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February 22, 2018

Financial Report for the Fiscal Year Ended December 31, 2017
(January 1, 2017 – December 31, 2017)

Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange
Securities code: 8985
URL: http://www.jhrth.co.jp/en/
Representative: Kaname Masuda, Executive Director

Asset Management Company: Japan Hotel REIT Advisors Co., Ltd.
Representative: Hisashi Furukawa, Representative Director and President
Contact: Noboru Itabashi
Director and Senior General Manager of Operations Division
Phone: +81-3-6422-0530

Scheduled date to file Securities Report: March 20, 2018
Scheduled date to start dividend payment: March 20, 2018

Preparation of supplementary material on financial report: Yes
Schedule for presentation of financial results: Yes (Analysts and institutional investors only)

(Amounts are rounded down to the nearest million yen)

1. Status summary of operation and assets for the fiscal year ended December 31, 2017 (January 1, 2017 – December 31, 2017)

(1) Operating results

(Percentages show changes from the previous year)

	Operating revenue		Operating income		Ordinary income		Net income	
Fiscal year ended	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%
December 31, 2017	25,475	15.2	15,757	13.5	14,006	14.6	14,005	15.5
December 31, 2016	22,107	27.5	13,885	26.4	12,220	31.5	12,123	30.4

	Net income per unit	Return on equity (ROE)	Ordinary income to total assets	Ordinary income to operating revenue
Fiscal year ended	JPY	%	%	%
December 31, 2017	3,606	7.3	4.2	55.0
December 31, 2016	3,462	7.8	4.4	55.3

(Note) Net income per unit is calculated based on the period-average number of investment units issued.

(2) Cash distributions

	Dividend per unit (Excess of earnings exclusive)	Total dividends (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings	Total dividends from excess of earnings	Payout ratio	Dividend to net assets
Fiscal year ended	JPY	JPY1M	JPY	JPY1M	%	%
December 31, 2017	3,683	14,771	0	0	105.5	7.5
December 31, 2016	3,420	12,865	0	0	106.1	7.6

(Note 1) The source of dividends for the fiscal year ended December 31, 2017 is calculated by adding appropriation for dividends (¥769 million) to unappropriated retained earnings. For details of the appropriation for dividends, please refer to "<Reference Materials 3> Dividend per unit and appropriation for dividends" on page 20.

(Note 2) The source of dividends for the fiscal year ended December 31, 2016 is calculated by adding appropriation for dividends (¥740 million) to unappropriated retained earnings. For details of the appropriation for dividends, please refer to "<Reference Materials 3> Dividend per unit and appropriation for dividends" on page 20.

(Note 3) Payout ratio is calculated using the following formula, rounded off to one decimal place.
Total dividends (total dividends from excess of earnings exclusive) ÷ Net income × 100

(3) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
Fiscal year ended	JPY1M	JPY1M	%	JPY
December 31, 2017	352,183	201,963	57.3	50,354
December 31, 2016	317,878	181,989	57.3	48,376

(Note) Net assets per unit are calculated based on the total number of investment units issued and outstanding at the end of the fiscal year.

(4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	JPY1M	JPY1M	JPY1M	JPY1M
December 31, 2017	17,763	(36,083)	19,866	27,920
December 31, 2016	13,689	(64,075)	63,061	26,373

2. Operating forecast for the fiscal year ending December 31, 2018 (January 1, 2018 – December 31, 2018)

(Percentages show changes from the previous year)

	Operating revenue		Operating income		Ordinary income		Net income		Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%	JPY	JPY
Midterm	12,177	8.0	7,098	5.3	6,242	4.9	6,242	4.9	-	-
Full year	26,567	4.3	16,094	2.1	14,295	2.1	14,294	2.1	3,705	0

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2018 (full year) ¥3,564

(Calculated based on the estimate of period-average number of investment units of 4,010,847.)

(Note) Reserve for temporary difference adjustment in the amount of ¥565 million is planned to be the source of dividend payment.

* Other

(1) Changes in accounting policies, changes in accounting estimates, and restatement of financial statements for prior period after error corrections

(a) Changes in accounting policies due to revisions to accounting standards and other regulations: No change

(b) Changes in accounting policies due to other reasons than above (a): No change

(c) Changes in accounting estimates: No change

(d) Restatement of financial statements for prior period after error corrections: No change

(2) Total number of investment units issued and outstanding

(a) Total number of investment units issued and outstanding at the end of the fiscal year (including investment units owned by Japan Hotel REIT Investment Corporation (hereinafter referred to as "JHR"))

As of December 31, 2017	4,010,847 units
As of December 31, 2016	3,761,907 units

(b) Number of JHR's own investment units held at the end of the fiscal year

As of December 31, 2017	0 units
As of December 31, 2016	0 units

(Note) For the number of investment units serving as the basis of computation of net income per unit, please refer to "Notes on per unit information" on page 40.

*** Status of audit procedures**

At the time of disclosure of this financial report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act of Japan are incomplete.

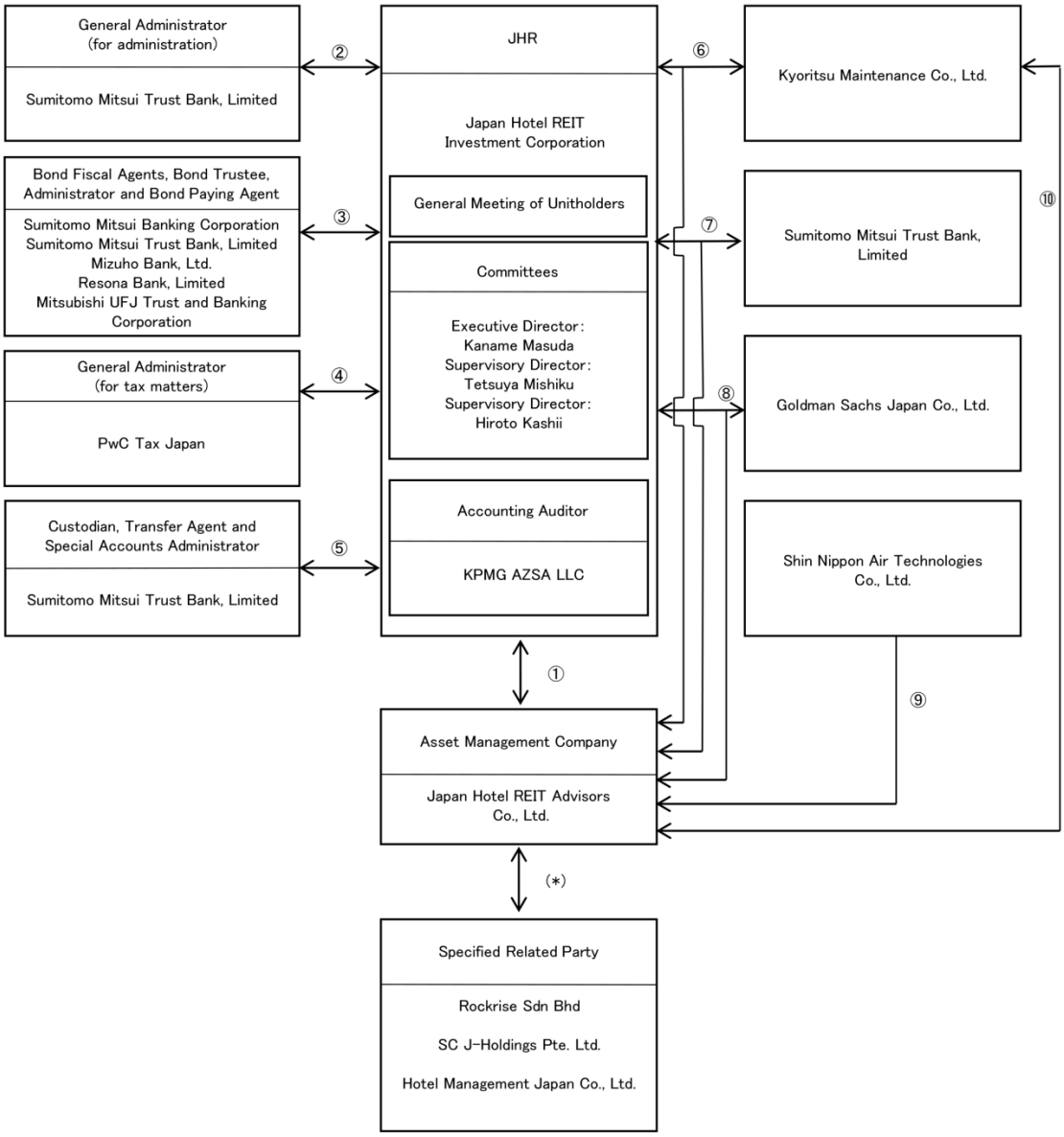
*** Appropriate use of forecasts of results and other special items**

Forward-looking statements presented in this financial report including operating forecasts are based on information currently available to us and on certain assumptions we deem to be reasonable. As such, actual operating and other results may differ materially from these forecasts due to a number of factors. Furthermore, we do not intend to guarantee any dividend amount by this forecast. For the assumptions of the operating forecast and notes for the use of operating forecast, please refer to "2. Investment policies and operating results; (2) Operating results; (B) Outlook for the next fiscal period" on page 6 and "Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2018 (19th period)" on page 10.

1. Related parties of the investment corporation

(1) Structure of the investment corporation

The following is the structure of JHR as of the date of this report.



(1) Asset management agreement
(2) Administrative agreement
(3) Fiscal agency agreement (investment corporation bonds) / Investment corporation bonds trustee agreement
(4) Administrative agreement related to tax payment, etc.
(5) Asset custodian agreement / Unitholders' register administrative agency agreement / Special accounts administrative agreement
(6) Information provision agreements regarding acquisition of real estate, etc.
(7) Basic agreement regarding information provision including brokerage, etc. of profit-earning real estate
(8) Information provision agreement
(9) Technical advisory agreement
(10) Back-up operation letter of intent

(Note) Specified related parties (specified related parties as prescribed in Article 12, paragraph 3 of the Cabinet Office Ordinance on Disclosure of Information, etc. on Specified Securities) of the investment corporation are Rockrise Sdn Bhd (the parent company, holding 87.6% of the shares issued and outstanding, of the asset management company), SC J-Holdings Pte. Ltd. (a corporation holding 100% equity interest in Rockrise Sdn Bhd), Hotel Management Japan Co., Ltd. (a stock company, 100% of the shares issued and outstanding of which is indirectly held by SC J-Holdings Pte. Ltd.) (hereinafter referred to as "HMJ"). Rockrise Sdn Bhd, SC J-Holdings Pte. Ltd. and HMJ are corporations belonging to the SC Capital Partners Group (former RECAP Group).

(2) Operational role, name and overview of related business operations of the investment corporation and the investment corporation's related parties

Disclosure is omitted because there is no significant change from the most recent Securities Report (submitted on March 22, 2017).

2. Investment policies and operating results

(1) Investment policies

Disclosure is omitted because there is no significant change from "Investment policies," "Investment targets" and "Distribution policy" in the most recent Securities Report (submitted on March 22, 2017)and the Securities Registration Statement (submitted on June 19, 2017).

(2) Operating results

(A) Overview of the fiscal year under review

(a) Brief history and principal activities

Japan Hotel REIT Investment Corporation (JHR) was established under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter referred to as the "Investment Trusts Act") on November 10, 2005 and was listed on the Real Estate Investment Trust (REIT) section of the Tokyo Stock Exchange (Securities code: 8985) on June 14, 2006.

JHR entrusts the asset management to Japan Hotel REIT Advisors Co., Ltd. (hereinafter referred to as the "Asset Management Company"). Focusing on importance as social infrastructure and profitability as investment real estate of hotels, JHR primarily invests in real estate which are wholly or partially used as hotels or real estate equivalents of such real estate or related assets that are backed by such real estate or real estate equivalents (hereinafter referred to as "Real Estate for Hotels, etc.").

JHR, the former Nippon Hotel Fund Investment Corporation (hereinafter referred to as the "former NHF"), merged with the former Japan Hotel and Resort, Inc. (hereinafter referred to as the "former JHR") with an effective date of April 1, 2012 (hereinafter referred to as the "Merger") and changed its name to Japan Hotel REIT Investment Corporation. Since the Merger, JHR has carried out eight public offerings for capital increase and continuously acquired "highly-competitive hotels" in mainly "strategic investment areas" where domestic and inbound leisure demand can be expected over the medium to long term.

By implementing the aforementioned growth strategy, JHR has expanded its asset size while improving the quality of its portfolio through new property acquisitions of 24 properties amounting to ¥210,022 million (acquisition price basis) in total in the nearly six years since the Merger. As a result, JHR had a portfolio of 44 properties with a combined acquisition price of ¥319,474 million and a total number of investment units issued and outstanding of 4,010,847 units at the end of the fiscal year under review (December 31, 2017).

(b) Investment performance for fiscal year under review

During the fiscal year under review (12-month period from January 1, 2017 through December 31, 2017), the Japanese economy continued to show a moderate recovery trend backed by moderate pickup in personal consumption and improvement in corporate earnings, while the employment and income environment continued to improve. As to the environment surrounding the tourism market, as the Japanese government promotes measures for making Japan a tourism nation, the number of foreign visitors to Japan ("inbound") in 2017 continued to grow rapidly to reach 28.69 million (up 19.3% from the previous year). Accordingly, demand for accommodation by inbound tourists remained high while such demand by domestic tourists remained stable, creating a favorable environment overall.

The hotel investment market continued to be in a brisk state with continual expectations for growth of Japan's tourism industry and hotel industry. JHR has been pursuing expansion of asset size through continuous property acquisitions by leveraging such strengths as high recognition as Japan's largest REIT specializing in hotel properties and the ability to propose diverse acquisition schemes and execute transactions. During the fiscal year under review, JHR conducted public offering for capital increase in July 2017, the eighth since the Merger, and acquired Hilton Tokyo Narita Airport (acquisition price: ¥13,175 million) and International Garden Hotel Narita (acquisition price: ¥9,125 million) in the Narita area, and Hotel Nikko Nara (acquisition price: ¥10,373 million) in Nara. In terms of portfolio, JHR has worked to improve the quality of the portfolio through such measures as promoting geographical diversification of the portfolio, diversifying parties entrusted with operation ("operator(s)") and expanding international brands.

The hotels owned by JHR saw some signs of impact of new hotel supply and minpaku (rentals of private homes as accommodation for a fee) in some areas including Tokyo and Osaka. However, many of the hotels in major regional cities achieved strong operating performance, mainly in the rooms department, as a result of JHR implementing active asset management, which is the aggressive and proactive pursuit of greater profitability and asset value of owned hotels. With regard to status of operations during the fiscal year under review of the five hotels that JHR leases to Hotel Management Japan Co., Ltd. (hereinafter referred to as "HMJ") under variable rent contracts (hereinafter referred to as the "five HMJ hotels") (Note 1) and the hotels which JHR leases to HMJ Group companies under variable rent contracts (namely, Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (main facility of ACTIVE-INTER CITY HIROSHIMA), Hotel Centraza Hakata and Holiday Inn Osaka Namba, and hereinafter collectively referred to together with the five HMJ hotels as the "nine HMJ hotels") (Note 1), these hotels overall have posted increase over the previous year both in sales and GOP (gross operating profit), led by the rooms department. The rooms department aimed to generate greater earnings through such means as flexible pricing in line with each hotel's accommodation market condition in order to maximize RevPAR (Revenue Per Available Room). For further details of sales, GOP and other management indicators for the Twelve HMJ hotels (Note 1), please refer to "<Reference Materials 2> <1> Sales and GOP of the Twelve HMJ Hotels" on page 16 and "D. Overview of the hotel business; (2) Major indicators of the hotel business; (a) The Twelve HMJ Hotels" on page 64.

Moreover, at the six hotels (Note 2) for which AAPC Japan K.K. (hereinafter referred to as "Accor"), a Japanese subsidiary of Accor Hotels headquartered in Paris, France, serves as the operator (hereinafter referred to as the "Six Accor hotels"), successfully attracting leisure demand mainly from inbound tourists, the Six Accor hotels as a whole posted an increase from the previous year both in sales and GOP despite being affected by suspension of sales due to renovation at some hotels. For further details of sales, GOP and other management indicators for the Six Accor hotels, please refer to "<Reference Materials 2> <2> Sales and GOP of the Six Accor Hotels" on page 18 and "D. Overview of the hotel business: (2) Major indicators of the hotel business (b) The Six Accor Hotels" on page 66.

On the other hand, at the Six *the b* hotels (Note 3), which are leased to subsidiaries of the Ishin Hotels Group with a variable rent structure, despite efforts made to address changes in the circumstances, such as inbound tourism shifting from group tours to independent travel and a corresponding increase in the percentage of online bookings, such factors as the impact of new hotel supply and minpaku in the Tokyo area led to the hotels in Tokyo posting decrease from the previous year both in sales and GOP and, consequently, the Six *the b* hotels overall also posting decrease over the previous year both in sales and GOP. For further details of sales, GOP and other management indicators for the Six *the b* hotels, please refer to "<Reference Materials 2> <3> Sales and GOP of the Six *the b* Hotels" on page 19 and "D. Overview of the hotel business; (2) Major indicators of the hotel business; (c) The Six *the b* Hotels" on page 66.

In addition to efforts to increase revenue by increasing variable rent linked with improved performance of these hotels, JHR has worked to increase dividend by reducing the costs of each item under real estate operating costs, general and administrative expenses and borrowing costs through persistent talks with relevant parties and other measures.

(Note 1) The five HMJ hotels represent the five hotels, namely, Kobe Meriken Park Oriental Hotel, Oriental Hotel tokyo bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima. The nine HMJ hotels represent the nine hotels comprising the five HMJ hotels plus Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel, which is the major facility of ACTIVE-INTER CITY HIROSHIMA, Hotel Centraza Hakata and Holiday Inn Osaka Namba. The Twelve HMJ hotels represent the 12 hotels comprising the nine HMJ hotels plus Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara. The same shall apply hereinafter.

(Note 2) Represents the six hotels, namely, ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha and Mercure Yokosuka. The same shall apply hereinafter.

(Note 3) Represents the six hotels, namely, the b suidobashi, the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji and the b hakata. The same shall apply hereinafter.

(c) Funding status

JHR procured ¥4,000 million in short-term loans and ¥11,000 million in long-term loans, in addition to ¥18,686 million by way of capital increase through public offering in July 2017 and third-party allotment in August 2017, and acquired three properties, Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara, in July and August 2017. Upon taking out loans, JHR newly added The Nishi-Nippon City Bank, Ltd. to lending banks to further diversify lenders.

Furthermore, JHR refinanced existing loans of ¥10,750 million in February, September and November 2017, which were due for repayment. In addition, JHR issued investment corporation bonds of ¥1,000 million for institutional investors in November 2017 for the purpose of the partial repayment of existing short-term loans.

Consequently, as of the end of the fiscal year under review, balance of interest-bearing debt totaled ¥140,399 million, including short-term loans payable of ¥3,000 million, current portion of long-term loans payable of ¥15,022 million, long-term loans payable of ¥98,777 million and investment corporation bonds of ¥23,600 million, and the ratio of interest-bearing debt to total assets at end of year (Note 4) stood at 39.9%.

JHR reduced borrowing costs and extended maturity dates through the aforementioned series of fund procurement. Along with such, JHR concluded loans with fixed interest rates as well as interest rate swap contracts to hedge against risks of interest rates rising in the future. These actions brought the fixed interest rate ratio (including the interest rate cap purchase portion) on total interest-bearing debt at end of year to around 94.0%.

(Note 4) Ratio of interest-bearing debt to total assets at end of year = Balance of interest-bearing debt at end of year ÷ Total assets at end of year × 100

As of December 31, 2017, JHR's issuer ratings were as follows.

Rating agency	Rating	
Japan Credit Rating Agency, Ltd.	A+	(Stable)
Rating and Investment Information, Inc.	A	(Stable)

(d) Financial results

As a result of the abovementioned asset management, operating revenue, operating income and ordinary income were ¥25,475 million, ¥15,757 million and ¥14,006 million, respectively, for the fiscal year under review (12-month period from January 1, 2017 to December 31, 2017). Net income was ¥14,005 million.

With regard to dividends, it was decided that ¥14,774 million, which was calculated by adding a reversal of reserve for temporary difference adjustment (appropriation for dividends) of ¥769 million to unappropriated retained earnings of ¥14,005 million, would all be distributed except for fractions of less than one yen of dividend per unit. Consequently, ¥14,771 million will be distributed and the dividend per unit came to ¥3,683.

For details of the appropriation for dividends for the fiscal year under review, please refer to "<Reference Materials 3> Dividend per unit and appropriation for dividends" on page 20.

(B) Outlook for the next fiscal period

(a) Investment policies and issues to be addressed

In 2018, the Japanese economy is expected to be on a moderate recovery, due in part to the effects of various government policies, while the employment and income environment continues to improve. On the other hand, attention must be paid to the trends of U.S. government policies, the economic outlook for China and other emerging Asian economies as well as impacts of uncertainties of said policies, the impact of fluctuations in the financial and capital markets, geopolitical risks and other factors.

In the environment surrounding the tourism industry, development of national tourism policies continues to be anticipated as introduction of the departure tax (tax levied upon leaving Japan) is being discussed to allocate the revenue for tourism-related policies, etc. Moreover, needs for overseas travels especially among the middle-income group and the wealthy group in the fast-growing Asian region have expanded and the number of tourists to Japan has continued to rise. Japan being favorably chosen as a travel destination is not a temporary phenomenon, but is likely to be mostly attributable to factors such as progress in information and communications technology (ICT) allowing tourists to enjoy travelling in Japan without language barriers, and travelers communicating charms of Japan with abundant tourism resources through SNS to the world. The further increase in the number of inbound tourists and the solid domestic leisure demand due to such structural shifts are expected to work favorably for JHR. On the other hand, however, close attention should be paid to the changes in supply-demand balance going forward, including an increase in supply from new development of hotels

following trends of increase in inbound tourists, and the impact of the private house lodging business law (new minpaku law) to be enforced in June 2018. Under such circumstances, JHR intends to work with the Asset Management Company to manage assets based on the approach described below aiming to enhance the attractiveness of investing in JHR.

Internal growth

JHR will work to boost sales and GOP of hotels operated under variable rent contracts or management contracts, which are the Twelve HMJ Hotels and the Six *the b* hotels, etc. that are operated under variable rent contract, and the Six Accor hotels that are mainly operated under the management contract structure, with an aim to maximize variable rent and income from management contracts receivable by JHR. To achieve this goal, JHR will focus efforts on seeking the cooperation of relevant parties in shifting from competition based on price to competition based on value with an aim to become prominent in the market in terms of both facilities and services. This will involve requesting each hotel lessee, its operations support company and its operator to implement active asset management including marketing initiatives to attract a wider range of demand, measures to maintain and increase room rates, etc., and also implementing strategic capital expenditures.

For hotels with only fixed rent contracts, JHR will increase its efforts to monitor operating conditions and pay careful attention to each tenant's ability to bear the rent costs. For the hotels at which the ability to bear rent costs has been enhanced through better performances, JHR will conduct negotiations to revise rents upward and introduce revenue sharing in order to increase JHR's revenue.

In addition, JHR will carry out an ongoing program of facilities and equipment maintenance and improvement to ensure each hotel becomes prominent in the market and to maintain and enhance asset value.

External growth

In terms of external growth strategy, JHR will keep its focus on acquiring highly-competitive hotels in areas which can expect "domestic and inbound leisure demand" over the medium to long term as JHR has done to date. As to hotel types, the policy is that limited-service hotels, full-service hotels and resort hotels are all investment targets, but JHR will only acquire properties with competitive advantages in terms of both buildings, facilities, etc. (infrastructure) and the capabilities of the hotel lessee and operator (services).

In the hotel investment market, harsh competition over acquisitions is ongoing due in part to the listing of new J-REITs specializing in hotels and formation of private funds. JHR will aim for expansion of asset size that accompanies an improvement in the quality of its portfolio by acquiring highly competitive properties while leveraging its strength and advantages and also utilizing the HMJ platform in some cases.

Finance strategy

JHR presses ahead with diversification of the means of financing while maintaining and enhancing the relationships of trust with financial institutions with which it does business, under the basic policy of carrying out conservative financial strategy which places importance on securement of financial stability and strength. It aims to conduct financial operations by keeping the ratio of interest-bearing debt to total assets at no larger than 50% as in the past. In addition, when seeking new funding for property acquisitions or refinancing existing debt, JHR will work to reinforce its existing relationships with multiple lenders and further diversify funding methods, including issuance of investment corporation bonds, while considering the balance between the dispersion of the maturity dates of its debt and borrowing costs.

Furthermore, while monitoring the conditions of the interest rate market, JHR aims to further improve its financial foundation by extending maturity dates and managing risk of interest rates market by fixing rates, etc.

Policy on the handling of negative goodwill

Starting from the fiscal year under review (the fiscal year ended December 31, 2017 (18th period)), JHR started 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 reverses ¥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 (¥13,127 million), 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 under review.

Furthermore, in cases of incurrence of losses caused by property dispositions, impairment loss of assets, dilution of dividend per unit due to the issuance of new investment units through public offerings, loss on retirement of noncurrent assets, and suspension of sales and such due to large-scale renovations with significant impact on revenues, JHR plans to pay extra amount in addition to the 50-year amortization amount of negative goodwill (¥262 million) and reverse the negative goodwill.

As for the year ending December 31, 2018 (19th period), JHR expects ¥565 million, which is the total of the 50-year amortization amount (¥262 million), loss on retirement of noncurrent assets (¥38 million) and the correspondence to the large-scale renovation at Hotel Centraza Hakata (¥265 million) as additional amounts to dividends by reversing the negative goodwill.

(Note) The policy may change due to a resolution of the board of directors, and it does not guarantee the method of reversing the reserve for temporary difference adjustment, and amounts to be reversed, etc., in the future.

Initiatives for Sutainability

In recent years, there has been growing importance of the risks and opportunities of ESG (Environmant, Social and Governance) in the investment management industry from the standpoint of long-term sustainability. JHR recognizes that conducting real estate investment management based on consideration for ESG is important to enhance unitholder value and to further raise the attractiveness of JHR. In addition, JHR believes that it is indispensable to establish favorable relationships with its statkeholders including unitholders, hotel users (guests), lessees, operators, business partners including property managers, local communities, officers and employees of the Asset Management Company and others and to fulfill our social responsibilities expected from them.

In order to put such ideas into practice, JHR, along with the Asset Management Company, established a “Sustainability Policy” in December 2017 as a guide to ESG initiatives. We have promoted efforts to reduce environmental impact at our portfolio properties based on this policy, and received the Building-Housing Energy-efficiency Labeling System (BELS) evaluation for Hotel Nikko Alivila and Mercure Okinawa Naha on February 15, 2018 as first such cases for J-REIT’s hotel properties (Note). Furthermore, recognizing its social responsibility towards local communities as a J-REIT specializing in hotels, JHR will proactively carry out social contribution activities capitalizing on the characteristics of the hotel sector and each hotel.

(Note) Investigated by the Asset Management Company based on disclosed information.

(b) Significant subsequent events

Issuance of investment corporation bonds

JHR issued investment corporation bonds under the following terms and conditions.

Classification	Tenth unsecured investment corporation bonds
Total amount of issuance	¥10 billion
Issue price	¥100 for face value of ¥100
Interest rate	0.840%/year
Issuance date	February 21, 2018
Maturity date	February 21, 2028
Security	Unsecured
Purpose of use	The proceeds will be allocated to prepay the existing loans by the end of February, 2018. The residual funds will be allocated to part of funds for future acquisition of specified assets, part of funds for repayment of loans or repair cost and capital expenditure to maintain or improve competitiveness of the existing properties.

(c) Operating forecast

The following is JHR's operating forecast for the midterm of the fiscal year ending December 31, 2018 (19th period) and the full year of the fiscal year ending December 31, 2018 (19th period). For the assumptions of the operating forecast, please refer to "Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2018 (19th period)" on page 10.

Midterm of the fiscal year ending December 31, 2018 (19th period)

Operating revenue	¥12,177 million
Operating income	¥7,098 million
Ordinary income	¥6,242 million
Midterm net income	¥6,242 million

Full year of the fiscal year ending December 31, 2018 (19th period)

Operating revenue	¥26,567 million
Operating income	¥16,094 million
Ordinary income	¥14,295 million
Net income	¥14,294 million
Dividend per unit	¥3,705
Dividend per unit resulting from excess of earnings	¥0

(Note) The forecast figures above are the current forecasts calculated based on certain assumptions. As such, actual operating revenue, operating income, ordinary income, net income (midterm/full year), dividend per unit and dividend per unit resulting from excess of earnings may vary due to changes in the circumstances. Furthermore, the forecasts are not intended to guarantee any dividend amount.

Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 31, 2018 (19th period)

Item	Assumptions
Calculation period	・Midterm (19th Period) : January 1, 2018 through June 30, 2018 (181 days) ・Full year (19th Period) : January 1, 2018 through December 31, 2018 (365 days)
Assets under management	・The 44 properties owned by JHR as of today are assumed, and it is also assumed that there will be no change in assets (acquisitions or dispositions, etc.) through the end of the fiscal year ending December 2018 (19th period). However, the actual results may fluctuate depending on the changes in assets under management that may take place.
Operating revenue	・Operating revenue is calculated based on leases 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 regards to facilities other than hotels, such as retail facilities and offices, etc., operating revenue calculated based on the said lease contracts is included. ・Rents, etc. of the main hotels are calculated based on the following assumptions.

(1) The Twelve HMJ Hotels

The assumptions of the fixed rent and variable rent for the Twelve HMJ hotels are as follows.

Total rent = Fixed rent + Variable rent

Variable rent = [Total GOP of the hotels – GOP base amount] × Variable rent ratio (%)

The fiscal year ending December 31,2018 (19th Period) (Unit: millions of yen)

		Total GOP of the hotel(s)	GOP base amount	Variable rent ratio	Variable rent	Fixed rent	Total rent
The Five HMJ Hotels	Midterm	3,142	1,675	85.0%	1,247	1,610	2,857
	Full year	8,078	3,351		4,018	3,221	7,239
Okinawa Marriott Resort & Spa	Midterm	439	350	90.0%	80	274	355
	Full year	1,471	700		694	550	1,244
Sheraton Grand Hiroshima Hotel (*1)	Midterm	428	234	82.5%	160	174	334
	Full year	948	468		396	348	744
Hotel Centraza Hakata (*2)	Midterm	448	212	90.0%	145	199	345
	Full year	586	425		145	400	545
Holiday Inn Osaka Namba	Midterm	607	325	92.5%	261	288	549
	Full year	1,269	650		572	576	1,148
Hilton Tokyo Narita Airport	Midterm	429	275	86.5%	133	222	355
	Full year	921	550		321	444	765
International Garden Hotel Narita	Midterm	266	180	98.0%	84	168	252
	Full year	552	360		188	336	524
Hotel Nikko Nara	Midterm	416	235	91.5%	165	210	375
	Full year	864	470		361	420	781
Total	Midterm	6,178	-	-	2,278	3,147	5,426
	Full year	14,693	-		6,698	6,295	12,993

(*1)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 ended December 2017 (18th period) is expected to be ¥212 million for the midterm and ¥446 million for the full year. These figures include variable rent pursuant to a revenue-linked rent agreement with some retail tenants (¥6 million for the midterm and ¥13 million for the full year).

(*2) Due to the impact of the major renovation work scheduled in the 2nd half of the fiscal year ending December 2018, the variable rent for the full year as a maximum amount is recognized as the estimated variable rent for the midterm.

(*3) Please refer to "<Reference Materials 2> <1> Sales and GOP of the Twelve HMJ Hotels" below for sales and GOP of the Twelve HMJ Hotels.

Item	Assumptions

Operating revenue

(2) The Six Accor Hotels

Income from management contracts and variable rent of the Six Accor hotels

(Unit: millions of yen)

	ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total
Midterm	240	249	280	268	238	138	1,415
Full year	482	527	668	667	488	262	3,096

(*1) Please refer to "<Reference Materials 2> <2> Sales and GOP of the Six Accor Hotels" below for sales and GOP of the Six Accor hotels.

(*2) For income from management contracts, it is assumed that each hotel's GOP amount is recognized as income from management contracts and the management contract fees to be paid by JHR are recognized as an operating expense. In cases where certain revenue from non-hotel tenant(s), etc. is included in the hotel's GOP, such tenant revenue is subtracted from GOP to calculate income from management contracts. Such tenant revenue is recognized as parking area rent.

(*3) Mercure Sapporo includes variable rent which is linked to the sales of tenant(s) other than the hotel.

(3)The Six *the b* Hotels

The fiscal year ending December 31,2018 (19th Period) (Unit: millions of yen)

		Variable Rent	Fixed Rent	Total Rent
the b suidobashi	Midterm	12	42	54
	Full year	27	84	112
the b akasaka-mitsuke	Midterm	49	68	118
	Full year	99	136	236
the b ikebukuro	Midterm	65	109	175
	Full year	137	219	357
the b ochanomizu	Midterm	16	34	51
	Full year	36	69	105
the b hachioji	Midterm	30	61	92
	Full year	63	122	185
the b hakata	Midterm	74	44	119
	Full year	160	89	249
Total	Midterm	250	361	611
	Full year	524	722	1,246

(*1) Fixed rent includes rent from non-hotel tenant(s).

(*2) Please refer to "<Reference Materials 2> <3> Sales and GOP of the Six *the b* Hotels" below for sales and GOP of the Six *the b* hotels.

(4) Other hotels subject to variable rent

Variable rent from other hotels subject to variable rent (Unit: millions of yen)

	Midterm	Full year
Smile Hotel Nihombashi Mitsukoshimae	18	18
Hotel Vista Kamata Tokyo	—	16
Chisun Inn Kamata	37	79
Hotel Keihan Universal City	Undisclosed (*)	Undisclosed (*)
Hotel Sunroute Shinbashi	97	97
Hilton Tokyo Bay	Undisclosed (*)	Undisclosed (*)
Hilton Nagoya	Undisclosed (*)	Undisclosed (*)
Total	816	1,356

(*) Undisclosed since tenants that concluded lease agreements did not agree to disclose rent revenue, etc.

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Operating revenue</td><td>・The following is the breakdown of variable rent and income from management contracts (*1).
<Breakdown of variable rent for the fiscal year ending December 2018 (19th period)>
(Unit: millions of yen)
<table>
<tr><th></th><th>Midterm</th><th>Full year</th></tr>
<tr><td>The Twelve HMJ Hotels (*2)</td><td>2,285</td><td>6,712</td></tr>
<tr><td>The Six Accor Hotels</td><td>1,415</td><td>3,096</td></tr>
<tr><td>The Six the b Hotels</td><td>250</td><td>524</td></tr>
<tr><td>Other hotels with variable rent (7 hotels)</td><td>816</td><td>1,356</td></tr>
<tr><td>Total (31 hotels)</td><td>4,767</td><td>11,689</td></tr>
</table>
(*1) For details of variable rent and income from management contract, please refer to “D. Overview of the hotel business (1) Rent structures of hotels with variable rent, management contract or revenue sharing”on page 63.
(*2) These figures include ¥6 million for the midterm and ¥13 million for the full year as variable rent pursuant to a revenue-linked rent agreement with some retail tenants in ACTIVE-INTER CITY HIROSHIMA.</td></tr>
<tr><td>Operating expenses</td><td>・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 ¥1,693 million will be recognized as expenses for fixed asset tax, city planning tax and other taxes and public dues.
・In general, fixed asset tax and city planning tax and other taxes and public dues on acquired assets are settled with the previous owners at the time of acquisition, calculated on a pro rata basis of the holding period. For JHR, such settlement amount is included in the acquisition price, and it will not be recognized as expenses for the calculation period. Also, the fixed asset tax and city planning tax and other taxes and public dues to be recorded as expenses for the fiscal year ending December 2018 (19th period) for the three properties (Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara) acquired in the fiscal year ended December 2017 (18th period) are assumed to be ¥124 million, which is equivalent to nine months (¥166 million, which is equivalent to 12 months).
・Depreciation is calculated using the straight-line method, and is estimated to be ¥4,083 million, including the planned capital expenditures ¥3,186 million (capital expenditures I ¥1,898 million, capital expenditures II ¥897 million, and capital expenditures III ¥391 million (*)) for the fiscal year ending December 2018 (19th period).
(*) JHR classifies capital expenditures into the following three categories. (I) Capital investment related to renewal of buildings, facilities, and equipment which is required to maintain proper values of properties, (II) capital investment for fixtures and furniture that are not directly related to building structure or facilities but necessary for operating hotels, and (III) strategic capital investment such as 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.</td></tr>
<tr><td>Non-operating expenses</td><td>・¥1,806 million is expected for all non-operating expenses, including interest expense, arrangement fee, amortization for the following (1) handling fees and (2) derivative instruments (interest rate caps).
・Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method.</td></tr>
<tr><td>Interest-bearing debt</td><td>・The balance of interest-bearing debt (sum of loans and investment corporation bonds) was ¥140,399 million as of December 31, 2017, and it is assumed that the balance of interest-bearing debt will be ¥141,453 million as of December 31, 2018.
・The investment corporation bonds in the amount of ¥10,000 million were issued on February 21, 2018 and a part of the existing loans (¥8,921 millions) will be repayed by the end of February.
・Besides the partial repayment of the existing loans above, it is assumed that the loans whose expiration date is during the fiscal year ending December 2018 (19th period) in the amount of ¥9,076 million will be all refinanced.</td></tr>
</table>

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Interest-bearing debt</td><td>・It is assumed that the contractual repayment other than above in the fiscal year ending December 2018 (19th period) in the amount of ¥25 million will be paid by cash on hand.</td></tr>
<tr><td>Issuance of investment units</td><td>・The number of investment units issued as of today (4,010,847 units) is assumed.
・It is assumed that there will be no additional issuance of investment units through to the end of the fiscal year ending December 2018 (19th period).</td></tr>
<tr><td>Dividend per unit</td><td>・Dividend per unit for the fiscal year ending December 2018 (19th period) is calculated based on the following assumptions.

<table>
<tr><td>Net income</td><td>¥14,294 million</td></tr>
<tr><td>Use of reserve for temporary difference adjustment (negative goodwill)</td><td></td></tr>
<tr><td>Negative goodwill － 50-year amortization amount (*1)</td><td>¥262 million</td></tr>
<tr><td>Loss on retirement of noncurrent assets (*2)</td><td>¥38 million</td></tr>
<tr><td>Correspondance to major renovation works (*3)</td><td>¥265 million</td></tr>
<tr><td>Distributable amount</td><td>¥14,860 million</td></tr>
<tr><td>Total number of investment units issued</td><td>4,010,847 units</td></tr>
<tr><td>Dividend per unit</td><td>¥3,705</td></tr>
</table>

(*1) ¥262 million (hereinafter called “50-year amortization amount of negative goodwill”) is paid 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 ended December 2017 (18th period).
(*2) The 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) Hotel Centraza Hakata will close its hotel operation for major renovation works (hereinafter the “Renovation”) from October 2018 to the end of March 2019. Taking into consideration the effect of the Renovation on dividend, ¥265 million, which is equivalent to the difference between NOI after depreciation of Hotel Centraza Hakata for the fiscal year ended December 2017 (18th period) and NOI after depreciation for the fiscal year ending December 2018 (19th period), will be appropriated by reserve for temporary difference adjustment (negative goodwill). In case the period of the Renovation is changed, the amount to be reversed from reserve for temporary difference adjustment may be reviewed.

・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, etc. at hotels, change in the business environment sorrounding tenants, etc. of hotels, unexpected repairs, and actual number of new units issued, etc.
・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 2018 (19th period) is expected to be ¥11,792 million.</td></tr>
<tr><td>Dividend per unit resulting from excess of earnings</td><td>・It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.</td></tr>
<tr><td>Other</td><td>・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.</td></tr>
</table>

<Reference Materials 1> Highlights of the operating forecast and forecast of dividend

(1) The following table provides comparison and major causes of variance between actual results of fiscal year ended December 2016 (17th period) and actual results of fiscal year ended December 2017 (18th period).

(Unit: millions of yen)

		17th Period Actual (A)	18th Period Actual (B)	Comparison with Previous Period (B)-(A)	Variance	Three Properties Acquired in 18th Period (*1)	Five Properties Acquired in 17th Period (*2)	Existing Properties	Factors Causing the Variance (Existing Properties)
Properties	No. of properties	41	44	3	7.3%				
	Acquisition price	286,801	319,474	32,673	11.4%				
Profit and Loss	Operating revenue	22,107	25,475	3,368	15.2%	931	2,218	217	
	Real estate operating revenue	22,107	25,475	3,368	15.2%	931	2,218	217	
	Fixed rent, etc.	Composition 57.5% 12,714	Composition 55.8% 14,221	1,506	11.9%	536	1,069	(99)	Receipt of termination charge due to replacement of tenants in 17th period: JPY(126)M Increase in rent due to replacement of tenants in 18th period: JPY10M and others
	Variable rent, etc.	42.5% 9,392	44.2% 11,253	1,861	19.8%	395	1,148	316	The seven HMJ hotels(*3) -- increase in variable rent: JPY397M The six Accor hotels -- increase in income from management contracts, etc.: JPY115M The six *the b* hotels-- decrease in variable rent: JPY(58)M Decrease in revenue sharing, etc.: JPY(137)M
	NOI (*4)	18,829	21,424	2,594	13.8%	922	1,533	139	
	NOI yield	*6.6%*	*6.7%*	*0.1%*					
	NOI after depreciation (*4)	15,517	17,563	2,046	13.2%	739	1,273	33	
	NOI yield after depreciation	*5.4%*	*5.5%*	*0.1%*					
	Operating income	13,885	15,757	1,872	13.5%				
	Ordinary income	12,220	14,006	1,786	14.6%				
	Net income	12,123	14,005	1,881	15.5%				
Dividend	Use of negative goodwill	740	769	29	4.0%				
	Total dividends	12,865	14,771	1,906	14.8%				
	No. of units issued	3,761,907	4,010,847	248,940	6.6%				
	Dividend per unit (JPY)	3,420	3,683	263	7.7%				

(*1) Stating the impact on the income statement by Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara, which were acquired in the fiscal year ended December 2017 (18th period).

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

(*3) The seven hotels that exclude Hotel Centraza Hakata and Holiday Inn Osaka Namba from the nine HMJ hotels.

(*4) Each is calculated using the following formula. The same shall apply hereafter.

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

(2) The following is a comparison and major causes of variance between the actual results for the fiscal year ended December 31, 2017 (18th period) and the forecast for the fiscal year ending December 31, 2018 (19th period)

(Unit: millions of yen)

		18th Period Actual (*1)	19th Period Forecast (*1) (B)	Comparison with Previous Period (B)-(A)	Variance Ratio	Three Properties acquired in 18th period (*2)	Existing Properties	Factors Causing the Variance (Existing Properties)
Properties	No. of properties	44	44	-	-			
	Acquisition price	319,474	319,474	-	-			
Profit and Loss	Operating revenue	25,475	26,567	1,092	4.3%	1,139	(46)	
	Real estate operating revenue	25,475	26,567	1,092	4.3%	1,139	(46)	
	Fixed rent	Composition 55.8% 14,221	Composition 56.0% 14,878	656	4.6%	663	(7)	
	Variable rent	44.2% 11,253	44.0% 11,689	435	3.9%	475	(39)	①The eight HMJ hotels (*3) -- increase in variable rent: JPY210M ②Decrease in variable rent due to renovation of Hotel Centraza Hakata : JPY(320)M ③The six Accor hotels -- increase in income from management contracts, etc.: JPY167M ④The six the b hotels -- decrease in variable rent: JPY(35)M ⑤Decrease in revenue sharing, etc.: JPY(61)M
	NOI (*4) *NOI yield*	21,424 *6.7%*	22,186 *6.9%*	761 *0.2%*	3.6%	991	(230)	
	NOI after depreciation (*4) *NOI yield after depreciation*	17,563 *5.5%*	18,062 *5.7%*	498 *0.2%*	2.8%	752	(254)	
	Operating income	15,757	16,094	336	2.1%			
	Ordinary income	14,006	14,295	289	2.1%			
	Net income	14,005	14,294	289	2.1%			
Dividend	Use of negative goodwill	769	565	(203)	(0)	Use of negative goodwill (*5) 18th period: 50 year amortization JPY262M, loss on retirement of noncurrent asset, JPY132M and correspondence to dilution JPY374M 19th period: 50 year amortization JPY262M, loss on retirement of noncurrent asset JPY38M and correspondence to major renovation works JPY265M		
	Total dividends	14,771	14,860	88	0.6%			
	No. of units issued	4,010,847	4,010,847	-	-			
	Dividend per unit (JPY)	3,683	3,705	22	0.6%			

(*1) For the assumptions of the forecast for the fiscal year ending December 2018 (19th Period), please see "<Reference Information> Assumptions of the operating forecast for the full year of the fiscal year ending December 2018 (19th Period) above.

(*2) Stating the impact on the income statement by Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara,which were acquired in the fiscal year ended December 2017 (18th period).

(*3) The eight HMJ hotels that exclude Hotel Centraza Hakata from the nine HMJ hotels.

(*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

(*5) For detail of 50-year amortization amount of negative goodwill, please see"Assumptions of the operating forecast for the midterm and the full year of the fiscal year ending December 2018 (19th period)" above.

<Reference Materials 2>

Of the hotels that have adopted variable rent, the following presents sales and GOP of the Twelve 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 numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of the numbers and information. Sales and GOP are rounded off to the nearest millions of yen. Comparison with the previous period is rounded off to one decimal place.

<1> Sales and GOP of the Twelve HMJ Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Twelve HMJ Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)		FY 2018 (Fiscal year ending December 2018)	
		Actual	Comparison with the previous period	Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
Kobe Meriken Park Oriental Hotel	First half of the year	2,465	1.7%	2,431	(1.4)%	2,510	3.3%
	Second half of the year	2,896	2.4%	2,950	1.9%	2,861	(3.0)%
	Full year	5,361	2.1%	5,381	0.4%	5,371	(0.2)%
Oriental Hotel tokyo bay	First half of the year	3,454	1.7%	3,319	(3.9)%	3,276	(1.3)%
	Second half of the year	3,817	(2.8)%	3,518	(7.8)%	3,611	2.6%
	Full year	7,271	(0.7)%	6,838	(6.0)%	6,887	0.7%
Namba Oriental Hotel	First half of the year	1,386	16.6%	1,394	0.6%	1,421	1.9%
	Second half of the year	1,491	11.1%	1,492	0.1%	1,531	2.6%
	Full year	2,877	13.7%	2,887	0.3%	2,952	2.3%
Hotel Nikko Alivila	First half of the year	2,421	1.8%	2,568	6.1%	2,682	4.4%
	Second half of the year	3,734	4.6%	3,821	2.3%	4,011	5.0%
	Full year	6,155	3.5%	6,389	3.8%	6,693	4.8%
Oriental Hotel Hiroshima	First half of the year	1,025	3.4%	993	(3.0)%	966	(2.7)%
	Second half of the year	1,216	6.4%	1,159	(4.7)%	1,206	4.0%
	Full year	2,240	5.0%	2,153	(3.9)%	2,172	0.9%
Total of the Five HMJ Hotels	First half of the year	10,751	3.6%	10,706	(0.4)%	10,856	1.4%
	Second half of the year	13,154	2.7%	12,941	(1.6)%	13,220	2.2%
	Full year	23,905	3.1%	23,647	(1.1)%	24,076	1.8%
Okinawa Marriott Resort & Spa	First half of the year	1,607	(0.4)%	1,692	5.3%	1,759	3.9%
	Second half of the year	2,326	(3.2)%	2,459	5.7%	2,537	3.2%
	Full year	3,933	(2.1)%	4,151	5.6%	4,296	3.5%
Sheraton Grand Hiroshima Hotel	First half of the year	1,369	1.7%	1,601	17.0%	1,536	(4.1)%
	Second half of the year	1,627	8.3%	1,747	7.4%	1,721	(1.5)%
	Full year	2,996	5.2%	3,348	11.8%	3,257	(2.7)%
Hotel Centraza Hakata	First half of the year	1,155	2.8%	1,266	9.5%	1,195	(5.5)%
	Second half of the year	1,265	5.0%	1,198	(5.3)%	641	(46.5)%
	Full year	2,421	3.9%	2,464	1.8%	1,837	(25.4)%
Holiday Inn Osaka Namba	First half of the year	1,104	32.7%	1,011	(8.4)%	1,025	1.3%
	Second half of the year	1,103	(2.7)%	1,063	(3.6)%	1,090	2.6%
	Full year	2,206	12.3%	2,074	(6.0)%	2,115	2.0%
Total of the Nine HMJ Group Hotels	First half of the year	15,985	4.5%	16,276	1.8%	16,370	0.6%
	Second half of the year	19,476	2.2%	19,408	(0.3)%	19,210	(1.0)%
	Full year	35,461	3.3%	35,684	0.6%	35,580	(0.3)%

(Unit: millions of yen)

Sales of the Twelve HMJ Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)		FY 2018 (Fiscal year ending December 2018)	
		Actual	Comparison with the previous period	Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
Hilton Tokyo Narita Airport	First half of the year	1,420	(0.8)%	1,542	8.6%	1,575	2.2%
	Second half of the year	1,566	2.8%	1,696	8.3%	1,678	(1.1)%
	Full year	2,986	1.1%	3,238	8.4%	3,253	0.5%
International Garden Hotel Narita	First half of the year	734	11.9%	705	(4.1)%	692	(1.8)%
	Second half of the year	718	8.5%	733	2.1%	728	(0.7)%
	Full year	1,453	10.2%	1,438	(1.0)%	1,420	(1.2)%
Hotel Nikko Nara	First half of the year	1,483	(1.4)%	1,458	(1.7)%	1,501	3.0%
	Second half of the year	1,521	(2.4)%	1,512	(0.6)%	1,578	4.4%
	Full year	3,003	(1.9)%	2,970	(1.1)%	3,079	3.7%
Total of the Twelve HMJ Hotels	First half of the year	19,622	3.9%	19,980	1.8%	20,139	0.8%
	Second half of the year	23,281	2.1%	23,349	0.3%	23,194	(0.7)%
	Full year	42,903	2.9%	43,329	1.0%	43,333	0.0%

(Reference)

Total of the Eleven HMJ Hotels (*3)	First half of the year	18,467	4.0%	18,715	1.3%	18,943	1.2%
	Second half of the year	22,015	2.0%	22,151	0.6%	22,553	1.8%
	Full year	40,483	2.9%	40,865	0.9%	41,496	1.5%

(*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) For the properties acquired during the fiscal year ended December 2017 (Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara), the figures for the fiscal year ended December 2016 and the fiscal year ended December 2017 are the numbers for the entire year including period prior to the acquisition.

(*3) The figures are the total amount of the Eleven HMJ Hotels excluding Hotel Centraza Hakata in order to exclude the impact of the major renovation of Hotel Centraza Hakata which is planning to suspend the hotel operation from October 2018 to the end of March 2019.

(2) Hotel GOP

(Unit: millions of yen)

GOP and Ratio of GOP of the Twelve HMJ Hotels (*1)		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)		FY 2018 (Fiscal year ending December 2018)	
		Actual	Comparison with the previous period	Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
Total of the Nine HMJ Hotels	GOP	12,010	10.1%	12,457	3.7%	12,355	(0.8)%
	Ratio of GOP	33.9%	2.1%	34.9%	1.0%	34.7%	(0.2)%
Total of the Twelve HMJ Hotels	GOP	14,124	10.4%	14,666	3.8%	14,693	0.2%
	Ratio of GOP	32.9%	2.2%	33.8%	0.9%	33.9%	0.1%

(Reference)

Total of the Eleven HMJ Hotels	GOP	13,299	10.1%	13,724	3.2%	14,107	2.8%
	Ratio of GOP	32.9%	2.2%	33.6%	0.7%	34.0%	0.4%

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

(*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) For the properties acquired during the fiscal year ended December 2017 (Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara), the figures for the fiscal year ended December 2016 and the fiscal year ended December 2017 are numbers for the entire year including period prior to the acquisition..

<2> Sales and GOP of the Six Accor Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Six Accor Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)		FY 2018 (Fiscal year ending December 2018)	
		Actual	Comparison with the previous period	Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
ibis Tokyo Shinjuku	First half of the year	406	(10.3)%	365	(10.1)%	479	31.2%
	Second half of the year	426	1.3%	408	(4.1)%	486	18.9%
	Full year	832	(4.7)%	773	(7.1)%	965	24.7%
ibis Styles Kyoto Station	First half of the year	464	30.0%	482	3.7%	460	(4.4)%
	Second half of the year	513	12.3%	496	(3.4)%	496	0.1%
	Full year	977	20.1%	977	0.0%	957	(2.1)%
ibis Styles Sapporo	First half of the year	490	14.3%	548	11.9%	576	5.0%
	Second half of the year	633	7.1%	671	6.1%	703	4.7%
	Full year	1,122	10.1%	1,219	8.6%	1,278	4.9%
Mercure Sapporo	First half of the year	546	9.3%	596	9.3%	623	4.4%
	Second half of the year	708	5.3%	755	6.6%	789	4.5%
	Full year	1,254	7.0%	1,351	7.8%	1,412	4.5%
Mercure Okinawa Naha	First half of the year	489	20.2%	532	8.7%	553	4.0%
	Second half of the year	560	8.6%	564	0.8%	575	1.9%
	Full year	1,049	13.7%	1,096	4.5%	1,128	2.9%
Mercure Yokosuka	First half of the year	569	3.5%	551	(3.2)%	549	(0.4)%
	Second half of the year	502	(2.0)%	486	(3.1)%	535	10.2%
	Full year	1,071	0.8%	1,037	(3.2)%	1,084	4.5%
Total of the Six Accor Hotels	First half of the year	2,965	10.0%	3,074	3.7%	3,240	5.4%
	Second half of the year	3,341	5.5%	3,380	1.2%	3,584	6.0%
	Full year	6,306	7.6%	6,454	2.4%	6,824	5.7%

(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 ended December 2017)		FY 2018 (Fiscal year ending December 2018)	
	Actual	Comparison with the previous period	Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
Total of the Six Accor Hotels	2,885	14.9%	3,004	4.1%	3,158	5.1%
Ratio of GOP to sales	45.8%	2.9%	46.5%	0.8%	46.3%	(0.3)%

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

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Six *the b* Hotels		FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)		FY 2018 (Fiscal year ending December 2018)	
		Actual	Comparison with the previous period	Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
the b akasaka-mitsuke	First half of the year	242	9.4%	215	(11.2)%	208	(3.3)%
	Second half of the year	226	(6.7)%	218	(3.4)%	210	(3.6)%
	Full year	468	1.0%	433	(7.5)%	418	(3.5)%
the b ikebukuro	First half of the year	323	7.3%	306	(5.3)%	306	(0.0)%
	Second half of the year	312	(3.7)%	311	(0.4)%	316	1.5%
	Full year	635	1.6%	617	(2.9)%	621	0.7%
the b ochanomizu	First half of the year	131	(0.8)%	130	(0.9)%	130	0.0%
	Second half of the year	135	3.5%	133	(1.1)%	133	(0.1)%
	Full year	266	1.3%	263	(1.0)%	263	(0.0)%
the b hachioji	First half of the year	291	9.0%	266	(8.5)%	271	2.0%
	Second half of the year	273	(6.1)%	282	3.2%	275	(2.5)%
	Full year	564	1.1%	548	(2.8)%	547	(0.3)%
the b hakata	First half of the year	230	20.6%	244	5.9%	251	3.2%
	Second half of the year	249	15.5%	266	6.9%	271	2.0%
	Full year	478	17.9%	509	6.4%	522	2.6%
the b suidobashi	First half of the year	177	—	173	(2.1)%	173	(0.2)%
	Second half of the year	174	—	177	1.9%	179	1.1%
	Full year	351	—	351	(0.2)%	352	0.4%
Total of the Six *the b* Hotels	First half of the year	1,394	—	1,333	(4.3)%	1,339	0.4%
	Second half of the year	1,369	—	1,388	1.4%	1,385	(0.2)%
	Full year	2,763	—	2,721	(1.5)%	2,724	0.1%

(*) 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 the ratio of GOP of the Six *the b* Hotels	FY 2016 (Fiscal year ended December 2016)		FY 2017 (Fiscal year ended December 2017)		FY 2018 (Fiscal year ending December 2018)	
	Actual	Comparison with the previous period	Actual	Comparison with the previous period	Forecast this time	Comparison with the previous period
Total of the Six *the b* Hotels	1,370	—	1,304	(4.8)%	1,265	(3.0)%
Ratio of GOP to sales	49.6%	—	47.9%	(1.7)%	46.5%	(1.5)%

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

<Reference Materials 3> Dividend per unit and appropriation for dividends

Dividend per unit for the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2017 are calculated based on the following assumptions.

	Fiscal year ended December 31, 2016 (JPY1M)	Fiscal year ended December 31, 2017 (JPY1M)
Unappropriated retained earnings	12,126	14,005
Total of reserve for temporary difference adjustment (*1) (negative goodwill) used	740	769
Negative goodwill – 50-year amortization amount (*1) (*2)	-	262
Loss on retirement of noncurrent assets	16	132
Amortization of fixed-term leasehold of land and asset retirement obligations (*2)	112	-
Adjustment for dilution (*3)	611	374
Total dividends	12,865	14,771
Total number of investment units issued	3,761,907 units	4,010,847 units
Dividend per unit	¥3,420	¥3,683

(*1) Starting from the fiscal year ending December 31,2017 (18thperiod), JHR commenced 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 transferred 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 ofnegative goodwill"), which is an amount equivalent to 2% (1/50) of the remaining balance of the reservefor temporary difference adjustment, to payout 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).

(*2) The amount recognized as amortization, etc. related to fixed-term leasehold of land and asset retirement obligations of Hotel Centraza Hakata and HOTEL ASCENT FUKUOKA were added to the dividends through appropriation of the dividends reserve (negative goodwill) for the fiscal year ended December 2016 and are included in the negative goodwill – 50-year amortization amount for the fiscal year ending December 2017.

(*3) Adjustment for dilution of dividend per unit due to issuance of new investment units.

3. Financial statements

(1) Balance sheets

(thousands of yen)

	As of December 31, 2016	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	15,141,393	16,179,716
Cash and deposits in trust	11,232,472	11,740,634
Operating accounts receivable	2,071,152	2,411,837
Prepaid expenses	586,700	573,439
Income taxes receivable	294	32
Other current assets	18,339	14,205
Total current assets	29,050,353	30,919,866
Noncurrent assets		
Property and equipment, at cost		
Machinery and equipment	220,174	278,899
Accumulated depreciation	(92,636)	(119,213)
Machinery and equipment, net	127,538	159,686
Tools, furniture and fixtures	1,983,010	2,438,070
Accumulated depreciation	(873,534)	(1,132,473)
Tools, furniture and fixtures, net	1,109,476	1,305,597
Construction in progress	3,240	-
Buildings in trust	*1 104,284,116	*1 122,414,147
Accumulated depreciation	(12,060,126)	(15,153,003)
Buildings in trust, net	92,223,989	107,261,144
Structures in trust	2,100,930	2,493,765
Accumulated depreciation	(238,341)	(304,817)
Structures in trust, net	1,862,588	2,188,948
Machinery and equipment in trust	534,100	580,867
Accumulated depreciation	(75,467)	(99,228)
Machinery and equipment in trust, net	458,632	481,638
Tools, furniture and fixtures in trust	137,266	137,266
Accumulated depreciation	(77,824)	(87,308)
Tools, furniture and fixtures in trust, net	59,442	49,957
Land in trust	154,841,633	171,618,110
Construction in progress in trust	4,085	1,512
Net property and equipment	250,690,627	283,066,595
Intangible assets		
Software	168,345	200,001
Leasehold rights in trust	28,648,457	28,648,457
Fixed-term leasehold rights in trust	5,451,770	5,313,494
Other intangible assets	9,796	9,116
Total intangible assets	34,278,369	34,171,069
Investments and other assets		
Security deposits	12,520	12,520
Leasehold and security deposits in trust	158,323	158,323
Long-term prepaid expenses	3,090,505	3,008,327
Derivative assets	146,585	123,334
Reserve for repairs and maintenance	64,130	319,058
Total investments and other assets	3,472,065	3,621,564
Total noncurrent assets	288,441,062	320,859,228
Deferred assets		
Investment unit issuance costs	243,615	272,107
Investment corporation bond issuance costs	143,589	132,059
Total deferred assets	387,204	404,166
Total assets	317,878,620	352,183,262

(thousands of yen)

	As of December 31, 2016	As of December 31, 2017
Liabilities		
Current liabilities		
Operating accounts payable	666,315	909,971
Short-term loans payable	1,800,000	3,000,000
Current portion of long-term loans payable	9,679,250	15,022,750
Accrued expenses	610,344	650,568
Income taxes payable	1,210	1,210
Consumption taxes payable	496,373	560,170
Advances received	899,290	900,259
Dividends payable	15,101	16,400
Deposits received	117,949	22,098
Derivative liabilities	24,379	23,471
Other current liabilities	54,503	54,903
Total current liabilities	14,364,717	21,161,802
Long-term liabilities		
Investment corporation bonds	22,600,000	23,600,000
Long-term loans payable	92,099,750	98,777,000
Tenant leasehold and security deposits	1,041,032	1,041,016
Tenant leasehold and security deposits in trust	4,619,744	4,653,410
Derivative liabilities	676,488	504,179
Deferred tax liabilities	46,233	38,954
Asset retirement obligations	441,542	443,577
Total long-term liabilities	121,524,790	129,058,138
Total liabilities	135,889,508	150,219,940
Net assets		
Unitholders' equity		
Unitholders' capital	134,829,448	153,516,129
Surplus		
Capital surplus	21,746,398	21,746,398
Voluntary reserve		
Dividend reserve	13,867,228	-
Reserve for temporary difference adjustment	-	*2 13,127,153
Total voluntary reserve	13,867,228	13,127,153
Unappropriated retained earnings (undisposed loss)	12,126,057	14,005,489
Total surplus	47,739,684	48,879,041
Total unitholders' equity	182,569,132	202,395,170
Valuation and translation adjustments		
Deferred gains (losses) on hedges	(580,019)	(431,849)
Total valuation and translation adjustments	(580,019)	(431,849)
Total net assets	*3 181,989,112	*3 201,963,321
Total liabilities and net assets	317,878,620	352,183,262

(2) Statements of income

(thousands of yen)

	As of December 31, 2016	As of December 31, 2017
Operating revenue		
Real estate operating revenue	*1 21,165,085	*1 24,318,307
Other real estate operating revenue	*1 942,384	*1 1,157,246
Total operating revenue	22,107,470	25,475,553
Operating expenses		
Real estate operating costs	*1, *2 6,589,908	*1, *2 7,911,653
Asset management fee	1,307,381	1,501,391
Asset custody and Administrative service fee	112,811	111,425
Directors' compensation	14,400	14,150
Other operating expenses	197,443	179,110
Total operating expenses	8,221,945	9,717,731
Operating income	13,885,524	15,757,821
Non-operating income		
Interest income	1,924	212
Gain on forfeiture of unclaimed dividends	2,296	3,624
Gain on insurance claims	472	648
Interest on tax refunds	610	391
Gain on derivative instruments	1,872	22,381
Total non-operating income	7,176	27,258
Non-operating expenses		
Interest expense	862,943	904,000
Interest expense on investment corporation bonds	128,071	169,584
Borrowing costs	561,927	522,774
Amortization of investment corporation bond issuance costs	19,043	20,748
Amortization of investment unit issuance costs	81,361	141,962
Loss on derivative instruments	16,445	13,306
Other	2,673	6,414
Total non-operating expenses	1,672,466	1,778,791
Ordinary income	12,220,234	14,006,288
Extraordinary loss		
Loss on disaster	*3 95,860	-
Total extraordinary loss	95,860	-
Income before income taxes	12,124,373	14,006,288
Income taxes – current	1,210	1,210
Total income taxes	1,210	1,210
Net income	12,123,163	14,005,078
Retained earnings brought forward	2,894	411
Unappropriated retained earnings (undisposed loss)	12,126,057	14,005,489

(3) Statements of changes in net assets

For the year ended December 31, 2016

(thousands of yen)

	Unitholders' equity						
	Unitholders' capital	Surplus					Total unitholders' equity
		Capital surplus	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	
			Dividend reserve	Total voluntary reserve			
Balance, January 1, 2016	85,470,541	21,746,398	13,928,075	13,928,075	9,296,121	44,970,596	130,441,137
Changes of items during the year:							
Issuance of new investment units	49,358,906						49,358,906
Reversal of dividend reserve			(60,847)	(60,847)	60,847	—	—
Dividends paid					(9,354,075)	(9,354,075)	(9,354,075)
Net income					12,123,163	12,123,163	12,123,163
Net changes of items other than unitholders' equity							
Total changes of items during the year	49,358,906	—	(60,847)	(60,847)	2,829,936	2,769,088	52,127,994
Balance, December 31, 2016	*1 134,829,448	21,746,398	13,867,228	13,867,228	12,126,057	47,739,684	182,569,132

(thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2016	(526,660)	(526,660)	129,914,477
Changes of items during the year:			
Issuance of new investment units			49,358,906
Reversal of dividend reserve			—
Dividends paid			(9,354,075)
Net income			12,123,163
Net changes of items other than unitholders' equity	(53,359)	(53,359)	(53,359)
Total changes of items during the year	(53,359)	(53,359)	52,074,635
Balance, December 31, 2016	(580,019)	(580,019)	181,989,112

For the year ended December 31, 2017

(thousands of yen)

		Unitholders' equity						
	Unitholders' capital		Surplus					Total unitholders' equity
		Capital surplus	Voluntary reserve			Unappropriated retained earnings (undisposed loss)	Total surplus	
			Dividend reserve	Reserve for temporary difference adjustment	Total voluntary reserve			
Balance, January 1, 2017	134,829,448	21,746,398	13,867,228	—	13,867,228	12,126,057	47,739,684	182,569,132
Changes of items during the year:								
Issuance of new investment units	18,686,681							18,686,681
Reversal of dividend reserve			(13,867,228)		(13,867,228)	13,867,228	—	—
Reserve for temporary difference adjustment				13,127,153	13,127,153	(13,127,153)	—	—
Dividends paid						(12,865,721)	(12,865,721)	(12,865,721)
Net income						14,005,078	14,005,078	14,005,078
Net changes of items other than unitholders' equity								
Total changes of items during the year	18,686,681	—	(13,867,228)	13,127,153	(740,075)	1,879,431	1,139,356	19,826,037
Balance, December 31, 2017	*1 153,516,129	21,746,398	—	13,127,153	13,127,153	14,005,489	48,879,041	202,395,170

(thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2017	(580,019)	(580,019)	181,989,112
Changes of items during the year:			
Issuance of new investment units			18,686,681
Reversal of dividend reserve			—
Reserve for temporary difference adjustment			—
Dividends paid			(12,865,721)
Net income			14,005,078
Net changes of items other than unitholders' equity	148,170	148,170	148,170
Total changes of items during the year	148,170	148,170	19,974,208
Balance, December 31, 2017	(431,849)	(431,849)	201,963,321

(4) Statements of cash dividends

Classification	For the year ended December 31, 2016	For the year ended December 31, 2017
I. Unappropriated retained earnings	¥12,126,057,948	¥14,005,489,588
II. Reversal of voluntary reserve		
Reversal of dividend reserve	¥13,867,228,256	—
Reversal of reserve for temporary difference adjustment	—	*1 ¥769,508,609
III. Dividends	¥12,865,721,940	¥14,771,949,501
[Dividend per unit]	[¥3,420]	[¥3,683]
IV. Voluntary reserve Reserve for temporary difference adjustment	*1 ¥13,127,153,216	—
V. Retained earnings carried forward	¥411,048	¥3,048,696
Method of calculating the amount of dividends	In accordance with the monetary distribution policy stipulated in Article 34, paragraph 1 of JHR's Articles of Incorporation, amount of dividend must exceed 90% of JHR's distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation. It was decided that ¥12,866,132,988, which was calculated by adding a reversal of dividend reserve of ¥740,075,040 to unappropriated retained earnings of ¥12,126,057,948, would all be distributed except for fractions of less than one yen of dividend per unit. Consequently, the dividend per unit came to ¥3,420. The monetary distribution in excess of earnings stipulated in Article 34, paragraph 1 (4) of JHR's Articles of Incorporation will not be made.	In accordance with the monetary distribution policy stipulated in Article 34, paragraph 1 of JHR's Articles of Incorporation, amount of dividend must exceed 90% of JHR's distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation. It was decided that ¥14,774,998,197, which was calculated by adding a reversal of reserve for temporary difference adjustment of ¥769,508,609 to unappropriated retained earnings of ¥14,005,489,588, would all be distributed except for fractions of less than one yen of dividend per unit. Consequently, the dividend per unit came to ¥3,683. The monetary distribution in excess of earnings stipulated in Article 34, paragraph 1 (4) of JHR's Articles of Incorporation will not be made.

(5) Statements of cash flows

(thousands of yen)

	For the year ended December 31, 2016	For the year ended December 31, 2017
Cash flows from operating activities		
Income before income taxes	12,124,373	14,006,288
Depreciation and amortization	3,294,081	3,725,775
Loss on retirement of noncurrent assets	16,662	132,908
Loss on derivative instruments	14,572	(9,074)
Amortization of investment corporation bond issuance costs	19,043	20,748
Amortization of investment unit issuance costs	81,361	141,962
Interest income	(1,924)	(212)
Interest expense	991,014	1,073,584
Interest on tax refunds	(610)	(391)
(Increase) decrease in operating accounts receivable	(801,580)	(340,685)
(Increase) decrease in consumption taxes receivable	245,509	–
(Increase) decrease in prepaid expenses	(176,458)	13,261
(Increase) decrease in long-term prepaid expenses	(2,095,775)	82,178
Increase (decrease) in operating accounts payable	102,258	(6,949)
Increase (decrease) in accrued expenses	112,854	43,449
Increase (decrease) in consumption taxes payable	496,373	63,796
Increase (decrease) in advances received	206,495	969
Increase (decrease) in deposits received	46,506	(95,850)
Other – net	4,862	(11,075)
Subtotal	14,679,620	18,840,684
Interest received	1,862	166
Interest paid	(994,383)	(1,076,810)
Interest received on tax refunds	610	391
Income taxes – refunded (paid)	1,553	(947)
Net cash provided by operating activities	13,689,262	17,763,484
Cash flows from investing activities		
Purchase of property and equipment in trust	(49,582,657)	(35,256,102)
Purchase of property and equipment	(659,879)	(557,756)
Purchase of intangible assets	(14,535,928)	(46,379)
Payments of reserve for repairs and maintenance	(14,911)	(258,870)
Proceeds from tenant leasehold and security deposits in trust	1,756,161	70,297
Reimbursements of tenant leasehold and security deposits in trust	(43,325)	(35,130)
Proceeds from tenant leasehold and security deposits	7,000	–
Reimbursements of tenant leasehold and security deposits	(1,001,800)	(16)
Net cash used in investing activities	(64,075,340)	(36,083,958)
Cash flows from financing activities		
Proceeds from short-term loans payable	8,800,000	4,000,000
Repayments of short-term loans payable	(16,000,000)	(2,800,000)
Proceeds from long-term loans payable	31,400,000	21,700,000
Repayments of long-term loans payable	(11,393,603)	(9,679,250)
Proceeds from investment corporation bonds	13,100,000	1,000,000
Redemption of investment corporation bonds	(2,500,000)	–
Proceeds from issuance of investment units	49,100,858	18,516,225
Payments for investment corporation bond issuance costs	(94,251)	(9,218)
Dividends paid	(9,351,356)	(12,860,798)
Net cash provided by financing activities	63,061,647	19,866,959
Net increase (decrease) in cash and cash equivalents	12,675,569	1,546,484
Cash and cash equivalents at beginning of year	13,698,296	26,373,866
Cash and cash equivalents at end of year	*1 26,373,866	*1 27,920,350

(6) Notes on going concern assumption

Not applicable.

(7) Notes on matters concerning significant accounting policies

1. Method of depreciation and amortization of noncurrent assets	(1) Property and equipment (including trust accounts) Depreciation of property and equipment is calculated using the straight-line method. The useful lives of major property and equipment components are as follows: Machinery and equipment 2 to 17 years Tools, furniture and fixtures 2 to 20 years Buildings in trust 2 to 62 years Structures in trust 2 to 62 years Machinery and equipment in trust 4 to 32 years Tools, furniture and fixtures in trust 2 to 27 years (2) Intangible assets Intangible assets are amortized using the straight-line method. The amortization period of major intangible assets is as follows. Software (for internal use) 5 years as internally usable years Fixed-term leasehold rights in trust is amortized using the straight-line method based on remaining period (41 years and 49 years) of the contract. (3) Long-term prepaid expenses Long-term prepaid expenses are amortized using the straight-line method.
2. Accounting for deferred assets	(1) Investment unit issuance costs Investment unit issuance costs are amortized using the straight-line method over three years. The issuance of new investment units through public offerings on July 5, 2017 was consummated under underwriting agreements in which underwriting securities companies committed to purchase all of the investment units being offered at an issue value and selling them at an offering price different from such issue value to general investors (the “spread method”). No underwriting fees were paid by JHR under the spread method since the underwriters were compensated by the underwriting spread, which amounted to ¥1,571,900 thousand for the year ended December 31, 2016 and ¥578,908 thousand for the year ended December 31, 2017, representing the difference between the issue price and the issue value. (2) Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized using the interest method over the respective term of the bond.
3. Standards for recognition of revenues and expenses	Treatment of property taxes and other taxes For taxes imposed on properties under management such as property taxes, city planning taxes, and depreciable asset taxes, the imposed amounts are allocated to the respective period and expensed as “Real estate operating costs.” Cash paid for property taxes and city planning taxes to the transferor of real properties at acquisition is not recorded as “Real estate operating costs” but capitalized as part of the acquisition cost of the relevant property. The amount of such taxes capitalized in the acquisition cost of real properties was ¥101,229 thousand for the year ended December 31, 2016 and ¥75,557 thousand for the year ended December 31, 2017.

4. Method of hedge accounting	(1) Method of hedge accounting Deferred hedge accounting is applied (2) Hedging instruments and hedged items Hedging instruments Interest rate swaps Interest rate caps Hedged items Interest rates on loans payable (3) Hedging policy JHR enters into certain derivative transactions in accordance with its financial policy in order to manage risks, which is provided in the Articles of Incorporation. (4) Method for assessing hedge effectiveness JHR evaluates hedge effectiveness by comparing the cumulative changes in cash flow of hedging instruments and the hedged items and assessing the ratio between the changes.
5. Scope of funds (cash and cash equivalents) in the statements of cash flows	Cash and cash equivalents in the statements of cash flows consist of cash on hand, cash in trust accounts, bank deposit and trust deposit, which can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased, which can easily be converted to cash and subject to minimal risk of change in value.
6. Other significant matters serving as the basis for preparing financial statements	(1) Accounting treatment of beneficial interests in trust with real estate, etc. as their assets For trust beneficial interests in real estate, etc., all assets and liabilities held in trust accounts as well as all income generated and expenses incurred from assets in trust are presented in the accompanying balance sheet and income statement accounts accordingly. The following material items of the trust accounts recorded in the relevant accounts are presented separately on the balance sheets. (a) Cash and deposits in trust (b) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust; Construction in progress in trust (c) Leasehold rights in trust; Fixed-term leasehold rights in trust; Leasehold and security deposits in trust (d) Tenant leasehold and security deposits in trust (2) Accounting treatment of consumption taxes Consumption taxes are excluded from the transaction amounts.

(8) Note on change in the indication method

"Asset custody fee" and "Administrative service fee" categorized as the "Operating expenses" will be combined to "Asset custody and administrative service fee" from this fiscal year under review due to the integration of the fee calculation. In order to reflect the change in the indication method, the financial statements for the calculation period 2016 is also rearranged.

As a result, ¥21,029 thousand of "Asset custody fee" and ¥91,782 thousand of "Administrative service fee" in "Operating expenses" in the Statement of Income for the calculation period 2016 are rearranged to ¥112,811 thousand of "Asset custody and administrative service fee."

(9) Notes to financial statements

Disclosure of notes on "securities," "share of (profit) loss of entities accounted for using equity method," "related-party transactions" and "retirement benefits" is omitted because there is thought to be not important and thus not necessary for disclosure in the financial report.

[Notes to balance sheets]

*1. Accumulated advanced depreciation of property and equipment deducted from acquisition costs due to government subsidies received, etc.

	As of December 31, 2016	As of December 31, 2017
Buildings in trust	¥24,921 thousand	¥24,921 thousand

*2. Matters concerning provision and reversal of reserve for temporary difference adjustment

As of December 31, 2016

Not applicable.

As of December 31, 2017

(thousands of yen)

	Amount of initial accrual	Balance at beginning of period	Amount of provision during period	Amount of reversal during period	Balance at end of period	Grounds for provision and reversal
Dividend reserve (Note)	13,127,153	-	13,127,153	-	13,127,153	Application of the transitional measures of Paragraph 3 of the Supplementary Provisions of the "Ordinance on Accountings of Investment Corporations" (Cabinet Office Ordinance No.27 of 2015)

(Note) The remaining balance of the amount subdivided into gain on negative goodwill which was recorded as a dividend reserve prior to the previous period is reserved for temporary difference adjustment during the fiscal year, and is scheduled for reversal every fiscal year, starting from the fiscal year following the fiscal year in which the reserve was made, in an amount that shall be no less than that in equal amounts every fiscal year over a period of no more than 50 years.

*3. Minimum net assets as required by Article 67, paragraph 4 of the Investment Trusts Act

As of December 31, 2016	As of December 31, 2017
¥50,000 thousand	¥50,000 thousand

[Notes to statements of income]

*1. Components of real estate operating revenue and real estate operating costs

(thousands of yen)

	For the year ended December 31, 2016		For the year ended December 31, 2017	
A. Real estate operating revenue				
Real estate operating revenue				
Fixed rent	11,772,386		13,064,351	
Variable rent	6,808,433		8,572,121	
Income from management contracts	2,584,265	21,165,085	2,681,834	24,318,307
Other real estate operating revenue				
Parking lots	158,750		179,054	
Other incidental revenue	40,775		62,597	
Utilities	545,754		781,934	
Other	197,104	942,384	133,660	1,157,246
Total real estate operating revenue		22,107,470		25,475,553
B. Real estate operating costs				
Real estate operating costs				
Land lease and other rent expenses	710,456		922,891	
Property taxes	1,216,710		1,476,156	
Outsourcing expenses (Note)	609,823		703,933	
Nonlife insurance	41,944		47,030	
Depreciation and amortization	3,294,081		3,725,775	
Loss on retirement of noncurrent assets	16,662		132,908	
Repairs	68,632		49,747	
Utilities	541,127		790,728	
Trust fees	41,764		43,655	
Other	48,706	6,589,908	18,825	7,911,653
Total real estate operating costs		6,589,908		7,911,653
C. Net real estate operating income (A − B)		15,517,561		17,563,899

(Note) Outsourcing expenses include management contract fees of ¥318,587 thousand for the year ended December 31, 2016 and ¥343,712 thousand for the year ended December 31, 2017.

*2. Depreciation was expensed as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2017
Property and equipment	¥3,150,543 thousand	¥3,538,117 thousand
Intangible assets	¥143,537 thousand	¥187,658 thousand

*3. Loss on disaster

For the year ended December 31, 2016

Restoration costs for assets damaged by the Kumamoto Earthquake were recorded as loss on disaster.

For the year ended December 31, 2017

Not applicable.

[Notes to statements of changes in net assets]

	For the year ended December 31, 2016	For the year ended December 31, 2017
*1 Total number of investment units authorized, and issued and outstanding		
Total number of investment units authorized	20,000,000 units	20,000,000 units
Total number of investment units issued and outstanding	3,761,907 units	4,010,847 units

[Notes to statements of cash dividends]

*1. Reserve for temporary difference adjustment

For the year ended December 31, 2016

By application of the transitional measures of Paragraph 3 of the Supplementary Provisions of the "Ordinance on Accountings of Investment Corporations" (Cabinet Office Ordinance No. 27 of 2015), ¥13,127,153,216 in dividend reserve that is the remaining balance of the amount subdivided into gain on negative goodwill recorded in prior fiscal years is set aside as reserve for temporary difference adjustment on the statements of cash dividends. Starting from the fiscal year following the fiscal year in which the reserve was made, reversal of the concerned reserve amount is scheduled to take place every fiscal year in an amount that shall be no less than the 50-year even amortizion amount, but limited to the balance of the reserve for temporary difference adjustment as maximum.

For the year ended December 31, 2017

By application of the transitional measures of Paragraph 3 of the Supplementary Provisions of the "Ordinance on Accountings of Investment Corporations" (Cabinet Office Ordinance No. 27 of 2015), ¥13,127,153,216 in dividend reserve that is the remaining balance of the amount subdivided into gain on negative goodwill recorded in prior fiscal years is set aside as reserve for temporary difference adjustment on the statements of cash dividends for the year ended December 31, 2016. Starting from the fiscal year following the fiscal year in which the reserve was made, reversal of the concerned reserve amount in an amount that shall be no less than the 50-year even amortization amount (¥262,543,065) of the remaining balance of the amount when the reserve was made, is required. In this fiscal year under review, reversal of ¥769,508,609 has been decided, which is the amount calculated by adding ¥374,000,000 for adjustment to dilution of dividend per unit due to capital increase through public offering and ¥132,908,609 equivalent to loss on retirement of fixed assets to ¥262,600,000 of the reversal.

[Notes to statements of cash flows]

*1. Relation of balance of cash and cash equivalents at end of year and the amount in balance sheet accounts

	For the year ended December 31, 2016	For the year ended December 31, 2017
Cash and deposits	¥15,141,393 thousand	¥16,179,716 thousand
Cash and deposits in trust	¥11,232,472 thousand	¥11,740,634 thousand
Cash and cash equivalents	¥26,373,866 thousand	¥27,920,350 thousand

2. Content of significant non-cash transactions

For the year ended December 31, 2016

JHR recognizes asset retirement obligations as it is obliged to restore the land of Hotel Centraza Hakata, acquired on April 1, 2016, and HOTEL ASCENT FUKUOKA, acquired on August 19, 2016, to the original state in accordance with the fixed-term leasehold agreements. This increases buildings in trust of property and equipment and asset retirement obligations by ¥440,168 thousand.

For the year ended December 31, 2017

Not applicable

[Notes on lease transactions]

Operating leases (as lessor)

Minimum rental revenue under non-cancellable operating leases

	As of December 31, 2016	As of December 31, 2017
Due within one year	¥1,709,333 thousand	¥1,520,073 thousand
Due after one year	¥5,889,179 thousand	¥4,685,123 thousand
Total	¥7,598,512 thousand	¥6,205,197 thousand

[Notes on financial instruments]

1. Matters concerning status of financial instruments

(1) Policy for financial instruments

JHR is an investment corporation set forth in Article 2, paragraph 12 of the Investment Trusts Act, managing investments mainly in specified assets as prescribed in the Investment Trusts Act. As a policy, JHR procures funds through issuance of investment units, etc. and loans from financial institutions in order to make investments in specified assets. JHR does not utilize surplus funds to invest in financial instruments except for short-term deposits and other equivalent short-term financial instruments. JHR may enter into derivative transactions in order to hedge against interest rate risk, but not for speculative trading purposes.

(2) Details of financial instruments, their risks, and risk management system

Operating accounts receivable is operating receivables and is exposed to credit risks of clients. As for the risks, JHR is managing payment dates and balances by each client with an aim to grasp concerns in collecting due to deterioration in their financial status and other factors in early stage and reduce the risks.

The floating rate loans payable are exposed to risks of interest rate fluctuations. In order to mitigate interest rate risk, JHR may enter into derivative transactions, if necessary to fix the interest expense.

Derivative transactions are conducted principally in accordance with rules prescribed by JHR and risk management rules applied by the Asset Management Company. Derivative transactions are arranged by the section in charge of finance at the Asset Management Company by using financial institutions with high credit ratings through approval and resolution by authorized personnel and a meeting committee structure set forth in its decision-making standards and resolution of JHR's board of directors.

Loans payable are exposed to liquidity risks. The section in charge of finance at the Asset Management Company prepares and updates projections and actual cash flows on a monthly basis to manage liquidity risks and monitor compliance with restrictive covenants set forth in the loan agreements. JHR manages liquidity risks by managing the ratio of short-term and long-term loans payable considering the current financial environment through approval and resolution by authorized personnel and meeting committee structure in the Asset Management Company and resolution of JHR's board of directors.

(3) Supplementary explanation on matters concerning fair value, etc. of financial instruments

Regarding the contract amount, etc. of derivative transactions in "2. Matters concerning fair value of financial instruments," the amount itself does not indicate certain scale of market risk exposure related to derivative transactions.

2. Matters concerning fair value of financial instruments

Carrying amounts of financial instruments on the balance sheets, their fair values, and the differences as of December 31, 2016 were as follows. Financial instruments whose fair values are considered extremely difficult to measure are not included in the table. See Note 2 below.

	Carrying amount (JPY 1,000)	Fair value (JPY 1,000)	Difference (JPY 1,000)
(1) Cash and deposits	15,141,393	15,141,393	—
(2) Cash and deposits in trust	11,232,472	11,232,472	—
(3) Operating accounts receivable (*1)	2,071,152	2,071,152	—
Total assets	28,445,019	28,445,019	—
(4) Short-term loans payable	1,800,000	1,800,000	—
(5) Current portion of long-term loans payable	9,679,250	9,679,250	—
(6) Investment corporation bonds	22,600,000	22,629,640	29,640
(7) Long-term loans payable	92,099,750	92,099,750	—
Total liabilities	126,179,000	126,208,640	29,640
(8) Derivative transactions (*2)	(554,282)	(554,282)	—

Carrying amounts of financial instruments on the balance sheets, their fair values, and the differences as of December 31, 2017 were as follows. Financial instruments whose fair values are considered extremely difficult to measure are not included in the table. See Note 2 below.

	Carrying amount (JPY 1,000)	Fair value (JPY 1,000)	Difference (JPY 1,000)
(1) Cash and deposits	16,179,716	16,179,716	—
(2) Cash and deposits in trust	11,740,634	11,740,634	—
(3) Operating accounts receivable (*1)	2,411,837	2,411,837	—
Total assets	30,332,188	30,332,188	—
(4) Short-term loans payable	3,000,000	3,000,000	—
(5) Current portion of long-term loans payable	15,022,750	15,022,750	—
(6) Investment corporation bonds	23,600,000	23,621,270	21,270
(7) Long-term loans payable	98,777,000	98,777,000	—
Total liabilities	140,399,750	140,421,020	21,270
(8) Derivative transactions (*2)	(404,316)	(404,316)	—

(*1) “Operating accounts receivable”, which was omitted to be stated in the previous period, is stated in the year ended December 31, 2017 as the amount has become more important.

(*2) Receivables and payables arising from derivative transactions are presented on a net basis and amounts in parenthesis denote net payables.

(Note 1) Methods to measure fair value of financial instruments

(1) Cash and deposits; (2) Cash and deposits in trust; (3) Operating accounts receivable; (4) Short-term loans payable

The carrying value is deemed to approximate the fair value since the instruments are scheduled to be settled in a short period of time.

(5) Current portion of long-term loans payable; (7) Long-term loans payable

The carrying value is deemed to approximate the fair value since the interest rate on long-term loans payable are floating interest rates which are revised periodically to reflect market interest rates.

(6) Investment corporation bonds

The fair value of these instruments is measured based on the market price.

(8) Derivative transactions

The information on the fair value of derivative transactions is presented in “Notes on derivative transactions” below.

(Note 2) Carrying amount of financial instruments whose fair values are considered extremely difficult to measure

(thousands of yen)

Classification	As of December 31, 2016	As of December 31, 2017
Tenant leasehold and security deposits	1,041,032	1,041,016
Tenant leasehold and security deposits in trust	4,619,744	4,653,410
Total	5,660,776	5,694,426

Tenant leasehold and security deposits / Tenant leasehold and security deposits in trust

Tenant leasehold and security deposits (in trust) are not subject to fair value disclosure because they have no market price and their actual deposit periods from a tenant's move-in to move-out are not estimable, thus making a reasonable estimate of future cash flows is difficult.

3. Redemption schedule for monetary claims subsequent to the account closing date

As of December 31, 2016

	Due within one year (JPY1,000)	Due after one to two years (JPY 1,000)	Due after two to three years (JPY 1,000)	Due after three to four years (JPY 1,000)	Due after four to five years (JPY 1,000)	Due after five years (JPY 1,000)
Cash and deposits	15,141,393	—	—	—	—	—
Cash and deposits in trust	11,232,472	—	—	—	—	—
Operating accounts receivable	2,071,152					
Total	28,445,019	—	—	—	—	—

As of December 31, 2017

	Due within one year (JPY 1,000)	Due after one to two years (JPY 1,000)	Due after two to three years (JPY 1,000)	Due after three to four years (JPY 1,000)	Due after four to five years (JPY 1,000)	Due after five years (JPY 1,000)
Cash and deposits	16,179,716	—	—	—	—	—
Cash and deposits in trust	11,740,634	—	—	—	—	—
Operating accounts receivable	2,411,837					
Total	30,332,188	—	—	—	—	—

4. Schedule for repayment of loans payable and redemption of investment corporation bonds subsequent to the account closing date

As of December 31, 2016

	Due within one year (JPY 1,000)	Due after one to two years (JPY 1,000)	Due after two to three years (JPY 1,000)	Due after three to four years (JPY 1,000)	Due after four to five years (JPY 1,000)	Due after five years (JPY 1,000)
Short-term loans payable	1,800,000	—	—	—	—	—
Current portion of long-term loans payable	9,679,250	—	—	—	—	—
Investment corporation bonds	—	—	2,000,000	—	1,500,000	19,100,000
Long-term loans payable	—	13,322,750	11,217,000	13,544,000	10,800,000	43,216,000
Total	11,479,250	13,322,750	13,217,000	13,544,000	12,300,000	62,316,000

As of December 31, 2017

	Due within one year (JPY 1,000)	Due after one to two years (JPY 1,000)	Due after two to three years (JPY 1,000)	Due after three to four years (JPY 1,000)	Due after four to five years (JPY 1,000)	Due after five years (JPY 1,000)
Short-term loans payable	3,000,000	—	—	—	—	—
Current portion of long-term loans payable	15,022,750	—	—	—	—	—
Investment corporation bonds	—	2,000,000	—	1,500,000	6,000,000	14,100,000
Long-term loans payable	—	11,217,000	13,544,000	10,800,000	11,200,000	52,016,000
Total	18,022,750	13,217,000	13,544,000	12,300,000	17,200,000	66,116,000

[Notes on derivative transactions]

1. Derivative transactions to which hedge accounting is not applied

For derivative transactions which hedge accounting is not applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date was as follows:

As of December 31, 2016

(thousands of yen)

Classification	Type, etc. of derivative transaction	Contract amount, etc.		Fair value	Method to measure the fair value
			Of which, due after one year		
Transactions other than market transactions	Interest rate swaps (fixed rate payment, floating rate receipt)	6,794,000	6,794,000	(38,033)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	848,250	—	—	

As of December 31, 2017

(thousands of yen)

Classification	Type, etc. of derivative transaction	Contract amount, etc.		Fair value	Method to measure the fair value
			Of which, due after one year		
Transactions other than market transactions	Interest rate swaps (fixed rate payment, floating rate receipt)	6,794,000	1,794,000	(15,651)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

2. Derivative transactions to which hedge accounting is applied

For derivative transactions which hedge accounting is applied, the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date for each method of hedge accounting was as follows:

As of December 31, 2016

(thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Deferral method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	92,428,750	82,808,750	(516,439)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	Long-term loans payable	4,286,250	4,286,250	190	

As of December 31, 2017

(thousands of yen)

Method of hedge accounting	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method to measure the fair value
				Of which, due after one year		
Deferral method	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	100,058,750	91,048,000	(388,665)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	Long-term loans payable	4,286,250	—	—	

[Notes on tax-effect accounting]

1. Significant components of deferred tax assets and liabilities by cause

(thousands of yen)

	As of December 31, 2016	As of December 31, 2017
Deferred tax assets:		
Valuation difference on assets accepted through merger	1,775,942	1,756,833
Amortization of fixed-term leasehold of land	32,589	76,475
Asset retirement obligations	3,087	7,603
Deferred gains (losses) on hedges	221,352	165,776
Total gross deferred tax assets	2,032,972	2,006,688
Valuation allowance	(2,032,972)	(2,006,688)
Total deferred tax assets	—	—
Deferred tax liabilities:		
Deferred gains (losses) on hedges	46,233	38,954
Total gross deferred tax liabilities	46,233	38,954

2. Details of major causes of material differences between the statutory tax rate and the tax rate under effective tax accounting

	As of December 31, 2016	As of December 31, 2017
Statutory tax rate	32.31%	31.74%
[Adjustments]		
Deduction for dividends paid	(32.37%)	(31.92%)
Change in valuation allowance	(0.21%)	0.18%
Other – net	0.28%	0.01%
Actual effective tax rate	0.01%	0.01%

[Notes on asset retirement obligations]

Asset retirement obligations recognized on the balance sheet

1. Outline of the subject asset retirement obligations

   JHR recognizes asset retirement obligations as it is obliged to restore the land of Hotel Centraza Hakata, acquired on April 1, 2016, and HOTEL ASCENT FUKUOKA, acquired on August 19, 2016, to the original state in accordance with the fixed-term leasehold agreement.

2. Calculation method of the subject asset retirement obligations

   Calculated the amount of asset retirement obligations estimating that the expected useful life is 34 years and 48 years, respectively, due to their remaining use period and using the discount rate of 0.484% and 0.394%, respectively.

3. Increase and decrease of the subject asset retirement obligations

(thousands of yen)

	For the year ended December 31, 2016	For the year ended December 31, 2017
Balance at beginning of period	—	441,542
Increase due to acquisition of property and equipment	440,168	—
Adjustment due to passage of time	1,373	2,035
Balance at end of period	441,542	443,577

[Notes on segment and related information]

1. Segment information

   The segment information has been omitted because JHR has only one segment, which is the investment and management of hotel real estate.

2. Related information

   For the year ended December 31, 2016

   (1) Information about products and services

   Information about products and services has been omitted because operating revenue from external customers in a single product/service category accounted for more than 90% of total operating revenue on the statements of income.

   (2) Information about geographical areas

   (i) Operating revenue

   Information about geographical areas has been omitted because operating revenue from external customers in Japan accounted for more than 90% of total operating revenue on the statements of income.

   (ii) Property and equipment

   Information about property and equipment has been omitted because the amount of property and equipment located in Japan accounted for more than 90% of net property and equipment on the balance sheets.

   (3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd.	6,825,199	Investment and management of hotel real estate
AAPC Japan K.K.	2,980,712	Investment and management of hotel real estate

For the year ended December 31, 2017

(1) Information about products and services

Information about products and services has been omitted because operating revenue from external customers in a single product/service category accounted for more than 90% of total operating revenue on the statements of income.

(2) Information about geographical areas

(i) Operating revenue

Information about geographical areas has been omitted because operating revenue from external customers in Japan accounted for more than 90% of total operating revenue on the statements of income.

(ii) Property and equipment

Information about property and equipment has been omitted because the amount of property and equipment located in Japan accounted for more than 90% of net property and equipment on the balance sheets.

(3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd.	6,973,259	Investment and management of hotel real estate
AAPC Japan K.K.	3,098,069	Investment and management of hotel real estate

[Notes on rental properties, etc.]

JHR owns rental properties for hotels to earn lease income and income from management contracts. The carrying amounts, changes in such balances, and fair values of such properties were as follows:

(thousands of yen)

Use		For the year ended December 31, 2016	For the year ended December 31, 2017
Hotel	Carrying amount		
	Balance at beginning of period	222,362,750	284,965,547
	Net increase (decrease) during period	62,602,797	32,263,660
	Balance at end of period	284,965,547	317,229,208
	Fair value at end of period	398,770,000	439,390,000

(Note 1) For a summary of the applicable rental properties, please refer to "5. Reference information; (2) Assets under management; (C) Other major assets under management; A. Summary of real estate properties (in trust) under management" on page 48.

(Note 2) With regards to net increase (decrease) during period, increase during the year ended December 31, 2016 principally represents the acquisition of CANDEO HOTELS UENO-KOEN for ¥6,784 million, Hotel Centraza Hakata for ¥7,614 million, Holiday Inn Osaka Namba (HOTEL VISTA GRANDE OSAKA) for ¥27,245 million, HOTEL ASCENT FUKUOKA for ¥5,222 million and Hilton Nagoya for ¥15,488 million. Increase during the year ended December 31, 2017 principally represents the acquisition of Hilton Tokyo Narita Airport for ¥13,376 million, International Garden Hotel Narita for ¥9,237 million and Hotel Nikko Nara for ¥10,589 million.

(Note 3) Fair value at end of period is the appraisal value determined by licensed real estate appraisers.

Real estate operating revenue and costs related to the rental properties were as follows:

(thousands of yen)

Use		For the year ended December 31, 2016	For the year ended December 31, 2017
Hotel	Amount on the statements of income		
	Real estate operating revenue	22,107,470	25,475,553
	Real estate operating costs	6,589,908	7,911,653
	Net real estate operating income	15,517,561	17,563,899

(Note) "Real estate operating revenue" and "Real estate operating costs" are income from real estate operation (including other income from real estate operation) and corresponding expenses (such as depreciation, property tax, etc., trust fees, repair expenses and others), and are included in "Operating revenue" and "Real estate operating costs," respectively.

[Notes on per unit information]

	As of December 31, 2016	As of December 31, 2017
Net assets per unit	¥48,376	¥50,354
Net income per unit	¥3,462	¥3,606

(Note 1) Net income per unit is computed by dividing net income by the average number of investment units during the period.
Net income per unit after the adjustment of potentially dilutive units is not presented since there are no potentially dilutive units.

(Note 2) The basis of computation of net income per unit is as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2017
Net income (JPY 1,000)	12,123,163	14,005,078
Amount not attributable to common unitholders (JPY 1,000)	—	—
Net income for attributable to common investment units (JPY 1,000)	12,123,163	14,005,078
Average number of investment units during period (units)	3,501,175	3,883,679

[Notes on significant subsequent events]

Issuance of investment corporation bonds

JHR issued investment corporation bonds under the following terms and conditions.

Classification	Tenth unsecured investment corporation bonds
Total amount of issuance	¥10 billion
Issue price	¥100 for face value of ¥100
Interest rate	0.840%/year
Issuance date	February 21, 2018
Maturity date	February 21, 2028
Security	Unsecured
Purpose of use	The proceeds will be allocated to prepay the existing loans by the end of February, 2018. The residual funds will be allocated to part of the fund for future acquisition of specified assets, part of funds for repayment of loans or repair cost and capital expenditure to maintain or improve competitiveness of the existing properties.

(10) Changes in total number of investment units issued and outstanding

Issuance of new investment units through public offering (236,000 units) on July 5, 2017 and issuance of new investment units through third-party allotment (12,940 units) on August 2, 2017 resulted in procurement of ¥18,686 million. The following is the status of increase (decrease) in the total number of investment units issued and outstanding and unitholders' capital for past five years through to the end of the fiscal year under review.

Date	Capital transaction	Total number of investment units issued and outstanding (Units)		Unitholders' capital (JPY1M)		Note
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
April 17, 2013	Capital increase through public offering of investment units	510,000	2,621,281	20,585	48,845	(Note 1)
September 9, 2014	Capital increase through public offering of investment units	170,000	2,791,281	10,179	59,024	(Note 2)
January 27, 2015	Capital increase through public offering of investment units	200,000	2,991,281	14,974	73,999	(Note 3)
February 18, 2015	Capital increase through third-party allotment of investment units	9,041	3,000,322	676	74,676	(Note 4)
June 22, 2015	Capital increase through public offering of investment units	140,000	3,140,322	10,500	85,177	(Note 5)
July 23, 2015	Capital increase through third-party allotment of investment units	3,905	3,144,227	292	85,470	(Note 6)
January 20, 2016	Capital increase through public offering of investment units	170,000	3,314,227	13,986	99,456	(Note 7)
February 17, 2016	Capital increase through third-party allotment of investment units	7,680	3,321,907	631	100,088	(Note 8)
July 27, 2016	Capital increase through public offering of investment units	428,260	3,750,167	33,813	133,902	(Note 9)
August 23, 2016	Capital increase through third-party allotment of investment units	11,740	3,761,907	926	134,829	(Note 10)
July 5, 2017	Capital increase through public offering of investment units	236,000	3,997,907	17,715	152,544	(Note 11)
August 2, 2017	Capital increase through third-party allotment of investment units	12,940	4,010,847	971	153,516	(Note 12)

(Note 1) New investment units were issued through public offering with an issue price per unit of ¥41,778 (issue value of ¥40,363) in order to procure funds for the acquisition of new properties, etc.

(Note 2) New investment units were issued through public offering with an issue price per unit of ¥61,912 (issue value of ¥59,880) in order to procure funds for the acquisition of new properties, etc.

(Note 3) New investment units were issued through public offering with an issue price per unit of ¥77,415 (issue value of ¥74,874) in order to procure funds for the acquisition of new properties, etc.

(Note 4) New investment units were issued through third-party allotment with an issue value per unit of ¥74,874 in order to procure funds for allocation to part of future acquisitions of specified assets, part of repayment of other loans, or capital expenditures to maintain or improve competitiveness of existing properties.

(Note 5) New investment units were issued through public offering with an issue price per unit of ¥77,512 (issue value of ¥75,007) in order to procure funds for the acquisition of new properties, etc.

(Note 6) New investment units were issued through third-party allotment with an issue value per unit of ¥75,007 in order to procure funds for allocation to part of future acquisitions of specified assets, part of repayment of other loans, or capital expenditures to maintain or improve competitiveness of existing properties.

(Note 7) New investment units were issued through public offering with an issue price per unit of ¥85,020 (issue value of ¥82,273) in order to procure funds for the allocation to acquisition of new properties, etc.

(Note 8) New investment units were issued through third-party allotment with an issue value per unit of ¥82,273 in order to procure funds for allocation to acquisition of new properties, etc.

(Note 9) New investment units were issued through public offering with an issue price per unit of ¥81,536 (issue value of ¥78,956) in order to procure funds for the allocation to acquisition of new properties, etc.

(Note 10) New investment units were issued through third-party allotment with an issue price per unit of ¥78,956 in order to procure funds for allocation to part of future acquisitions of specified assets, part of repayment of other loans, or capital expenditures to maintain or improve competitiveness of existing properties.

(Note 11) New investment units were issued through public offering with an issue price per unit of ¥77,518 (issue value of ¥75,065) in order to procure funds for the allocation to acquisition of new properties, etc.

(Note 12) New investment units were issued through third-party allotment with an issue value per unit of ¥75,065 in order to procure funds for allocation to part of future acquisitions of specified assets, part of repayment of other loans, or capital expenditures to maintain or improve competitiveness of existing properties.

4. Status of directors

(1) Directors of JHR

The following are the directors of JHR as of the date of this report.

Title	Name	Major career		Number of investment units held
Executive Director	Kaname Masuda	Apr. 1990	Registered as a lawyer (Daiichi Tokyo Bar Association) Joined Nishimura & Asahi (formerly, Nishimura & Partners)	0
		Oct. 1998	Joined Merrill Lynch Japan Securities Co., Ltd.	
		Nov. 2000	General Counsel	
		Mar. 2001	Executive Director (Concurrent position)	
		Aug. 2002	Enrolled in Columbia Law School, Columbia University, U.S.	
		May 2003	Graduated from Columbia Law School, Columbia University, U.S. (LL.M.)	
		Sep. 2006	Registered as a lawyer, State of New York	
		Feb. 2008	Established Masuda & Partners Law Office as Managing Partner (current)	
		Jun. 2008	Joined Jibun Bank Corporation as Outside Corporate Auditor (current)	
		Sep. 2010	Joined Japan Hotel and Resort, Inc. as Executive Director	
		Feb. 2012	Joined Commons Asset Management, Inc. as Outside Corporate Auditor (current)	
		Oct. 2014	Joined CROSSWARP Inc. as Outside Corporate Auditor (current)	
		Nov. 2015	Joined Japan Hotel REIT Investment Corporation as Executive Director (current)	
		Mar. 2016	Joined GMO Internet, Inc. as Director (Independent Director) / Audit and Supervisory Committee Member (current)	
Supervisory Director	Tetsuya Mishiku	Apr. 1993	Registered as a lawyer (Daiichi Tokyo Bar Association) Joined Iinuma & Partner	0
		Dec. 2000	Partner	
		Sep. 2002	Part-time lecturer at Chuo University	
		Nov. 2003	Changed registration to Shizuoka Bar Association Joined Aoba Law Office as Partner	
		Nov. 2005	Joined Japan Hotel REIT Investment Corporation (formerly, Nippon Hotel Fund Investment Corporation) as Supervisory Director (current)	
		Dec. 2005	Joined A-too Co., Ltd. as Part-time Corporate Auditor	
		Mar. 2007	Joined Healing Entertainment Co., Ltd. as Part-time Corporate Auditor (current)	
		Aug. 2010	Joined Mishiku & Nagamachi Law Office (formerly, Aoi Tower Law Office) as Representative (current)	
		Sep. 2010	Joined Koike Roof and Siding KK as Outside Corporate Auditor (current)	
		Aug. 2011	Outside Director of A-too Co., Ltd. (current)	
		Nov. 2016	Outside Corporate Auditor of Kabushiki kaisha Tem Realtor (current)	

Title	Name	Major career		Number of investment units held
Supervisory Director	Hiroto Kashii	Apr. 1971	Joined Development Bank of Japan, Inc. (formerly, Japan Development Bank) responsible for lending and investment	0
		Apr. 1997	General Manager, Retail Department at Head Office	
		Apr. 1998	Joined K.K. Hotel Odakyu as Managing Director and General Manager of Accounting Department	
		Apr. 2002	Joined K.K. Hotel Odakyu (formerly, K.K. Odakyu Hotels and Resorts which merged with K.K. Hotel Odakyu later) as Managing Director responsible for marketing	
		Jun. 2003	Joined New Kansai International Airport Co., Ltd. (formerly, Kansai International Airport Co., Ltd.) as Executive Officer responsible for terminal sales promotion, subsidiaries management and hotel businesses	
		Jun. 2009	Joined Kyowa Co., Ltd. as Representative Director	
		Jun. 2012	Joined Japan Carbon Finance, Ltd. as Managing Director	
		Mar. 2013	Representative Director	
		Jun. 2013	Joined DBJ Asset Management Co., Ltd. as Corporate Auditor	
		Nov. 2015	Joined Japan Hotel REIT Investment Corporation as Supervisory Director (current)	

(Note 1) Following the resolutions made at the 8th General Meeting of Unitholders held on November 22, 2017, Hiroshi Matsuzawa resigned from office of Supervisory Director as of the date.

(Note 2) In case the number of Executive Director does not meet the requirement stipulated by laws and regulations, Hisashi Furukawa, Representative Director of the Asset Management Company, was elected as Substitute Executive Director, based on the resolution made by the 8th General Meeting of Unitholders of JHR held on November 22, 2017.

(2) Directors of the Asset Management Company

The following are the directors of the Asset Management Company as of the date of this report.

Title	Name	Major career		Number of shares held
Representative Director and President	Hisashi Furukawa	Apr. 1982 Jan. 1984 Jul. 1990 Apr. 2000 May 2004 Aug. 2013 Jun. 2014	Joined Sumitomo Realty & Development Co., Ltd. Building Business Department Seconded to its subsidiary in the U.S. Joined Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (formerly, Morgan Stanley Japan Limited) and served as Executive Director of the Real Estate Group in the Investment Banking Division Joined UBS Securities Co., Ltd. (formerly, Warburg Dillon Read (Japan) Limited) and served as Co-head and Executive Director of the Real Estate Sector Team in the Corporate Finance Division Joined Rockpoint Group, L.L.C. as Representative of Japan Office and Principal Established River Flows, Inc. as Representative Director Joined Japan Hotel REIT Advisors Co., Ltd. as Representative Director and President (current)	0
Director	Shuya Matsubara	Apr. 1986 Dec. 1998 Mar. 2001 Jun. 2009 Apr. 2012 May 2013 Apr. 2014 Mar. 2015	Joined The Hyakujushi Bank, Ltd. and served as Deputy Manager of the International Affairs Department Joined Deloitte Tohmatsu Consulting LLC as Manager of the Financial Division Joined Goldman Sachs Realty Japan, Ltd. and served as Director and Joint Group Leader of the Strategic Management Group in the Acquisition Division Joined Japan Hotel & Resort K.K. as Director Joined Japan Hotel REIT Advisors Co., Ltd. as Director (current) and Senior General Manager of the Finance & Planning Department Senior General Manager of the Finance & Accounting Division Senior General Manager of the Finance & Accounting Division and General Manager of the Finance Department Senior General Manager of the Finance & Planning Division and General Manager of the Finance & Planning Department (current)	0
Director	Toshitaka Ishido	Apr. 1999 Jul. 2002 Aug. 2003 Sep. 2006 Apr. 2007 Apr. 2012 Mar. 2013	Joined Value Management Institute, Inc. Joined Hospitality Advisory Group of KPMG Business Advisory LLC (Tokyo Branch) Manager of the Hospitality Group of KPMG FAS Co., Ltd. (Tokyo Branch of KPMG Business Advisory LLC was merged with KPMG FAS Co., Ltd.) as manager Joined Japan Hotel & Resort K.K. and served as Senior Manager of Acquisitons Department Director and Senior General Manager of Asset Management Department Joined Japan Hotel REIT Advisors Co., Ltd. as Senior General Manager of Investment Division (current) and General Manager of Acquisitions Department Director (current)	0

Title	Name	Major career		Number of shares held
Director	Noboru Itabashi	Apr. 1995 Jan. 1998 Aug. 1999 Sep. 2006 Apr. 2007 Apr. 2012 Mar. 2015	Joined Asahi Sangyo Kaisha, Ltd., Fabricated Metals Department Joined British American Tobacco Japan, Ltd. (formerly, Rothmans Japan), Finance Department Joined Sun Microsystems K.K., Field Finance Division Joined Japan Hotel & Resort K.K. and served as Senior Manager of the Finance and Accounting Division Senior General Manager of Operations Division Joined Japan Hotel REIT Advisors Co., Ltd. as General Manager of the Accounting Department Director, Senior General Manager of Operations Division & General Manager of Accounting and Reporting Department (current)	0
Director	Hiroyuki Aoki	Sep. 1994 Jun. 1997 Nov. 2001 Jul. 2002 Aug. 2005 Jan. 2008 Nov. 2011 Dec. 2011 Apr. 2012	Joined Deloitte & Touche LLP, New York Office, Accounting & Audit Department Joined Ingersoll-Rand Headquarters, Internal Audit Department Joined KPMG Tax Corporation (formerly, Arthur Andersen LLP) Joined Ripplewood Holdings LLC, Hotel Investment Group as Vice President Joined Creative Renovation Group Japan, Inc. as Vice President of Finance Joined Tokyo Venture Gear Co. Ltd. as Director Appointed as Representative Director of SC Capital Partners Japan Co. Ltd. (formerly, RE Capital Services Japan Co., Ltd.) (current) (Note) Appointed as Statutory Auditor (part-time) of Japan Hotel & Resort K.K. Appointed as Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)	0
Director (Chairman)	Suchad Chiaranussati	Oct. 1987 Oct. 1991 Nov. 1992 Nov. 1998 Apr. 1999 Nov. 2004 Oct. 2007 May 2010 Aug. 2010 Aug. 2015 Oct. 2015	Joined the Central Bank of Thailand, Foreign Exchange Reserve Management Division Joined Temasek Holdings (in Singapore) and served as Manager of Direct Investment Joined JP Morgan (in Singapore) and served as Vice President in the Real Estate Investment and Investment Banking Division Appointed as Advisor at the Central Bank of Thailand Joined Westbrook in Singapore as Principal and Managing Director responsible for Asian investment activities Established Real Estate Capital Asia Partners, L.P. Appointed as Director of SC Management Limited (current) (Note) Appointed as Director of Rockrise Sdn Bhd (current) (Note) Appointed as Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current) Appointed as Director of SC J-Holdings Pte. Ltd. (current) (Note) Appointed Chairman (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)	0

Title	Name	Major career		Number of shares held
Director	Ian George Winston Lien	May 1989 Jan. 2003 Oct. 2007 Aug. 2010	Joined Starwood Hotels & Resort Worldwide, Inc. (formerly, Westin Hotel Company) Participated in the establishment of Octagon Capital Partners Pte. Ltd. (Co-founder) Joined SC Management Ltd. as Director (Note) Appointed as Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current)	0
Director	Chua Keng Kim	Mar. 1988 Apr. 1995 Jun. 2007 Nov. 2007 Sep. 2008 Aug. 2010 Aug. 2013	Joined Government of Singapore Investment Corporation (GIC) Joined Rodamco PACIFIC B.V. / Rodamco Asia N.V. as Managing Director and Head of Investment Management Appointed as independent Non-Executive Director and member of the Audit Committee of Travelsky Technology Ltd Participated in the establishment of Stonegate China Properties Limited (Founder and CEO) Joined SC Management Ltd. as Managing Director (Note) Appointed as Director (part-time) of Japan Hotel REIT Advisors Co., Ltd. (current) Appointed as Director of SC J-Holdings Pte. Ltd. (formerly, SC Core Manager Pte. Ltd.) (current) (Note)	0
Corporate Auditor	Shigeo Sekita	Apr. 1974 Oct. 1979 Mar. 1998 Apr. 2000 Jan. 2002 Aug. 2005 Sep. 2010 Dec. 2010 Apr. 2012 Oct. 2013	Joined Daiwa Securities Co. Ltd. Joined Mizuho Securities Co., Ltd. (formerly, Wako Securities Co., Ltd.) Seconded to Wako International (Europe) Ltd. as President Manager of the IPO Department at Mizuho Securities Co., Ltd. (formerly, Shinko Securities Co., Ltd. The corporation's name changed due to merger) Joined WestLB Securities Inc. as Director of the Investment Banking Group Joined Credit Suisse Securities (Japan) Ltd. as Director of the Structured Investment Department Joined Japan Hotel REIT Advisors Co., Ltd. as Advisor Representative Director Corporate Auditor (part-time) (current) Joined Alpha Japan Asset Advisors Ltd. as Compliance Manager (current)	0

(Note) SC Capital Partners Japan Co. Ltd., SC Management Limited, Rockrise Sdn Bhd and SC J-Holdings Pte. Ltd. are corporations belonging to SC CAPITAL PARTNERS Group (formerly, RECAP Group).

5. Reference information

(1) Investment status

The following outlines the investment status of JHR as of the end of the fiscal year under review.

Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2016		As of December 31, 2017	
				Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount held (JPY1M) (Note 2)	Ratio to total assets (%) (Note 3)
Real estate in trust	Limited-service hotel	Tokyo	ibis Tokyo Shinjuku	7,671	2.4	7,984	2.3
			CANDEO HOTELS UENO-KOEN	6,751	2.1	6,719	1.9
			the b ikebukuro	6,578	2.1	6,573	1.9
			the b akasaka-mitsuke	6,286	2.0	6,290	1.8
			Hotel Sunroute Shinbashi	4,854	1.5	4,840	1.4
			Comfort Hotel Tokyo Higashi Nihombashi	3,625	1.1	3,593	1.0
			the b hachioji	2,673	0.8	2,680	0.8
			the b ochanomizu	2,344	0.7	2,350	0.7
			Smile Hotel Nihombashi Mitsukoshimae	2,047	0.6	2,041	0.6
			R&B Hotel Ueno Hirokoji	1,764	0.6	1,751	0.5
			R&B Hotel Higashi Nihonbashi	1,512	0.5	1,495	0.4
			Hotel Vista Kamata Tokyo	1,467	0.5	1,464	0.4
			the b suidobashi	1,205	0.4	1,204	0.3
			Dormy Inn EXPRESS Asakusa	951	0.3	961	0.3
			Chisun Inn Kamata	797	0.3	789	0.2
		Osaka	Holiday Inn Osaka Namba	27,163	8.5	27,083	7.7
			Namba Oriental Hotel	14,656	4.6	14,595	4.1
		Hokkaido	ibis Styles Sapporo	6,724	2.1	6,659	1.9
			Mercure Sapporo	5,945	1.9	5,895	1.7
		Fukuoka	HOTEL ASCENT FUKUOKA	5,211	1.6	5,187	1.5
			the b hakata	2,330	0.7	2,335	0.7
			Hakata Nakasu Washington Hotel Plaza	2,054	0.6	2,040	0.6
			Toyoko Inn Hakata-guchi Ekimae	1,477	0.5	1,456	0.4
		Kyoto	ibis Styles Kyoto Station	6,701	2.1	6,682	1.9
		Okinawa	Mercure Okinawa Naha	2,916	0.9	2,889	0.8
		Kumamoto	Dormy Inn Kumamoto	2,199	0.7	2,185	0.6
		Nara	Nara Washington Hotel Plaza	1,871	0.6	1,835	0.5
	Subtotal			129,783	40.8	129,588	36.8
	Full-service hotel	Chiba	Oriental Hotel tokyo bay	18,267	5.7	18,002	5.1
			Hilton Tokyo Narita Airport	-	-	13,318	3.8
			International Garden Hotel Narita	-	-	9,222	2.6
			Hotel Francs	3,145	1.0	3,155	0.9
		Hiroshima	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 4)	17,778	5.6	17,620	5.0
			Oriental Hotel Hiroshima	4,071	1.3	4,091	1.2
		Aichi	Hilton Nagoya	15,530	4.9	15,588	4.4
		Nara	Hotel Nikko Nara	-	-	10,525	3.0
		Hyogo	Kobe Meriken Park Oriental Hotel	9,947	3.1	9,893	2.8
		Fukuoka	Hotel Centraza Hakata	7,506	2.4	7,341	2.1
		Kanagawa	Mercure Yokosuka	1,643	0.5	1,636	0.5
	Subtotal			77,891	24.5	110,397	31.3
	Resort hotel	Okinawa	Hotel Nikko Alivila	18,267	5.7	18,128	5.1
			Okinawa Marriott Resort & Spa	14,861	4.7	14,722	4.2
			The Beach Tower Okinawa	6,831	2.1	6,749	1.9
		Chiba	Hilton Tokyo Bay	26,180	8.2	26,192	7.4
		Osaka	Hotel Keihan Universal City	5,982	1.9	5,984	1.7
		Kanagawa	Hakone Setsugetsuka	3,747	1.2	3,798	1.1
	Subtotal			75,871	23.9	75,576	21.5
	Real estate in trust – Total			283,546	89.2	315,561	89.6
Deposits and other assets (Note 5)				34,332	10.8	36,621	10.4
Total assets				317,878	100.0	352,183	100.0

	Amount (JPY1M)	Ratio to total assets (%)	Amount (JPY1M)	Ratio to total assets (%)
Total liabilities	135,889	42.7	150,219	42.7
Total net assets	181,989	57.3	201,963	57.3

(Note 1) Hotels are categorized as limited-service hotels, full-service hotels or resort hotels according to the manner of operation.

(Note 2) For real estate in trust, "Total amount held" shows the amount calculated by deducting accumulated depreciation from acquisition price (including expenses incidental to acquisition).

(Note 3) "Ratio to total assets" shows the ratio of total amount of each asset held to total assets, rounded off to one decimal place.

(Note 4) ACTIVE-INTER CITY HIROSHIMA is classified in accordance with the business category of Sheraton Grand Hiroshima Hotel, its main facility.

(Note 5) Includes machinery and equipment, tools, furniture and fixtures, construction in progress, construction in progress in trust, and intangible assets (excluding leasehold rights in trust and fixed-term leasehold of land in trust).

(2) Assets under management

(A) Major issues of investment securities

Not applicable

(B) Real estate properties under management

Not applicable

(C) Other major assets under management

A. Summary of real estate properties (in trust) under management

The following summarizes the real estate properties (in trust) under management by JHR as of the end of the fiscal year under review.

Details of assets under management 1 (location, form of ownership, area, structural size, etc.)

Property No.	Name	Location	Form of ownership (Note 1)		Area		Structures and stories (Note 4)	Building completion (Note 5)	Total number of guest rooms (rooms) (Note 6)
			Land	Building	Acreage (m^2) (Note 2)	Total floor area (m^2) (Note 3)			
1	Kobe Meriken Park Oriental Hotel	Chuo-ku, Kobe-shi, Hyogo	Leasehold right (Note 7)	Compartmentalized ownership (Note 7)	22,660.09 (Note 7)	48,701.82 (Note 7)	S 14F	July 1995	319
2	Oriental Hotel tokyo bay	Urayasu-shi, Chiba	Ownership	Ownership	9,914.00	44,833.11	SRC/S/RC B2/12F	May 1995	503
3	Namba Oriental Hotel	Chuo-ku, Osaka-shi, Osaka	Ownership	Ownership	4,505.23	19,364.33	S/SRC B1/9F	March 1996	258
4	Hotel Nikko Alivila	Yomitan-son, Nakagami-gun, Okinawa	Ownership/ Leasehold right (Note 8)	Ownership	65,850.05 (Note 8)	38,024.98 (Note 8)	SRC B1/10F	April 1994	396
5	Oriental Hotel Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	Ownership	Ownership	1,792.84	13,752.22	SRC B2/23F	September 1993 Extended in September 2006	227
6	ibis Tokyo Shinjuku	Nishi-Shinjuku, Shinjuku-ku, Tokyo	Ownership	Ownership	937.67	7,398.19	SRC/RC/S B1/11F	September 1980	206
8	The Beach Tower Okinawa	Chatan-cho, Nakagami-gun, Okinawa	Ownership	Ownership	10,242.00	20,140.01	SRC 24F	March 2004 Extended in June 2005 Extended in May 2006	280
9	Hakone Setsugetsuka	Hakone-machi, Ashigarashimo-gun, Kanagawa	Ownership	Ownership	10,478.89	10,655.03	RC B1/5F	October 2006	158
10	Dormy Inn Kumamoto	Chuo-ku, Kumamoto-shi, Kumamoto	Ownership	Ownership	1,295.85	7,701.19	SRC 13F	January 2008	291
12	the b suidobashi	Hongo, Bunkyo-ku, Tokyo	Ownership	Ownership	723.86	3,097.25	SRC/RC B1/8F	August 1986 Extended in September 1989	99
13	Dormy Inn EXPRESS Asakusa	Hanakawado, Taito-ku, Tokyo	Ownership	Ownership	287.66	2,006.51	SRC/RC 10F	March 1997	77
14	Hakata Nakasu Washington Hotel Plaza	Hakata-ku, Fukuoka-shi, Fukuoka	Ownership	Ownership	1,128.46	5,692.24	S 12F	March 1995	247
15	Nara Washington Hotel Plaza	Nara-shi, Nara	Ownership	Ownership	2,322.28	5,385.82	S 7F	March 2000	204
16	R&B Hotel Ueno Hirokoji	Ueno, Taito-ku, Tokyo	Ownership	Ownership	446.29	3,060.21	S 13F	April 2002	187
17	R&B Hotel Higashi Nihonbashi	Higashi-Nihonbashi, Chuo-ku, Tokyo	Ownership/ Leasehold right	Ownership	507.83 (Note 9)	3,715.26	S 10F	March 1998	202
18	Comfort Hotel Tokyo Higashi Nihombashi	Nihonbashi-bakurocho, Chuo-ku, Tokyo	Ownership	Ownership	823.67	5,765.26	S 11F	January 2008	259

Property No.	Name	Location	Form of ownership (Note 1)		Area		Structures and stories (Note 4)	Building completion (Note 5)	Total number of guest rooms (rooms) (Note 6)
			Land	Building	Acreage (m^2) (Note 2)	Total floor area (m^2) (Note 3)			
22	Smile Hotel Nihombashi Mitsukoshimae	Nihonbashi-Honcho, Chuo-ku, Tokyo	Ownership	Ownership	512.58	3,097.85	SRC/RC B1/10F	March 1997	164
24	Toyoko Inn Hakata-guchi Ekimae	Hakata-ku, Fukuoka-shi, Fukuoka	Ownership	Ownership	Main building: 565.98 Annex: 152.37	Main building: 3,566.46 Annex: 856.68	Main building: SRC 14F Annex: SRC 9F	Main building and annex both September 2001	257
25	Hotel Vista Kamata Tokyo	Nishikamata, Ota-ku, Tokyo	Ownership	Ownership	743.46	3,831.80	SRC/S B1/9F	January 1992	105
26	Chisun Inn Kamata	Kamata, Ota-ku, Tokyo	Ownership	Ownership	240.35	1,499.87	SRC 12F	April 2003	70
29	Hotel Keihan Universal City	Konohana-ku, Osaka-shi, Osaka	Ownership/ Leasehold right (Note 10)	Compartmentalized ownership (Note 10)	3,350.14 (Note 10)	17,252.71 (Note 10)	S/SRC 21F	June 2001	330
30	Hotel Sunroute Shinbashi	Shinbashi, Minato-ku, Tokyo	Ownership	Ownership	761.01	5,476.39	S/SRC 16F	March 2008	220
31	Hilton Tokyo Bay	Urayasu-shi, Chiba	Ownership (Note 11)	Ownership (Note 11)	36,121.00 (Note 11)	72,146.60 (Note 11)	SRC B1/11F	June 1988	828
32	ibis Styles Kyoto Station	Minami-ku, Kyoto-shi, Kyoto	Ownership	Ownership	1,107.77	5,003.99	RC 10F	March 2009	215
33	ibis Styles Sapporo	Chuo-ku, Sapporo-shi, Hokkaido	Ownership	Ownership	2,515.22	14,992.49	RC B1/16F	July 2010	278
34	Mercure Sapporo	Chuo-ku, Sapporo-shi, Hokkaido	Ownership	Ownership	2,016.27	16,145.79	S B1/15F	April 2009	285
35	Mercure Okinawa Naha	Naha-shi, Okinawa	Ownership/ Leasehold right	Ownership	2,860.69 (Note 12)	10,884.25	RC 14F	August 2009	260
36	the b akasaka-mitsuke	Akasaka, Minato-ku, Tokyo	Ownership	Ownership	625.46	2,867.04	S 8F	November 2002	122
37	the b ikebukuro	Higashi-ikebukuro, Toshima-ku, Tokyo	Ownership	Ownership	718.71	5,650.01	SRC/S B2/10F	June 1982	175
38	the b ochanomizu	Kanda-awajicho, Chiyoda-ku, Tokyo	Ownership	Ownership	357.47	1,742.23	SRC 9F	August 1999	72
39	the b hachioji	Hachioji-shi, Tokyo	Ownership	Ownership	1,227.29	7,847.65	SRC B2/12F	August 1986	196
40	the b hakata	Hakata-ku, Fukuoka-shi, Fukuoka	Ownership	Ownership	719.46	3,986.09	SRC 8F	September 1997	175
41	Hotel Francs	Mihama-ku, Chiba-shi, Chiba	Ownership	Ownership	4,828.00	19,213.39	SRC B1/13F	August 1991	222
42	Mercure Yokosuka	Yokosuka-shi, Kanagawa	Right of site (co-ownership) (Note 13)	Compartmentalized ownership (Note 13)	1,887.86 (Note 13)	16,881.82 (Note 13)	SRC/S B3/21F	November 1993	160
43	Okinawa Marriott Resort & Spa	Nago-shi, Okinawa	Ownership	Ownership	52,988.00	36,430.15	SRC 14F	February 2005 Extended in December 2006	361
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Higashi-ku, Hiroshima-shi, Hiroshima	Right of site (co-ownership) (Note 14)	Compartmentalized ownership (Note 14)	6,379.02 (Note 14)	39,540.75 (Note 14)	S/RC/SRC B1/21F	August 2010	238 (Note 15)
45	CANDEO HOTELS UENO-KOEN	Negishi, Taito-ku, Tokyo	Ownership	Ownership	1,559.03	7,030.10	S 12F	December 2009	268
46	Hotel Centraza Hakata	Hakata-ku, Fukuoka-shi, Fukuoka	Fixed-term leasehold right (Note 16)	Ownership	2,163.42	18,105.42	SRC B3/12F	July 1985	194
47	Holiday Inn Osaka Namba	Chuo-ku, Osaka-shi, Osaka	Ownership	Ownership	2,428.47	11,501.10	S 12F	August 2008	314

Property No.	Name	Location	Form of ownership (Note 1)		Area		Structures and stories (Note 4)	Building completion (Note 5)	Total number of guest rooms (rooms) (Note 6)
			Land	Building	Acreage (m^2) (Note 2)	Total floor area (m^2) (Note 3)			
48	HOTEL ASCENT FUKUOKA	Chuo-ku, Fukuoka-shi, Fukuoka	Ownership/ Fixed-term leasehold right (Note 17)	Ownership	1,482.13	8,600.22 (Note 17)	S/RC/SRC B2/13F	April 1999	263
49	Hilton Nagoya	Naka-ku, Nagoya-shi, Aichi	Ownership and superficies (Note 18)	Compartmentalized ownership (Note 18)	6,723.59 (Note 18)	46,368.99 (Note 18)	S/RC/SRC B3/29F	February 1989	460
50	Hilton Tokyo Narita Airport	Narita-shi, Chiba	Ownership	Ownership	32,552.84	56,817.28 (Note 19)	SRC/S B2/13F	August 1993	548
51	International Garden Hotel Narita	Narita-shi, Chiba	Ownership	Ownership	11,858.79	21,814.93	SRC B1/29F	May 1996	463
52	Hotel Nikko Nara	Nara-shi, Nara	Right of site (co-ownership) (Note 20)	Compartmentalized ownership (Note 20)	3,049.23 (Note 20)	21,011.31 (Note 20)	SRC/RC/S B2/11F	February 1998	330

(Note 1) "Form of ownership" is the type of right held by the owner of the real estate that is the asset held (the trustee in the case of a real estate in trust).

(Note 2) "Acreage" is the area of the entire site based on the registration or registration record. The registration or registration record entry may not coincide with the present state of the land.

(Note 3) "Total floor area" is the area of the building based on the registration or registration record. The area of the accessory building, if any, is included unless otherwise stated. The registration or registration record entry may not coincide with the present state of the building.

(Note 4) Under "Structures and stories," "S" means steel-framed building, "RC" means reinforced concrete building and "SRC" means steel reinforced concrete building. The structure of the main building is shown, but there may be cases where there is a parking lot or storage space as an accessory to the building in a separate building.

(Note 5) "Building completion" is based on the registration or registration record.

(Note 6) "Total number of guest rooms" is the respective number of guest rooms available for sale (excluding rooms occupied by the hotel for a long term) at the end of the fiscal year under review.

(Note 7) The land of Kobe Meriken Park Oriental Hotel is land leased by JHR from the City of Kobe and land with permission for use from the City of Kobe under the City of Kobe's ordinance for harbor facilities, etc. The acreage above is based on the number on the construction confirmation application form. In addition, the building of Kobe Meriken Park Oriental Hotel is a building under compartmentalized ownership by two compartmentalized owners (JHR and the City of Kobe). The figure above is the total floor area of the entire building under compartmentalized ownership (including an accessory building of 764.83 square meters), where the portion owned exclusively by JHR (excluding an accessory building of 764.83 square meters) is 31,899.07 square meters, the portion owned exclusively by the City of Kobe is 13,960.11 square meters, and the portion that is the common area of JHR and the City of Kobe is 2,077.81 square meters (JHR has 72.18% interest and the City of Kobe has 27.82% interest of the common area).

(Note 8) The land of Hotel Nikko Alivila is land owned by JHR or land leased or subleased by JHR from Kabushiki Kaisha Okinawa Umi No Sono (hereinafter referred to as the "Umi No Sono"). The acreage above is the sum total of the area on the certified copy of the real estate registry of each land. Furthermore, the land leased or land subleased includes those where only a portion of a parcel of land is leased or subleased and, thus, the acreage above includes some area that is not leased or subleased by JHR from Umi No Sono. In addition, subdivision of part of the subleased land resulted in the acreage above changing from 67,038.05 square meters to 65,850.05 square meters on June 12, 2012. The sum total of the acreage of the land owned by JHR and the land leased or subleased calculated based on the certified copy of the real estate registry, lease contract with Umi No Sono, etc. is 57,406.26 square meters. The total floor area above includes an accessory building of 120.10 square meters and excludes a building leased from Umi No Sono of 493.50 square meters.

(Note 9) Of the acreage of R&B Hotel Higashi Nihonbashi, the area of the land leased is 77.38 square meters.

(Note 10) The land of Hotel Keihan Universal City comprises land under co-ownership with other right holders (8,785.43 square meters) and land leased under quasi-co-ownership with other right holders from the City of Osaka (8,788.67 square meters). The acreage above is the sum total of JHR's co-ownership interest of the land under co-ownership of 1,674.76 square meters (approximately 19.06% of co-ownership interest) and JHR's quasi-co-ownership interest in the land leasehold right of the land leased from the City of Osaka of 1,675.38 square meters (approximately 19.06% of quasi-co-ownership interest). In addition, the building of Hotel Keihan Universal City is a building under compartmentalized ownership for Universal CityWalk Osaka, which comprises two hotel buildings, business facilities, commercial facilities and others, as a single building (86,888.64 square meters). The portion owned exclusively by JHR (including the common area by bylaws) is 15,749.32 square meters, and JHR's co-ownership interest of the common area (15,648.98 square meters) is 3,466.56 square meters (approximately 22.15% of co-ownership interest). "Total floor area" in the table above is the total floor area based on the completion drawing of new construction of Hotel Keihan.

(Note 11) The land of Hilton Tokyo Bay is land under co-ownership with other right holders. The acreage is the total area of the land under co-ownership. Of the acreage, JHR's co-ownership interest is 32,508.90 square meters (9/10 of co-ownership interest). In addition, the building of Hilton Tokyo Bay is a building under co-ownership with other right holders. The total floor area is the total area of the building under co-ownership (including an accessory building of 37.38 square meters). Of the total floor area, JHR's co-ownership interest is 64,931.94 square meters (9/10 of co-ownership interest).

(Note 12) The acreage of Mercure Okinawa Naha includes land leased of 125.67 square meters.

(Note 13) The land of Mercure Yokosuka comprises the entire joint ownership of right of site. The acreage is the area equivalent to JHR's co-ownership interest of the right to use the site (181,372/1,000,000 or approximately 18.14%) of the entire area of the subject land (10,408.79 square meters), which is 1,887.86 square meters. In addition, the building is a building under compartmentalized ownership for Bay Square Yokosuka Ichibankan, which comprises a hotel, a theater, stores, residential complex, office spaces and parking lots, as a single building (67,019.04 square meters). Total floor area is the area of the portion owned exclusively by the hotel on the certified copy of the real estate registry.

(Note 14) The land of ACTIVE-INTER CITY HIROSHIMA comprises the entire joint ownership of right of site. The acreage is the area equivalent to JHR's co-ownership interest of the right to use the site (9,862,454/10,000,000 or approximately 98.62%) of the entire area of the subject land (6,468.28 square meters), which is 6,379.02 square meters. In addition, the building is a building under compartmentalized ownership for ACTIVE-INTER CITY HIROSHIMA, which comprises Sheraton Grand Hiroshima Hotel, office spaces, retail zone, parking lots and bicycle parking lots, etc., as a single building (6,379.02 square meters). Total floor area is the area of the exclusive area for the hotel, office spaces, stores and parking lots on the certified copy of the real estate registry.

(Note 15) The total number of guest rooms of ACTIVE-INTER CITY HIROSHIMA is the total number of guest rooms of the main facility Sheraton Grand Hiroshima Hotel.

(Note 16) Remaining term of the fixed-term leasehold of land of Hotel Centraza Hakata is until March 30, 2057.

(Note 17) Of the acreage of HOTEL ASCENT FUKUOKA, the area of the land leased is 113.52 square meters, and its remaining term of the fixed-term leasehold is until July 2, 2065. The acreage does not include the accessory building of 44.05 square meters.

(Note 18) Land of Hilton Nagoya is comprised of the owned land and land with superficies, and Acreage indicates total of owned land (918.39 square meters) and land with superficies (5,805.20 square meters). Building of Hilton Nagoya is a compartmentalized ownership of Ammnat Square (Total floor space: 91,948.34 square meters), which consists of hotel building (including retail space), office building and car parking space, etc. Total floor area is a total of exclusive area of hotel and retail space (44,552.79 square meters), exclusive area of office in 9th floor (1,075.90 square meters) multiplied by JHR's co-ownership interest ratio (74,030/107,590; approximately 68.8%) (740.30 square meters) and exclusive area of office in 10th floor (1,075.90 square meters).

(Note 19) The acreage of Hilton Tokyo Narita Airport does not include the accessory building of 170.40 square meters.

(Note 20) The land of Hotel Nikko Nara is comprised of the entire joint ownership of right of site. The acreage indicates JHR's joint ownership ratio in registered right of site, which is 3,049.23m^2, 1,185,918,257,889/2,101,131,000,000 (approximately 56.44%) of the total land (5,402.42 m^2). In addition, building of Hotel Nikko Nara is a compartmentalized ownership of Redeveloped Building 1 in front of JR Nara Station (Total floor area: 39,843.43m^2), which consists of hotel building, retail space and car parking space, etc. JHR's share of voting right of the building is 223/353 (approximately 63.2%). Total floor area indicates a total of the exclusive areas of the hotel and the floor space of attached buildings taken from the certified copy of real estate registry.

(Note 21) The omitted property numbers are the property numbers of assets that have been transferred.

Details of assets under management 2 (acquisition price, etc.)

Property No.	Name	Grade (Note 1)	Acquisition price (JPY1M) (Note 2)	Carrying amount at end of period (JPY1M) (Note 3)	Appraisal value at end of period (JPY1M) (Note 4)	Appraisal agency (Note 5)	Investment ratio (Acquisition price) (%) (Note 6)	Collateral (Note 7)
1	Kobe Meriken Park Oriental Hotel	Upper-middle	10,900	10,065	15,100	J	3.4	Unsecured
2	Oriental Hotel tokyo bay	Mid-price	19,900	18,172	34,100	J	6.2	Unsecured
3	Namba Oriental Hotel	Mid-price	15,000	14,737	32,700	J	4.7	Unsecured
4	Hotel Nikko Alivila	Luxury	18,900	18,363	31,500	J	5.9	Unsecured
5	Oriental Hotel Hiroshima	Upper-middle	4,100	4,160	4,280	J	1.3	Unsecured
6	ibis Tokyo Shinjuku	Mid-price	7,243	8,136	9,650	J	2.3	Unsecured
8	The Beach Tower Okinawa	Mid-price	7,610	6,754	9,820	J	2.4	Unsecured
9	Hakone Setsugetsuka	Mid-price	4,070	3,806	5,220	J	1.3	Unsecured
10	Dormy Inn Kumamoto	Mid-price	2,334	2,185	2,960	M	0.7	Unsecured
12	the b suidobashi	Mid-price	1,120	1,234	1,940	J	0.4	Unsecured
13	Dormy Inn EXPRESS Asakusa	Economy	999	961	1,300	M	0.3	Unsecured
14	Hakata Nakasu Washington Hotel Plaza	Mid-price	2,130	2,041	4,330	J	0.7	Unsecured
15	Nara Washington Hotel Plaza	Mid-price	2,050	1,838	2,430	J	0.6	Unsecured
16	R&B Hotel Ueno Hirokoji	Economy	1,720	1,751	1,920	M	0.5	Unsecured
17	R&B Hotel Higashi Nihonbashi	Economy	1,534	1,495	2,050	M	0.5	Unsecured
18	Comfort Hotel Tokyo Higashi Nihombashi	Economy	3,746	3,593	5,330	M	1.2	Unsecured
22	Smile Hotel Nihombashi Mitsukoshimae	Economy	2,108	2,041	3,060	M	0.7	Unsecured
24	Toyoko Inn Hakata-guchi Ekimae	Economy	1,652	1,456	2,670	T	0.5	Unsecured
25	Hotel Vista Kamata Tokyo	Economy	1,512	1,465	2,000	T	0.5	Unsecured
26	Chisun Inn Kamata	Economy	823	792	1,430	T	0.3	Unsecured
29	Hotel Keihan Universal City	Mid-price	6,000	5,985	13,600	R	1.9	Unsecured
30	Hotel Sunroute Shinbashi	Mid-price	4,800	4,840	8,740	D	1.5	Unsecured
31	Hilton Tokyo Bay	Luxury	26,050	26,192	36,100	D	8.2	Unsecured
32	ibis Styles Kyoto Station	Mid-price	6,600	6,712	11,300	D	2.1	Unsecured
33	ibis Styles Sapporo	Mid-price	6,797	6,686	10,500	J	2.1	Unsecured
34	Mercure Sapporo	Mid-price	6,000	5,931	10,500	J	1.9	Unsecured
35	Mercure Okinawa Naha	Mid-price	3,000	2,916	7,760	J	0.9	Unsecured
36	the b akasaka-mitsuke	Mid-price	6,250	6,306	6,010	J	2.0	Unsecured
37	the b ikebukuro	Mid-price	6,520	6,585	7,330	J	2.0	Unsecured
38	the b ochanomizu	Mid-price	2,320	2,357	2,360	J	0.7	Unsecured
39	the b hachioji	Mid-price	2,610	2,693	2,780	J	0.8	Unsecured
40	the b hakata	Mid-price	2,300	2,354	4,160	J	0.7	Unsecured
41	Hotel Francs	Mid-price	3,105	3,155	4,050	D	1.0	Unsecured
42	Mercure Yokosuka	Mid-price	1,650	1,669	2,800	D	0.5	Unsecured
43	Okinawa Marriott Resort & Spa	Upper-middle	14,950	14,853	18,500	J	4.7	Unsecured
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Luxury	17,320	17,694	20,500	D	5.4	Unsecured
45	CANDEO HOTELS UENO-KOEN	Mid-price	6,705	6,728	7,630	D	2.1	Unsecured
46	Hotel Centraza Hakata	Mid-price	7,197	7,413	8,490	D	2.3	Unsecured
47	Holiday Inn Osaka Namba	Mid-price	27,000	27,122	27,200	J	8.5	Unsecured
48	HOTEL ASCENT FUKUOKA	Economy	4,925	5,187	5,560	D	1.5	Unsecured
49	Hilton Nagoya	Luxury	15,250	15,588	15,700	D	4.8	Unsecured
50	Hilton Tokyo Narita Airport	Upper-middle	13,175	13,383	13,400	J	4.1	Unsecured
51	International Garden Hotel Narita	Mid-price	9,125	9,258	9,430	J	2.9	Unsecured
52	Hotel Nikko Nara	Upper-middle	10,373	10,558	11,200	D	3.2	Unsecured
	Total		319,474	317,229	439,390		100.0	

(Note 1) JHR categorizes hotels into the four grade classes “Luxury,” “Upper-middle,” “Mid-price” and “Economy” mainly from the perspective of average daily rate, etc.

(Note 2) “Acquisition price” is the acquisition price stated on the purchase and sale agreement for beneficial interest in trust etc. (consumption tax, local consumption tax and the acquisition expense such as broker’s fee are not included). The acceptance prices are indicated for the properties that have been accepted through the merger from the former JHR.

(Note 3) "Carrying amount at end of period" is the book value at the end of the fiscal year under review, and includes not only the amounts for real estate in trust, but also machinery and equipment, tools, furniture and fixtures, construction in progress in trust, and intangible assets.

(Note 4) "Appraisal value at end of period" is the appraisal value at the end of the fiscal year under review as the date of appraisal, in accordance with the asset valuation methods and standards provided in JHR's Articles of Incorporation and the regulations set forth by The Investment Trusts Association, Japan.

(Note 5) Under "Appraisal agency," the letters indicate the appraisers for the properties as follows:

J: Japan Real Estate Institute
M: Morii Appraisal & Investment Consulting, Inc.
T: The Tanizawa Sōgō Appraisal Co., Ltd.
R: Rich Appraisal Institute Co., Ltd.
D: DAIWA REAL ESTATE APPRAISAL CO., LTD.

(Note 6) "Investment ratio" is the ratio of acquisition price of the respective asset held at the end of the fiscal year under review to the total amount of acquisition price of all assets held at the end of the fiscal year under review, rounded off to one decimal place.

(Note 7) "Collateral" is whether or not a pledge has been established for the beneficial interest in trust.

(Note 8) The omitted property numbers are the property numbers of assets that have been transferred.

Details of assets under management 3 (change in portfolio tenants)

The following is the change in total number of tenants, total leasable area, total leased area, and occupancy rate of real estate properties (in trust) under management for the past five years.

	13th period December 2012	14th period December 2013	15th period December 2014	16th period December 2015	17th period December 2016	18th period December 2017
Total number of tenants (Note 1)	37	38	57	113	128	131
Total leasable area (Note 2)	288,875.32 m^2	349,162.63 m^2	386,826.71 m^2	493,758.78 m^2	587,481.02m^2	687,124.54 m^2
Total leased area (Note 3)	288,875.32 m^2	349,162.63 m^2	386,447.08 m^2	493,138.06 m^2	587,050.94m^2	686,694.46 m^2
Occupancy rate (Note 4)	100.0%	100.0%	99.9%	99.9%	99.9%	99.9%

(Note 1) Total number of tenants indicates the total number of tenants based on the lease contracts for respective real estate in trust (excluding tenants of parking lots, etc.) as of the end of each fiscal period. However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amount of rents, etc. from end tenants as is in principle, the total number of end tenants (excluding tenants of parking lots, etc.) is indicated.

(Note 2) In principle, total leasable area represents leasable area of the building, which does not include leasable area of land (including parking lots on ground), based on a lease contract or plan for each real estate in trust. For properties in which the leased area is not described in the lease contract, leasable area represents the area described in the registration of the building. Furthermore, when the leasable area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578 square meters per one tsubo). In this report, the same shall apply hereinafter.

(Note 3) In principle, leased area represents the leased area described in the lease contract of the building. For properties in which the leased area is not described in the lease contract, leased area shows the area described in the registration of the building. Furthermore, when the leased area in the lease contract is indicated in tsubo units, the figure in the table has been converted to the area in metric units (3.30578 square meters per one tsubo). However, for properties for which master lease contracts under the pass-through scheme are concluded in which trustee receives the same amount of rents, etc. with rents, etc. from end tenants as is in principle, the total area for which lease contracts have been concluded with end tenants and which are actually leased is indicated. In this report, the same shall apply hereinafter.

(Note 4) Occupancy rate indicates the percentage of leased area to leasable area of respective real estate properties in trust as of the end of each fiscal period. In this report, the same shall apply hereinafter.

Details of property assets 4 (information on major real estate)

There is no major real estate of which total annual rent accounts for 10% or more of the total annual rent of the entire portfolio. Total annual rent of the entire portfolio is the total annual rent calculated based on Note 2 of "C. Status of portfolio diversification" on page 61.

Details of assets under management 5 (NOI, etc.)

Property No.	Name	Rent type (Note 1)	Real estate operating revenue (JPY 1,000)	NOI (Note 2) (JPY 1,000)	NOI after depreciation (Note 3) (JPY 1,000)
1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	1,195,053	926,481	609,294
2	Oriental Hotel tokyo bay	Variable/Fixed	1,729,459	1,608,209	1,185,716
3	Namba Oriental Hotel	Variable/Fixed	1,600,053	1,499,846	1,325,638
4	Hotel Nikko Alivila	Variable/Fixed	1,951,987	1,801,396	1,476,566
5	Oriental Hotel Hiroshima	Variable/Fixed	498,124	453,440	380,032
6	ibis Tokyo Shinjuku	Management contract	539,330	365,195	210,898
8	The Beach Tower Okinawa	Fixed	511,017	468,095	340,735
9	Hakone Setsugetsuka	Fixed	294,946	268,777	180,599
10	Dormy Inn Kumamoto	Fixed	194,460	171,456	131,367
12	the b suidobashi	Variable/Fixed	114,268	102,195	77,166
13	Dormy Inn EXPRESS Asakusa	Fixed	63,995	55,341	42,514
14	Hakata Nakasu Washington Hotel Plaza (Note 4)	Fixed	240,000	225,000	200,000
15	Nara Washington Hotel Plaza (Note 4)	Fixed	151,000	134,000	93,000
16	R&B Hotel Ueno Hirokoji	Fixed	97,294	82,162	68,588
17	R&B Hotel Higashi Nihonbashi	Fixed	122,207	105,436	86,422
18	Comfort Hotel Tokyo Higashi Nihombashi	Fixed	270,859	240,630	204,537
22	Smile Hotel Nihombashi Mitsukoshimae	Variable/Fixed (Note 5)	152,882	137,802	118,327
24	Toyoko Inn Hakata-guchi Ekimae	Fixed	141,039	128,078	106,687
25	Hotel Vista Kamata Tokyo	Variable/Fixed (Note 5)	109,959	95,137	71,644
26	Chisun Inn Kamata	Variable	78,164	70,921	59,515
29	Hotel Keihan Universal City	Variable/Fixed (Note 5)	811,595	733,698	646,150
30	Hotel Sunroute Shinbashi	Variable/Fixed (Note 5)	412,327	355,295	334,264
31	Hilton Tokyo Bay	Variable/Fixed (Note 5)	1,929,388	1,631,807	1,454,530
32	ibis Styles Kyoto Station	Management contract	597,320	509,380	474,318
33	ibis Styles Sapporo	Management contract	707,094	572,177	496,076
34	Mercure Sapporo	Management contract	818,109	537,104	460,135
35	Mercure Okinawa Naha	Management contract	491,464	402,333	351,594
36	the b akasaka-mitsuke	Variable/Fixed	249,719	231,296	209,410
37	the b ikebukuro	Variable/Fixed	360,195	334,768	304,606
38	the b ochanomizu	Variable/Fixed	108,640	100,252	90,148
39	the b hachioji	Variable/Fixed	202,307	176,051	149,258
40	the b hakata	Variable/Fixed	252,182	240,061	219,561
41	Hotel Francs	Fixed	300,000	235,793	187,282
42	Mercure Yokosuka	Variable	291,202	179,336	147,888
43	Okinawa Marriott Resort & Spa	Variable/Fixed	1,215,761	1,127,058	895,750
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed	1,482,412	1,060,219	873,824
45	CANDEO HOTELS UENO-KOEN	Fixed	350,191	329,982	290,543
46	Hotel Centraza Hakata	Variable/Fixed	865,634	623,730	373,763
47	Holiday Inn Osaka Namba	Variable/Fixed	1,215,339	1,180,161	1,065,193
48	HOTEL ASCENT FUKUOKA	Fixed	436,888	285,802	250,728
49	Hilton Nagoya	Variable	1,388,411	714,991	578,679
50	Hilton Tokyo Narita Airport (Note 6)	Variable/Fixed	398,168	394,150	322,143
51	International Garden Hotel Narita (Note 7)	Variable/Fixed	261,663	259,270	200,013
52	Hotel Nikko Nara (Note 8)	Variable/Fixed	272,120	269,117	217,523
	Total		25,475,553	21,424,619	17,563,899

(Note 1) Under "Rent type," "Fixed" is a property under a fixed rent structure, "Variable" is a property under a variable rent structure, "Management contract" is a property under a management contract structure, and "Variable/Fixed" is a property under a combination of fixed and variable rent structures.

(Note 2) NOI = Real estate operating revenue − Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses

(Note 3) NOI after depreciation (net real estate operating income) = Real estate operating revenue − Real estate operating costs

(Note 4) For Hakata Nakasu Washington Hotel Plaza and Nara Washington Hotel Plaza, consent on disclosure of rent in units of thousand yen has not been obtained from the lessees and is thus rounded down to the nearest million yen.

(Note 5) For Smile Hotel Nihombashi Mitsukoshimae, Hotel Vista Kamata Tokyo, Hotel Keihan Universal City, Hotel Sunroute Shinbashi and Hilton Tokyo Bay, the rent structure is one that has set not only fixed rent, but also partly rent based on revenue sharing.

(Note 6) Hilton Tokyo Narita Airport was acquired on July 12, 2017.

(Note 7) International Garden Hotel Narita was acquired on July 12, 2017.

(Note 8) Hotel Nikko Nara was acquired on August 1, 2017.

(Note 9) The property numbers of assets that were transferred before the end of the previous fiscal year are intentionally omitted.

Details of assets under management 6 (status of rent settings of major tenants)

Tenant name (Note 1)	Property name	Business type	Contract commencement date Contract expiration date	Total leased area (By hotel)		Total leased area (By tenant)		Annual rent (By hotel) (Note 3) (JPY1M)	Total annual rent (By tenant) (Note 3) (JPY1M)
					Ratio to total (Note 2)		Ratio to total (Note 2)	Fixed rent (Note 4) Variable rent	Fixed rent (Note 4) Variable rent
HMJ (Hotel Management Japan Co., Ltd.) (Note 5) (Note 6)	Kobe Meriken Park Oriental Hotel	Hotel	April 1, 2012 December 31, 2019	32,663.90 m^2	4.8%	148,638.54 m^2	21.6%	645 (Note 7)	3,221 (Note 7)
	Oriental Hotel tokyo bay		April 1, 2012 December 31, 2019	44,833.11 m^2	6.5%			631 (Note 7)	
	Namba Oriental Hotel		April 1, 2012 December 31, 2019	19,364.33 m^2	2.8%			797 (Note 7)	
	Hotel Nikko Alivila		April 1, 2012 December 31, 2019	38,024.98 m^2	5.5%			804 (Note 7)	
	Oriental Hotel Hiroshima		April 1, 2012 December 31, 2019	13,752.22 m^2	2.0%			341 (Note 7)	
Total for major tenants				148,638.54 m^2	21.6%	148,638.54 m^2	21.6%	3,221 -	3,221 -
Total for entire portfolio				686,694.46 m^2	100.0%	686,694.46 m^2	100.0%	13,747 -	13,747 -

(Note 1) The information on major tenants, which are those accounting for at least 10% of total leased area of the entire portfolio.

(Note 2) Ratio to total is rounded off to one decimal place.

(Note 3) The ratio of annual rent by hotel or by tenant may vary depending on the amount of variable rent and income from management contracts and is thus not shown.

(Note 4) Fixed rent is the amount arrived at when the monthly fixed rent income based on lease contracts valid as of December 31, 2017 between JHR and the major tenant (rent of the building itself only, excluding common area maintenance charges and signage and parking usage fees; not factoring in any change in rent during the fiscal year) is multiplied by 12, excluding variable rents and income from management contracts.

(Note 5) HMJ falls under the category of interested party, etc. under the Investment Trusts Act and sponsor-related party as stipulated in the Asset Management Company's company rule for transactions with sponsor-related parties.

(Note 6) HMJ has acquired all shares of following lessees, and thus the following lessees fall under the category of interested party, etc. under the Investment Trusts Act and sponsor-related party as stipulated in the Asset Management Company's company rule for transactions with sponsor-related parties. The leasing terms and conditions are as follows and the total figure of total leased area, ratio of total leased area and total annual fixed rent of them including HMJ are 336,209.06 square meters, 49.0% and ¥6,283 million, respectively.

Tenant name	Property name	Business type	Contract commencement date Contract expiration date	Total leased area (m^2)	Ratio of total leased area	Annual fixed rent Annual variable rent (JPY1M)
Lagoon resort Nago Co., Ltd.	Okinawa Marriott Resort & Spa	Hotel	July 10, 2015 December 31, 2020	36,430.15	5.3%	550 (*)
K.K. A.I.C Hiroshima Management	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Hotel	December 18, 2015 December 31, 2026	21,890.33	3.2%	348 (*)
Hotel Centraza Co., Ltd.	Hotel Centraza Hakata	Hotel	April 1, 2016 December 31, 2019	18,105.42	2.6%	400 (*)
OW Hotel Operations KK	Holiday Inn Osaka Namba	Hotel	August 1, 2016 October 31, 2031	11,501.10	1.7%	576 (*)
KK NaritaKosuge Operations	Hilton Tokyo Narita Airport	Hotel	July 12, 2017 June 30, 2037	56,817.28	8.3%	444 (*)
KK NaritaYoshikura Operations	International Garden Hotel Narita	Hotel	July 12, 2017 June 30, 2027	21,814.93	3.2%	336 (*)
Hotel Management Co., Ltd.	Hotel Nikko Nara	Hotel	August 1, 2017 December 31, 2020	21,011.31	3.1%	408 (*)

(*) For details of the variable rent arrangements for Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (ACTIVE-INTER CITY HIROSHIMA), Hotel Centraza Hakata, Holiday Inn Osaka Namba, Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 63.

(Note 7) For details of the variable rent arrangements for HMJ, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 63.

B. Income statements for individual real estate properties (in trust) under management

The following are the individual income statements for real estate properties (in trust) under management for the fiscal year under review (from January 1, 2017 to December 31, 2017). Figures are rounded down to the nearest thousand yen in principle, but are otherwise noted if circumstances do not allow for the figures to be stated in units of thousand yen. Income statement items that are not directly attributable to the property are not included. In addition, the income statement amounts shown are on an accrual basis in principle, but are otherwise noted if circumstances require the amounts to be shown on a cash basis.

Property No.	-	1	2	3	4	5
Property name	Portfolio total (Note 1)	Kobe Meriken Park Oriental Hotel	Oriental Hotel tokyo bay	Namba Oriental Hotel	Hotel Nikko Alivila	Oriental Hotel Hiroshima
Number of operating days	-	365	365	365	365	365
(A) Real estate operating revenue subtotal	25,475,553	1,195,053	1,729,459	1,600,053	1,951,987	498,124
Fixed rent	13,064,351	645,900	631,600	797,900	804,100	341,504
Variable rent	11,253,955	548,184	1,097,859	802,153	1,147,887	156,170
Other revenue	1,157,246	969	-	-	-	450
(B) Real estate operating costs subtotal	7,911,653	585,759	543,743	274,415	475,421	118,092
Land lease and other rent expenses	922,891	207,024	-	-	84,149	-
Property taxes	1,476,156	55,704	115,362	96,768	59,390	41,599
Outsourcing expenses	703,933	960	960	960	1,920	960
Nonlife insurance	47,030	3,409	3,269	1,465	2,456	1,111
Depreciation and amortization	3,725,775	297,031	392,778	157,213	316,398	73,394
Loss on retirement of noncurrent assets	132,908	20,154	29,715	16,995	8,431	13
Other costs	902,956	1,473	1,658	1,013	2,675	1,013
(C) Net real estate operating income = (A) − (B)	17,563,899	609,294	1,185,716	1,325,638	1,476,566	380,032
(Reference) Occupancy rate	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	131	1	1	1	1	1

Property No.	6	8	9	10	12	13
Property name	ibis Tokyo Shinjuku (Note 1)	The Beach Tower Okinawa	Hakone Setsugetsuka	Dormy Inn Kumamoto	the b suidobashi	Dormy Inn EXPRESS Asakusa
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	539,330	511,017	294,946	194,460	114,268	63,995
Fixed rent	103,640	511,008	294,340	194,460	84,999	63,395
Variable rent	379,154	-	-	-	29,268	-
Other revenue	56,534	9	606	-	-	600
(B) Real estate operating costs subtotal	328,431	170,281	114,346	63,092	37,101	21,481
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	33,822	39,001	23,333	19,288	8,098	5,977
Outsourcing expenses	77,308	-	-	-	1,200	1,200
Nonlife insurance	592	1,177	651	455	199	116
Depreciation and amortization	97,177	127,359	88,178	40,088	25,029	12,827
Loss on retirement of noncurrent assets	57,118	-	-	-	-	-
Other costs	62,411	2,741	2,183	3,260	2,575	1,360
(C) Net real estate operating income = (A) − (B)	210,898	340,735	180,599	131,367	77,166	42,514
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	4	1	1	1	1	1

Property No.	14	15	16	17	18	22
Property name	Hakata Nakasu Washington Hotel Plaza (Note 2)	Nara Washington Hotel Plaza (Note 2)	R&B Hotel Ueno Hirokoji	R&B Hotel Higashi Nihonbashi	Comfort Hotel Tokyo Higashi Nihombashi	Smile Hotel Nihombashi Mitsukoshimae
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	240,000	151,000	97,294	122,207	270,859	152,882
Fixed rent	240,000	146,000	96,504	122,207	259,653	134,400
Variable rent	-	-	-	-	-	18,482
Other revenue	0	4,000	789	-	11,205	-
(B) Real estate operating costs subtotal	39,000	58,000	28,706	35,785	66,321	34,554
Land lease and other rent expenses	-	-	-	5,400	-	-
Property taxes	12,000	12,000	11,872	8,567	26,220	12,170
Outsourcing expenses	1,000	3,000	840	1,200	1,614	1,200
Nonlife insurance	0	0	173	200	444	200
Depreciation and amortization	24,000	41,000	13,574	19,014	36,092	19,475
Loss on retirement of noncurrent assets	-	0	-	-	-	-
Other costs	1,000	1,000	2,246	1,402	1,949	1,508
(C) Net real estate operating income = (A) − (B)	200,000	93,000	68,588	86,422	204,537	118,327
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	2	1	1	2	1

Property No.	24	25	26	29	30	31
Property name	Toyoko Inn Hakata-guchi Ekimae	Hotel Vista Kamata Tokyo	Chisun Inn Kamata	Hotel Keihan Universal City	Hotel Sunroute Shinbashi	Hilton Tokyo Bay
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	141,039	109,959	78,164	811,595	412,327	1,929,388
Fixed rent	141,039	93,534	-	Undisclosed (Note 3)	282,266	Undisclosed (Note 3)
Variable rent	-	16,355	78,164	Undisclosed (Note 3)	96,845	Undisclosed (Note 3)
Other revenue	-	70	-	Undisclosed (Note 3)	33,215	Undisclosed (Note 3)
(B) Real estate operating costs subtotal	34,351	38,315	18,649	165,445	78,063	474,858
Land lease and other rent expenses	-	-	-	21,110	-	132,257
Property taxes	10,378	12,029	4,631	45,126	24,913	137,899
Outsourcing expenses	1,080	1,200	1,080	5,449	4,710	22,787
Nonlife insurance	255	231	99	1,403	334	3,394
Depreciation and amortization	21,390	23,493	11,406	87,547	21,031	177,277
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	1,246	1,361	1,432	4,808	27,073	1,241
(C) Net real estate operating income = (A) − (B)	106,687	71,644	59,515	646,150	334,264	1,454,530
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	1	1	1	4	1

Property No.	32	33	34	35	36	37
Property name	ibis Styles Kyoto Station (Note 1)	ibis Styles Sapporo (Note 1)	Mercure Sapporo (Note 1)	Mercure Okinawa Naha (Note 1)	the b akasaka-mitsuke	the b ikebukuro
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	597,320	707,094	818,109	491,464	249,719	360,195
Fixed rent	42,334	26,266	66,051	-	136,383	218,489
Variable rent	551,385	639,254	631,409	480,632	113,336	140,427
Other revenue	3,600	41,573	120,648	10,832	-	1,278
(B) Real estate operating costs subtotal	123,001	211,018	357,973	139,869	40,308	55,588
Land lease and other rent expenses	-	-	40	303	-	-
Property taxes	18,069	36,475	48,302	22,871	15,029	19,883
Outsourcing expenses	66,504	57,666	140,719	58,778	1,200	3,007
Nonlife insurance	433	854	840	852	236	426
Depreciation and amortization	35,061	76,101	76,968	50,738	21,885	30,161
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	2,932	39,920	91,102	6,324	1,957	2,109
(C) Net real estate operating income = (A) − (B)	474,318	496,076	460,135	351,594	209,410	304,606
(Reference) Occupancy rate	100.0%	99.4%	98.1%	100.0%	100.0%	100.0%
(Reference) Number of tenants	2	5	14	1	2	4

Property No.	38	39	40	41	42	43
Property name	the b ochanomizu	the b hachioji	the b hakata	Hotel Francs	Mercure Yokosuka	Okinawa Marriott Resort & Spa
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	108,640	202,307	252,182	300,000	291,202	1,215,761
Fixed rent	69,000	121,441	89,522	300,000	-	550,000
Variable rent	39,640	74,451	162,660	-	247,787	665,761
Other revenue	-	6,414	-	-	43,415	-
(B) Real estate operating costs subtotal	18,492	53,049	32,620	112,717	143,314	320,011
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	6,175	21,552	9,340	60,182	36,478	83,034
Outsourcing expenses	1,200	1,587	1,200	1,800	17,495	2,400
Nonlife insurance	125	466	257	969	2,174	2,407
Depreciation and amortization	10,104	26,793	20,500	48,511	31,447	231,308
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	887	2,650	1,322	1,254	55,717	860
(C) Net real estate operating income = (A) − (B)	90,148	149,258	219,561	187,282	147,888	895,750
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	13	2	1	1	1

Property No.	44	45	46	47	48	49
Property name	ACTIVE-INTER CITY HIROSHIMA	CANDEO HOTELS UENO-KOEN	Hotel Centraza Hakata	Holiday Inn Osaka Namba	HOTEL ASCENT FUKUOKA	Hilton Nagoya
Number of operating days	365	365	365	365	365	365
(A) Real estate operating revenue subtotal	1,482,412	350,191	865,634	1,215,339	436,888	1,388,411
Fixed rent	775,759	Undisclosed (Note 3)	400,000	576,000	309,508	Undisclosed (Note 3)
Variable rent	428,218	-	465,634	639,339	-	Undisclosed (Note 3)
Other revenue	278,434	Undisclosed (Note 3)	-	-	127,380	Undisclosed (Note 3)
(B) Real estate operating costs subtotal	608,587	59,648	491,871	150,145	186,160	809,732
Land lease and other rent expenses	-	-	222,206	-	27,998	222,401
Property taxes	116,189	17,274	14,619	31,510	23,208	79,515
Outsourcing expenses	90,389	1,200	3,000	1,560	15,760	102,960
Nonlife insurance	3,449	496	1,217	1,258	496	4,365
Depreciation and amortization	186,395	39,439	248,375	114,967	34,629	136,312
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	212,163	1,237	2,452	848	84,066	264,176
(C) Net real estate operating income = (A) − (B)	873,824	290,543	373,763	1,065,193	250,728	578,679
(Reference) Occupancy rate	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	37	1	1	1	6	4

Property No.	50	51	52
Property name	Hilton Tokyo Narita Airport (*4)	International Garden Hotel Narita (*4)	Hotel Nikko Nara (*5)
Number of operating days	173	173	153
(A) Real estate operating revenue subtotal	398,168	261,663	272,120
Fixed rent	208,433	157,733	170,000
Variable rent	189,735	103,930	102,120
Other revenue	-	-	-
(B) Real estate operating costs subtotal	76,025	61,650	54,597
Land lease and other rent expenses	-	-	-
Property taxes	-	-	-
Outsourcing expenses	1,395	1,262	1,250
Nonlife insurance	1,515	688	1,179
Depreciation and amortization	72,007	59,257	51,593
Loss on retirement of noncurrent assets	-	-	-
Other costs	1,107	442	574
(C) Net real estate operating income = (A) − (B)	322,143	200,013	217,523
(Reference) Occupancy rate	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	1	1

(Note 1) Variable rent includes income from management contracts. For details of the management contract, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 63.
(Note 2) Consent on disclosure of rent in units of thousand yen has not been obtained from the lessee and is thus rounded down to the nearest million yen.
(Note 3) Rent income, etc. is not disclosed as consent on disclosure has not been obtained from the tenant with whom a lease contract has been concluded and thus considered to be a case where disclosure cannot be made due to unavoidable circumstances.
(Note 4) Hilton Tokyo Narita Airport and International Garden Hotel Narita were acquired on July 12, 2017.
(Note 5) Hotel Nikko Nara was acquired on August 1, 2017.
(Note 6) The property numbers of assets that were transferred before the end of the previous fiscal year are intentionally omitted.

C. Status of portfolio diversification

a. Diversification by hotel type

The total annual rent, the total of acquisition price and the investment ratio by the hotel type of the assets held at the end of the fiscal year under review were as follows:

Hotel type (Note 1)	Total annual rent (Note 2) (JPY 1M)	Acquisition price (Note 3) (JPY 1M)	Investment ratio (Note 4) (%)
Limited-service hotel	9,682	129,798	40.6
Full-service hotel	9,015	112,095	35.1
Resort hotel	6,661	77,580	24.3
Total	25,359	319,474	100.0

b. Diversification by geographical area

The total annual rent, the total of acquisition price and the investment ratio by the geographical area of the assets held at the end of the fiscal year under review were as follows:

Geographical area (Note 5)	Total annual rent (Note 2) (JPY 1M)	Acquisition price (Note 3) (JPY 1M)	Investment ratio (Note 4) (%)
Hokkaido	1,362	12,797	4.0
Tokyo	3,137	50,010	15.7
Kanto (excluding Tokyo)	5,799	77,075	24.1
Chubu	1,027	15,250	4.8
Kansai	6,151	77,923	24.4
Chugoku	1,709	21,420	6.7
Kyushu (excluding Okinawa)	2,011	20,538	6.4
Okinawa	4,159	44,460	13.9
Total	25,359	319,474	100.0

c. Diversification by hotel grade

The total annual rent, the total of acquisition price and the investment ratio by the hotel grade of the assets held at the end of the fiscal year under review were as follows:

Hotel grade	Total annual rent (Note 2) (JPY 1M)	Acquisition price (Note 3) (JPY 1M)	Investment ratio (Note 4) (%)
Luxury	6,108	77,520	24.3
Upper-middle	4,309	53,498	16.7
Mid-price	13,600	169,436	53.0
Economy	1,341	19,019	6.0
Total	25,359	319,474	100.0

d. Diversification by building age

The total annual rent, the total of acquisition price and the investment ratio by the building age of the assets held at the end of the fiscal year under review were as follows. The building age is the period from the date stated as the date of new construction on the registration or registration record to the last day of December 2017:

Building age	Total annual rent (Note 2) (JPY 1M)	Acquisition price (Note 3) (JPY 1M)	Investment ratio (Note 4)(%)
More than 5 years, less than 10 years (inclusive)	6,061	84,302	26.4
More than 10 years, less than 20 years (inclusive)	4,683	64,277	20.1
More than 20 years	14,614	170,895	53.5
Total	25,359	319,474	100.0

e. Diversification by remaining contract term

The total annual rent and the ratio of the total annual rent of the concerned properties to the total annual rent of all assets held at the end of the fiscal year under review by the remaining contract term of the assets held at the end of the fiscal year under review were as follows, where the remaining contract term is the period from the last day of December 2017 to the lease contract expiration date:

Remaining contract term	Total annual rent (Note 2) (JPY 1M)	Ratio of total annual rent to total (%)
Less than 5 years (inclusive)	17,019	67.1
More than 5 years, less than 10 years (inclusive)	3,968	15.7
More than 10 years, less than 20 years (inclusive)	4,370	17.2
Total	25,359	100.0

f. Diversification by rent type

The total annual rent and the ratio of the total annual rent of the concerned properties to the total annual rent of all assets held at the end of the fiscal year under review by the rent type of the assets held at the end of the fiscal year under review were as follows, where fixed rent refers to fixed rent contracts and variable rent, etc. refers to variable rent contracts and management contracts:

Rent type	Total annual rent (Note 2) (JPY 1M)	Ratio of total annual rent to total (%)
Fixed rent	13,747	54.2
Variable rent, etc.	11,611	45.8
Total	25,359	100.0

(Note 1) Hotels are categorized as limited-service hotels, full-service hotels or resort hotels according to the manner of operation.

(Note 2) "Total annual rent" is the amount of (i) the amount arrived at when monthly fixed rent (rent of the building itself only, excluding common area maintenance charges and signage and parking usage fees; not factoring in any change in rent during the fiscal year) in lease contracts at the end of the fiscal year under review is multiplied by 12, plus (ii) revenue sharing, variable rent or income from management contracts.

In addition, the assumptions of the total annual rent of the hotels with revenue sharing, with variable rent or operated under a management contract structure are as follows:

The Nine HMJ Hotels	The amount of (i) the variable rent actually generated from January 1, 2017 to December 31, 2017 and (ii) the amount arrived at when the monthly fixed rent at the end of the fiscal year under review is multiplied by 12.
The Six Accor Hotels	The amount of the total amount of income from management contracts or variable rent actually generated from January 1, 2017 to December 31, 2017.
The Six *the b* Hotels	The amount of (i) the variable rent actually generated from January 1, 2017 to December 31, 2017 and (ii) the amount arrived at when the monthly fixed rent at the end of the fiscal year under review is multiplied by 12.
Hilton Tokyo Narita Airport International Garden Hotel Narita Hotel Nikko Nara	The amount of (i) variable rent calculated based on actual GOP or sales from January 1, 2017 to December 31, 2017, plus (ii) the amount arrived at when the monthly fixed rent at the end of the fiscal year under review is multiplied by 12.
Chisun Inn Kamata	The amount of variable rent actually generated from January 1, 2017 to December 31, 2017
Smile Hotel Nihombashi Mitsukoshimae Hotel Vista Kamata Tokyo Hotel Keihan Universal City Hotel Sunroute Shinbashi Hilton Tokyo Bay Hilton Nagoya	The amount of (i) the variable rent actually generated from January 1, 2017 to December 31, 2017 and (ii) the amount arrived at when the monthly fixed rent at the end of the fiscal year under review is multiplied by 12.

For details of the contracts of the hotels with revenue sharing, with variable rent or operated under a management contract structure, please refer to "D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing" on page 63.

(Note 3) "Acquisition price" is the acquisition price stated on the purchase and sale agreement for beneficial interest in trust etc. (consumption tax, local consumption tax and the acquisition expense such as broker's fee are not included). The acceptance prices are indicated for the properties that have been accepted through merger.

(Note 4) "Investment ratio" is the ratio of total acquisition price of the assets held at the end of the fiscal year under review that are of the respective type to the total of acquisition price of all assets held at the end of the fiscal year under review, rounded off to one decimal place.

(Note 5) Tokyo means Tokyo metropolitan area. Kanto (excluding Tokyo) means Kanagawa, Chiba, Saitama, Ibaraki, Gunma, Tochigi and Yamanashi prefectures. Chubu means Aichi, Mie, Shizuoka, Nagano, Gifu, Niigata, Toyama, Ishikawa and Fukui Prefectures. Kansai means Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Chugoku means Hiroshima, Okayama, Tottori, Yamaguchi and Shimane prefectures. Kyushu (excluding Okinawa) means Fukuoka, Nagasaki, Miyazaki, Kumamoto, Saga, Oita and Kagoshima prefectures. Okinawa means Okinawa prefecture.

D. Overview of the hotel business

(1) Rent structures of hotels with variable rent, management contract or revenue sharing

	Property No.	Name	Rent type	Method of calculating variable rent and income from management contracts
The Twelve HMJ Hotels	1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	When total GOP of the five HMJ hotels exceeds GOP base amount (set at ¥3,351 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 85.0%. GOP base amount is set individually for each hotel for such purposes as payment of variable rent from each hotel. The breakdown of GOP base amount is presented below (Note 1).
	2	Oriental Hotel tokyo bay		
	3	Namba Oriental Hotel		
	4	Hotel Nikko Alivila		
	5	Oriental Hotel Hiroshima		
	43	Okinawa Marriott Resort & Spa	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥700 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 90.0%
	44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed (Note 2)	When hotel GOP exceeds GOP base amount (set at ¥468 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 82.5%
	46	Hotel Centraza Hakata	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥425 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 90.0%
	47	Holiday Inn Osaka Namba	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥650 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 92.5%
	50	Hilton Tokyo Narita Airport	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥550 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 86.5%
	51	International Garden Hotel Narita	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥360 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 98.0%
	52	Hotel Nikko Nara	Variable/Fixed	When hotel GOP exceeds GOP base amount (set at ¥470 million / year), the amount arrived at when the amount exceeding GOP base amount is multiplied by 91.5% (Note 3)
The Six Accor Hotels	6	ibis Tokyo Shinjuku	Management contract (Note 4)	Amount equivalent to GOP
	32	ibis Styles Kyoto Station		Amount equivalent to GOP
	33	ibis Styles Sapporo		Amount equivalent to GOP
	34	Mercure Sapporo		Amount equivalent to GOP
	35	Mercure Okinawa Naha		Amount equivalent to GOP
	42	Mercure Yokosuka	Variable	Amount linked to GOP
The Six *the b* Hotels	12	the b suidobashi	Variable/Fixed	Amount linked to GOP (Note 5)
	36	the b akasaka-mitsuke		
	37	the b ikebukuro		
	38	the b ochanomizu		
	39	the b hachioji		
	40	the b hakata		
Other hotels with variable rent or revenue sharing	22	Smile Hotel Nihombashi Mitsukoshimae	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	25	Hotel Vista Kamata Tokyo	Fixed + Revenue sharing	When hotel total sales from January 1 to December 31 of every year exceeds ¥270 million, the amount arrived at when the amount exceeding ¥270 million is multiplied by 32.5%
	26	Chisun Inn Kamata	Variable	Amount that is the monthly GOP multiplied by 85.0% (¥0 if the amount is below ¥0).
	29	Hotel Keihan Universal City	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	30	Hotel Sunroute Shinbashi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	31	Hilton Tokyo Bay	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5)
	49	Hilton Nagoya	Variable	Variable rents linked to hotel sales, etc. (Note 5)

(Note 1) Breakdown of the GOP base amount set individually for the five HMJ hotels

Hotel name	Kobe Meriken Park Oriental Hotel	Oriental Hotel tokyo bay	Namba Oriental Hotel	Hotel Nikko Alivila	Oriental Hotel Hiroshima	Total
Annual GOP base amount	¥599,900 thousand	¥693,200 thousand	¥832,200 thousand	¥995,700 thousand	¥230,000 thousand	¥3,351,000 thousand

(Note 2) The indicated structures are for Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA.

(Note 3) The variable rent from August 1, 2017 to December 31, 2017 is the amount arrived by multiplying the amount exceeding GOP base amount (set at ¥204,200 thousand) by 83.0%, when such occurs.

(Note 4) The management contract structure is a structure for hotel real estate owned by JHR in which JHR entrusts an operator to operate the hotel and takes in the outcome of that business as real estate operating revenue. Specifically, JHR, the owner of the hotel real estate, concludes a management contract with an operator and entrusts the operator with the tasks necessary to run the hotel business. JHR receives the hotel revenue achieved from the hotel business (operation) by the operator and, at the same time, pays a management fee to the operator. This hotel revenue achieved is recognized as "real estate operating revenue through management contract" and is equivalent to the rent that is the real estate operating revenue under the leasing structure.

(Note 5) The detailed content of the contract is not disclosed as consent on disclosure has not been obtained from the lessee.

(2) Major indicators of the hotel business

The following tables indicate the figures related to the hotel business of the Twelve HMJ hotels, the Six Accor hotels and the Six *the b* hotels for the operating period from January 1, 2017 through December 31 2017, based on the data provided by the hotel lessees etc. Furthermore, while these indicators of the hotels are among the indicators that show the operating status of the rooms departments, they do not necessarily represent the operating revenue and the ability to bear rent, etc. of the respective hotels, as the room rates and profit margins, etc. of the respective rooms available for sale are not uniform, among other reasons. As such, the indicators are no more than the reference figures.

(a) The Twelve HMJ Hotels

	Kobe Meriken Park Oriental Hotel		Oriental Hotel tokyo bay		Namba Oriental Hotel		Hotel Nikko Alivila		Oriental Hotel Hiroshima		The Five HMJ Hotels Total/Average	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	84.1%	—	98.7%	—	95.7%	—	87.0%	—	85.0%	—	91.0%	—
ADR (Note 1)	17,005	—	19,456	—	19,852	—	28,314	—	9,749	—	19,856	—
RevPAR (Note 2)	14,296	—	19,200	—	18,998	—	24,636	—	8,287	—	18,060	—
Total sales	5,381	100.0	6,838	100.0	2,887	100.0	6,389	100.0	2,153	100.0	23,647	100.0
Rooms department	1,836	34.1	3,889	56.9	1,970	68.2	3,958	61.9	756	35.1	12,409	52.5
Food & beverage department	3,256	60.5	2,459	36.0	124	4.3	1,919	30.0	1,332	61.9	9,090	38.4
Tenant department	63	1.2	237	3.5	754	26.1	2	0.0	23	1.0	1,079	4.6
Other departments (Note 3)	226	4.2	252	3.7	38	1.3	510	8.0	42	1.9	1,068	4.5
GOP	1,245	23.1	1,985	29.0	1,776	61.5	2,346	36.7	414	19.2	7,765	32.8

	Okinawa Marriott Resort & Spa		Sheraton Grand Hiroshima Hotel (Note 4)		Hotel Centraza Hakata		Holiday Inn Osaka Namba		Hilton Tokyo Narita Airport (Note 5)		International Garden Hotel Narita (Note 6)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	85.8%	—	89.7%	—	94.6%	—	96.5%	—	85.5%	—	82.9%	—
ADR (Note 1)	21,348	—	17,698	—	11,707	—	18,362	—	10,208	—	7,221	—
RevPAR (Note 2)	18,314	—	15,874	—	11,071	—	17,725	—	8,725	—	5,985	—
Total sales	4,151	100.0	3,348	100.0	2,464	100.0	2,074	100.0	3,238	100.0	1,438	100.0
Rooms department	2,663	64.1	1,543	46.1	866	35.1	2,033	98.0	1,947	60.1	1,112	77.4
Food & beverage department	1,044	25.2	1,704	50.9	1,357	55.1	—	—	1,192	36.8	314	21.9
Tenant department	63	1.5	—	—	225	9.1	30	1.5	52	1.6	6	0.4
Other departments (Note 3)	382	9.2	101	3.0	16	0.6	11	0.5	46	1.4	5	0.3
GOP	1,440	34.7	968	28.9	942	38.3	1,341	64.7	929	28.7	567	39.5

	Hotel Nikko Nara (Note 7)		The Twelve HMJ Hotels Total/Average (Note 8)	
		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	79.6%	—	88.5%	—
ADR (Note 1)	12,510	—	16,251	—
RevPAR (Note 2)	9,963	—	14,382	—
Total sales	2,970	100.0	43,329	100.0
Rooms department	1,327	44.7	23,900	55.2
Food & beverage department	1,592	53.6	16,294	37.6
Tenant department	34	1.2	1,491	3.4
Other departments (Note 3)	16	0.5	1,644	3.8
GOP	713	24.0	14,666	33.8

(Note 1) ADR: Represents average daily rate, which is calculated by dividing total rooms revenue for a certain period (excluding service charges) by the total number of rooms sold during the period. Holiday Inn Osaka Namba, the Six Accor hotels and the Six *the b* hotels do not request service charges. The same shall apply hereinafter.

(Note 2) RevPAR: Represents revenue per available room, which is calculated by dividing total rooms revenue for a certain period (excluding service charges) by the total number of rooms available for sale during the period. Revenue per available room equals the product of ADR and occupancy rate. The same shall apply hereinafter.

(Note 3) Figures for the other departments include sales of the department for sale of goods.

(Note 4) The indicated figures are for Sheraton Grand Hiroshima Hotel, the main facility of ACTIVE-INTER CITY HIROSHIMA.

(Note 5) For Hilton Tokyo Narita Airport which JHR acquired on July 12, 2017, the annual figures are for throughout the year including those prior to the acquisition.

(Note 6) For International Garden Hotel Narita which JHR acquired on July 12, 2017, the annual figures are for throughout the year including those prior to the acquisition.

(Note 7) For Hotel Nikko Nara which JHR acquired on August 1, 2017, the annual figures are for throughout the year including those prior to the acquisition.

(Note 8) For Total/Average of the Twelve HMJ hotels, figures are calculated by JHR as reference since no figures have been provided by the hotel operators or hotel lessees.

(Note 9) The occupancy rate is rounded off to one decimal place, while ADR and RevPAR are rounded off to single units. Sales and GOP are rounded off to the nearest million yen. For the ratio to total sales, the ratio of sales in each department to total sales is rounded off to one decimal place. The same shall apply hereinafter.

(b) The Six Accor Hotels

	ibis Tokyo Shinjuku		ibis Styles Kyoto Station		ibis Styles Sapporo		Mercure Sapporo		Mercure Okinawa Naha		Mercure Yokosuka		Total/Average (Note)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	74.1%	—	94.6%	—	89.5%	—	84.6%	—	82.9%	—	84.6%	—	85.3%	—
ADR	12,636	—	11,697	—	10,882	—	13,127	—	11,412	—	12,230	—	11,944	—
RevPAR	9,369	—	11,066	—	9,741	—	11,110	—	9,464	—	10,345	—	10,185	—
Total sales	773	100.0	977	100.0	1,219	100.0	1,351	100.0	1,096	100.0	1,037	100.0	6,454	100.0
Rooms department	704	91.1	868	88.8	988	81.1	1,156	85.5	898	81.9	604	58.3	5,219	80.9
Food & beverage department	55	7.2	100	10.3	206	16.9	184	13.6	169	15.4	418	40.3	1,133	17.6
Other departments	14	1.8	9	0.9	24	2.0	12	0.9	29	2.6	15	1.4	102	1.6
GOP	379	49.0	551	56.4	639	52.4	631	46.7	491	44.8	311	30.0	3,004	46.5

(Note) For Total/Average, figures are calculated by JHR since no figures have been provided by the hotel operators or hotel lessees.

(c) The Six *the b* Hotels

	the b suidobashi		the b akasaka-mitsuke		the b ikebukuro		the b ochanomizu		the b hachioji		the b hakata		Total/Average (Note)	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	89.1%	—	87.4%	—	90.1%	—	92.9%	—	90.4%	—	92.3%	—	90.4%	—
ADR	10,851	—	11,051	—	10,623	—	10,739	—	7,044	—	8,565	—	9,445	—
RevPAR	9,667	—	9,654	—	9,573	—	9,977	—	6,369	—	7,908	—	8,535	—
Total sales	351	100.0	433	100.0	617	100.0	263	100.0	548	100.0	509	100.0	2,721	100.0
Rooms department	349	99.6	430	99.2	611	99.2	262	99.6	456	83.1	505	99.2	2,614	96.0
Food & beverage department	—	—	—	—	—	—	—	—	88	16.0	—	—	88	3.2
Other departments	2	0.4	3	0.8	5	0.8	1	0.4	5	0.9	4	0.8	20	0.7
GOP	164	46.7	235	54.2	331	53.6	119	45.1	189	34.4	268	52.6	1,304	47.9

(Note) For Total/Average, figures are calculated by JHR since no figures have been provided by the hotel lessees.

E. Status of capital expenditures

a. Planned capital expenditures (Note 1)

The following table shows major estimated capital expenditures items for renovation work planned as of the end of the fiscal year under review for real estate properties (in trust) under management by JHR. Expenditures are expected to total ¥3,250 million, which consists of capital expenditures of ¥3,186 million (Note 2) and repair expenses of ¥63 million, for the next fiscal year.

Name of property, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (JPY1M)
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renewal of telephone switchboard	From April 2018 to May 2018	50
Oriental Hotel tokyo bay (Urayasu-shi, Chiba)	Splitting of suite guestroom and relocation of Mama Salon	From October 2018 to November 2018	120
Namba Oriental Hotel (Osaka-shi, Osaka)	Renewal of guest rooms on the 6th floor	From January 2018 to February 2018	78
Okinawa Marriott Resort & Spa (Nago-shi, Okinawa)	Replacement of air-conditioning facilities for guestrooms	From September 2018 to December 2018	260
Holiday Inn Osaka Namba (Osaka-shi, Osaka)	Renewal of guest rooms on the 6th and 7th floors	From January 2018 to February 2018	58
Holiday Inn Osaka Namba (Osaka-shi, Osaka)	Renewal of guest rooms on the 12th floor	From June 2018 to June 2018	30
Hilton Nagoya (Nagoya-shi, Aichi)	Renewal of drainage for sewage and gray watercheck	From June 2017 to January 2018	55
Hotel Centraza Hakata (Fukuoka-shi, Fukuoka)	Major renovation works	From October 2018 to March 2019	3,100
Total			3,753

(Note 1) New construction and renewal work includes that for buildings, attached facilities, etc. as well as items classified as furniture and fixtures. The scheduled period of the above planned renovation work and whether or not the renovation work will be performed may change.

(Note 2) Expected construction cost for the major renovation works of Hotel Centraza Hakata is not included in total for next year since its constraction work will be completed in March 2019.

b. Capital expenditures during the year (Note)

For real estate properties (in trust) under management by JHR, major construction work conducted during the fiscal year under review that represents capital expenditures is as below. Capital expenditures for the fiscal year under review totaled ¥2,898 million, and repair expenses that were accounted for as expense in the fiscal year under review totaled ¥49 million. In aggregate, ¥2,948 million of construction work was carried out.

Name of property, etc. (Location)	Purpose	Period	Estimated construction costs (JPY1M)
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renewal of disaster prevention switchboard	From May 2017 to December 2017	45
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Relocation of bridal salon	From April 2017 to December 2017	76
Oriental Hotel tokyo bay (Urayasu-shi, Chiba)	Renewal of automatic fire alarm equipment	From January 2017 to July 2017	50
Namba Oriental Hotel (Osaka-shi, Osaka)	Renewal of guest rooms on the 7th floor	From February 2017 to March 2017	77
ibis Tokyo Shinjuku (Shinjuku-ku, Tokyo)	Replacement of piping	From May 2017 to August 2017	136
ibis Tokyo Shinjuku (Shinjuku-ku, Tokyo)	Replacement of interior fittings and furniture in guest rooms on the 3rd through 10th floors	From May 2017 to August 2017	312
Hakone Setsugetsuka (Ashigarashimogun, Kanagawa)	Replacement of air-conditioning facilities within the building	From June 2017 to June 2017	99
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Renewal of disaster prevention facilities	From May 2017 to July 2017	69
Total			867

(Note 1) New construction and renewal work will include those for buildings, attached facilities, etc. as well as items classified as furniture and fixtures.