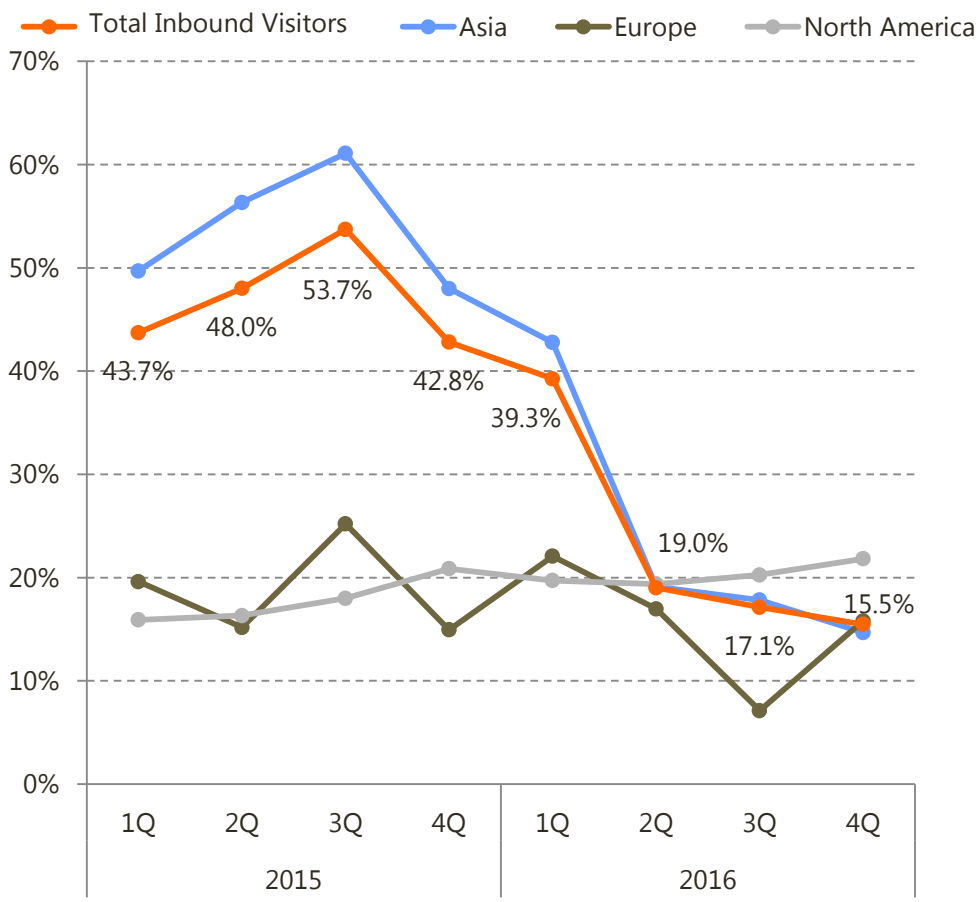
**Changes in the Number of Inbound Visitors**




Source: Number of International Visitors to Japan by Japan National Tourism Organization (JNTO)

- Number of inbound visitors from the entire areas continued to grow from 15% to around 20% on an annual basis

**Rate of Increase of the Number of Inbound Visitors by Area (Year-on-Year)**

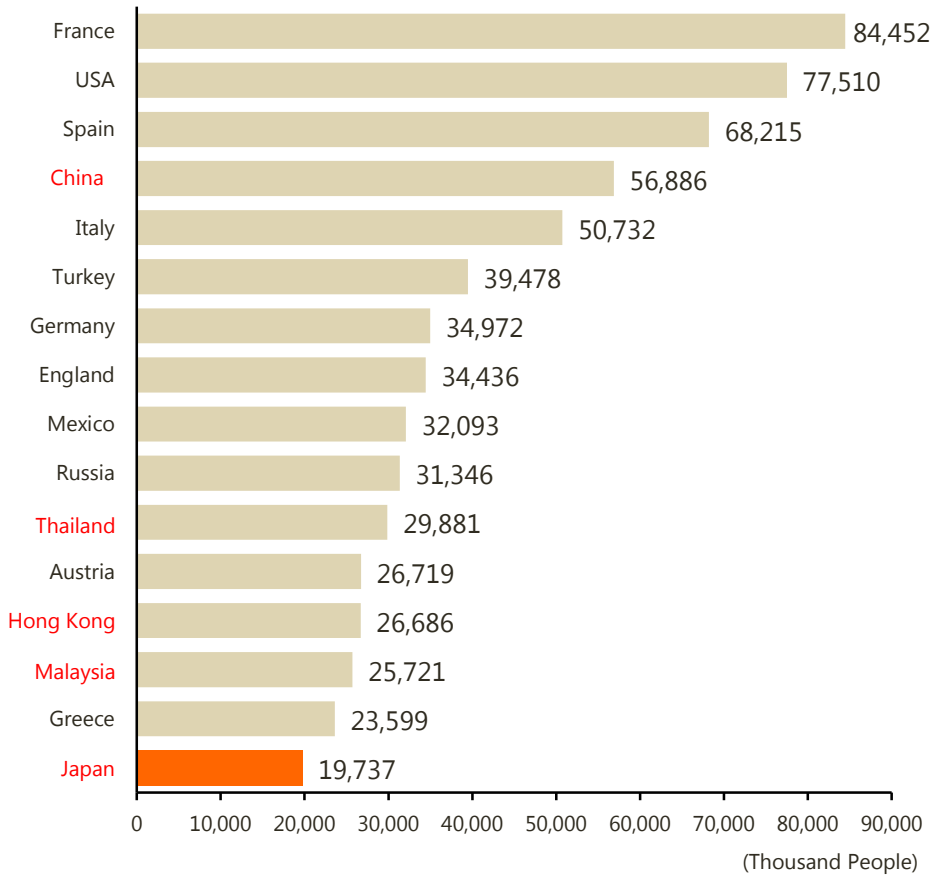



Source: Number of International Visitors to Japan by Japan National Tourism Organization (JNTO)
(*) Rates in 4Q 2016 for Asia, Europe, and North America are compared to those in the same period (October and November) of the previous year.

# 1. Market Environment (Cont.)

- Japan ranks 16th in the world, 5th in Asia.

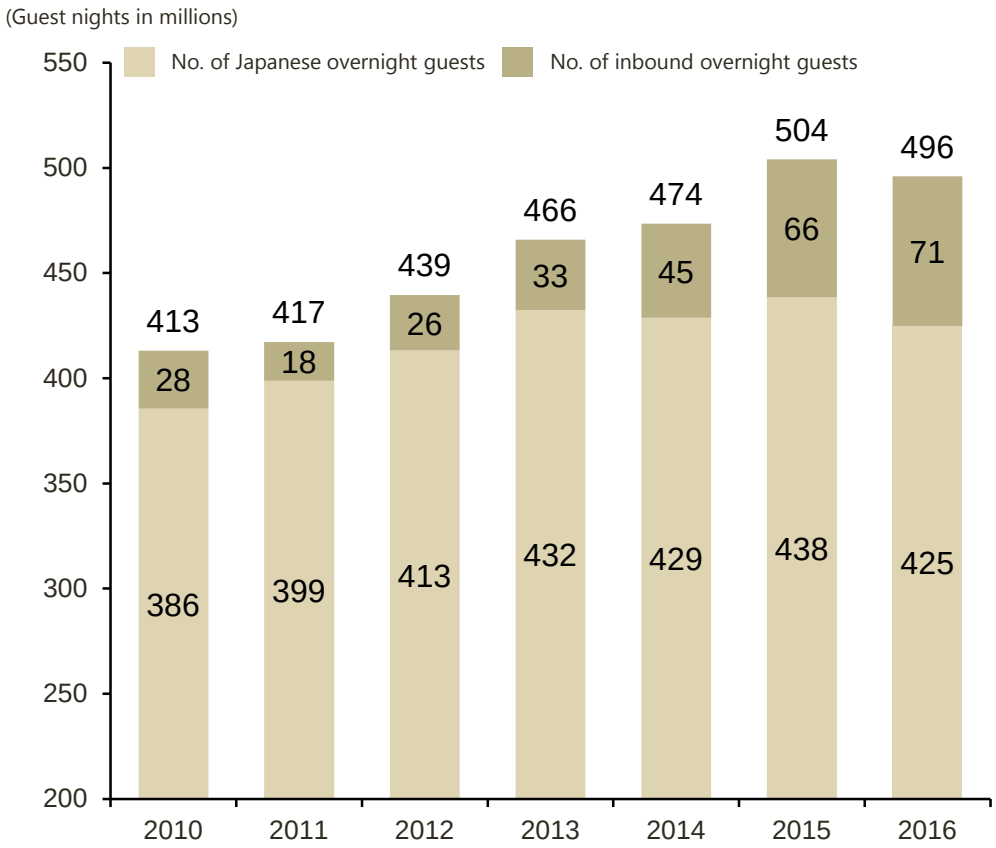
**Number of Inbound Visitors by Country (2015)**




Source: UNWTO and Japan National Tourism Organization (JNTO)

- Number of overnight guests declined slightly in 2016

**Changes in the Number of Overnight Guests in Japan**

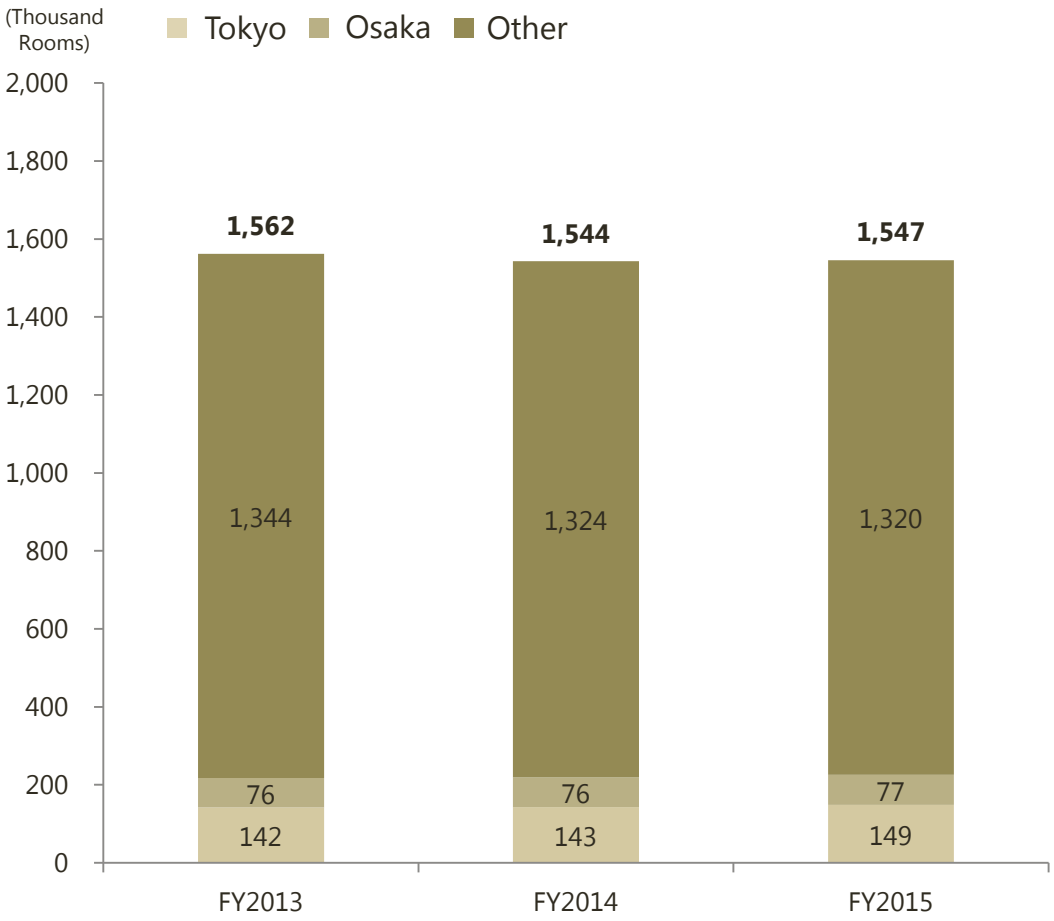



Source: Statistics of Overnight Travel by Japan Tourism Agency
(*) Rounded off to the nearest millions of yen.

# 1. Market Environment (Cont.)

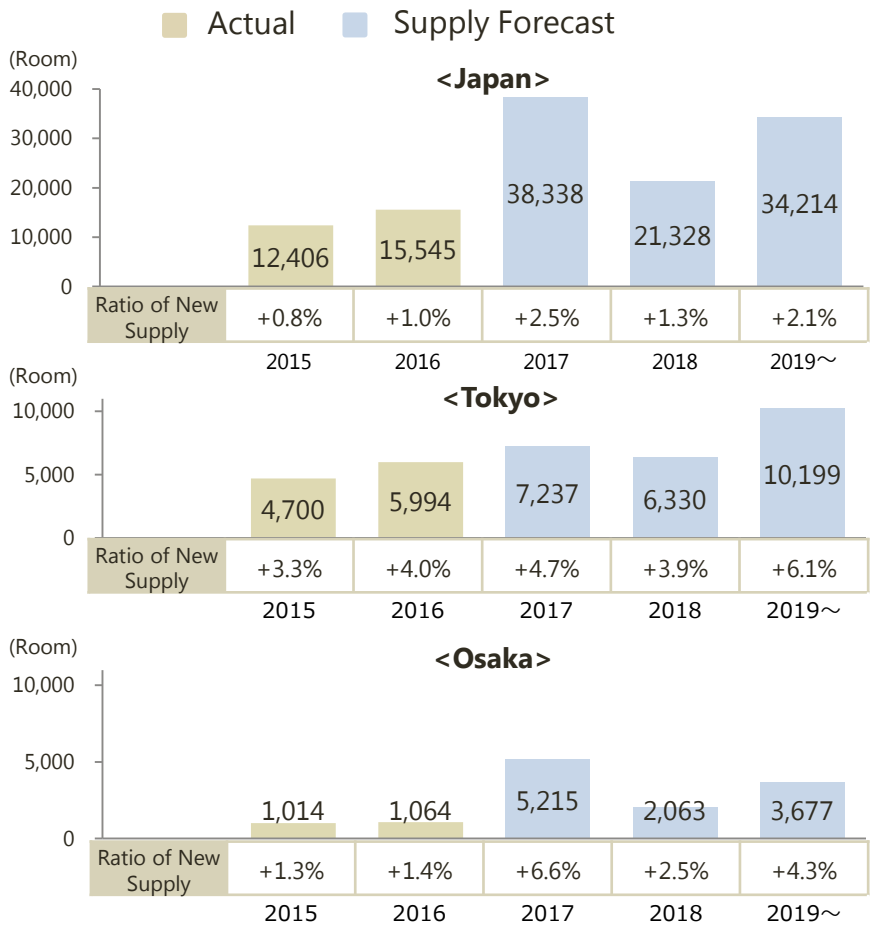
- New supply of hotel rooms is increasing in response to strong market environment

## Changes in Number of Rooms in Hotels/Ryokans in Japan




Source: "Public Health Administration Report" by Ministry of Health, Labour and Welfare (MHLW)

## Number of New Supply of Rooms in Hotels/Ryokans in Japan




Source: "Calculated by the Asset Management Company using data from "Public Health Administration Report" by Ministry of Health, Labour and Welfare (MHLW), a weekly hotel & restaurant magazine (HOTERES), and Nikkei Telecom.
(*) Ratio of new supply is the number of new rooms to be supplied in a year to the stock of rooms at the beginning of the year. With regard to the above data, please note that the number of rooms given "not determined" by hotels, the asset management company has used 180, the average number of new supply of hotel rooms, for calculation.

# Appendix 1

## JHR’s Characteristics

# 1. Simultaneous Pursuit of Stability and Upside Potential

JHR pursues both stability and upside potential by steadily implementing growth strategies.

## Ensure Stable Revenue

**Fixed rent structure**

- Appropriate monitoring of hotel operation
- Capital expenditures to maintain competitiveness and asset value

**Maintain and improve rent-paying capacity of tenants, etc.**

## Pursue Upside

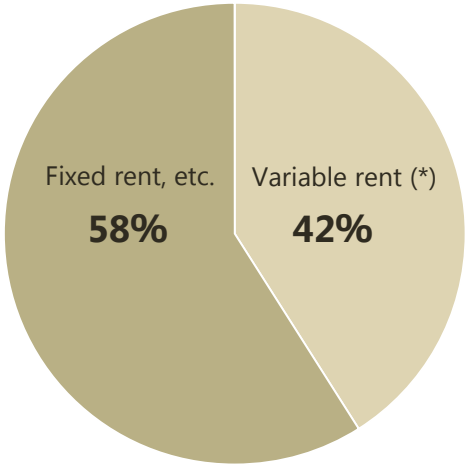
**Management contract structure** | **Variable rent structure** | **Revenue sharing structure**

**Active Asset Management Strategies**

- Change in rent structures and rebranding
- Strategic capital expenditures, etc.

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

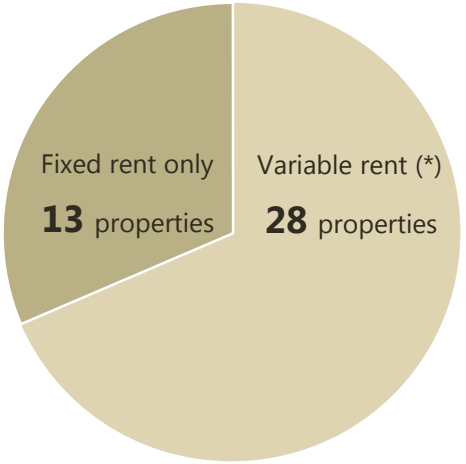
### Proportion of Rental Income




(*) Variable rent
Revenue sharing
Income from management contracts

### Proportion of Rent Structures

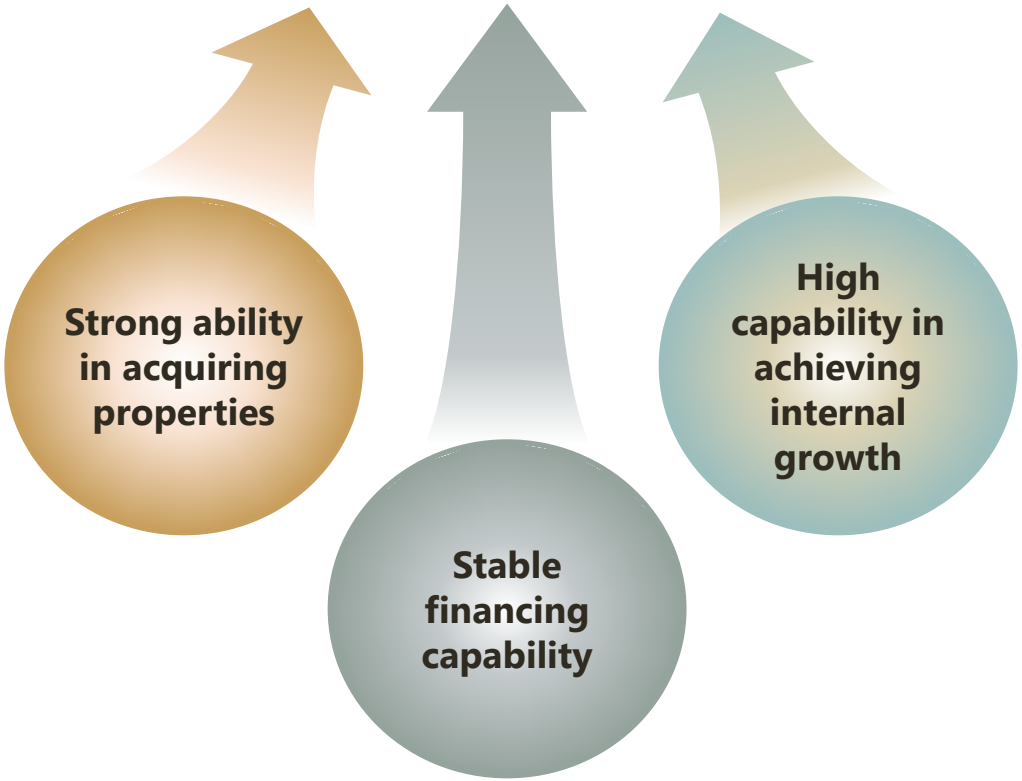
(As of the end of December 2016)




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

# 2. Key Points to Promote Growth Cycle

## Aim to increase dividend




### Strong ability in acquiring properties

- Highly recognized as Japan's largest J-REIT specializing in hotels
- High presence and credibility in the property market by continuously acquiring properties
- Capability to propose various acquisition schemes and to execute acquisitions

### High capability in achieving internal growth

- Management approach that achieves a good balance between stability and upside potential
- Increase in hotel revenue through active asset management strategies and collaboration with high-quality operators
- Attract inbound demand through enhanced international brand portfolio
- Strengthen and maintain competitiveness by investing in appropriate capital expenditures

### Stable financing capability

- Secure sound and stable finance
- Diversification of financing methods

# 3. External Growth Strategy

## Recognition of External Environment

### Trend of the Hotel Investment Market

- Amid gradually recovering economy, hotel assets have gained a firm position as an investment target due to stable domestic demand and an increase in hotel revenue resulting from growing inbound demand mainly from Asian countries. On the other hand, since the yields of other asset classes are decreasing and investors, including new REITs specializing in hotels, are increasing, competition to acquire hotel assets has become intense.
- New supply of hotels is on the rise, responding to the increasing number of inbound visitors. But depending on specifications, locations, capability of hotel operators, the superiority or inferiority in competitiveness of hotel may be seen more clearly.

## Basic Policies

- Acquire highly competitive hotel real estate, etc. in areas that have potential to attract "domestic and inbound leisure customers" in the medium to long-term.
- Improve profitability, stability, and quality of the overall portfolio.

## Key Measures

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

# 4. Internal Growth Strategy



## Recognition of External Environment

### Hotel Market Environment

- In addition to stable domestic leisure demand, the number of inbound tourists, mainly from Asian countries, is continuing to rise. Amid such growth expectation for Japan's tourism and hotel industries, although there is some impact by supply of new hotels, demand for accommodation is expected to continue strongly, driven by domestic and inbound leisure demand.

## Basic Policies

- Pursue both stability and upside potential by steadily implementing growth strategies

## Key Measures

- Monitoring and planning and execution of the active asset management strategy based on in-depth understanding of the hotel business which realizes pursuit in upside revenue.
  - Make strategic investments which will improve profitability and strengthen competitiveness
  - Change to rent structures that can achieve upside revenue
  - Make proactive proposals to build effective hotel operating structures which aim to maximize GOP, from the perspective of both hotel sales and expenses
  - Attract inbound demand through rebranding to international brands
  - Increase hotel revenue through collaboration with high-quality operators
- Planning and execution of strategic CAPEX which secure steady revenue.
  - Analyze the creditworthiness of hotel lessees, understand and improve hotel income and expenditures
  - Maintain and improve rent-paying capacity of tenants, etc. through capital expenditures, which lead to maintenance of competitiveness and asset value

# 5. Financial Strategy

## Recognition of the External Environment

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

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

## Basic Policies

- Ensure healthy and stable finance
- Strengthen bank formation and relationships with financial institutions
- Diversify financing methods

## Key Measures

- Maintain LTV level at a maximum of 50% (total asset base) for the time being
- Diversify financing methods such as public offerings and issuance of investment corporation bonds
- Improve financial stability by extending and diversifying repayment periods and fixing interest rates, etc.
- Optimize borrowing costs

# 6. Benefits Program for Unitholders

JHR offers a benefits program to unitholders to improve their satisfaction and expand the investor base
JHR expanded the benefits program from FY2015 by adding the six Accor hotels as subject hotels for the program

- **Eligible recipients of complimentary coupons**
  Complimentary coupons will be sent to those who hold ten or more JHR units at the end of June every year (end of the midterm settlement)
  ＜FY2015＞
  Eligible unitholders: 14,901 unitholders
  Valid period: Between October 2015 and September 2016
- **Hotels that offer the benefits program**
  The five HMJ hotels and the six Accor hotels

- **Details of the benefits program**
  The five HMJ hotels—50% off the rack rates for hotel accommodation and 20% discount for restaurants
  The six Accor hotels—10% discount from the best-offered accommodation rates
  Five complimentary coupons for accommodations and five complimentary coupons for restaurants (*)

(*) Complimentary coupons for restaurants are only available at the five HMJ hotels

- **Record of coupon redemption (October 2015 through September 2016)**

| Accommodation | | Restaurants | |
|---|---|---|---|
| No. of Coupons Used | No. of People Who Used Coupons | No. of Coupons Used | No. of People Who Used Coupons |
| 2,635 | 3,511 | 3,523 | 9,946 |

- **The Five HMJ Hotels**

Kobe Meriken Park Oriental Hotel

Oriental Hotel tokyo bay

Namba Oriental Hotel

Oriental Hotel Hiroshima

Hotel Nikko Alivila

- **The Six Accor Hotels**

ibis Tokyo Shinjuku

ibis Styles Kyoto Station

ibis Styles Sapporo

Mercure Sapporo

Mercure Okinawa Naha

Mercure Yokosuka

# Appendix 2

## Information on Properties

# 1. Property List (1/2)



(As of end of December 2016)

| No. | Property Name | Hotel Type (*1) | Grade (*2) | No. of Guest Rooms | Location | Age (*3) | Acquisition Price (JPY M) (*4) | Book Value (JPY M) (*5) | Appraisal Value | | | | Investment Ratio (*7) | Revenue from Real Estate Operation (JPY1000) (*8) | NOI (JPY1000) (*8) | P/L from Real Estate Operation (JPY1000) (*8) | NOI Yield (Actual) (*9) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | 16th Period (as of 12.31.2015) | | 17th Period (as of 12.31.2016) | | | | | | |
| | | | | | | | | | Appraisal Value (JPY M) (*6) | CAP Rate | Appraisal Value (JPY M) | CAP Rate | | | | | |
| 1 | Kobe Meriken Park Oriental Hotel | Full-service | Upper-middle | 319 | Hyogo | 21.5 | 10,900 | 10,137 | 13,300 | 5.5% | 14,400 | 5.2% | 3.8% | 1,103,646 | 825,464 | 502,205 | 7.6% |
| 2 | Oriental Hotel tokyo bay | Full-service | Mid-price | 503 | Chiba | 21.7 | 19,900 | 18,460 | 32,600 | 4.6% | 34,100 | 4.5% | 6.9% | 1,879,183 | 1,758,566 | 1,315,833 | 8.8% |
| 3 | Namba Oriental Hotel | Limited-service | Mid-price | 258 | Osaka | 20.8 | 15,000 | 14,765 | 27,000 | 4.4% | 32,000 | 4.3% | 5.2% | 1,574,336 | 1,474,633 | 1,309,019 | 9.8% |
| 4 | Oriental Hotel Hiroshima | Full-service | Upper-middle | 227 | Hiroshima | 23.3 | 4,100 | 4,123 | 4,180 | 7.5% | 4,250 | 7.3% | 1.4% | 469,494 | 423,958 | 340,279 | 10.3% |
| 5 | Hotel Nikko Alivila | Resort | Luxury | 396 | Okinawa | 22.8 | 18,900 | 18,545 | 25,400 | 5.3% | 29,200 | 5.0% | 6.6% | 1,804,507 | 1,654,475 | 1,336,126 | 8.8% |
| 6 | The Beach Tower Okinawa | Resort | Mid-price | 280 | Okinawa | 12.8 | 7,610 | 6,837 | 9,070 | 4.9% | 9,420 | 4.7% | 2.7% | 511,023 | 467,562 | 342,456 | 6.1% |
| 7 | Hakone Setsugetsuka | Resort | Mid-price | 158 | Kanagawa | 10.3 | 4,070 | 3,756 | 4,730 | 5.6% | 5,020 | 5.2% | 1.4% | 294,946 | 270,378 | 187,135 | 6.6% |
| 8 | Dormy Inn Kumamoto | Limited-service | Mid-price | 291 | Kumamoto | 8.9 | 2,334 | 2,199 | 2,950 | 5.8% | 2,950 | 5.8% | 0.8% | 194,460 | 153,486 | 113,627 | 6.6% |
| 9 | the b suidobashi | Limited-service | Mid-price | 99 | Tokyo | 30.4 | 1,120 | 1,231 | 1,750 | 4.5% | 2,040 | 4.3% | 0.4% | 121,929 | 110,542 | 86,732 | 9.9% |
| 10 | Dormy Inn EXPRESS Asakusa | Limited-service | Economy | 77 | Tokyo | 19.8 | 999 | 951 | 1,220 | 4.4% | 1,300 | 4.1% | 0.3% | 63,995 | 55,275 | 42,947 | 5.5% |
| 11 | Hakata Nakasu Washington Hotel Plaza | Limited-service | Mid-price | 247 | Fukuoka | 21.9 | 2,130 | 2,054 | 3,680 | 5.1% | 4,350 | 4.7% | 0.7% | 240,000 | 225,000 | 199,000 | 10.6% |
| 12 | Nara Washington Hotel Plaza | Limited-service | Mid-price | 204 | Nara | 16.8 | 2,050 | 1,876 | 2,330 | 5.5% | 2,430 | 5.2% | 0.7% | 151,000 | 134,000 | 93,000 | 6.5% |
| 13 | R&B Hotel Ueno Hirokoji | Limited-service | Economy | 187 | Tokyo | 14.8 | 1,720 | 1,764 | 1,810 | 4.4% | 1,920 | 4.1% | 0.6% | 98,342 | 83,238 | 70,071 | 4.8% |
| 14 | R&B Hotel Higashi Nihonbashi | Limited-service | Economy | 202 | Tokyo | 18.8 | 1,534 | 1,512 | 1,960 | 4.9% | 2,050 | 4.7% | 0.5% | 122,207 | 105,397 | 86,505 | 6.9% |
| 15 | Comfort Hotel Tokyo Higashi Nihombashi | Limited-service | Economy | 259 | Tokyo | 8.9 | 3,746 | 3,625 | 5,110 | 4.7% | 5,320 | 4.5% | 1.3% | 270,114 | 240,514 | 204,679 | 6.4% |
| 16 | Smile Hotel Nihombashi Mitsukoshimae | Limited-service | Economy | 164 | Tokyo | 19.8 | 2,108 | 2,047 | 2,850 | 4.5% | 3,060 | 4.2% | 0.7% | 152,951 | 137,312 | 118,315 | 6.5% |
| 17 | Toyoko Inn Hakata-guchi Ekimae | Limited-service | Economy | 257 | Fukuoka | 15.3 | 1,652 | 1,477 | 2,490 | 5.1% | 2,680 | 4.7% | 0.6% | 141,039 | 128,052 | 106,661 | 7.8% |
| 18 | Hotel Keihan Universal City | Resort | Mid-price | 330 | Osaka | 15.5 | 6,000 | 5,983 | 13,600 | 5.5% | 14,600 | 5.2% | 2.1% | 914,058 | 835,099 | 750,721 | 13.9% |
| 19 | Chisun Inn Kamata | Limited-service | Economy | 70 | Tokyo | 13.7 | 823 | 800 | 1,270 | 4.7% | 1,410 | 4.5% | 0.3% | 79,090 | 71,501 | 59,848 | 8.7% |
| 20 | Hotel Vista Kamata Tokyo | Limited-service | Economy | 105 | Tokyo | 24.9 | 1,512 | 1,468 | 1,870 | 4.7% | 1,990 | 4.5% | 0.5% | 115,215 | 100,402 | 77,465 | 6.6% |
| 21 | Hotel Sunroute Shinbashi | Limited-service | Mid-price | 220 | Tokyo | 8.8 | 4,800 | 4,854 | 7,420 | 4.2% | 8,730 | 3.9% | 1.7% | 403,274 | 346,792 | 325,667 | 7.2% |
| 22 | Hilton Tokyo Bay | Resort | Luxury | 823 | Chiba | 28.5 | 26,050 | 26,180 | 34,400 | 4.5% | 36,000 | 4.3% | 9.1% | 1,959,866 | 1,660,728 | 1,493,243 | 6.4% |
| 23 | ibis Tokyo Shinjuku | Limited-service | Mid-price | 206 | Tokyo | 36.4 | 7,243 | 7,778 | 8,830 | 4.4% | 9,290 | 4.2% | 2.5% | 722,167 | 532,085 | 456,602 | 7.3% |
| 24 | ibis Styles Kyoto Station | Limited-service | Mid-price | 215 | Kyoto | 7.8 | 6,600 | 6,731 | 8,590 | 4.6% | 10,900 | 4.3% | 2.3% | 587,035 | 502,140 | 468,122 | 7.6% |

# 1. Property List (2/2)



(As of end of December 2016)

| No. | Property Name | Hotel Type (*1) | Grade (*2) | No. of Guest Rooms | Location | Age (*3) | Acquisition Price (JPY M) (*4) | Book Value (JPY M) (*5) | Appraisal Value | | | | Investment Ratio (*7) | Revenue from Real Estate Operation (JPY1000) (*8) | NOI (JPY1000) (*8) | P/L from Real Estate Operation (JPY1000) (*8) | NOI Yield (Actual) (*9) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | 16th Period (as of 12.31.2015) | | 17th Period (as of 12.31.2016) | | | | | | |
| | | | | | | | | | Appraisal Value (JPY M) (*6) | CAP Rate | Appraisal Value (JPY M) | CAP Rate | | | | | |
| 25 | ibis Styles Sapporo | Limited-service | Mid-price | 278 | Hokkaido | 6.4 | 6,797 | 6,754 | 7,940 | 5.3% | 10,200 | 4.8% | 2.4% | 635,792 | 511,369 | 438,794 | 7.5% |
| 26 | Mercure Sapporo | Limited-service | Mid-price | 285 | Hokkaido | 7.7 | 6,000 | 5,964 | 7,840 | 5.1% | 10,300 | 4.8% | 2.1% | 745,017 | 491,733 | 413,750 | 8.2% |
| 27 | Mercure Okinawa Naha | Limited-service | Mid-price | 260 | Okinawa | 7.4 | 3,000 | 2,933 | 5,730 | 5.1% | 7,620 | 4.8% | 1.0% | 475,303 | 384,519 | 334,316 | 12.8% |
| 28 | the b akasaka-mitsuke | Limited-service | Mid-price | 122 | Tokyo | 14.1 | 6,250 | 6,305 | 6,730 | 4.2% | 6,740 | 4.1% | 2.2% | 285,436 | 270,544 | 249,765 | 4.3% |
| 29 | the b ikebukuro | Limited-service | Mid-price | 175 | Tokyo | 34.5 | 6,520 | 6,586 | 7,040 | 4.6% | 7,590 | 4.4% | 2.3% | 369,739 | 350,723 | 321,109 | 5.4% |
| 30 | the b ochanomizu | Limited-service | Mid-price | 72 | Tokyo | 17.4 | 2,320 | 2,349 | 2,540 | 4.4% | 2,590 | 4.2% | 0.8% | 115,112 | 107,620 | 98,106 | 4.6% |
| 31 | the b hachioji | Limited-service | Mid-price | 196 | Tokyo | 30.4 | 2,610 | 2,687 | 2,920 | 5.5% | 3,070 | 5.2% | 0.9% | 221,312 | 199,214 | 174,515 | 7.6% |
| 32 | the b hakata | Limited-service | Mid-price | 175 | Fukuoka | 19.3 | 2,300 | 2,354 | 2,700 | 4.9% | 3,960 | 4.5% | 0.8% | 230,433 | 218,530 | 199,181 | 9.5% |
| 33 | Hotel Francs | Full-service | Mid-price | 222 | Chiba | 25.4 | 3,105 | 3,145 | 3,900 | 4.9% | 4,090 | 4.7% | 1.1% | 300,000 | 250,823 | 202,684 | 8.1% |
| 34 | Mercure Yokosuka | Full-service | Mid-price | 160 | Kanagawa | 23.2 | 1,650 | 1,658 | 1,760 | 4.8% | 2,040 | 4.7% | 0.6% | 271,678 | 174,702 | 144,712 | 10.6% |
| 35 | Okinawa Marriott Resort & Spa | Resort | Upper-middle | 361 | Okinawa | 11.8 | 14,950 | 14,971 | 16,700 | 5.2% | 17,200 | 5.0% | 5.2% | 1,066,669 | 992,311 | 770,978 | 6.6% |
| 36 | ACTIVE-INTER CITY HIROSHIMA | Full-service | Luxury | 238 | Hiroshima | 6.4 | 17,320 | 17,795 | 17,900 | 4.8% | 18,700 | 4.6% | 6.0% | 1,378,205 | 979,232 | 797,604 | 5.7% |
| 37 | CANDEO HOTELS UENO-KOEN | Limited-service | Mid-price | 268 | Tokyo | 7.0 | 6,705 | 6,761 | 6,820 | 4.0% | 7,630 | 4.0% | 2.3% | 309,721 | 305,749 | 269,815 | 5.0% |
| 38 | Hotel Centraza Hakata | Full-service | Mid-price | 194 | Fukuoka | 31.5 | 7,197 | 7,581 | 7,240 | 4.8% | 7,690 | 4.7% | 2.5% | 599,351 | 391,388 | 213,623 | 7.2% |
| 39 | Holiday Inn Osaka Namba (*10) | Limited-service | Mid-price | 314 | Osaka | 8.4 | 27,000 | 27,203 | 28,500 | 4.5% | 28,800 | 4.4% | 9.4% | 539,345 | 537,478 | 491,814 | 4.7% |
| 40 | HOTEL ASCENT FUKUOKA | Limited-service | Economy | 263 | Fukuoka | 17.7 | 4,925 | 5,211 | 5,220 | 4.9% | 5,340 | 4.8% | 1.7% | 158,704 | 121,181 | 106,719 | 6.7% |
| 41 | Hilton Nagoya | Full-service | Luxury | 460 | Nagoya | 27.9 | 15,250 | 15,534 | 15,900 | 4.2% | 15,800 | 4.2% | 5.3% | 430,893 | 245,728 | 203,507 | 4.8% |
| **Total or Average** | | **-** | **-** | **10,140** | **-** | **18.1** | **286,801** | **284,965** | **365,790** | **-** | **398,770** | **-** | **100.0%** | **22,107,470** | **18,829,678** | **15,517,561** | **6.6%** |

(*1) Under the category of Hotel Type, "Full-service" is full-service hotel, "Resort" is resort hotel, and "Limited-service" is limited-service hotel.
(*2) Mainly based on ADR, etc., JHR has classified the hotels into four categories as "luxury," "upper-middle," "mid-price," and "economy."
(*3) Average age: The sum of (acquisition price of each property x property age ) ÷Total acquisition price.
(*4) The acquisition price in the Purchase & Sale Agreement for the Beneficial Interest in Trust or Real Estate Purchase & Sale Agreement is indicated. (Consumption tax, amount equivalent to consumption tax, brokerage fee, and other purchase-related costs are excluded.)
(*5) Book value as of the end of December 2016.
(*6) Value for No. 37-41 are appraisal value at the time of acquisition.
(*7) Percentage of the acquisition price of the each asset to the total acquisition price. Numbers beyond one decimal place is rounded off.
(*8) Actual for one year from January through December 2016. Since the lessees did not agree to disclose numbers in units of JPY1000 for Nos. 11 and 12, amounts are rounded down to the nearest JPY 1M.
(*9) Since No. 37-41 were acquired in FY12/2016, NOI yield is the sum of (NOI of each property ÷ operating days x 365) ÷ acquisition price.
(*10) HOTEL VISTA GRANDE OSAKA was rebranded to Holiday Inn Osaka Namba on November 1, 2016.

# 2. Summary of Lease Contracts (1/2)



(As of the end of December 2016)

| No. | Property Name | Lease Type | Rent Structure (*1) | Lessee | Hotel Operator/Hotel Consulting and Management Company | Lease / MC Term | Remaining Contract Term (*2) | Contractual Rent (*3) | Rent Summary | Rent Modification Summary (Acquisition to End of December 2016) | | Rent Modification Schedule (2017～2018) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | Timing | Condition (*4) | 2017 | 2018 |
| 1 | Kobe Meriken Park Oriental Hotel | Fixed-lease | Fixed+Variable | Hotel Management Japan Co., Ltd. | | 8 | 3 | (Fixed rent) JPY3,221M/year (Variable rent) When the total GOP of the five HMJ hotels exceeds GOP base amount (JPY3,351M), the excess x 85% is paid. | In principle, the same rent will be applied until expiration of the contract. | Jan. 2016 | Structure is modified. | – | – |
| 2 | Oriental Hotel tokyo bay | | | | | | | | | | | | |
| 3 | Namba Oriental Hotel | | | | | | | | | | | | |
| 4 | Oriental Hotel Hiroshima | | | | | | | | | | | | |
| 5 | Hotel Nikko Alivila | | | | Okura Nikko Hotel Management Co., Ltd. | | | | | | | | |
| 6 | The Beach Tower Okinawa | Fixed-lease | Fixed | Kyoritsu Maintenance Co., Ltd. | | 20 | 10 | JPY42M/month | The same rent will be applied until expiration of the contract. | – | – | – | – |
| 7 | Hakone Setsugetsuka | Fixed-lease | Fixed | | | 20 | 10 | JPY24M/month | The same rent will be applied until expiration of the contract. | – | – | – | – |
| 8 | Dormy Inn Kumamoto | Fixed-lease | Fixed | | | 12 | 6 | JPY16M/month | Rent can be modified through mutual agreement every three years. | – | – | To be discussed (April) | – |
| 9 | Dormy Inn EXPRESS Asakusa | Lease | Fixed | | | 20 | 0 | JPY5M/month | Rent can be modified through mutual agreement every three years. | Apr. 2012 | Same | To be expired (March) | – |
| 10 | Hakata Nakasu Washington Hotel Plaza | Lease | Fixed | Washington Hotel K.K. | | 3 | 1 | JPY20M/month | Rent can be modified through mutual agreement. | Apr. 2015 | Contract is renewed. (same) | – | To be expired (March) |
| 11 | Nara Washington Hotel Plaza | Lease | Fixed | | | 20 | 3 | JPY11M/month | Rent can be modified through mutual agreement. | – | – | – | – |
| 12 | R&B Hotel Ueno Hirokoji | Lease | Fixed | | | 20 | 5 | JPY8M/month | Rent can be modified through mutual agreement. | Apr. 2011 | Increased (+3.0%) | – | – |
| 13 | R&B Hotel Higashi Nihonbashi | Lease | Fixed | | | 20 | 1 | JPY10M/month | Rent can be modified through mutual agreement. | Apr. 2013 | Same | – | To be expired (March) |
| 14 | Comfort Hotel Tokyo Higashi Nihombashi | Fixed-lease | Fixed | Greens Co., Ltd. | | 20 | 11 | JPY21M/month | Rent can be modified through mutual agreement every five years. | Jan. 2013 | Same | – | To be discussed (January) |
| 15 | Smile Hotel Nihombashi Mitsukoshimae | Lease | Fixed+Revenue sharing | The Kamogawa Grand Hotel, Ltd. | | 20 | 0 | JPY11M/month + Revenue sharing | Rent can be modified through mutual agreement. | Apr. 2014 | Structure is modified. | To be expired (March) | – |
| 16 | Toyoko Inn Hakata-guchi Ekimae | Lease | Fixed | Toyoko Inn Co., Ltd. | | 30 | 15 | JPY11M/month | No rule has been stipulated. | Oct. 2007 | Increased (+9.4%) | – | – |
| 17 | Hotel Keihan Universal City | Lease | Fixed+Revenue sharing | K.K. Hotel Keihan | | 20 | 4 | Nondisclosure (*6) | Nondisclosure | Jul. 2014 | Structure is modified. | – | – |
| 18 | Chisun Inn Kamata | Fixed-lease | Variable | Solare Hotels & Resorts Co., Ltd. | SHR Hotels, Co., Ltd. | 5 | 0 | Hotel GOP x 85% (If it is below zero, it will be JPY0.-) | - | Jul. 2012 | Structure is modified. | To be expired (June) | – |
| 19 | Hotel Vista Kamata Tokyo | Lease | Fixed+Revenue sharing | Vista Hotel Management Co., Ltd. | | 4 | 2 | JPY7M/month + Revenue sharing | In principle, the same rent will be applied until expiration of the contract. | Jul. 2015 | Contract is renewed (Modify the calculation method of revenue sharing.) | – | To be expired (December) |
| 20 | Hotel Sunroute Shinbashi | Fixed-lease | Fixed+Revenue sharing | Sunroute Co., Ltd. | | 15 | 6 | JPY18M/month + Revenue sharing | No rule has been stipulated. | – | – | – | – |
| 21 | Hilton Tokyo Bay | Fixed-lease | Fixed+Revenue sharing | THE DAI-ICHI BUILDING CO., LTD. | Hilton International Company | 4 | 2 | JPY157M/month + Revenue sharing | Rent can be modified through mutual agreement. | Jul. 2015 | Contract is renewed. | – | To be expired (December) |
| 22 | ibis Tokyo Shinjuku | - | Management contract | – | AAPC Japan K.K. | 12 | 8 | Amount equivalent to hotel GOP | - | Jul. 2012 | Structure is modified. | – | – |
| 23 | ibis Styles Kyoto Station | - | Management contract | | | 5 | 2 | Amount equivalent to hotel GOP | - | – | – | – | To be expired (December) |
| 24 | ibis Styles Sapporo | - | Management contract | | | 5 | 3 | Amount equivalent to hotel GOP | - | Dec. 2014 | Structure is modified. | – | – |
| 25 | Mercure Sapporo | - | Management contract | | | 15 | 13 | Amount equivalent to hotel GOP | - | – | – | – | – |
| 26 | Mercure Okinawa Naha | - | Management contract | | | 10 | 7 | Amount equivalent to hotel GOP | - | – | – | – | – |

# 2. Summary of Lease Contracts (2/2)



(As of the end of December 2016)

| No. | Property Name | Lease Type | Rent Structure (*1) | Lessee | Hotel Operator/Hotel Consulting and Management Company | Lease / MC Term | Remaining Contract Term (*2) | Contractual Rent (*3) | Rent Summary | Rent Modification Summary (Acquisition to End of December 2016) | | Rent Modification Schedule (2017～2018) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | Timing | Condition (*4) | 2017 | 2018 |
| 27 | Mercure Yokosuka | Fixed-lease | Variable | AAPC Japan K.K. | | 5 | 3 | Linked to hotel GOP | The same rent will be applied until expiration of the contract. | – | – | – | – |
| 28 | the b akasaka-mitsuke | Fixed-lease | Fixed+Variable | Ishin Akasaka Operations, K.K. | | 7 | 5 | JPY102M/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | – | – | – | – |
| 29 | the b ikebukuro | Fixed-lease | Fixed+Variable | Ishin Ikebukuro Operations K.K. | | 7 | 5 | JPY163M/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | – | – | – | – |
| 30 | the b ochanomizu | Fixed-lease | Fixed+Variable | Ishin Ochanomizu Operations K.K. | | 7 | 5 | JPY69M/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | – | – | – | – |
| 31 | the b hachioji | Fixed-lease | Fixed+Variable | Ishin Hachioji Operations, Y.K. | | 7 | 5 | JPY98M/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | – | – | – | – |
| 32 | the b hakata | Fixed-lease | Fixed+Variable | Ishin Hakata Operations K.K. | | 7 | 5 | JPY82M/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | – | – | – | – |
| 33 | the b suidobashi | Fixed-lease | Fixed+Variable | Ishin Suidobashi Operations K.K. | | 5 | 3 | JPY85M/year + Linked to hotel GOP | The same rent will be applied until expiration of the contract. | Jul. 2015 | Rebranded | – | – |
| 34 | Hotel Francs | Fixed-lease | Fixed | K.K. Bridal Produce | | 19 | 8 | JPY25M/month | The same rent will be applied until expiration of the contract. | – | – | – | – |
| 35 | Okinawa Marriott Resort & Spa | Fixed-lease | Fixed+Variable | Lagoon resort Nago Co., Ltd. | | 5 | 4 | (Fixed rent) JPY550M/year (Variable rent) When the total GOP exceeds GOP base amount (JPY700M), the excess x 90% is paid. | In principle, the same rent will be applied until expiration of the contract. | – | – | – | – |
| 36 | ACTIVE-INTER CITY HIROSHIMA | Fixed-lease | Fixed+Variable | K.K. A.I.C Hiroshima Management | STARWOOD ASIA PACIFIC HOTELS & RESORTS PTE. LTD. | 11 | 10 | (Fixed rent) JPY348M/year (Variable rent) When the total GOP exceeds GOP base amount (JPY468M), the excess x 82.5% is paid. | In principle, the same rent will be applied until expiration of the contract. | – | – | – | – |
| 37 | CANDEO HOTELS UENO-KOEN | Fixed-lease | Fixed | Candeo Hospitality Management, Inc. | | 20 | 13 | Nondisclosure (*6) | Rent can be modified through mutual agreement every three years. | 2016 | Renewed (*6) | – | – |
| 38 | Hotel Centraza Hakata | Fixed-lease | Fixed+Variable | Hotel Centraza Co., Ltd. | | 4 | 2 | (Fixed rent) JPY400M/year (Variable rent) When the total GOP exceeds GOP base amount (JPY425M), the excess x 90% is paid. | In principle, the same rent will be applied until expiration of the contract. | – | – | – | – |
| 39 | Holiday Inn Osaka Namba (*5) | Fixed-lease | Fixed+Variable | OW Hotel Operations KK | | 15 | 14 | (Fixed rent) JPY576M/year (Variable rent) When the total GOP exceeds GOP base amount (JPY650M), the excess X 92.5% is paid. | In principle, the same rent will be applied until expiration of the contract. | – | – | – | – |
| 40 | HOTEL ASCENT FUKUOKA | Lease | Fixed | NIKOH SANGYO co.,Ltd. | | 20 | 2 | Nondisclosure (*6) | Rent can be modified through mutual agreement every three years. | – | – | – | – |
| 41 | Hilton Nagoya | Lease | Variable | Nagoya Hilton Co., Ltd. | Hilton International Company | 41 | 13 | Nondisclosure (*6) | Rent can be modified through mutual agreement. | – | – | – | – |

(*1) Rent structure is as follows:
Fixed: Fixed rent
Variable: Variable rent
Management contract: Management contract
Fixed + Variable: Property paying both fixed and variable rent
Fixed + Revenue sharing: When the sales of the hotel (lessee) exceed pre-determined amount, additional rent is paid.

(*2) Remaining contract term as of the end of December 2016

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

(*4) Details of "Modified Structure" is as follows.
No. 1 to No. 5: Variable rent was modified from 81.5% to 85%.
No. 15, 17: Revenue sharing structure has been applied in addition to fixed rent.
No. 18: Fixed rent has been replaced with the variable rent due to the replacement of the lessee.
No. 22, 24: JHR has commenced direct management contract structures.

(*5) HOTEL VISTA GRANDE OSAKA was rebranded to Holiday Inn Osaka Namba on November 1, 2016.

(*6) Information is undisclosed since the lessees did not agree to disclose the rent.

# 3. Major CAPEX III by Hotel

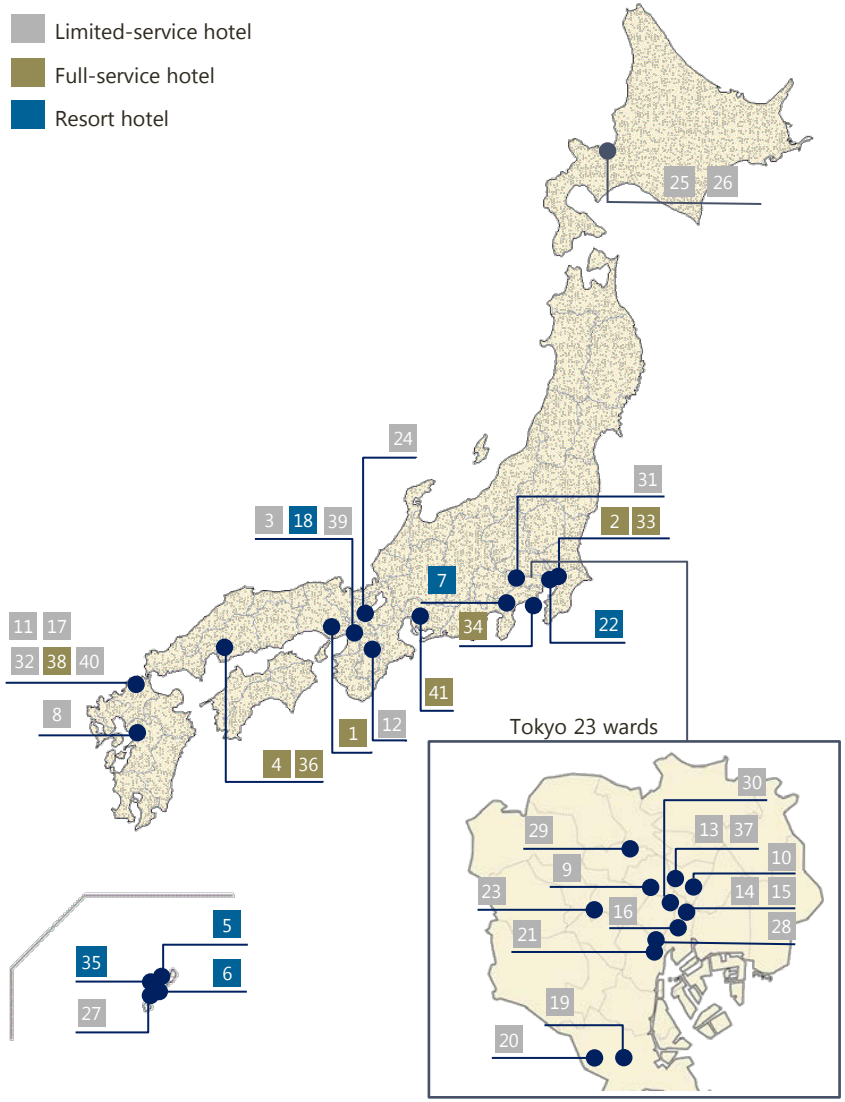
Unit: JPY M * (Numbers in parentheses are CAPEX amounts)

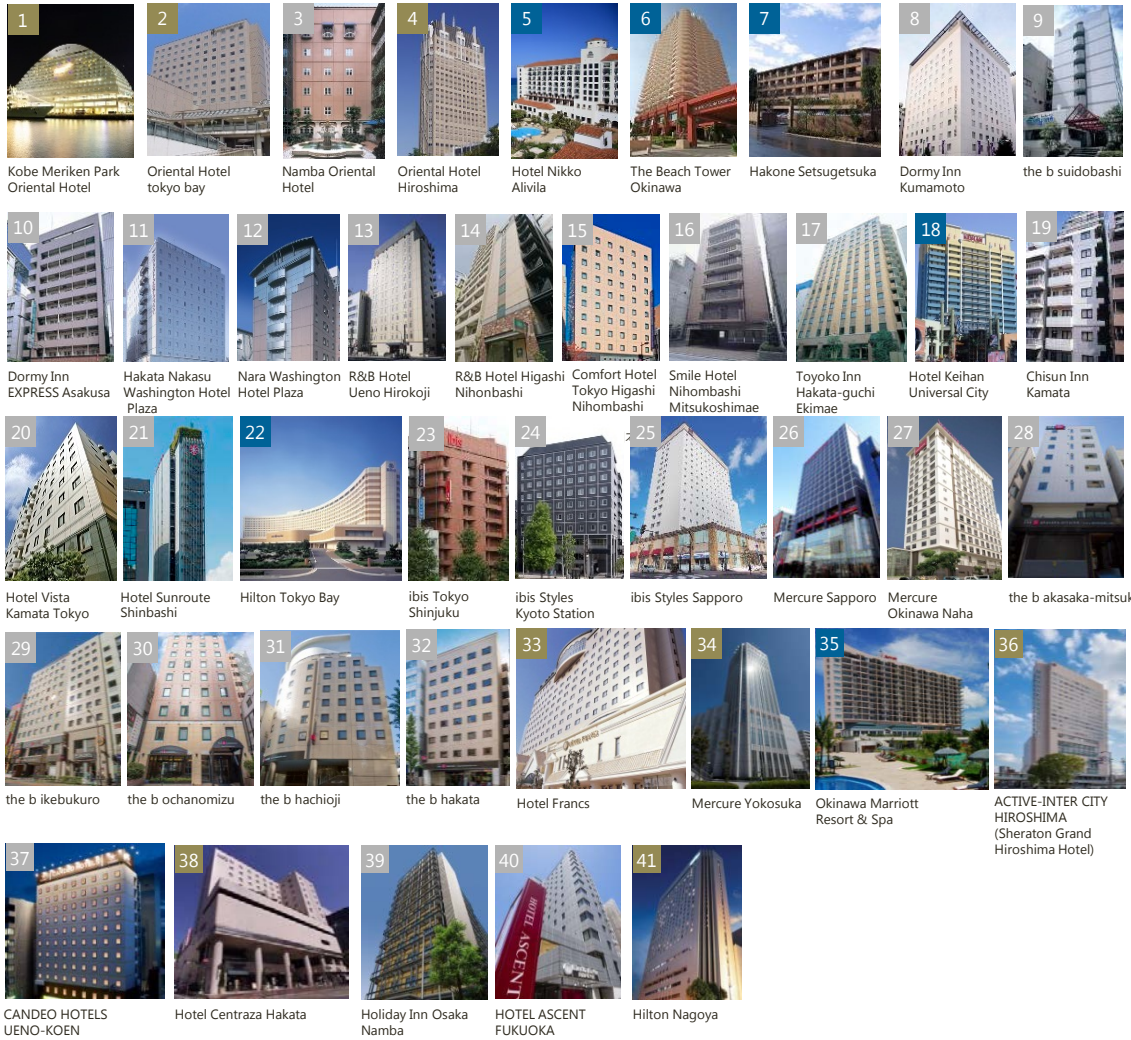
| | FY2006 Actual | FY2007 Actual | FY2008 Actual | FY2009 Actual | FY2010 Actual | FY2011 Actual | FY2012 Actual | FY2012（New） Actual | CY2013 Actual | CY2014 Actual | CY2015 Actual | CY2016 Actual | CY2017 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Former JHR | 1st period (IPO-8/2006) | 2nd period (9/2006-8/2007) | 3rd period (9/2007-8/2008) | 4th period (9/2008-8/2009) | 5th period (9/2009-8/2010) | 6th period (9/2010-8/2011) | 7th period (9/2011-3/2012) | 13th period 4/2012-12/2012 | 14th period 1/2013-12/2013 | 15th period 1/2014-12/2014 | 16th period 1/2015-12/2015 | 17th period 1/2016-12/2016 | 18th period 1/2017-12/2017 |
| Former NHF | - | 2nd to 3rd period (IPO-9/2007) | 4th to 5th period (10/2007-9/2008) | 6th to 7th period (10/2008-9/2009) | 8th to 9th period (10/2009-9/2010) | 10th to 11th period (10/2010-9/2011) | 12th period (10/2011-3/2012) | | | | | | |
| Kobe Meriken Park Oriental Hotel | • Guest rooms on 12th and 13th floors (189)<br>• Restaurant (51) | • Guest rooms on 10th and 11th floors (222)<br>• Pier (98) | • Bride's room (68)<br>• Banquet room (46) | - | - | - | - | - | - | - | • Chapel (30) | • Guest rooms on 7th floor (50)<br>• Balconies on each floor (62)<br>• Bar (85) | • Bridal salon (95) |
| Oriental Hotel tokyo bay | • Guest rooms on 9th and 10th floors (145)<br>• Banquet room (59) | • Guest rooms on 7th and 8th floors (171)<br>• Restaurant (58) | • Guest rooms on 5th and 6th floors (210)<br>• Lobby (60) | - | • Chapel (77)<br>• Guest rooms, etc. on 12th floor (135) | - | • Restaurant (79) | - | • Restaurant (45) | - | - | • Guest rooms on 4th floor (101) | - |
| Namba Oriental Hotel | • Guest rooms on 7th and 8th floors (93) | • Restaurant (40) | - | - | • Guest rooms on 4th floor and corridors on 4th, 5th, and 6th floors (20) | - | - | - | • Corner rooms on 5th to 8th floors (10) | - | - | • Guest rooms on 9th floor (91) | • Guest rooms on 7F (77) |
| Hotel Nikko Alivila | • Suite (32)<br>• Restaurant (155) | - | • Guest rooms on 3rd to 8th floors (479) | • Guest rooms on 1st to 6th floors of South and West wings (361) | - | - | - | - | - | • Guest rooms on 3rd to 8th floors of North building and 3rd to 5th floors of central building (333) | - | • Guest rooms on 9th floor (55)<br>• Restaurant (30) | - |
| Oriental Hotel Hiroshima | - | (Acquired in Oct. 2007) | • Guest rooms on 7th to 18th floors (347)<br>• Tenant floor (23) | • Banquet rooms on 3rd and 4th floors (138) | - | • Renovation of banquet room on 3rd floor. Renovation of corner double room to twin room (21) | - | - | - | • Banquet rooms on 23rd floor (10) | - | • Guest rooms on 7th to 10th floors (43)<br>• Banquet room on 4th floor (38) | - |
| ibis Tokyo Shinjuku | - | - | - | - | - | - | - | • Lobby and restaurant on 2nd floor, and guest rooms on 3rd, 5th, 6th, and 9th floors (170) | - | - | - | • Guest rooms on 3rd to 10th floor (192) | • Guest rooms on 3rd to 10th floor (249) |
| Okinawa Marriott Resort & Spa | - | - | - | - | - | - | - | - | - | - | - | - | - |

# 4. Portfolio Map

| Total Assets | JPY286.8Billion | No. of Hotels | 41 Hotels | No. of Guest Rooms | 10,140 Rooms |
|---|---|---|---|---|---|

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



# Appendix 3

## Investors Composition and Investment Unit Price

# 1. Major Unitholders and Unitholders of Investment Units

## Top Ten Major Unitholders

### As of the End of June 2016

| Ranking | Name | No. of Units | Percentage(*) |
|---|---|---|---|
| 1 | Japan Trustee Service Bank, Ltd. (Trust) | 515,357 | 15.51 |
| 2 | The Master Trust Bank of Japan, Ltd. (Trust) | 391,418 | 11.78 |
| 3 | Trust and Custody Services Bank, Ltd. (Securities Investment Trust) | 318,754 | 9.59 |
| 4 | Nomura Bank (Luxembourg) S.A. | 179,316 | 5.39 |
| 5 | The Nomura Trust and Banking Co., Ltd. (Investment Trust) | 137,273 | 4.13 |
| 6 | State Street Bank & Trust Company 505001 | 60,121 | 1.80 |
| 7 | Shikoku Railway Company | 58,311 | 1.75 |
| 8 | NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT | 53,789 | 1.61 |
| 9 | Goldman Sachs International | 47,020 | 1.41 |
| 10 | Nomura PB Nominees TK1 Limited | 38,269 | 1.15 |
| **Total** | | **1,799,628** | **54.17** |

### As of the End of December 2016

| Ranking | Name | No. of Units | Percentage(*) |
|---|---|---|---|
| 1 | Japan Trustee Service Bank, Ltd. (Trust) | 626,276 | 16.64 |
| 2 | The Master Trust Bank of Japan, Ltd. (Trust) | 398,094 | 10.58 |
| 3 | Trust and Custody Services Bank, Ltd. (Securities Investment Trust) | 328,425 | 8.73 |
| 4 | Nomura Bank (Luxembourg) S.A. | 165,981 | 4.41 |
| 5 | The Nomura Trust and Banking Co., Ltd. (Investment Trust) | 145,006 | 3.85 |
| 6 | The Bank of New York, Non-Treaty JASDEC Account | 65,440 | 1.73 |
| 7 | Shikoku Railway Company | 58,311 | 1.55 |
| 8 | State Street Bank & Trust Company 505012 | 57,881 | 1.53 |
| 9 | NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT | 54,701 | 1.45 |
| 10 | State Street Bank & Trust Company | 54,685 | 1.45 |
| **Total** | | **1,954,800** | **51.96** |

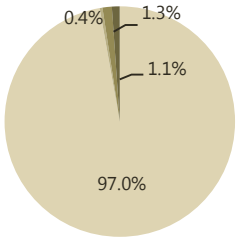
(*) The total units held by each investor to the total units issued by JHR as of the end of June 2016 and the end of December 2016. (Rounded off to two decimal places.)

## Owners of the Investment Units

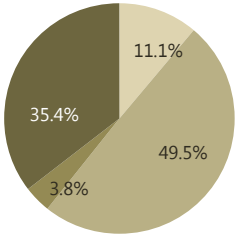
### As of the End of June 2016

| Owners | No. of Investors | No. of Units |
|---|---|---|
| Individuals and Others | 26,642 | 371,109 |
| Financial Institutions (including Securities Firms) | 126 | 1,646,530 |
| Other Domestic Firms | 368 | 126,662 |
| Foreign Firms and Individuals | 306 | 1,177,606 |
| **Total** | 27,442 | 3,321,907 |

No. of Investors



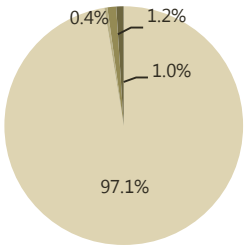

No. of Units



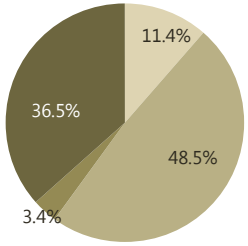

### As of the End of December 2016

| Owners | No. of Investors | No. of Units |
|---|---|---|
| Individuals and Others | 30,491 | 429,225 |
| Financial Institutions (including Securities Firms) | 149 | 1,824,980 |
| Other Domestic Firms | 406 | 131,234 |
| Foreign Firms and Individuals | 325 | 1,376,468 |
| **Total** | **31,371** | **3,761,907** |

No. of Investors




No. of Units




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

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

# 2. Changes in Investment Unit Price and Market Capitalization

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

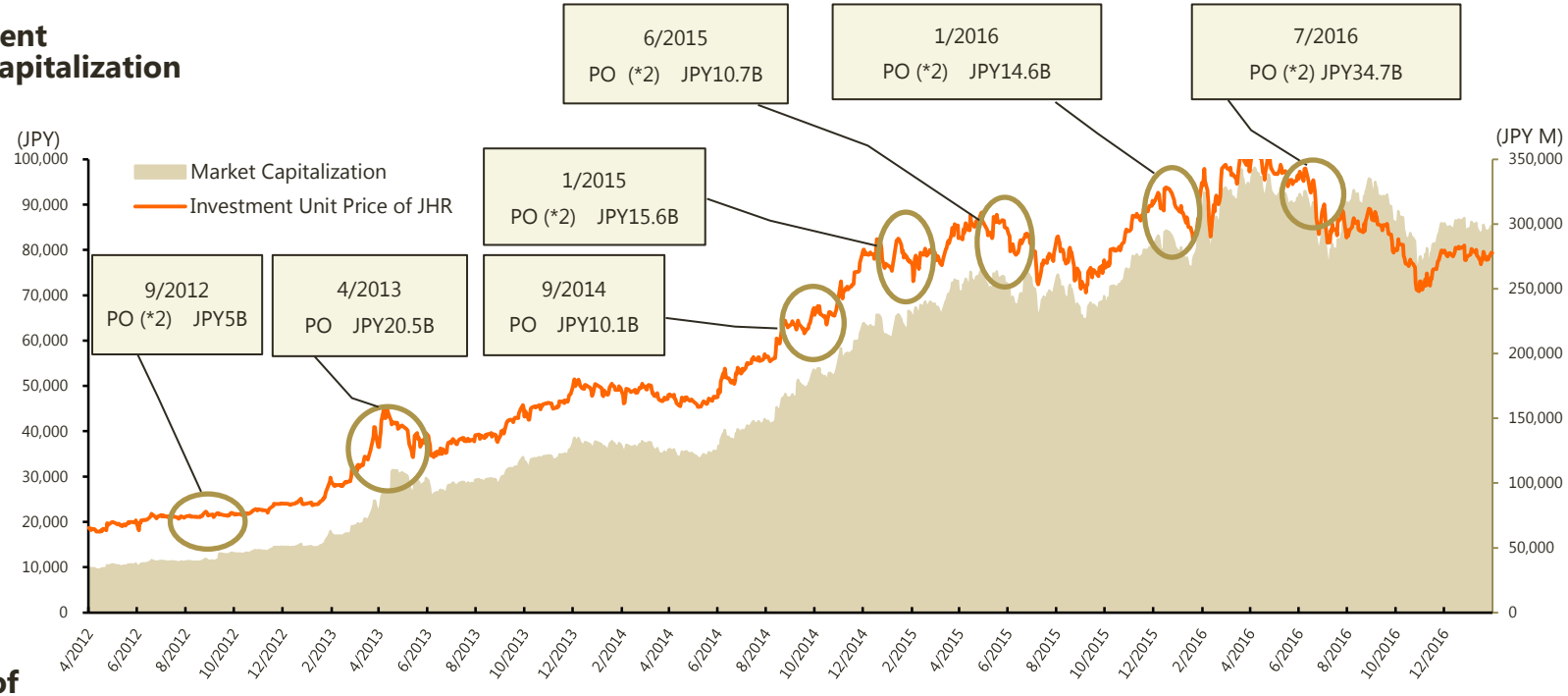
**Price of the investment unit: JPY79,300.-**

**Total market capitalization: JPY298.3B**

(Based on the closing price of January 31, 2017)

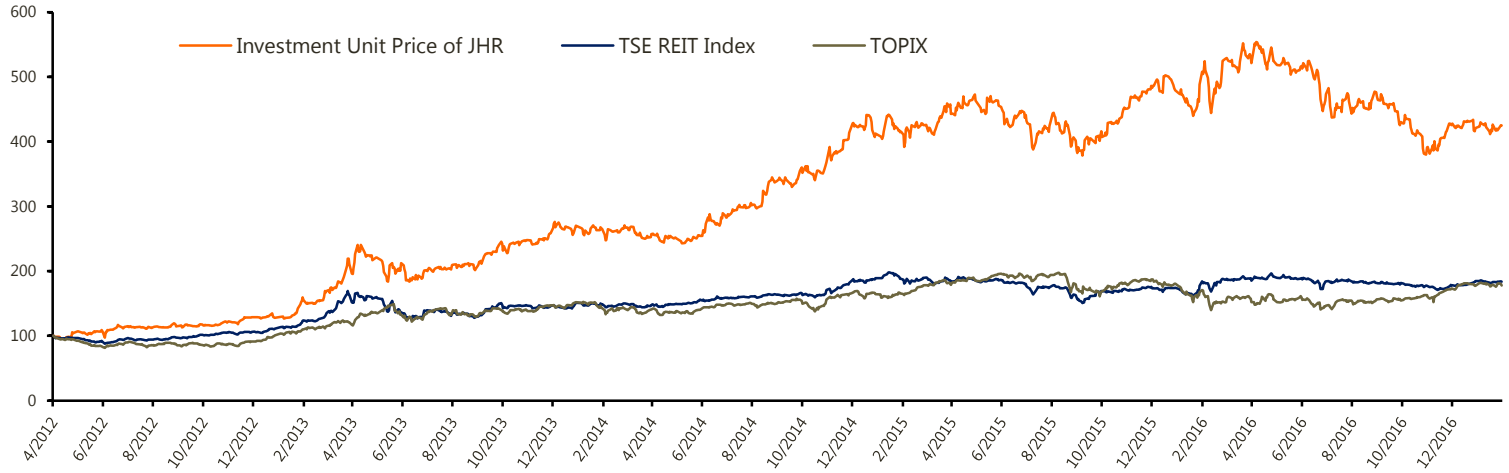
(*1) Price of the real estate investment securities may fall depending on the fluctuations of price of the real estate under management or profitability, etc., and investors may suffer losses. Investors may also suffer losses through the bankruptcy or deteriorated financial condition of the issuer. With reference to the risk of investment in JHR units, see Securities Registration Statement of JHR dated July 7, 2016.

(*2) Includes OA.




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

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



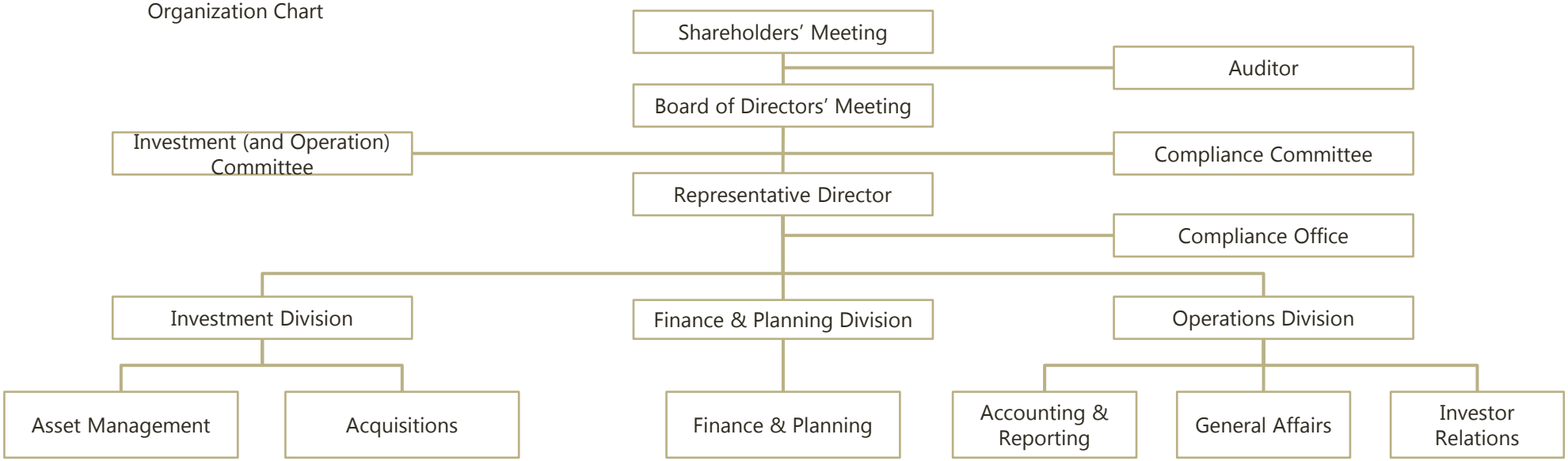
# Appendix 4

## Summary of the Asset Management Company

# 1. Summary of the Asset Management Company

| | |
|---|---|
| Company | Japan Hotel REIT Advisors Co., Ltd. |
| Location | Ebisu Neonato 4F, 4-1-18 Ebisu, Shibuya-ku, Tokyo 150-0013 |
| Establishment | August 10, 2004 |
| Capital | JPY300M as of December 31, 2016 |
| Shareholders | Rockrise Sdn Bhd, Kyoritsu Maintenance Co., Ltd., ORIX Corporation |
| Representative Director | Hisashi Furukawa |
| Registration and Licenses | Building Lots and Buildings Transaction Business Operator, Governor of Tokyo (3) No. 83613<br>Discretionary Transaction Agent by Minister of Land, Infrastructure, Transport and Tourism No. 38<br>Financial Instruments Trading Company, Director-General of Kanto Local Finance Bureau No. 334<br>Member of The Investment Trusts Association, Japan |

Organization Chart



# 2. Features of the Asset Management Company

- Japan Hotel REIT Advisors Co., Ltd. is an asset manager of Japan Hotel REIT Investment Corporation, a real estate investment trust in Japan (J-REIT), specializing in hotel assets.
- JHRA holds up a mission statement which is to continue its challenge and creation, and provide investors with attractive hotel investment opportunities. It manages JHR's assets with high degree of professionalism and determined independence.

## Advanced Expertise

- Know-how and track record of planning and executing unprecedented measures of asset management based on in-depth understanding of hotel operation.
- Extensive experience and track record of renovation and rebranding through collaboration with many hotel lessees and hotel operators.
- Strong and long-term relationships with a large number of hotel lessees and hotel operators.
- Highly analytical skills and accurate judgement based on rich information and data obtained through a broad network.

## Ensured Independence

- JHRA secures high independence from its main sponsor and clarifies its strong commitment to profit and growth of JHR.
  - No full-time director and employee of the asset management company is a seconded employee of the main sponsor, SC CAPITAL PARTNERS, except for part-time directors.
  - Non-sponsor-related directors account for half of JHRA's board of directors.
  - With regard to transactions with sponsor-related parties and JHR, JHRA has set strict decision-making rules. In principle, in addition to obtaining approval by Compliance Committee which includes an outside specialist, who is authorized to dismiss proposals, JHRA is required to obtain approval from JHR's board of directors' meetings (directors consist of third-party members who do not have any relationship with the sponsor-related parties).

# Disclaimer



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

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

Regarding the offering and trading of investment units, investment unit subscription rights or investment corporation bonds, financial institutions may charge you pre-determined handling fees and other charges aside from the price of the investment units, investment unit subscription rights or investment corporation bonds. Since neither JHR nor JHRA handles the offering and trading of investment units, investment unit subscription rights or investment corporation bonds, please ask financial institutions for the amount, upper limit, and calculation methods of such fees and other charges.

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

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