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June 19, 2017

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 2017 (18th 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 2017 (January 1, 2017 through December 31, 2017), which was announced in the “Financial Report for the Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)” dated February 23, 2017, as follows.

1. Revision of the operating forecast for the full year of the fiscal year ending December 2017 (January 1, 2017 through December 31, 2017)

	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 24,530	JPY1M 14,719	JPY1M 12,987	JPY1M 12,986	JPY 3,540	JPY 0
Revised forecast (B)	JPY1M 25,514	JPY1M 15,405	JPY1M 13,493	JPY1M 13,492	JPY 3,540	JPY 0
Variance (C)= (B) – (A)	JPY1M 984	JPY1M 686	JPY1M 505	JPY1M 505	JPY 0	JPY 0
Variance ratio (D)= (C)/(A)	% 4.0	% 4.7	% 3.9	% 3.9	% 0.0	% 0.0

(Reference) Forecast of net income per unit for the full fiscal year: ¥3,474

(Calculated based on the forecast of the average number of investment units during the period (3,883,679 units))

- (*1) The number of investment units issued as of today is 3,761,907 units. In addition, it is assumed that JHR will additionally issue 248,940 new investment units in total through (i) a public offering (236,000 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 (ii) by way of third-party allotment (up to 12,940 units) based on the resolution at the Board of Directors meeting held today. For details, please refer to “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” dated today.
- (*2) Reserve for temporary difference adjustment from negative goodwill in the amount of ¥706 million is planned to be reversed and 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 full year of the fiscal year ending December 2017 (18th period)” below.
- (*4) The acquisition of the three properties (Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara) (hereinafter called the “Assets for Anticipated Acquisition”) is assumed as announced in the press release “Notice Concerning Acquisition and Lease of New Assets (Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara)” dated today. For the annualized effect (hypothetical result) that reflects the full-year impact of the acquisition of the Assets for Anticipated Acquisition, please refer to “3. Highlights of the operating forecast and forecast of dividend” below.

Note: This document is intended to serve as a press release to make available the information on revision of the operating forecast for the full year of the fiscal year ending December 2017 (18th 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.

(*5) Amounts are rounded down to the nearest millions of yen and percentages are rounded to the nearest first decimal place.

2. Rationale for the revisions of the operating forecast

In connection with the issuance of new investment units as announced in the press release “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” dated today and the resolution to acquire the Assets for Anticipated Acquisition, JHR revised the operating forecast for the full year of the fiscal year ending December 2017. 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 2017 due to allocation of reserve for temporary difference adjustment from negative goodwill.

There is no change in the forecast for the real estates and real estate beneficial interests in trust (hereinafter called the “Existing Properties”) JHR owns as of today.

The annualized effect on dividend per unit, assuming that the acquisition of the Assets for Anticipated Acquisition, etc. is contributed on a full year basis, is expected to increase by 1.1%, compared to its previous forecast of annualized effect, and to be ¥3,580. For details of the comparison with previous forecast of annualized effect, please refer to “3. Highlights of the operating forecast and forecast of dividend (1) Comparison between the previous operating forecast and the operating forecast this time after the annualized effect for the full year of the fiscal year ending December 31, 2017 (18th Period) and the major factors causing the variance on annualized effect”.

There is no change in the operating forecast for the midterm of the fiscal year ending December 31, 2017.

3. Highlights of the operating forecast and forecast of dividend

- (1) Comparison between the previous operating forecast and the operating forecast this time after the annualized effect for the full year of the fiscal year ending December 31, 2017 (18th Period) and the major factors causing the variance on annualized effect

(Unit: millions of yen)

		18th Period	18th Period		Comparison with Previous Forecast (B) - (A) Variance Ratio		Major Factors Causing the Variance		
		Previous Forecast (A) (*1)	Forecast This Time				Property Acquisition in 18th Period (*3)	Existing Properties	Causes of Variance (Existing Properties)
				Annualized (B) (*2)					
Properties	No. of Properties	41	44	44	3	7.3%			
	(Anticipated) Acquisition Price	286,801	319,474	319,474	32,673	11.4%			
Profit and Loss	Operating Revenue	24,530	25,514	26,583	2,053	8.4 %	2,053	-	
	Real Estate Operating Revenue	24,530	25,514	26,583	2,053	8.4 %	2,053	-	
	Fixed Rent	Composition 55.9 % 13,718	Composition 55.9 % 14,255	Composition 56.1 % 14,918	1,200	8.7 %	1,200	-	
	Variable Rent	44.1 % 10,811	44.1 % 11,259	43.9 % 11,664	853	7.9 %	853	-	
	Gain on Sale of Real Estate Properties, etc.	-	-	-	-	-	-	-	
	NOI (*4)	20,312	21,288	22,128	1,815	8.9 %	1,874	(58)	Adjusted amount by annualizing property taxes, etc. for properties which were acquired during the fiscal year ended December 2016.
	NOI Yield	7.1%	6.7%	6.9%	(0.2)%				
	NOI after Depreciation (*4)	16,600	17,366	17,971	1,371	8.3 %	1,429	(58)	
	NOI Yield after Depreciation	5.8%	5.4%	5.6%	(0.2)%				
	Operating Income	14,719	15,405	15,949	1,229	8.4 %			
	Ordinary Income	12,987	13,493	14,028	1,040	8.0 %			
Net Income	12,986	13,492	14,027	1,040	8.0 %				
Dividend	Use of Negative Goodwill	332	706	332	-	-	Use of negative goodwill in the 18th Period includes 50-year amortization amount of negative goodwill. (*5)		
	Total Dividends	13,317	14,198	14,358	1,041	7.8 %			
	No. of Units Issued	3,761,907	4,010,847	4,010,847	248,940	6.6 %			
	Dividend per Unit (JPY)	3,540	3,540	3,580	40	1.1 %			

- (*1) The operating forecast for the fiscal year ending December 2017 (18th period) announced in “Financial Report for the Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)” dated February 23, 2017.
- (*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 such assumption that the acquisition of the Assets for Anticipated Acquisition, etc. contributed on a full year basis, and does not represent any forecast for the operating status and dividend of JHR for a specific calculation period.
- (*3) Stating the estimated impact on the statements of income from the acquisition of the Assets for Anticipated Acquisition. The same shall apply below.
- (*4) Each is calculated using the following formula. The same shall apply below.
 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 ÷ (Anticipated) acquisition price
 NOI after depreciation = Real estate operating revenue – Real estate operating costs
 NOI yield after depreciation = NOI after depreciation ÷ (Anticipated) acquisition price
- (*5) For details of 50-year amortization amount of negative goodwill, please refer to “<Reference Information> Assumptions of the operating forecast for the full year of the fiscal year ending December 2017 (18th period)” below.

Note: This document is intended to serve as a press release to make available the information on revision of the operating forecast for the full year of the fiscal year ending December 2017 (18th 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.

(2) Comparison between the operating status for the fiscal year ended December 31, 2016 (17th Period) (actual results for the previous period) and the forecast this time, and the major factors causing the variance

(Unit: millions of yen)

(Unit: millions of yen)

		17th Period	18th Period	Comparison with Previous Period		Major Factors Causing the Variance			
		Actual	Forecast This Time			Property Acquisition in 18th Period	Property Acquisition in 17th Period (*1)	Existing Properties	Causes of Variance (Existing Properties)
		(A)	(B)	(B) - (A)	Variance Ratio				
Properties	No. of Properties	41	44	3	7.3 %				
	(Anticipated) Acquisition Price	286,801	319,474	32,673	11.4 %				
Profit and Loss	Operating Revenue	22,107	25,514	3,407	15.4 %	984	2,376	46	
	Real Estate Operating Revenue	22,107	25,514	3,407	15.4 %	984	2,376	46	
	Fixed Rent	Composition 57.5 % 12,714	Composition 55.9 % 14,255	1,540	12.1 %	536	1,120	(116)	Decrease in termination charge due to replacement of tenants (17th Period): JPY(126M)
	Variable Rent	42.5 % 9,392	44.1 % 11,259	1,866	19.9 %	448	1,255	163	(1) The seven HMJ hotels (*2) -- increase in variable rent: JPY154M (2) The six Accor hotels (*3) -- increase in income from management contracts, etc.: JPY110M (3) The six the b hotels (*4) -- increase in variable rent: JPY8M (4) Decrease in rent from revenue sharing, etc.: JPY(109M)
	Gain on Sale of Real Estate Properties, etc.	-	-	-	-	-	-	-	
	NOI	18,829	21,288	2,458	13.1 %	975	1,618	(135)	
	NOI Yield	6.6 % (*5) (7.1 %)	6.7 % (*6) (6.9 %)	0.1%					
	NOI after Depreciation	15,517	17,366	1,848	11.9 %	765	1,347	(265)	
	NOI Yield after Depreciation	5.4 % (*5) (5.9 %)	5.4 % (*6) (5.6 %)	0.0%					
	Operating Income	13,885	15,405	1,520	10.9 %				
	Ordinary Income	12,220	13,493	1,272	10.4 %				
	Extraordinary Losses or Income, etc.	(97)	(1)	95	-				
	Net Income	12,123	13,492	1,368	11.3 %				
Dividend	Use of Negative Goodwill	740	706	(33)	(4.5)%	Use of negative goodwill in the 18th Period includes 50-year amortization amount of negative goodwill.			
	Total Dividends	12,865	14,198	1,332	10.4 %				
	No. of Units Issued	3,761,907	4,010,847	248,940	6.6 %				
	Dividend per Unit (JPY)	3,420	3,540	120	3.5 %				

- (*1) Stating the impact on the statements of income by acquisition of CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata, Holiday Inn Osaka Namba, HOTEL ASCENT FUKUOKA and Hilton Nagoya acquired during the fiscal year ended December 2016 (17th Period).
- (*2) The seven HMJ hotels are Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, Oriental Hotel Hiroshima (hereinafter called “the five HMJ hotels”), plus Okinawa Marriott Resort & Spa and Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA. HMJ is the abbreviation for Hotel Management Japan Co., Ltd. The same shall apply below.
- (*3) The six Accor hotels are ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha and Mercure Yokosuka. The same shall apply below.
- (*4) 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. The same shall apply below.
- (*5) The sum of (NOI of each property ÷ operating days × 365) ÷ acquisition price is indicated as an annualized NOI yield in parenthesis. The sum of (NOI after depreciation of each property ÷ operating days × 365) ÷ acquisition price is indicated as an annualized NOI yield after depreciation in parenthesis. Please note that depreciation is calculated as the total amount of (depreciation of each property ÷ operating months × 12).
- (*6) Annualized effect of NOI yield and NOI yield after depreciation are stated in parentheses. For the assumptions of the forecast of annualized effect this time, please refer to “<Reference Materials 2> Assumptions of the forecast of annualized effect” below.

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/>

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<Reference Information>

Assumptions of the operating forecast for the full year of the fiscal year ending December 2017 (18th period)

Item	Assumptions																																																																														
Calculation Period	Full year (18th Period): January 1, 2017 through December 31, 2017 (365 days)																																																																														
Assets under Management	- The 41 properties owned by JHR as of today, plus the following three Assets for Anticipated Acquisition, to total 44 properties are assumed. <Assets for Anticipated Acquisition><table><tr><th>Scheduled acquisition date</th><th>Name of asset</th></tr><tr><td>July 12, 2017</td><td>Hilton Tokyo Narita Airport</td></tr><tr><td>July 12, 2017</td><td>International Garden Hotel Narita</td></tr><tr><td>August 1, 2017</td><td>Hotel Nikko Nara</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 2017 (18th 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	July 12, 2017	Hilton Tokyo Narita Airport	July 12, 2017	International Garden Hotel Narita	August 1, 2017	Hotel Nikko Nara																																																																						
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Number of Investment Units Issued	- In addition to the number of investment units issued as of today (3,761,907 units), it is assumed that JHR will issue new investment units in full (248,940 units in total) (i) through a public offering (236,000 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 (ii) by way of third-party allotment (up to 12,940 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 (4,010,847 units) as of the end of December 2017, including the maximum number of the new investment units (248,940 units). - 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 2017 (18th 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 Nine HMJ Hotels (*1) The assumptions of the fixed rent and variable rent for the nine HMJ hotels are as follows. Total rent = Fixed rent + Variable rent Variable rent = (Total GOP of the hotels (*2) – GOP base amount) × Variable rent ratio (%) The fiscal year ending December 2017 (18th period) (Unit: millions of yen) <table><tr><th></th><th></th><th>Total GOP of the hotel(s)</th><th>GOP base amount</th><th>Variable rent ratio</th><th>Variable rent</th><th>Fixed rent</th><th>Total rent</th></tr><tr><td rowspan="2">The Five HMJ Hotels</td><td>Midterm</td><td>2,935</td><td>1,675</td><td rowspan="2">85.0%</td><td>1,071</td><td>1,610</td><td>2,681</td></tr><tr><td>Full year</td><td>7,760</td><td>3,351</td><td>3,748</td><td>3,221</td><td>6,969</td></tr><tr><td rowspan="2">Okinawa Marriott Resort & Spa</td><td>Midterm</td><td>348</td><td>350</td><td rowspan="2">90.0%</td><td>-</td><td>274</td><td>274</td></tr><tr><td>Full year</td><td>1,305</td><td>700</td><td>545</td><td>550</td><td>1,095</td></tr><tr><td rowspan="2">Sheraton Grand Hiroshima Hotel (*3)</td><td>Midterm</td><td>364</td><td>234</td><td rowspan="2">82.5%</td><td>107</td><td>174</td><td>281</td></tr><tr><td>Full year</td><td>823</td><td>468</td><td>293</td><td>348</td><td>641</td></tr><tr><td rowspan="2">Hotel Centraza Hakata</td><td>Midterm</td><td>409</td><td>212</td><td rowspan="2">90.0%</td><td>177</td><td>199</td><td>377</td></tr><tr><td>Full year</td><td>823</td><td>425</td><td>358</td><td>400</td><td>758</td></tr><tr><td rowspan="2">Holiday Inn Osaka Namba</td><td>Midterm</td><td>727</td><td>325</td><td rowspan="2">92.5%</td><td>372</td><td>288</td><td>660</td></tr><tr><td>Full year</td><td>1,523</td><td>650</td><td>808</td><td>576</td><td>1,384</td></tr></table>			Total GOP of the hotel(s)	GOP base amount	Variable rent ratio	Variable rent	Fixed rent	Total rent	The Five HMJ Hotels	Midterm	2,935	1,675	85.0%	1,071	1,610	2,681	Full year	7,760	3,351	3,748	3,221	6,969	Okinawa Marriott Resort & Spa	Midterm	348	350	90.0%	-	274	274	Full year	1,305	700	545	550	1,095	Sheraton Grand Hiroshima Hotel (*3)	Midterm	364	234	82.5%	107	174	281	Full year	823	468	293	348	641	Hotel Centraza Hakata	Midterm	409	212	90.0%	177	199	377	Full year	823	425	358	400	758	Holiday Inn Osaka Namba	Midterm	727	325	92.5%	372	288	660	Full year	1,523	650	808	576	1,384
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Item	Assumptions								
Operating Revenue	(*1) The nine HMJ hotels are the five HMJ hotels plus Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (the main facility of ACTIVE-INTER CITY HIROSHIMA), Hotel Centraza Hakata and Holiday Inn Osaka Namba. The 12 HMJ hotels are the nine HMJ hotels plus the Assets for Anticipated Acquisition. The same shall apply below.								
	(*2) 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 below.								
	(*3) Stating the rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA. Rent from the office building and the retail zone for the fiscal year ending December 2017 (18th period) is expected to be ¥219 million for the midterm and ¥439 million for the full year. These figures include ¥8 million for the midterm and ¥16 million for the full year as variable rent pursuant to a revenue-linked rent agreement with some retail tenants.								
	(*4) Please refer to “<Reference Materials 1> <1> Sales and GOP of the 12 HMJ Hotels” below for the comparison of sales and GOP of the nine HMJ hotels.								
	(2) Hilton Tokyo Narita Airport								
	The fixed rent and variable rent of Hilton Tokyo Narita Airport are calculated as follows.								
	Annual rent for the fiscal year ending December 2017 (18th Period) (*1) (¥409 million)								
	= Fixed rent (¥208 million) + Variable rent								
	Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 86.5%								
	(Unit: millions of yen)								
	<table><tr><td></td><td>Hotel GOP (a)</td><td>GOP base amount (b)</td><td>Variable rent ((a) – (b)) × 86.5%</td></tr><tr><td>Full year</td><td>492</td><td>260</td><td>201</td></tr></table>		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 86.5%	Full year	492	260	201
	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 86.5%						
Full year	492	260	201						
	(*1) Rent for the fiscal year ending December 2017 (18th period) shows the estimated figure to incur during the 173 days from July 12, 2017 to December 31, 2017. For your information, it is expected that the GOP base amount from the fiscal year ending December 2018 will be ¥550 million and the annual fixed rent will be ¥444 million.								
	(*2) Please refer to “<Reference Materials 1> <1> Sales and GOP of the 12 HMJ Hotels” below for the comparison of sales of Hilton Tokyo Narita Airport.								
	(3) International Garden Hotel Narita								
	The fixed rent and variable rent of International Garden Hotel Narita are calculated as follows.								
	Annual rent for the fiscal year ending December 2017 (18th Period) (*1) (¥273 million)								
	= Fixed rent (¥157 million) + Variable rent								
	Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 98.0%								
	(Unit: millions of yen)								
	<table><tr><td></td><td>Hotel GOP (a)</td><td>GOP base amount (b)</td><td>Variable rent ((a) – (b)) × 98.0%</td></tr><tr><td>Full year</td><td>288</td><td>170</td><td>115</td></tr></table>		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 98.0%	Full year	288	170	115
	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 98.0%						
Full year	288	170	115						
	(*1) Rent for the fiscal year ending December 2017 (18th period) shows the estimated figure to incur during the 173 days from July 12, 2017 to December 31, 2017. For your information, it is expected that the GOP base amount from the fiscal year ending December 2018 will be ¥360 million and the annual fixed rent will be ¥336 million.								
	(*2) Please refer to “<Reference Materials 1> <1> Sales and GOP of the 12 HMJ Hotels” below for the comparison of sales of International Garden Hotel Narita.								

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Item	Assumptions																																
Operating Revenue	(4) Hotel Nikko Nara The fixed rent and variable rent of Hotel Nikko Nara are calculated as follows. Annual rent for the fiscal year ending December 2017 (18th Period) (*1) (¥301 million) = Fixed rent (¥170 million) + Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 83.0% (Unit: millions of yen) <table><tr><td></td><td>Hotel GOP (a)</td><td>GOP base amount (b)</td><td>Variable rent ((a) – (b)) × 83.0%</td></tr><tr><td>Full year</td><td>362</td><td>204</td><td>131</td></tr></table> (*1) Rent for the fiscal year ending December 2017 (18th period) shows the estimated figure to incur during the 153 days from August 1, 2017 to December 31, 2017. For your information, it is expected that the GOP base amount from the fiscal year ending December 2018 will be ¥470 million, the variable rent ratio will be 91.5%, and the annual fixed rent will be ¥420 million. (*2) Please refer to “<Reference Materials 1> <1> Sales and GOP of the 12 HMJ Hotels” below for the comparison of sales of Hotel Nikko Nara.		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 83.0%	Full year	362	204	131																								
		Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 83.0%																													
	Full year	362	204	131																													
	(5) 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>201</td><td>264</td><td>238</td><td>239</td><td>220</td><td>154</td><td>1,319</td></tr><tr><td>Full year</td><td>413</td><td>572</td><td>592</td><td>604</td><td>483</td><td>257</td><td>2,924</td></tr></table> (*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 revenue. (*3) Mercure Sapporo includes variable rent which is linked to the sales of tenant(s) other than the hotel.		ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total	Midterm	201	264	238	239	220	154	1,319	Full year	413	572	592	604	483	257	2,924								
		ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total																									
	Midterm	201	264	238	239	220	154	1,319																									
	Full year	413	572	592	604	483	257	2,924																									
	(6) The Six <i>the b</i> Hotels Fixed and variable rent of the six <i>the b</i> 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>60</td><td>44</td><td>359</td></tr><tr><td>Variable</td><td>18</td><td>76</td><td>77</td><td>21</td><td>47</td><td>66</td><td>307</td></tr><tr><td>Total</td><td>60</td><td>144</td><td>186</td><td>56</td><td>108</td><td>111</td><td>667</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	60	44	359	Variable	18	76	77	21	47	66	307	Total	60	144	186	56	108	111	667
		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	60	44	359																									
Variable	18	76	77	21	47	66	307																										
Total	60	144	186	56	108	111	667																										

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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	121	89	719
	Variable	42	144	153	45	94	144	625
	Total	127	280	371	114	216	234	1,345
	(*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.							
	(7) 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	19		19					
Hotel Vista Kamata Tokyo	-		23					
Chisun Inn Kamata	38		80					
Hotel Keihan Universal City	Undisclosed (*)		Undisclosed (*)					
Hotel Sunroute Shinbashi	88		88					
Hilton Tokyo Bay	Undisclosed (*)		Undisclosed (*)					
Hilton Nagoya	Undisclosed (*)		Undisclosed (*)					
Total	850		1,490					
(*) Undisclosed 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 2017 (18th period)>								
(Unit: millions of yen)								
	Midterm		Full year					
The Five HMJ Hotels	1,071		3,748					
Okinawa Marriott Resort & Spa	-		545					
ACTIVE-INTER CITY HIROSHIMA	115		309					
Hotel Centraza Hakata	177		358					
Holiday Inn Osaka Namba	372		808					
Hilton Tokyo Narita Airport	-		201					
International Garden Hotel Narita	-		115					
Hotel Nikko Nara	-		131					
The Six Accor Hotels	1,319		2,924					
The Six <i>the b</i> Hotels	307		625					
Other hotels with variable rent (7 hotels)	850		1,490					
Total (31 hotels)	4,213		11,259					
(*) For details of variable rent and income from management contracts, 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, 2016 (January 1, 2016 – December 31, 2016)” dated February 23, 2017 and “Notice Concerning Acquisition and Lease of New Assets (Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara)” dated today.								

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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. • It is assumed that the ¥1,491 million will be recognized as expenses for property taxes, city planning taxes and other taxes and public dues. • In general, property taxes, city planning taxes 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. The property taxes, city planning taxes and other taxes and public dues to be recorded as expenses for the fiscal year ending December 2017 (18th period) for the five properties (CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata, Holiday Inn Osaka Namba, HOTEL ASCENT FUKUOKA and Hilton Nagoya) acquired in the fiscal year ended December 2016 (17th period) are assumed to be ¥175 million (equivalent to nine months). • Depreciation is calculated using the straight-line method, and is estimated to be ¥3,849 million, after taking into consideration the acquisition price of the Assets for Anticipated Acquisition (including incidental costs) as well as the planned capital expenditures (¥3,070 million) (¥1,945 million for capital expenditure I, ¥631 million for capital expenditure II, and ¥493 million for capital expenditure III)(*) for the fiscal year ending December 2017 (18th period). (*) JHR classifies capital expenditures into the following three categories. (I) Capital investment related to renewal of equipment and facilities of buildings which is required to maintain proper values of properties, (II) capital investment for fixtures, furniture and equipment that are not directly related to building structure or facilities but necessary for operating hotels, and (III) 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	• ¥1,915 million is expected for borrowing-related costs, including interest expense, amortization for financing fee, arrangement fee and amortization for 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.
Interest-bearing Debt	• The balance of interest-bearing debt (sum of loans and investment corporation bonds) was ¥126,179 million as of December 31, 2016. It is assumed that the balance of interest-bearing debt will be ¥125,624 million as of June 30, 2017 before acquiring the Assets for Anticipated Acquisition, ¥140,613 million as of August 31, 2017 after acquiring the Assets for Anticipated Acquisition and ¥140,449 million as of December 31, 2017. • Loans for acquisition of the Assets for Anticipated Acquisition in the amount of ¥15,000 million are assumed. • It is assumed that the contractual repayment of the above-mentioned loans on or after July 1, 2017 in the amount of ¥175 million will be paid by cash on hand.

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Item	Assumptions		
Dividend per Unit	• Dividend per unit for the fiscal year ending December 2017 (18th period) is calculated based on the following assumptions.		
	Net income ¥13,492 million		
	Use of reserve for temporary difference adjustment (negative goodwill) (*1)		
	50-year amortization amount of negative goodwill (*1) ¥262 million		
	Loss on retirement of noncurrent assets (*2) ¥70 million		
	Adjustment for dilution (*3) ¥374 million		
	Distributable amount ¥14,199 million		
	Total number of investment units issued 4,010,847 units		
	Dividend per unit ¥3,540		
	(*1) Starting from the fiscal year ending December 31, 2017 (18th period), JHR will commence paying out dividends through reversal of reserve for temporary difference adjustment in connection with partial amendments to the “Ordinance on Accountings of Investment Corporations” and the “Regulation for Real Estate Investment Trusts and Real Estate Investment Corporations” of The Investment Trusts Association, Japan. Specifically, JHR will transfer the remaining balance of dividend reserve (¥13,127 million) attributable to the gain on negative goodwill in the cash dividends statements for the fiscal year ended December 31, 2016 (17th period) to “reserve for temporary difference adjustment,” and reverse ¥262 million (hereinafter called the “50-year amortization amount of negative goodwill”), which is an amount equivalent to 2% (1/50) of the remaining balance of the reserve for temporary difference adjustment, to pay out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount, for every year from the fiscal year ending December 31, 2017 (18th period). The remaining balance of dividend reserve and the 50-year amortization amount may fluctuate in the future.		
(*2) Amount recognized as a loss on retirement of noncurrent assets will be appropriated by reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on dividend per unit.			
(*3) Although dilution of investment units due to the issuance of new investment units is expected, allocation of reserve for temporary difference adjustment (negative goodwill) is planned to avoid the impact of the said dilution on dividend per unit for fiscal period ending December 2017.			
• 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 remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 2017 (18th period) is expected to be ¥12,420 million.			
Assets for Anticipated Acquisition	• The operating status for the fiscal year ending December 2017 of the Assets for Anticipated Acquisition is estimated as follows.		
	<Hilton Tokyo Narita Airport>		
	(Unit: millions of yen)		
		Fiscal year ending December 2017	Annualized (*3)
	Operating days	173 days	365 days
	Operating revenue	409	808
	NOI (*1)	406	719
NOI yield (%) (*2)	-	5.5	

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Item	Assumptions		
Assets for Anticipated Acquisition	<International Garden Hotel Narita> (Unit: millions of yen)		
		Fiscal year ending December 2017	Annualized (*3)
	Operating days	173 days	365 days
	Operating revenue	273	569
	NOI (*1)	271	527
	NOI yield (%) (*2)	-	5.8
	<Hotel Nikko Nara> (Unit: millions of yen)		
		Fiscal year ending December 2017	Annualized (*3)
	Operating days	153 days	365 days
	Operating revenue	301	675
	NOI (*1)	298	626
	NOI yield (%) (*2)	-	6.0
	(*1) NOI = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses (*2) NOI yield = NOI ÷ Anticipated acquisition price (*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 12 HMJ hotels, the six Accor hotels and the six *the b* hotels. The numerical figures are based on figures obtained from hotel lessees, etc. Please note that these figures have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of the figures 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 12 HMJ Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the 12 HMJ Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)	
		Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Kobe Meriken Park Oriental Hotel	First half of the year	2,465	1.7%	2,519	2.2%
	Second half of the year	2,896	2.4%	2,984	3.0%
	Full year	5,361	2.1%	5,503	2.6%
Oriental Hotel tokyo bay	First half of the year	3,454	1.7%	3,452	(0.1)%
	Second half of the year	3,817	(2.8)%	3,935	3.1%
	Full year	7,271	(0.7)%	7,387	1.6%
Namba Oriental Hotel	First half of the year	1,386	16.6%	1,438	3.7%
	Second half of the year	1,491	11.1%	1,544	3.6%
	Full year	2,877	13.7%	2,982	3.6%
Hotel Nikko Alivila	First half of the year	2,421	1.8%	2,502	3.4%
	Second half of the year	3,734	4.6%	3,787	1.4%
	Full year	6,155	3.5%	6,289	2.2%
Oriental Hotel Hiroshima	First half of the year	1,025	3.4%	1,026	0.1%
	Second half of the year	1,216	6.4%	1,248	2.7%
	Full year	2,240	5.0%	2,274	1.5%
Total of the Five HMJ Hotels	First half of the year	10,751	3.6%	10,938	1.7%
	Second half of the year	13,154	2.7%	13,498	2.6%
	Full year	23,905	3.1%	24,436	2.2%
Okinawa Marriott Resort & Spa	First half of the year	1,607	(0.4)%	1,629	1.4%
	Second half of the year	2,326	(3.2)%	2,445	5.1%
	Full year	3,933	(2.1)%	4,074	3.6%
Sheraton Grand Hiroshima Hotel	First half of the year	1,369	1.7%	1,391	1.6%
	Second half of the year	1,627	8.3%	1,568	(3.7)%
	Full year	2,996	5.2%	2,959	(1.2)%
Hotel Centraza Hakata	First half of the year	1,155	2.8%	1,178	2.0%
	Second half of the year	1,265	5.0%	1,146	(9.5)%
	Full year	2,421	3.9%	2,324	(4.0)%
Holiday Inn Osaka Namba	First half of the year	1,104	32.7%	1,115	1.0%
	Second half of the year	1,103	(2.7)%	1,201	8.9%
	Full year	2,206	12.3%	2,316	5.0%
Total of the Nine HMJ Hotels	First half of the year	15,985	4.5%	16,251	1.7%
	Second half of the year	19,476	2.2%	19,858	2.0%
	Full year	35,461	3.3%	36,109	1.8%

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(Unit: millions of yen)

Sales of the 12 HMJ Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)	
		Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Hilton Tokyo Narita Airport	First half of the year	1,420	(0.8)%	1,530	7.7%
	Second half of the year	1,566	2.8%	1,725	10.1%
	Full year	2,986	1.1%	3,255	9.0%
International Garden Hotel Narita	First half of the year	734	11.9%	725	(1.3)%
	Second half of the year	718	8.5%	761	6.0%
	Full year	1,453	10.2%	1,486	2.3%
Hotel Nikko Nara	First half of the year	1,483	(1.4)%	1,426	(3.8)%
	Second half of the year	1,521	(2.4)%	1,533	0.8%
	Full year	3,003	(1.9)%	2,959	(1.5)%
Total of the 12 HMJ Hotels	First half of the year	19,622	3.9%	19,932	1.6%
	Second half of the year	23,281	2.1%	23,877	2.6%
	Full year	42,903	2.9%	43,808	2.1%

(*1) Hotel Centraza Hakata and Holiday Inn Osaka Namba were acquired on April 1, 2016 and August 1, 2016, respectively. The figures for the fiscal year ended December 2016 are for the entire year including prior to the acquisition.

(*2) The figures for the Assets for Anticipated Acquisition (Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara) are for the entire year including prior to the acquisition.

(2) Hotel GOP

(Unit: millions of yen)

GOP and Ratio of GOP of the 12 HMJ Hotels (*1)		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)	
		Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Total of the Nine HMJ Hotels	GOP	12,010	10.1%	12,237	1.9%
	Ratio of GOP	33.9%	2.1%	33.9%	0.0%
Total of the 12 HMJ Hotels	GOP	14,124	10.4%	14,507	2.7%
	Ratio of GOP	32.9%	2.2%	33.1%	0.2%

(*1) Ratio of GOP refers to the ratio of GOP to sales. The same shall apply below.

(*2) Hotel Centraza Hakata and Holiday Inn Osaka Namba were acquired on April 1, 2016 and August 1, 2016, respectively. The figures for the fiscal year ended December 2016 are for the entire year including prior to the acquisition.

(*3) The figures for the Assets for Anticipated Acquisition, Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara, are for the entire year including prior to the acquisition.

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<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 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)	
		Actual	Comparison with previous period	Forecast this time	Comparison with previous period
ibis Tokyo Shinjuku	First half of the year	406	(10.3)%	406	0.1%
	Second half of the year	426	1.3%	430	0.8%
	Full year	832	(4.7)%	836	0.5%
ibis Styles Kyoto Station	First half of the year	464	30.0%	492	6.1%
	Second half of the year	513	12.3%	540	5.1%
	Full year	977	20.1%	1,032	5.6%
ibis Styles Sapporo	First half of the year	490	14.3%	505	3.2%
	Second half of the year	633	7.1%	650	2.8%
	Full year	1,122	10.1%	1,156	3.0%
Mercure Sapporo	First half of the year	546	9.3%	585	7.2%
	Second half of the year	708	5.3%	745	5.2%
	Full year	1,254	7.0%	1,330	6.1%
Mercure Okinawa Naha	First half of the year	489	20.2%	519	6.0%
	Second half of the year	560	8.6%	578	3.2%
	Full year	1,049	13.7%	1,096	4.5%
Mercure Yokosuka	First half of the year	569	3.5%	586	3.0%
	Second half of the year	502	(2.0)%	540	7.7%
	Full year	1,071	0.8%	1,127	5.2%
Total of the Six Accor Hotels	First half of the year	2,965	10.0%	3,094	4.4%
	Second half of the year	3,341	5.5%	3,482	4.2%
	Full year	6,306	7.6%	6,577	4.3%

(2) Hotel GOP

(Unit: millions of yen)

GOP and Ratio of GOP of the Six Accor Hotels	FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)	
	Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Total of the Six Accor Hotels	2,885	14.9%	2,987	3.5%
Ratio of GOP	45.8%	2.9%	45.4%	(0.3)%

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<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 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)	
		Actual	Comparison with previous period	Forecast this time	Comparison with previous period
the b akasaka-mitsuke	First half of the year	242	9.4%	242	(0.0)%
	Second half of the year	226	(6.7)%	231	2.0%
	Full year	468	1.0%	473	1.0%
the b ikebukuro	First half of the year	323	7.3%	325	0.7%
	Second half of the year	312	(3.7)%	324	3.6%
	Full year	635	1.6%	648	2.1%
the b ochanomizu	First half of the year	131	(0.8)%	134	2.5%
	Second half of the year	135	3.5%	138	2.4%
	Full year	266	1.3%	273	2.5%
the b hachioji	First half of the year	291	9.0%	296	1.8%
	Second half of the year	273	(6.1)%	291	6.6%
	Full year	564	1.1%	587	4.1%
the b hakata	First half of the year	230	20.6%	240	4.2%
	Second half of the year	249	15.5%	255	2.4%
	Full year	478	17.9%	494	3.3%
the b suidobashi	First half of the year	177	—	183	3.1%
	Second half of the year	174	—	194	11.5%
	Full year	351	—	377	7.3%
Total of the Six <i>the b</i> Hotels	First half of the year	1,394	—	1,420	1.9%
	Second half of the year	1,369	—	1,432	4.6%
	Full year	2,763	—	2,852	3.2%

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

(2) Hotel GOP

(Unit: millions of yen)

GOP and Ratio of GOP of the Six <i>the b</i> Hotels	FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ending December 2017)	
	Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Total of the Six <i>the b</i> Hotels	1,370	—	1,381	0.8%
Ratio of GOP	49.6%	—	48.4%	(1.2)%

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

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

- (1) The operating revenue and operating expenses for existing properties (properties other than the Assets for Anticipated Acquisition) remain unchanged from “<Reference Information> Assumptions of the operating forecast for the full year of the fiscal year ending December 2017 (18th period)” above except for property taxes, city planning taxes and other taxes and public dues.

- (2) The annual fixed rent and variable rent for Hilton Tokyo Narita Airport is calculated as follows.

Annual rent for the fiscal year ending December 2017 (18th period) (¥808 million) = Fixed rent (¥444 million) + Variable rent

Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 86.5%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 86.5%
Full year	970	550	364

- (3) The annual fixed rent and variable rent for International Garden Hotel Narita are calculated as follows.

Annual rent for the fiscal year ending December 2017 (18th period) (¥569 million) = Fixed rent (¥336 million) + Variable rent

Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 98.0%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 98.0%
Full year	598	360	233

- (4) The annual fixed rent and variable rent for Hotel Nikko Nara are calculated as follows.

Annual rent for the fiscal year ending December 2017 (18th period) (¥675 million) = Fixed rent (¥420 million) + Variable rent

Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 91.5%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 91.5%
Full year	749	470	255

- (5) Calculation of Hotel GOP for the Assets for Anticipated Acquisition is assuming annualized saving effects of relevant costs based on agreements, etc. which are or will be signed during the fiscal year ending December 31, 2017.
- (6) For the property taxes, city planning taxes and other taxes and public dues for the relevant period, the property taxes and city planning taxes and other taxes and public dues for the five properties (CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata, Holiday Inn Osaka Namba, HOTEL ASCENT FUKUOKA and Hilton Nagoya) acquired in the fiscal year ended December 2016 (17th period) are assumed to be ¥233 million (for twelve months), and the property taxes and city planning taxes and other taxes and public dues for the Assets for Anticipated Acquisition are assumed to be ¥160 million (for twelve months).
- (7) For non-operating expenses, borrowing costs related to asset acquisitions, expenses incurred in the issuance of new investment units and others are 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.

< Reference Materials 3 > ADR Sensitivity Analysis

For the 31 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(*1) is as follows.

Assumed ADR increase/decrease (%)	(30.0)%	(20.0)%	(10.0)%	±0%	10.0%	20.0%	30.0%
NOI (JPY 1M) increase/decrease (%)	(5,250) (24.7)%	(3,522) (16.5)%	(1,788) (8.4)%	0 0.0%	1,800 8.5%	3,534 16.6%	5,268 24.7%
Dividend per unit (JPY) increase/decrease (%)	(1,190) (33.6)%	(799) (22.6)%	(406) (11.5)%	0 0.0%	408 11.6%	801 22.6%	1,194 33.7%

(*1) 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. The same shall apply below.

(*2) 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 based on assumed hotel sales and GOP of JHR above.