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August 22, 2018

Midterm Financial Report for the Fiscal Year Ending December 31, 2018 (January 1, 2018 – June 30, 2018)

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 midterm Securities Report: September 20, 2018

Preparation of supplementary material on midterm financial report: Yes
Schedule for presentation of midterm financial results: Yes (Institutional investors and analysts only)

(Amounts are rounded down to the nearest million yen)

1. Status summary of operation and assets for the midterm of the fiscal year ending December 31, 2018 (January 1, 2018 – June 30, 2018)

(1) Operating results

(Percentages: full year—changes from the previous year, midterm period—changes from the previous midterm period)

	Operating revenue		Operating income		Ordinary income		Net income	
Midterm period ended	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%
June 30, 2018	12,321	9.3	7,319	8.6	6,387	7.3	6,387	7.3
June 30, 2017	11,272	20.0	6,740	18.6	5,951	22.2	5,951	24.6
Fiscal year ended								
December 31, 2017	25,475	15.2	15,757	13.5	14,006	14.6	14,005	15.5

	Net income per unit
Midterm period ended	JPY
June 30, 2018	1,592
June 30, 2017	1,581
Fiscal year ended	
December 31, 2017	3,606

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

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
Midterm period ended	JPY1M	JPY1M	%	JPY
June 30, 2018	343,603	193,731	56.4	48,301
June 30, 2017	309,988	175,133	56.5	46,554
Fiscal year ended				
December 31, 2017	352,183	201,963	57.3	50,354

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

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period/year
Midterm period ended	JPY1M	JPY1M	JPY1M	JPY1M
June 30, 2018	9,103	(1,435)	(14,164)	21,422
June 30, 2017	8,117	(875)	(13,414)	20,200
Fiscal year ended				
December 31, 2017	17,763	(36,083)	19,866	27,920

**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
Full year	28,485	11.8	18,122	15.0	16,294	16.3	16,293	16.3	3,890	0

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2018 (full year) ¥4,062

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

(Note) The source of the dividend payment is planned to be an amount that deducts the reserve for special advanced depreciation (¥1,235 million), from the total amount of net income and the reversed amount of the reserve for temporary difference adjustment in the amount of ¥544 million.

*** 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 midterm period / full year

(including investment units owned by Japan Hotel REIT Investment Corporation (hereinafter referred to as “JHR”))

As of June 30, 2018 4,010,847 units

As of June 30, 2017 3,761,907 units

As of December 31, 2017 4,010,847 units

(b) Number of JHR's own investment units held at the end of the midterm period / full year

As of June 30, 2018 0 units

As of June 30, 2017 0 units

As of December 31, 2017 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 37.

*** Status of midterm audit procedures**

At the time of disclosure of this midterm financial report, audit procedures for the semi-annual 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 midterm 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 second half of the fiscal year” on page 8 and “Assumptions of the operating forecast for the full year of the fiscal year ending December 31, 2018 (19th period)” on page 13.

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1. Related parties of the investment corporation

Disclosure is omitted because there is no significant change from “Structure of the investment corporation” in the most recent Securities Report (submitted on March 20, 2018).

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 20, 2018).

(2) Operating results

(A) Overview of the midterm period 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, merged with Japan Hotel and Resort, Inc. 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 little more than six years since the Merger to the end of the midterm period under review (June 30, 2018). As a result, the total acquisition price of the 44 portfolio properties as of the end of the midterm period under review stood at ¥319,474 million. Subsequent to the end of the midterm period under review, sale of 3 properties (R&B Hotel Higashi-nihonbashi, the b akasaka-mitsuke, and the b ochanomizu (hereinafter referred to as the “Sold Assets”, and the sale of the Sold Assets referred to as the “Sale”)) was conducted on August 10, 2018 to result in a portfolio of 41 properties with a combined acquisition price of ¥309,370 million as of the date of this report.

At the end of the midterm period under review, the total number of investment units issued and outstanding stands at 4,010,847 units.

(b) Investment performance for midterm period under review

During the midterm period under review (six-month period from January 1, 2018 to June 30, 2018), the Japanese economy continued to show a moderate recovery trend backed by steady improvement in the employment and income environment while corporate earnings improved. As to the environment surrounding the tourism market, as the Japanese government promotes measures for making Japan an advanced tourism nation, the number of foreign visitors to Japan (hereinafter referred to as “inbound”) continued to grow while demand for accommodation by domestic tourists remained stable, creating a favorable environment overall.

The hotels owned by JHR saw some signs from the 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. Furthermore, the hotel investment market continued to be in a brisk state.

With regard to status of operations during the midterm period under review of the “Twelve HMJ Hotels” (Note 1), which are 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 seven hotels which JHR leases to HMJ Group companies under variable rent contracts, these hotels overall have posted increase over the same period of the previous year both in sales and GOP (gross operating profit), led by the rooms department. The rooms department implemented flexible pricing in line with each hotel’s accommodation market condition with an aim to generate greater earnings through improved RevPAR (Revenue Per Available Room). For further details of sales, GOP and other management indicators for the Eleven HMJ hotels (Note 2), please refer to “<Reference Materials 3>Hotel operation indexes, sales and GOP of the hotels on page 18 and “C. Overview of the hotel business; (2) Major indicators of the hotel business on page 52.

Moreover, at the six hotels 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”) (Note 3), successfully attracting inbound and domestic leisure demand, these hotels, too, posted increase over the same period of the previous year both in sales and GOP. For further details of sales, GOP and other management indicators for the Six Accor Hotels, please refer to “<Reference Materials 3> Hotel operation indexes, sales and GOP of the hotels on page 19 and “C. Overview of the hotel business; (2) Major indicators of the hotel business on page 52.

On the other hand, at the Six *the b* hotels (Note 4), 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 increase in new hotel supply and minpaku led to the hotels in Tokyo metropolitan area to post a year-on-year decrease both in sales and GOP. Hotels in other areas saw a year-on-year increase in both sales and GOP; and although sales of the Six *the b* hotels overall increased year-on-year, GOP decreased year-on-year. For further details of sales, GOP and other management indicators for the Four *the b* hotels (Note 5), please refer to “<Reference Materials 3> Hotel operation indexes, sales and GOP of the hotels on page 19 and “C. Overview of the hotel business; (2) Major indicators of the hotel business on page 52.

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

Subsequent to the end of the midterm period under review, JHR sold the three Sold Assets on August 10, 2018. JHR aims to further improve the quality of its portfolio by reshuffling, etc. its assets as one of growth strategies. JHR decided on the sale after comprehensively taking into account their positioning (hotel type, area, etc.) in JHR’s portfolio, medium- to long-term competitiveness, expected upsides and stability, etc.

Among the gain on sales of real estate properties for Sold Asset, ¥1,235 million from part of the gain on sale by R&B Hotel Higashi-nihonbashi, which JHR owned for over 10 years, will be internally reserved as reserve for special advanced depreciation (Note 6) to be utilized for future property acquisition, etc.

- (Note 1) The Five HMJ Hotels represents the five hotels, namely, Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivilla, Oriental Hotel Hiroshima. The Twelve HMJ Hotels represents the 12 hotels, namely, Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel, which is the major facility of ACTIVE-INTER CITY HIROSHIMA, Hotel Centraza Hakata, Holiday Inn Osaka Namba, Hilton Tokyo Narita Airport, International Garden Hotel Narita, Hotel Nikko Nara and the Five HMJ Hotels. The same shall apply hereinafter.
- (Note 2) Represents the eleven hotels which exclude Hotel Centraza Hakata from the Twelve HMJ Hotels since the hotel is planning for renovation in the second half of fiscal period 2018. The same shall apply hereinafter.
- (Note 3) 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 4) Represents the six hotels, namely, the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji, the b hakata and the b suidobashi. The same shall apply hereinafter.
- (Note 5) Represents the four hotels which exclude the b akasaka-mitsuke and the b ochanomizu, since the hotels were sold on August 10, 2018. The same shall apply hereinafter.

(Note 6) By applying “Special provisions for taxation where a special account has been set up accompanied with transfer of specified assets” (Article 65-8 of the Act on Special Measures Concerning Taxation) (Act No. 26 of 1957; as amended), the amount will be internally reserved as reserve for special advanced depreciation which does not fall under reserve for advanced depreciation on property replacement under the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006; as amended; hereinafter called “the Ordinance on Accountings of Investment Corporations”).

(c) Funding status

During the midterm period under review (six-month period from January 1, 2018 to June 30, 2018), JHR issued investment corporation bonds of ¥10,000 million for individual investors for the third time in February 2018, mainly to allocate the fund to the prepayment of existing loans. In addition, JHR took out the SMBC Environmental Assessment Loans for the first time in March 2018 in order to refinance long-term loans of ¥1,700 million which were due for repayment. In April 2018, JHR took out loans of ¥8,350 million to refinance existing loans and to make partial prepayments.

Consequently, as of the end of the midterm period under review, balance of interest-bearing debt totaled ¥141,060 million, including short-term loans payable of ¥5,000 million, current portion of long-term loans payable of ¥8,589 million, long-term loans payable of ¥93,871 million, current portion of investment corporation bonds payable of ¥2,000 million and investment corporation bonds of ¥31,600 million, and the ratio of interest-bearing debt to total assets at end of the midterm period (Note 1) stood at 41.1%.

Subsequent to the end of the midterm period under review, JHR conducted prepayment of existing short-term loans of ¥5,000 million with part of funds gained through the Sale in August, 2018. As a result, ratio of interest-bearing debt to total assets (Note 2) is expected to come to 40.0%.

(Note 1) Ratio of interest-bearing debt to total assets at end of the midterm period = Balance of interest-bearing debt at end of the midterm period ÷ Total assets at end of the midterm period × 100

(Note 2) Ratio of interest-bearing debt to total assets = (Balance of interest-bearing debt at end of the midterm period – prepaid amount) ÷ (Total assets at end of the midterm period + sale price of the three Sold Assets – assumed book value of the three Sold Assets – assumed expenses related to the Sale – prepaid amount) × 100

As of the end of the midterm period under review, JHR’s issuer ratings were as follows.

Rating agency	Rating	Outlook
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 ¥12,321 million, ¥7,319 million and ¥6,387 million, respectively, for the midterm period under review (six-month period from January 1, 2018 to June 30, 2018). Net income for the midterm period under review was ¥6,387 million.

Variable rent from the hotels with variable rent leased to the Twelve HMJ Hotels in the amount of ¥2,361 million is included in operating revenue, but this amount is calculated based on the GOP of the Twelve HMJ Hotels for the midterm period under review. The variable rent to be ultimately received from the Twelve HMJ Hotels will be determined by the full-year GOP (12-month period) of the Twelve HMJ Hotels.

JHR settles accounts on an annual basis and investment corporations do not have a system for interim dividends under the Investment Trusts Act. Accordingly, no distribution of earnings can be made in the midterm period under review. Distribution of earnings is made based on the earnings for the full year (12-month period from January 1, 2018 to December 31, 2018). With regard to such distribution of earnings, in accordance with the policy for earnings dividend to exceed 90% of JHR’s distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation. The plan is, for the period ending December 31, 2018, that the amount calculated by adding a reversal of reserve for temporary difference adjustment (amount of use of negative goodwill, such as for the amount equivalent to 50-year amortization amount of negative goodwill (Note), loss on retirement of fixed assets incurred by the replacement of facilities and correspondence to major renovation work of Hotel Centraza Hakata, etc.) to the balance of unappropriated retained

earnings after deducting ¥1,235 million (expected amount) of reserve for special account reduction entry, would all be distributed except for fractions of less than one yen of dividend per unit.

(Note) For 50-year amortization amount of negative goodwill, please refer to Dividend per Unit (Note 2) of “Assumptions of the operating forecast for the full year of the fiscal year ending December 2018 (19th period)” on page 13.

(B) Outlook for the second half of the fiscal year

(a) Investment policies and issues to be addressed

The environment surrounding the tourism industry is expected to remain favorable with local governments also taking unique initiatives to attract tourists amid ongoing national tourism policies such as continual easing of visa requirements. The number of inbound tourists increased in the first half of 2018 to again mark a new record high, and while the number rose due to expansion of needs for overseas travels especially among the middle-income group and the wealthy group in China and other fast-growing Asian regions, more regions such as the Philippines, Vietnam and Russia have also begun to show high increase rates. 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 traveling in Japan without language barriers, inbound travelers communicating charms of Japan with abundant tourism resources through SNS (Social Networking Service) to the world, and other factors. The further increase in the number of inbound tourists due to such structural shifts and the solid domestic leisure demand 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 new supply of hotels following trends of increase in inbound tourists, and the impact of the Private Lodging Business Act (new minpaku law) enforced in June 2018.

Under such circumstances, the Asset Management Company has changed its organization in order to launch discretionary investment business and investment advisory business regarding the hotel transactions which were not considered as investment target of JHR, to respond to growing investor needs of various hotel investments and provide new investment opportunities. New know-how acquired through new business is believed to lead to enhancement of the asset management capability of the Asset Management Company and also to be utilized in asset management of JHR.

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 Four *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 with 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. Through the active asset management which requesting each hotel lessee, its operations support company and its operator to implement marketing initiatives to attract a wider range of demand, measures to maintain and increase room rates, etc., as well as to implement 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, etc. in order to increase JHR's revenue.

In addition, JHR will execute investment for the purpose of 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 aim to acquire 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 increase of Real Estate Investment Trust in Japan (J-REITs) investing in hotels and formation of private REITs and other factors. 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 has set a basic policy of carrying out a conservative financial strategy which places importance on securement of financial stability and strength. 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. 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, after considering the balance between the dispersion and extension of maturity dates for 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 by fixing rates, etc.

Policy on the handling of negative goodwill

Starting from 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 (hereinafter called “JITA”).

In the fiscal year ending December 31, 2018 and onward also, JHR will reverse ¥262 million (hereinafter called the “50-year amortization amount of negative goodwill”) for each period, which is an amount equivalent to 2% (1/50) of the remaining balance of the reserve for temporary difference adjustment for the fiscal period ended December 31, 2017, to pay out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount.

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 ¥544 million, which is the total of the 50-year amortization amount (¥262 million), loss on retirement of noncurrent assets (¥17 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 specific amounts, etc., for the future.

Initiatives for Sustainability

In recent years, there has been growing importance of the risks and opportunities of ESG (Environment, 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 stakeholders 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, has established a “Sustainability Policy” 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 in February 2018 as first such cases for J-REIT’s hotel properties. In addition, JHR took out the SMBC Environmental Assessment Loans for the first time in March 2018 in order to refinance short-term loans which were due for repayment. “SMBC Environmental Assessment Loan” assesses status of corporate initiatives for environmental considerations, on loan execution and establishment of lending conditions, based on environmental

assessment criteria developed independently by Sumitomo Mitsui Banking Corporation and the Japan Research Institute, Limited. JHR has received an “A” grade in the environmental assessment due to excellent environmental consideration put into practice in managing assets. Recognizing its social responsibility towards local communities as a J-REIT specializing in hotels (Note), JHR will proactively carry out social contribution activities capitalizing on the characteristics of the hotel sector and each hotel going forward.

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

(b) Significant subsequent events

1. Sale of assets

On August 10, 2018, JHR sold three properties as below.

Name of property sold	R&B Hotel Higashi-nihonbashi
Category of asset sold	Real estate beneficial interest in trust
Asset type	Hotel
Address	Chuo-ku, Tokyo
Sale price (Note 1)	¥3,050 million
Book value (Note 2)	¥1,483 million
Expected gain on sales of real estate properties (Note 3)	¥1,543 million
Sales date	August 10, 2018
Buyer	Tiger 2 GK

(Note 1) The sale price does not include expenses for sale, settlement amount of property taxes and city planning taxes, consumption taxes and local consumption taxes.

(Note 2) The assumed book value as of the end of July 2018 is indicated.

(Note 3) The amount obtained by subtracting the assumed book value as of the end of July 2018 and assumed expenses for sale from sale price is indicated.

Name of property sold	the b akasaka-mitsuke
Category of asset sold	Real estate beneficial interest in trust and movable asset attached to the hotel
Asset type	Hotel
Address	Minato-ku, Tokyo
Sale price (Note 1)	¥6,600 million
Book value (Note 2)	¥6,293 million
Expected gain on sales of real estate properties (Note 3)	¥265 million
Sales date	August 10, 2018
Buyer	Tiger 2 GK

(Note 1) The sale price does not include expenses for sale, settlement amount of property taxes and city planning taxes, consumption taxes and local consumption taxes.

(Note 2) The assumed book value as of the end of July 2018 is indicated.

(Note 3) The amount obtained by subtracting the assumed book value as of the end of July 2018 and assumed expenses for sale from sale price is indicated.

Name of property sold	the b ochanomizu
Category of asset sold	Real estate beneficial interest in trust and movable asset attached to the hotel
Asset type	Hotel
Address	Chiyoda-ku, Tokyo
Sale price (Note 1)	¥2,500 million
Book value (Note 2)	¥2,353 million
Expected gain on sales of real estate properties (Note 3)	¥128 million
Sales date	August 10, 2018
Buyer	Tiger 2 GK

(Note 1) The sale price does not include expenses for sale, settlement amount of property taxes and city planning taxes, consumption taxes and local consumption taxes.

(Note 2) The assumed book value as of the end of July 2018 is indicated.

(Note 3) The amount obtained by subtracting the assumed book value as of the end of July 2018 and assumed expenses for sale from sale price is indicated.

2. Prepayment of a loan

JHR made prepayment of a loan using part of the proceeds from sale of properties described in the above 1. Sale of assets.

Term Loan 48

Lenders	Sumitomo Mitsui Banking Corporation
Loan balance before repayment	¥5,000 million
Repayment amount	¥5,000 million
Date of borrowing	April 26, 2018
Maturity date	December 28, 2018
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.275%
Repayment date	August 10, 2018
Loan balance after repayment	¥0

(c) Operating forecast

The following is JHR's operating forecast for 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 13.

In addition, the dividend per unit based on the annualized effect of the sale of R&B Hotel Higashi-nihonbashi, the b akasaka-mitsuke and the b ochanomizu, which were sold on August 10, 2018, is assumed to be ¥3,658. For the annualized effect of the Sale, please refer to "<Reference Materials 1> Highlights of the operating forecast and forecast of dividend" on page 17. For the assumptions of the forecast of the annualized effect, please refer to "<Reference Materials 2> Assumptions of annualized effect (full year effect) in this forecast" on page 18.

	Forecast this time	Previous forecast (Note 1)	Increase (Decrease)
Full year of the fiscal year ending December 31, 2018 (19th period)			
Operating revenue	¥28,485 million	¥28,321 million	¥164 million
Operating income	¥18,122 million	¥17,884 million	¥238 million
Ordinary income	¥16,294 million	¥16,092 million	¥202 million
Net income	¥16,293 million	¥16,091 million	¥202 million
Dividend per unit	¥3,890	¥3,844	¥46
Dividend per unit resulting from excess of earnings	¥0	¥0	¥0

(Note 1) These are the figures announced in the "Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2018 (19th Period)" dated August 7, 2018.

(Note 2) The forecast figures above are the current forecasts calculated based on certain assumptions. As such, actual operating revenue, operating income, ordinary income, net income, 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 full year of the fiscal year ending December 2018 (19th period)

Item	Assumptions							
Calculation Period	• Full year of the fiscal year ending December 2018 (19th Period): January 1, 2018 through December 31, 2018 (365 days).							
Assets under Management	• As three properties were sold on August 10, 2018, the 41 properties owned by JHR as of today are assumed.							
	Disposition date		Name of asset					
	August 10, 2018		R&B Hotel Higashi-nihonbashi					
	August 10, 2018		the b akasaka-mitsuke					
	August 10, 2018		the b ochanomizu					
	• It is assumed that there will be no change (acquisition or disposition, etc.) in assets under management other than the above through the end of the fiscal year ending December 2018 (19th period). However, the actual results may fluctuate depending on the changes in assets under management that may take place.							
Operating Revenue	• It is expected that ¥1,937 million is recognized as gain on sale of real estate properties due to the Sale.							
	• Operating revenue is calculated based on the lease and other contracts effective as of today and in consideration of competitiveness of hotels, market environment and other factors. If there are lease contracts with regard to facilities other than hotels, such as retail facilities and offices, etc., operating revenue calculated on the said lease contracts is included.							
	• Rents, etc. of the main hotels are calculated based on the following assumptions.							
	(1) The 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 (%)							
	(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	3,155	1,675	85.0%	1,258	1,610	2,868
		Full year	8,123	3,351		4,056	3,221	7,277
	Okinawa Marriott Resort & Spa	Midterm	419	350	90.0%	62	274	337
		Full year	1,416	700		644	550	1,194
	Sheraton Grand Hiroshima Hotel (*1)	Midterm	486	234	82.5%	207	174	381
		Full year	1,030	468		464	348	812
	Hotel Centraza Hakata (*2)	Midterm	494	212	90.0%	159	199	359
		Full year	602	425		159	400	559
Holiday Inn Osaka Namba	Midterm	632	325	92.5%	284	288	572	
	Full year	1,273	650		576	576	1,152	
Hilton Tokyo Narita Airport (*2)	Midterm	477	275	86.5%	175	222	397	
	Full year	967	550		361	444	805	
International Garden Hotel Narita	Midterm	319	180	98.0%	136	168	304	
	Full year	616	360		250	336	586	
Hotel Nikko Nara	Midterm	318	235	91.5%	76	210	286	
	Full year	739	470		246	420	666	
Total	Midterm	6,303	-	-	2,361	3,147	5,508	
	Full year	14,770	-		6,761	6,295	13,056	
	(*1) Stating the rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA. Separately, rent from the office building and the retail zone for the fiscal year ending December 2018 (19th period) is expected to be ¥210 million for the midterm and ¥442 million for the full year. The figure includes ¥6 million for the midterm and ¥12 million for the full year as variable rent pursuant to a revenue-linked rent agreement with some retail tenants.							
	(*2) Due to the impact of the major renovation work scheduled in the 2nd half of the fiscal year ending December 2018, total GOP for the first half will exceed total GOP for the full year. Therefore, the estimated variable rent for the full year as a maximum amount is recognized as the variable rent for the midterm.							

Item	Assumptions							
Operating Revenue	(2) The Six Accor Hotels							
	Income from management contracts (*1) 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	238	247	272	282	214	160	1,415
	Full year	483	542	666	689	469	286	3,138
	(*1) For income from management contracts, it is assumed that each hotel's GOP amount is recognized as income from management contracts and the management contract fees to be paid by JHR are recognized as an operating expense. In cases where certain revenue from non-hotel tenant(s), etc. is included in the hotel's GOP, such tenant revenue is subtracted from GOP to calculate income from management contracts. Such tenant revenue is recognized as parking revenue.							
	(*2) Mercure Sapporo includes variable rent which is linked to the sales of tenant(s) other than the hotel.							
	(3) The Six <i>the b</i> Hotels							
	Income from fixed rent and variable rent of the Six <i>the b</i> hotels (Unit: millions of yen)							
			Variable Rent	Fixed Rent (*1)	Total Rent			
	the b suidobashi	Midterm	12	42	54			
		Full year	26	84	111			
	the b akasaka-mitsuke (*2)	Midterm	51	68	119			
		Full year	62	82	145			
	the b ikebukuro	Midterm	64	109	174			
		Full year	133	220	354			
	the b ochanomizu (*2)	Midterm	14	34	48			
		Full year	17	41	59			
	the b hachioji	Midterm	34	62	96			
		Full year	70	122	193			
	the b hakata	Midterm	76	44	121			
		Full year	162	89	252			
	Total	Midterm	253	362	615			
		Full year	473	642	1,115			
	(*1) Fixed rent includes rent from non-hotel tenant(s).							
(*2) As the b akasaka-mitsuke and the b ochanomizu were sold on August 10, 2018, the fixed rent and the variable rent for the full year represent the expected amount of rent during January 1, 2018 and the day before the disposition date.								
(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	19		19					
Hotel Vista Kamata Tokyo	—		20					
Chisun Inn Kamata	38		78					
Hotel Keihan Universal City	Undisclosed (*)		Undisclosed (*)					
Hotel Sunroute Shinbashi	97		97					
Hilton Tokyo Bay	Undisclosed (*)		Undisclosed (*)					
Hilton Nagoya	Undisclosed (*)		Undisclosed (*)					
Total	854		1,399					
(*) Undisclosed since tenants that concluded lease agreements did not agree to disclose rent revenue, etc.								

Item	Assumptions																		
Operating Revenue	<ul style="list-style-type: none">• The following is the breakdown of variable rent and income from management contracts (*1). <Breakdown of variable rent, etc. 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>2,367</td><td>6,774</td></tr><tr><td>The Six Accor Hotels</td><td>1,415</td><td>3,138</td></tr><tr><td>The Six <i>the b</i> Hotels</td><td>253</td><td>473</td></tr><tr><td>Other hotels with variable rent (7 hotels)</td><td>854</td><td>1,399</td></tr><tr><td>Total (31 hotels)</td><td>4,891</td><td>11,784</td></tr></table>		Midterm	Full year	The Twelve HMJ Hotels (*2)	2,367	6,774	The Six Accor Hotels	1,415	3,138	The Six <i>the b</i> Hotels	253	473	Other hotels with variable rent (7 hotels)	854	1,399	Total (31 hotels)	4,891	11,784
		Midterm	Full year																
	The Twelve HMJ Hotels (*2)	2,367	6,774																
	The Six Accor Hotels	1,415	3,138																
	The Six <i>the b</i> Hotels	253	473																
	Other hotels with variable rent (7 hotels)	854	1,399																
Total (31 hotels)	4,891	11,784																	
(*1) For details of agreements for variable rent and income from management, please refer to page 52, “5. Reference Information (2) Assets under management (C) Other major assets under management C. Overview of the hotel business (1) Rent structures of hotels with variable rent, management contract or revenue sharing” of the “Midterm Financial Report for the Fiscal Year Ending December 31, 2018 (January 1, 2018–June 30, 2018)” dated August 22, 2018.																			
(*2) These figures include ¥6 million for the midterm and ¥12 million for the full year as variable rent pursuant to a revenue-linked rent agreement with some retail tenants at ACTIVE-INTER CITY HIROSHIA.																			
Operating Expenses	<ul style="list-style-type: none">• With respect to real estate leasing expenses, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation.• It is assumed that the ¥1,630 million will be recognized as expenses for property taxes, city planning taxes, etc.• 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 ¥118 million, which is equivalent to nine months (¥160 million, for 12 months).• Depreciation is calculated using the straight-line method, and is estimated to be ¥4,049 million, including the planned capital expenditures (¥3,186 million) (¥1,898 million for capital expenditure I, ¥897 million for capital expenditure II, and ¥391 million for capital expenditure III (*)) 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 equipment and facilities of buildings which is required to maintain proper values of properties, (II) capital investment for fixtures, furniture and equipment that are not directly related to building structure or facilities but necessary for operating hotels, and (III) strategic capital investment such as renovating guest rooms, etc. for improving the competitiveness of the hotels.• Repair expenses for buildings are recognized as expenses in the estimated amount necessary for each operating period. Please note that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as; (1) Emergency repair expenses may be necessary due to damage to buildings from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required on a regular basis.																		
	Non-operating Expenses	<ul style="list-style-type: none">• ¥1,856 million is expected for borrowing-related costs, including interest expense, amortization for financing fee, arrangement fee and amortization for derivative instruments (interest rate caps).• Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method.																	
	Interest-bearing Debt	<ul style="list-style-type: none">• The balance of interest-bearing debt (sum of loans and investment corporation bonds) is ¥141,060 million as of the end of June, 2018. It is assumed that the balance of interest-bearing debt will be ¥136,060 million after the Sale and as of December 31, 2018.• ¥5,000 million was repaid in accordance with the Sale.• It is assumed that ¥4,489 million loans, which are due within the fiscal year ending December 2018 (19th period), will be fully refinanced.• It is assumed that the scheduled repayment of the loans above is repaid by cash on hand.																	
	Issuance of Investment Units	<ul style="list-style-type: none">• 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).																	

Item	Assumptions
Dividend per Unit	• Dividend per unit for the fiscal year ending December 2018 (198th period) is calculated based on the following assumptions.
	Net income ¥16,293 million
	Reserve for special advanced depreciation (*1) (¥1,235 million)
	Reversal of reserve for temporary difference adjustment (negative goodwill)
	50-year amortization amount of negative goodwill (*2) ¥262 million
	Loss on retirement of noncurrent assets (*3) ¥17 million
	Correspondence to major renovation work (*4) ¥265 million
	Retained earnings brought forward ¥3 million
	Distributable amount ¥15,606 million
	Total number of investment units issued 4,010,847 units
	Dividend per unit ¥3,890
	(*1) It is assumed that ¥1,235 million of expected gain on sale by the Sale is planned to be retained as reserve for advanced depreciation within the limit to maintain conduit status stipulated by Article 67-15 of Act on Special Measures Concerning Taxation by applying “Special provisions for taxation in the case where a special account is set up accompanied with transfer of specified assets” (Article 65-8 in the Act on Special Measures Concerning Taxation).
	(*2) ¥262 million (hereinafter called “50-year amortization amount of negative goodwill”) will be 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).
(*3) 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.	
(*4) Major renovation (hereinafter the “Renovation”) is planned to be implemented at Hotel Centraza Hakata and the Renovation will suspend the hotel operation 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 or by other reason, 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 and change in the business environment of hotel business for hotel tenants, etc., as well as unexpected repairs and actual number of new investment 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 ¥11,813 million.	
Dividend per Unit Resulting from Excess of Earnings	• It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.
Other	• It is assumed that revision in law, tax system, accounting standard, regulations of the listing, regulations of The Investment Trusts Association, Japan that may impact the forecast above will not be made. • It is assumed that unexpected major incident will not occur in the general economy, real estate market and hotel business environment, etc. • The numerical values are rounded down to the nearest millions of yen in the assumptions above.

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

Comparison between the operating forecast and forecast of dividend for the fiscal year ending December 2018 (19th Period) in the press release dated August 7, 2018, “Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2018 (19th Period)” and the operating forecast this time are as follows.

(Unit: JPY M)

	19th Period			Comparison with Previous Forecast		Factors Causing Variance
	Previous Forecast (*1)	Forecast this time				
	(A)	(B)	Annualized (*2)	(B)-(A)	%	
No. of Properties	41	41	41	-	-	
Acquisition Price	309,370	309,370	309,370	-	-	
Operating Revenue	28,321	28,485	26,269	164	0.6%	
Real Estate Operating Revenue	26,384	26,548	26,269	164	0.6%	
Fixed Rent, etc.	Composition	Composition	Composition			
	55.9% 14,749	55.6% 14,763	55.4% 14,564	14	0.1%	
Variable Rent	44.1% 11,634	44.4% 11,784	44.6% 11,704	149	1.3%	1. The Twelve HMJ Hotels: increase in variable rent by JPY62M 2. The Six Accor Hotels: increase in income from management contract and variable rent by JPY41M 3. The Four the b Hotels (*4): increase in variable rent by JPY4M 4. Increase in revenue sharing, etc. by JPY42M
Gain on Sale of Real Estate Properties	1,937	1,937	-	-	-	
NOI (*3)	22,021	22,221	21,927	199	0.9%	
NOI Yield	7.1%	7.2%	7.1%	0.1%		
NOI after Depreciation (*3)	17,915	18,152	17,893	236	1.3%	
NOI Yield after Depreciation	5.8%	5.9%	5.8%	0.1%		
Operating Income	17,884	18,122	15,948	238	1.3%	
Ordinary Income	16,092	16,294	14,130	202	1.3%	
Net Income	16,091	16,293	14,129	202	1.3%	
Reserve for temporary difference adjustments (negative goodwill)	565	544	544	(20)	(3.7%)	Amount to be reserved from reserve for temporary difference adjustments (*5) 19th Period :
Reserve for Special Advanced Depreciation	(1,235)	(1,235)	-	-	-	50-year amortization amount of negative goodwill: JPY262M
Total Dividends	15,417	15,602	14,671	184	1.2%	Correspondence to loss on retirement of noncurrent assets:JPY17M
No. of Units Issued (unit)	4,010,847	4,010,847	4,010,847	-	-	Correspondence to major renovation works:
Dividend per Unit (JPY)	3,844	3,890	3,658	46	1.2%	JPY265M

(*1) The operating forecast and forecast of dividend for the fiscal year ending December 2018 (19th period) announced in the press release “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2018 (19th Period)” dated August 7, 2018.

(*2) For the assumptions for the annualized effect, please refer to “<Reference Materials 1> Assumptions of annualized effect (full year effect) in this forecast” below.

(*3) Each is calculated using the following formula. The same shall apply hereinafter.

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

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

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

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

(*4) The Four the b Hotels are four hotels that excludes the b akasaka-mitsuke and the b ochanomizu which are sold on August 10, 2018 from the Six the b Hotels. The same shall apply hereinafter.

(*5) For the details of the amount to be reversed from reserve for temporary difference adjustments (negative goodwill), please refer to “Assumptions of the operating forecast for the full year of the fiscal year ending December 2018 (19th period)” below.

<Reference Materials 2> Assumptions of annualized effect (full year effect) in this forecast

- (1) It is assumed that the existing properties (41 properties) after excluding the sold properties are held throughout the full year. Moreover, gain on sale of real estate properties and reserve for special advanced depreciation are not assumed.
- (2) There is no change in operating revenue and operating expenses of the existing properties (41 properties) after excluding the sold properties, except property taxes and city planning taxes, from the “Assumptions of the operating forecast for the full year of the fiscal year ending December 2018 (19th period).”
- (3) The fixed asset tax and city planning tax and other taxes for 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 ¥166 million, which is equivalent to twelve months.

<Reference Materials 3> Hotel operation indexes, sales and GOP

Hotel operation indexes, sales and GOP of the Eleven HMJ Hotels (*1), the Six Accor Hotels and the Four *the b* Hotels (*2) are stated below.

- (*1) The figures are the total amount of eleven hotels which exclude Hotel Centraza Hakata from the Twelve HMJ in order to exclude the impact of renovation work which cause suspension of sales. The same shall apply hereinafter.
- (*2) The figures are the total amount of four hotels which exclude the *b akasaka-mitsuke* and the *b ochanomizu* from the Six *the b* Hotels in order to exclude the impact of the Sale.
- (*3) The numeral figures are based on figures obtained from hotel lessees, etc. Please note that these figures have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of the figures and information.
- (*4) ADR and RevPAR are rounded off to the nearest the nearest yen. 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> Operation indexes, sales and GOP of the each hotel groups

(1) The Eleven HMJ Hotels

		Fiscal year ended December 2017	Fiscal year ended December 2018			
		Actual	Previous forecast	Forecast this time (first half: actual)	Comparison with previous period	Comparison with previous forecast
Occupancy Rate	First half of the year	87.4%	87.1%	87.3%	(0.1)pt	0.1pt
	Second half of the year	89.0%	89.2%	89.2%	0.2pt	(0.0)pt
	Full year	88.2%	88.2%	88.3%	0.0pt	0.1pt
ADR	First half of the year	14,912	15,214	15,246	2.2%	0.2%
	Second half of the year	18,013	18,263	18,237	1.2%	(0.1)%
	Full year	16,490	16,769	16,770	1.7%	0.0%
RevPAR	First half of the year	13,027	13,259	13,306	2.1%	0.4%
	Second half of the year	16,037	16,297	16,269	1.5%	(0.2)%
	Full year	14,544	14,790	14,800	1.8%	0.1%
Sales (JPY1M)	First half of the year	18,715	18,943	18,754	0.2%	(1.0)%
	Second half of the year	22,151	22,553	22,340	0.9%	(0.9)%
	Full year	40,865	41,496	41,094	0.6%	(0.1)%
GOP (JPY1M)	First half of the year	5,683	5,730	5,809	2.2%	1.4%
	Second half of the year	8,041	8,377	8,358	3.9%	(0.2)%
	Full year	13,724	14,107	14,168	3.2%	0.4%

- (*) The figures for the fiscal year ending December 2017 of the acquired assets (Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara), which were acquired in the fiscal year ending December 2017, are for the entire year including figures prior to the acquisition. The same shall apply hereinafter.

(2) The Six Accor Hotels

		Fiscal year ended December 2017	Fiscal year ended December 2018			
		Actual	Previous forecast	Forecast this time (first half: actual)	Comparison with previous period	Comparison with previous forecast
Occupancy Rate	First half of the year	84.8%	87.9%	85.8%	1.0pt	(2.1)pt
	Second half of the year	85.7%	90.3%	91.3%	5.6pt	1.0pt
	Full year	85.3%	89.1%	88.6%	3.3pt	(0.5)pt
ADR	First half of the year	11,383	11,585	11,733	3.1%	1.3%
	Second half of the year	12,490	12,555	12,519	0.2%	(0.3)%
	Full year	11,944	12,080	12,141	1.6%	0.5%
RevPAR	First half of the year	9,652	10,189	10,071	4.3%	(1.2)%
	Second half of the year	10,709	11,339	11,432	6.8%	0.8%
	Full year	10,185	10,769	10,757	5.6%	(0.1)%
Sales (JPY1M)	First half of the year	3,074	3,240	3,198	4.0%	(1.3)%
	Second half of the year	3,380	3,584	3,600	6.5%	0.4%
	Full year	6,454	6,824	6,799	5.3%	(0.4)%
GOP (JPY1M)	First half of the year	1,380	1,448	1,448	4.9%	0.0%
	Second half of the year	1,623	1,711	1,750	7.8%	2.3%
	Full year	3,004	3,158	3,198	6.5%	1.3%

(3) The Four the b Hotels

		Fiscal year ended December 2017	Fiscal year ended December 2018			
		Actual	Previous forecast	Forecast this time (first half: actual)	Comparison with the previous period	Comparison with the previous forecast
Occupancy Rate	First half of the year	89.4%	90.8%	90.5%	1.1pt	(0.3)pt
	Second half of the year	91.9%	91.5%	91.6%	(0.3)pt	0.1pt
	Full year	90.7%	91.1%	91.1%	0.4pt	(0.1)pt
ADR	First half of the year	8,986	8,956	9,009	0.2%	0.6%
	Second half of the year	9,021	9,112	9,125	1.2%	0.1%
	Full year	9,004	9,035	9,068	0.7%	0.4%
RevPAR	First half of the year	8,033	8,128	8,152	1.5%	0.3%
	Second half of the year	8,289	8,338	8,360	0.9%	0.3%
	Full year	8,162	8,234	8,257	1.2%	0.3%
Sales (JPY1M)	First half of the year	989	1,001	1,006	1.8%	0.5%
	Second half of the year	1,036	1,041	1,045	0.9%	0.4%
	Full year	2,025	2,042	2,051	1.3%	0.4%
GOP (JPY1M)	First half of the year	454	453	457	0.7%	1.0%
	Second half of the year	497	477	478	(3.8)%	0.1%
	Full year	951	930	935	(1.7)%	0.5%

<2> Hotel Sales (by hotel)

The Eleven HMJ Hotels

(Unit: millions of yen)

Sales of the Eleven HMJ Hotels		Fiscal year ended December 2017		Fiscal year ended December 2018			
		Actual	Comparison with previous period	Previous forecast	Forecast this time (first half: actual)	Comparison with previous period	Comparison with previous forecast
Kobe Meriken Park Oriental Hotel	First half of the year	2,431	(1.4%)	2,510	2,556	5.1%	1.8%
	Second half of the year	2,950	1.9%	2,861	2,906	(1.5%)	1.6%
	Full year	5,381	0.4%	5,371	5,462	1.5%	1.7%
Oriental Hotel tokyo bay	First half of the year	3,319	(3.9%)	3,276	3,263	(1.7%)	(0.4%)
	Second half of the year	3,518	(7.8%)	3,611	3,578	1.7%	(0.9%)
	Full year	6,838	(6.0%)	6,887	6,840	0.0%	(0.7%)
Namba Oriental Hotel	First half of the year	1,394	0.6%	1,421	1,418	1.7%	(0.2%)
	Second half of the year	1,492	0.1%	1,531	1,544	3.5%	0.9%
	Full year	2,887	0.3%	2,952	2,962	2.6%	0.3%
Hotel Nikko Alivila	First half of the year	2,568	6.1%	2,682	2,569	0.1%	(4.2%)
	Second half of the year	3,821	2.3%	4,011	3,994	4.5%	(0.4%)
	Full year	6,389	3.8%	6,693	6,563	2.7%	(1.9%)
Oriental Hotel Hiroshima	First half of the year	993	(3.0%)	966	879	(11.5%)	(9.0%)
	Second half of the year	1,159	(4.7%)	1,206	1,065	(8.1%)	(11.7%)
	Full year	2,153	(3.9%)	2,172	1,944	(9.7%)	(10.5%)
Total of the Five HMJ Hotels	First half of the year	10,706	(0.4%)	10,856	10,685	(0.2%)	(1.6%)
	Second half of the year	12,941	(1.6%)	13,220	13,086	1.1%	(1.0%)
	Full year	23,647	(1.1%)	24,076	23,771	0.5%	(1.3%)
Okinawa Marriott Resort & Spa	First half of the year	1,692	5.3%	1,759	1,663	(1.7%)	(5.5%)
	Second half of the year	2,459	5.7%	2,537	2,468	0.4%	(2.7%)
	Full year	4,151	5.6%	4,296	4,131	(0.5%)	(3.8%)
ACTIVE-INTER CITY HIROSHIMA	First half of the year	1,601	17.0%	1,536	1,610	0.5%	4.8%
	Second half of the year	1,747	7.4%	1,721	1,778	1.8%	3.3%
	Full year	3,348	11.8%	3,257	3,388	1.2%	4.0%
Holiday Inn Osaka Namba	First half of the year	1,011	(8.4%)	1,025	1,014	0.2%	(1.1%)
	Second half of the year	1,063	(3.6%)	1,090	1,068	0.5%	(2.0%)
	Full year	2,074	(6.0%)	2,115	2,082	0.4%	(1.6%)
Hilton Tokyo Narita Airport	First half of the year	1,542	8.6%	1,575	1,625	5.4%	3.2%
	Second half of the year	1,696	8.3%	1,678	1,671	(1.5%)	(0.4%)
	Full year	3,238	8.4%	3,253	3,296	1.8%	1.3%
International Garden Hotel Narita	First half of the year	705	(4.1%)	692	762	8.2%	10.1%
	Second half of the year	733	2.1%	728	751	2.5%	3.1%
	Full year	1,438	(1.0%)	1,420	1,513	5.3%	6.5%
Hotel Nikko Nara	First half of the year	1,458	(1.7%)	1,501	1,395	(4.3%)	(7.1%)
	Second half of the year	1,512	(0.6%)	1,578	1,517	0.4%	(3.8%)
	Full year	2,970	(1.1%)	3,079	2,913	(1.9%)	(5.4%)
Total of The Eleven HMJ Hotels	First half of the year	18,715	1.3%	18,943	18,754	0.2%	(1.0%)
	Second half of the year	22,151	0.6%	22,553	22,340	0.9%	(0.9%)
	Full year	40,865	0.9%	41,496	41,094	0.6%	(1.0%)

The Six Accor Hotels

(Unit: millions of yen)

Sales of the Six Accor Hotels		Fiscal year ended December 2017		Fiscal year ended December 2018			
		Actual	Comparison with previous period	Previous forecast	Forecast this time (first half: actual)	Comparison with previous period	Comparison with previous forecast
ibis Tokyo Shinjuku	First half of the year	365	(10.1%)	479	464	27.1%	(3.2%)
	Second half of the year	408	(4.1%)	486	483	18.3%	(0.5%)
	Full year	773	(7.1%)	965	947	22.4%	(1.8%)
ibis Styles Kyoto Station	First half of the year	482	3.7%	460	451	(6.2%)	(1.9%)
	Second half of the year	496	(3.4%)	496	504	1.5%	1.4%
	Full year	977	0.0%	957	955	(2.3%)	(0.2%)
ibis Styles Sapporo	First half of the year	548	11.9%	576	553	1.0%	(3.9%)
	Second half of the year	671	6.1%	703	704	4.9%	0.1%
	Full year	1,219	8.6%	1,278	1,257	3.1%	(1.7%)
Mercure Sapporo	First half of the year	596	9.3%	623	636	6.7%	2.1%
	Second half of the year	755	6.6%	789	800	6.0%	1.4%
	Full year	1,351	7.8%	1,412	1,436	6.3%	1.7%
Mercure Okinawa Naha	First half of the year	532	8.7%	553	524	(1.5%)	(5.3%)
	Second half of the year	564	0.8%	575	580	2.8%	0.8%
	Full year	1,096	4.5%	1,128	1,104	0.7%	(2.2%)
Mercure Yokosuka	First half of the year	551	(3.2%)	549	570	3.4%	3.8%
	Second half of the year	486	(3.1%)	535	530	9.1%	(1.0%)
	Full year	1,037	(3.2%)	1,084	1,100	6.1%	1.4%
Total of The Six Accor Hotels	First half of the year	3,074	3.7%	3,240	3,198	4.0%	(1.3%)
	Second half of the year	3,380	1.2%	3,584	3,600	6.5%	0.4%
	Full year	6,454	2.4%	6,824	6,799	5.3%	(0.4%)

The Four *the b* Hotels

(Unit: millions of yen)

Sales of the Four <i>the b</i> Hotels		Fiscal year ended December 2017		Fiscal year ended December 2018			
		Actual	Comparison with previous period	Previous forecast	Forecast this time (first half: actual)	Comparison with previous period	Comparison with previous forecast
the b suidobashi	First half of the year	173	(2.1%)	173	174	0.3%	0.5%
	Second half of the year	177	1.9%	179	178	0.2%	(0.8%)
	Full year	351	(0.2%)	352	352	0.3%	(0.2%)
the b ikebukuro	First half of the year	306	(5.3%)	306	301	(1.5%)	(1.4%)
	Second half of the year	311	(0.4%)	316	314	1.0%	(0.5%)
	Full year	617	(2.9%)	621	615	(0.2%)	(1.0%)
the b hachioji	First half of the year	266	(8.5%)	271	281	5.5%	3.4%
	Second half of the year	282	3.2%	275	283	0.3%	2.8%
	Full year	548	(2.8%)	547	564	2.8%	3.1%
the b hakata	First half of the year	244	5.9%	251	250	2.8%	(0.5%)
	Second half of the year	266	6.9%	271	270	1.8%	(0.2%)
	Full year	509	6.4%	522	521	2.2%	(0.3%)
Total of The Four <i>the b</i> Hotels	First half of the year	989	(3.1%)	1,001	1,006	1.8%	0.5%
	Second half of the year	1,036	2.8%	1,041	1,045	0.9%	0.4%
	Full year	2,025	(0.2%)	2,042	2,051	1.3%	0.4%

3. Semi-annual financial statements

(1) Semi-annual balance sheets

(thousands of yen)

	As of December 31, 2017	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	16,179,716	11,011,580
Cash and deposits in trust	11,740,634	10,411,285
Operating accounts receivable	2,411,837	1,742,883
Prepaid expenses	573,439	483,044
Income taxes receivable	32	-
Derivative assets	-	6,040
Other current assets	14,205	21,698
Total current assets	30,919,866	23,676,532
Noncurrent assets		
Property and equipment, at cost		
Machinery and equipment	278,899	326,059
Accumulated depreciation	(119,213)	(133,511)
Machinery and equipment, net	159,686	192,548
Tools, furniture and fixtures	2,438,070	2,605,296
Accumulated depreciation	(1,132,473)	(1,293,133)
Tools, furniture and fixtures, net	1,305,597	1,312,163
Buildings in trust	*1 122,414,147	*1 123,075,488
Accumulated depreciation	(15,153,003)	(16,846,453)
Buildings in trust, net	107,261,144	106,229,034
Structures in trust	2,493,765	2,507,493
Accumulated depreciation	(304,817)	(337,253)
Structures in trust, net	2,188,948	2,170,239
Machinery and equipment in trust	580,867	589,607
Accumulated depreciation	(99,228)	(113,150)
Machinery and equipment in trust, net	481,638	476,457
Tools, furniture and fixtures in trust	137,266	137,266
Accumulated depreciation	(87,308)	(91,866)
Tools, furniture and fixtures in trust, net	49,957	45,400
Land in trust	171,618,110	171,618,110
Construction in progress in trust	1,512	52,954
Net property and equipment	283,066,595	282,096,908
Intangible assets		
Software	200,001	188,600
Leasehold rights in trust	28,648,457	28,648,457
Fixed-term leasehold rights in trust	5,313,494	5,244,355
Other intangible assets	9,116	8,776
Total intangible assets	34,171,069	34,090,190
Investments and other assets		
Security deposits	12,520	12,520
Leasehold and security deposits in trust	158,323	158,323
Long-term prepaid expenses	3,008,327	2,779,913
Derivative assets	123,334	123,231
Reserve for repairs and maintenance	319,058	283,442
Total investments and other assets	3,621,564	3,357,431
Total noncurrent assets	320,859,228	319,544,529
Deferred assets		
Investment unit issuance costs	272,107	195,637
Investment corporation bond issuance costs	132,059	186,818
Total deferred assets	404,166	382,456
Total assets	352,183,262	343,603,519

(thousands of yen)

	As of December 31, 2017	As of June 30, 2018
Liabilities		
Current liabilities		
Operating accounts payable	909,971	346,447
Short-term loans payable	3,000,000	5,000,000
Current portion of investment corporation bonds	-	2,000,000
Current portion of long-term loans payable	15,022,750	8,589,750
Accrued expenses	650,568	526,709
Income taxes payable	1,210	605
Consumption taxes payable	560,170	383,342
Advances received	900,259	905,668
Dividends payable	16,400	27,224
Deposits received	22,098	8,163
Derivative liabilities	23,471	4,418
Deferred tax liabilities	-	1,571
Other current liabilities	54,903	56,788
Total current liabilities	21,161,802	17,850,690
Long-term liabilities		
Investment corporation bonds	23,600,000	31,600,000
Long-term loans payable	98,777,000	93,871,000
Tenant leasehold and security deposits	1,041,016	1,041,016
Tenant leasehold and security deposits in trust	4,653,410	4,631,510
Derivative liabilities	504,179	394,259
Deferred tax liabilities	38,954	38,928
Asset retirement obligations	443,577	444,600
Total long-term liabilities	129,058,138	132,021,315
Total liabilities	150,219,940	149,872,006
Net assets		
Unitholders' equity		
Unitholders' capital	153,516,129	153,516,129
Surplus		
Capital surplus	21,746,398	21,746,398
Voluntary reserve		
Reserve for temporary difference adjustment	*2 13,127,153	*2 12,357,644
Total voluntary reserve	13,127,153	12,357,644
Unappropriated retained earnings (undisposed loss)	14,005,489	6,390,211
Total surplus	48,879,041	40,494,253
Total unitholders' equity	202,395,170	194,010,383
Valuation and translation adjustments		
Deferred gains (losses) on hedges	(431,849)	(278,870)
Total valuation and translation adjustments	(431,849)	(278,870)
Total net assets	*3 201,963,321	*3 193,731,512
Total liabilities and net assets	352,183,262	343,603,519

(2) Semi-annual statements of income

(thousands of yen)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Operating revenue		
Real estate operating revenue	*1 10,716,102	*1 11,749,691
Other real estate operating revenue	*1 555,982	*1 571,413
Total operating revenue	11,272,084	12,321,105
Operating expenses		
Real estate operating costs	*1, *2 3,683,291	*1, *2 4,071,061
Asset management fee	694,519	762,553
Asset custody and administrative service fee	54,126	57,657
Directors' compensation	7,200	6,500
Other operating expenses	92,034	103,955
Total operating expenses	4,531,172	5,001,728
Operating income	6,740,912	7,319,377
Non-operating income		
Interest income	113	119
Gain on forfeiture of unclaimed dividends	3,624	3,583
Gain on insurance claims	339	2,106
Refunded fixed asset tax	-	10,354
Interest on tax refunds	-	118
Gain on derivative instruments	10,571	11,875
Total non-operating income	14,648	28,158
Non-operating expenses		
Interest expense	437,620	419,253
Interest expense on investment corporation bonds	84,036	116,618
Borrowing costs	203,770	299,397
Amortization of investment corporation bond issuance costs	10,245	13,323
Amortization of investment unit issuance costs	58,407	76,470
Loss on derivative instruments	6,598	31,490
Other	3,207	3,214
Total non-operating expenses	803,886	959,768
Ordinary income	5,951,674	6,387,767
Income before income taxes	5,951,674	6,387,767
Income taxes – current	605	605
Total income taxes	605	605
Net income	5,951,069	6,387,162
Retained earnings brought forward	411	3,048
Unappropriated retained earnings (undisposed loss)	5,951,480	6,390,211

(3) Semi-annual statements of changes in net assets

For the six months ended June 30, 2017

(thousands of yen)

(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 period:								
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						5,951,069	5,951,069	5,951,069
Net changes of items other than unitholders' equity								
Total changes of items during the period	-	-	(13,867,228)	13,127,153	(740,075)	(6,174,577)	(6,914,652)	(6,914,652)
Balance, June 30, 2017	^{*1} 134,829,448	21,746,398	-	13,127,153	13,127,153	5,951,480	40,825,032	175,654,480

(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 period:			
Reversal of dividend reserve			-
Reserve for temporary difference adjustment			-
Dividends paid			(12,865,721)
Net income			5,951,069
Net changes of items other than unitholders' equity	59,108	59,108	59,108
Total changes of items during the period	59,108	59,108	(6,855,543)
Balance, June 30, 2017	(520,911)	(520,911)	175,133,569

For the six months ended June 30, 2018

(thousands of yen)

(thousands of yen)

	Unitholders' equity						
	Unitholders' capital	Surplus					Total unitholders' equity
		Capital surplus	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	
			Reserve for temporary difference adjustment	Total voluntary reserve			
Balance, January 1, 2018	153,516,129	21,746,398	13,127,153	13,127,153	14,005,489	48,879,041	202,395,170
Changes of items during the period:							
Reversal of reserve for temporary difference adjustment			(769,508)	(769,508)	769,508	-	-
Dividends paid					(14,771,949)	(14,771,949)	(14,771,949)
Net income					6,387,162	6,387,162	6,387,162
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	-	(769,508)	(769,508)	(7,615,278)	(8,384,787)	(8,384,787)
Balance, June 30, 2018	^{*1} 153,516,129	21,746,398	12,357,644	12,357,644	6,390,211	40,494,253	194,010,383

(thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2018	(431,849)	(431,849)	201,963,321
Changes of items during the period:			
Reversal of reserve for temporary difference adjustment			-
Dividends paid			(14,771,949)
Net income			6,387,162
Net changes of items other than unitholders' equity	152,978	152,978	152,978
Total changes of items during the period	152,978	152,978	(8,231,808)
Balance, June 30, 2018	(278,870)	(278,870)	193,731,512

(4) Semi-annual statements of cash flows

(thousands of yen)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Cash flows from operating activities		
Income before income taxes	5,951,674	6,387,767
Depreciation and amortization	1,756,345	2,031,821
Loss on retirement of noncurrent assets	18,551	11,701
Loss (gain) on derivative instruments	(3,973)	19,614
Amortization of investment corporation bond issuance costs	10,245	13,323
Amortization of investment unit issuance costs	58,407	76,470
Interest income	(113)	(119)
Interest expense	521,656	535,872
Interest on tax refunds	-	(118)
(Increase) decrease in operating accounts receivable	549,190	668,954
(Increase) decrease in prepaid expenses	78,607	90,394
(Increase) decrease in long-term prepaid expenses	187,198	228,413
Increase (decrease) in operating accounts payable	(115,764)	(109,333)
Increase (decrease) in accrued expenses	(56,625)	(137,356)
Increase (decrease) in consumption taxes payable	(164,433)	(176,827)
Increase (decrease) in advances received	2,999	5,409
Increase (decrease) in deposits received	(105,235)	(13,934)
Other – net	(46,453)	(5,704)
Subtotal	8,642,280	9,626,348
Interest received	144	150
Interest paid	(524,399)	(522,374)
Interest received on tax refunds	-	118
Income taxes – refunded (paid)	(915)	(1,177)
Net cash provided by operating activities	8,117,109	9,103,065
Cash flows from investing activities		
Purchase of property and equipment in trust	(679,578)	(1,080,305)
Purchase of property and equipment	(183,391)	(255,151)
Purchase of intangible assets	(21,994)	(60,514)
Payments of reserve for repairs and maintenance	(4,348)	(21,491)
Proceeds from tenant leasehold and security deposits in trust	23,412	52,373
Reimbursements of tenant leasehold and security deposits in trust	(9,680)	(70,836)
Reimbursements of tenant leasehold and security deposits	(16)	-
Net cash used in investing activities	(875,597)	(1,435,927)
Cash flows from financing activities		
Proceeds from short-term loans payable	-	5,000,000
Repayments of short-term loans payable	(1,700,000)	(3,000,000)
Proceeds from long-term loans payable	1,700,000	5,050,000
Repayments of long-term loans payable	(554,250)	(16,389,000)
Proceeds from investment corporation bonds	-	10,000,000
Payments for investment corporation bond issuance costs	-	(68,082)
Dividends paid	(12,860,311)	(14,757,541)
Net cash provided by financing activities	(13,414,561)	(14,164,623)
Net increase (decrease) in cash and cash equivalents	(6,173,049)	(6,497,484)
Cash and cash equivalents at beginning of period	26,373,866	27,920,350
Cash and cash equivalents at end of period	*1 20,200,816	*1 21,422,866

(5) Notes on going concern assumption

Not applicable.

(6) Notes on matters concerning significant accounting policies

1. Method of depreciation and amortization of noncurrent assets	<p>(1) Property and equipment (including trust accounts)</p> <p>Depreciation of property and equipment is calculated using the straight-line method. The useful lives of major property and equipment components are as follows:</p> <table><tr><td>Machinery and equipment</td><td>2 to 17 years</td></tr><tr><td>Tools, furniture and fixtures</td><td>2 to 20 years</td></tr><tr><td>Buildings in trust</td><td>2 to 62 years</td></tr><tr><td>Structures in trust</td><td>2 to 62 years</td></tr><tr><td>Machinery and equipment in trust</td><td>4 to 32 years</td></tr><tr><td>Tools, furniture and fixtures in trust</td><td>2 to 27 years</td></tr></table> <p>(2) Intangible assets</p> <p>Intangible assets are amortized using the straight-line method. The amortization period of major intangible assets is as follows.</p> <table><tr><td>Software (for internal use)</td><td>5 years as internally usable years</td></tr></table> <p>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.</p> <p>(3) Long-term prepaid expenses</p> <p>Long-term prepaid expenses are amortized using the straight-line method.</p>	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	Software (for internal use)	5 years as internally usable years
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														
Software (for internal use)	5 years as internally usable years														
2. Accounting for deferred assets	<p>(1) Investment unit issuance costs</p> <p>Investment unit issuance costs are amortized using the straight-line method over three years.</p> <p>(2) Investment corporation bond issuance costs</p> <p>Investment corporation bond issuance costs are amortized using the interest method over the respective term of the bond.</p>														
3. Standards for recognition of revenues and expenses	<p>Treatment of property taxes and other taxes</p> <p>For taxes imposed on properties, etc. under management such as property taxes, city planning taxes, and depreciable asset taxes, the imposed amounts are allocated to the midterm period and expensed as “Real estate operating costs.”</p> <p>Cash paid for property taxes and city planning taxes, etc. to the transferor of real properties, etc. at acquisition is not recorded as “Real estate operating costs” but capitalized as part of the acquisition cost of the relevant property.</p> <p>There were no such taxes capitalized in the acquisition cost of real properties, etc. for the previous midterm period or for the midterm period under review.</p>														

<p>4. Method of hedge accounting</p>	<p>(1) Method of hedge accounting Deferred hedge accounting is applied</p> <p>(2) Hedging instruments and hedged items Hedging instruments Interest rate swaps Interest rate caps Hedged items Interest rates on loans payable</p> <p>(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.</p> <p>(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.</p>
<p>5. Scope of funds (cash and cash equivalents) in the semi-annual statements of cash flows</p>	<p>Cash and cash equivalents in the semi-annual 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.</p>
<p>6. Other significant matters serving as the basis for preparing semi-annual financial statements</p>	<p>(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 semi-annual 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 semi-annual balance sheets.</p> <p>(a) Cash and deposits in trust</p> <p>(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</p> <p>(c) Leasehold rights in trust; Fixed-term leasehold rights in trust; Leasehold and security deposits in trust</p> <p>(d) Tenant leasehold and security deposits in trust</p> <p>(2) Accounting treatment of consumption taxes Consumption taxes are excluded from the transaction amounts.</p>

(7) Notes to semi-annual financial statements

Disclosure of notes on “securities” and “share of (profit) loss of entities accounted for using equity method” is omitted because there is thought to be no longer necessary for disclosure in the midterm financial report.

[Notes to semi-annual balance sheets]

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

	As of December 31, 2017	As of June 30, 2018
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, 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.

As of June 30, 2018

(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	—	769,508	12,357,644	Allocation for dividend

(Note) Dividend reserve indicates the remaining balance of the amount subdivided into gain on negative goodwill which was recorded as a dividend reserve before the fiscal year ended December, 2016, 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, 2017	As of June 30, 2018
	¥50,000 thousand	¥50,000 thousand

[Notes to semi-annual statements of income]

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

	(thousands of yen)	
	For the six months ended June 30, 2017	For the six months ended June 30, 2018
A. Real estate operating revenue		
Real estate operating revenue		
Fixed rent	6,258,229	6,858,614
Variable rent	3,271,841	3,636,962
Income from management contracts	1,186,031	1,254,114
Total	10,716,102	11,749,691
Other real estate operating revenue		
Parking lots	83,394	81,659
Other incidental revenue	31,282	31,676
Utilities	373,573	387,112
Other	67,732	70,964
Total	555,982	571,413
Total real estate operating revenue	11,272,084	12,321,105
B. Real estate operating costs		
Real estate operating costs		
Land lease and other rent expenses	461,618	455,425
Property taxes	710,238	802,682
Outsourcing expenses (Note)	285,511	303,715
Nonlife insurance	22,998	23,846
Depreciation and amortization	1,756,345	2,031,821
Loss on retirement of noncurrent assets	18,551	11,701
Repairs	18,462	23,654
Utilities	381,884	391,397
Trust fees	21,716	21,836
Other	5,964	4,981
Total real estate operating costs	3,683,291	4,071,061
C. Net real estate operating income (A – B)	7,588,793	8,250,043

(Note) Outsourcing expenses include management contract fees of ¥108,479 thousand for the six months ended June 30, 2017 and ¥116,346 thousand for the six months ended June 30, 2018.

*2. Depreciation was expensed as follows:

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Property and equipment	¥1,662,754 thousand	¥1,932,969 thousand
Intangible assets	¥93,591 thousand	¥98,852 thousand

[Notes to semi-annual statements of changes in net assets]

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
*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 semi-annual statements of cash flows]

*1. Relation of balance of cash and cash equivalents at end of period and the amount in semi-annual balance sheet accounts

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Cash and deposits	¥10,340,286 thousand	¥11,011,580 thousand
Cash and deposits in trust	¥9,860,530 thousand	¥10,411,285 thousand
Cash and cash equivalents	¥20,200,816 thousand	¥21,422,866 thousand

[Notes on lease transactions]

Operating leases (as lessor)

Minimum rental revenue under non-cancellable operating leases

	As of December 31, 2017	As of June 30, 2018
Due within one year	¥1,520,073 thousand	¥1,786,196 thousand
Due after one year	¥4,685,123 thousand	¥4,607,674 thousand
Total	¥6,205,197 thousand	¥6,393,871 thousand

[Notes on financial instruments]

Matters concerning fair value of financial instruments

Carrying amounts of financial instruments on the (semi-annual) balance sheets, their fair values, and the differences were as follows. Financial instruments whose fair values are considered extremely difficult to measure are not included in the table.

See Note 2 below.

As of December 31, 2017

	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	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 investment corporation bonds payable	—	—	—
(6) Current portion of long-term loans payable	15,022,750	15,022,750	—
(7) Investment corporation bonds	23,600,000	23,621,270	21,270
(8) Long-term loans payable	98,777,000	98,777,000	—
Total liabilities	140,399,750	140,421,020	21,270
(9) Derivative transactions (*)	(404,316)	(404,316)	—

As of June 30, 2018

	Carrying amount (JPY 1,000)	Fair value (JPY 1,000)	Difference (JPY 1,000)
(1) Cash and deposits	11,011,580	11,011,580	—
(2) Cash and deposits in trust	10,411,285	10,411,285	—
(3) Operating accounts receivable	1,742,883	1,742,883	—
Total assets	23,165,749	23,165,749	—
(4) Short-term loans payable	5,000,000	5,000,000	—
(5) Current portion of investment corporation bonds payable	2,000,000	2,007,000	7,000
(6) Current portion of long-term loans payable	8,589,750	8,589,750	—
(7) Investment corporation bonds	31,600,000	31,672,800	72,800
(8) Long-term loans payable	93,871,000	93,871,000	—
Total liabilities	141,060,750	141,140,550	79,800
(9) Derivative transactions (*)	(269,406)	(269,406)	—

(*) 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, and derivative transactions

(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 investment corporation bonds payable; (7) Investment corporation bonds

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

(6) Current portion of long-term loans payable; (8) 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.

(9) 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, 2017	As of June 30, 2018
Tenant leasehold and security deposits	1,041,016	1,041,016
Tenant leasehold and security deposits in trust	4,653,410	4,631,510
Total	5,694,426	5,672,526

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.

[Notes on derivative transactions]

1. Derivative transactions to which hedge accounting is not applied

As of December 31, 2017

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:

(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.

As of June 30, 2018

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:

(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)	6,088,000	5,288,000	(31,036)	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

As of December 31, 2017

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:

(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	—	—	

As of June 30, 2018

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:

(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	92,443,750	82,654,000	(238,369)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

[Notes on asset retirement obligations]

Asset retirement obligations recognized on the (semi-annual) balance sheets

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, 2017	For the six months ended June 30, 2018
Balance at beginning of period	441,542	443,577
Increase due to acquisition of property and equipment	—	—
Adjustment due to passage of time	2,035	1,022
Balance at end of period	443,577	444,600

[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, 2017	For the six months ended June 30, 2018
Hotel	Carrying amount		
	Balance at beginning of period	284,965,547	317,229,208
	Net increase (decrease) during period	32,263,660	(1,049,557)
	Balance at end of period	317,229,208	316,179,650
	Fair value at end of period	439,390,000	443,890,000

(Note 1) Increase during the previous 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. Decrease during the six months ended June 30, 2018 principally represents depreciation and amortization.

(Note 2) Fair value at June 30, 2018 is the appraisal value determined by licensed real estate appraisers from outside. Fair value at June 30, 2018 of R&B Hotel Higashi-nihonbashi, the b akasaka-mitsuke and the b ochanomizu, which were sold on August 10, 2018 is the sale price.

[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 six months ended June 30, 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 semi-annual 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 semi-annual 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 semi-annual balance sheets.

(3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd.	2,790,777	Investment and management of hotel real estate
AAPC Japan K.K.	1,427,403	Investment and management of hotel real estate

For the six months ended June 30, 2018

(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 semi-annual 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 semi-annual 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 semi-annual balance sheets.

(3) Information about major customers

(thousands of yen)

Name of customer	Operating revenue	Name of related segment
Hotel Management Japan Co., Ltd.	2,868,869	Investment and management of hotel real estate
AAPC Japan K.K.	1,498,974	Investment and management of hotel real estate

[Notes on per unit information]

Net assets per unit is as follows:

	As of December 31, 2017	As of June 30, 2018
Net assets per unit	¥50,354	¥48,301

Net income per unit and the basis of computation of net income per unit are as follows:

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Net income per unit	¥1,581	¥1,592
[Basis of computation]		
Net income for midterm (JPY 1,000)	5,951,069	6,387,162
Amount not attributable to common unitholders (JPY 1,000)	—	—
Net income for midterm attributable to common investment units (JPY 1,000)	5,951,069	6,387,162
Average number of investment units during period (units)	3,761,907	4,010,847

(Note) Net income per unit for midterm is computed by dividing net income for midterm by the average number of investment units during the midterm period.

Net income per unit for midterm after the adjustment of potentially dilutive units is not presented since there are no potentially dilutive units.

[Notes on significant subsequent events]

1. Sale of assets

On August 10, 2018, JHR sold three properties as described below.

Name of property sold	R&B Hotel Higashi-nihonbashi
Category of asset sold	Real estate beneficial interest in trust
Asset type	Hotel
Address	Chuo-ku, Tokyo
Sale price (Note 1)	¥3,050 million
Book value (Note 2)	¥1,483 million
Expected gain on sales of real estate properties (Note 3)	¥1,543 million
Sales date	August 10, 2018
Buyer	Tiger 2 GK

(Note 1) The sale price does not include expenses for sale, settlement of property taxes and city planning taxes, consumption taxes and local consumption taxes.

(Note 2) The assumed book value as of the end of July 2018 is indicated.

(Note 3) The amount obtained by subtracting the assumed book value as of the end of July 2018 and assumed expenses for sale from sale price is indicated.

Name of property sold	the b akasaka-mitsuke
Category of asset sold	Real estate beneficial interest in trust and movable asset attached to the hotel
Asset type	Hotel
Address	Minato-ku, Tokyo
Sale price (Note 1)	¥6,600 million
Book value (Note 2)	¥6,293 million
Expected gain on sales of real estate properties (Note 3)	¥265 million
Sales date	August 10, 2018
Buyer	Tiger 2 GK

(Note 1) The sale price does not include expenses for sale, settlement of property taxes and city planning taxes, consumption taxes and local

consumption taxes.

(Note 2) The assumed book value as of the end of July 2018 is indicated.

(Note 3) The amount obtained by subtracting the assumed book value as of the end of July 2018 and assumed expenses for sale from sale price is indicated.

Name of property sold	the b ochanomizu
Category of asset sold	Real estate beneficial interest in trust and movable asset attached to the hotel
Asset type	Hotel
Address	Chiyoda-ku, Tokyo
Sale price (Note 1)	¥2,500 million
Book value (Note 2)	¥2,353 million
Expected gain on sales of real estate properties (Note 3)	¥128 million
Sales date	August 10, 2018
Buyer	Tiger 2 GK

(Note 1) The sale price does not include expenses for sale, settlement of property taxes and city planning taxes, consumption taxes and local consumption taxes.

(Note 2) The assumed book value as of the end of July 2018 is indicated.

(Note 3) The amount obtained by subtracting the assumed book value as of the end of July 2018 and assumed expenses for sale from sale price is indicated.

2. Prepayment of a loan

JHR made prepayment of a loan using part of the proceeds from sale of properties described in the above 1. Sale of assets.

Term Loan 48

Lenders	Sumitomo Mitsui Banking Corporation
Loan balance before repayment	¥5,000 million
Repayment amount	¥5,000 million
Date of borrowing	April 26, 2018
Maturity date	December 28, 2018
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.275%
Repayment date	August 10, 2018
Loan balance after repayment	¥0

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

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 midterm period under review.

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

(Note 1) 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 2) 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 3) 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 other repayment of loans, or capital expenditures to maintain or improve competitiveness of existing properties.

(Note 4) 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 5) 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 other repayment of loans, or capital expenditures to maintain or improve competitiveness of existing properties.

(Note 6) 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 acquisition of new properties, etc.

(Note 7) New investment units were issued through third-party allotment with an issue value per unit of ¥82,273 in order to procure funds for the acquisition of new properties, etc.

(Note 8) 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 acquisition of new properties, etc.

(Note 9) 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 loans, or capital expenditures to maintain or improve competitiveness of existing properties.

(Note 10) 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 acquisition of new properties, etc.

(Note 11) New investment units were issued through third-party allotment with an issue price per unit of ¥75,065 in order to procure funds for allocation to part of future acquisitions of specified assets, part of repayment of loans, or capital expenditures to maintain or improve competitiveness of existing properties.

4. Changes in directors

(1) Change in directors of JHR

Not applicable.

(2) Change in directors of the Asset Management Company

Not applicable.

5. Reference information

For the detail information of the each properties and operating result of hotels, please see reference information below as well as Financial Results Briefing dated today and home page of JHR (<http://www.jhrth.co.jp/ja/ir/library.html>).

(1) Investment status

The following outlines the investment status of JHR as of the end of the midterm period under review.

The following outlines the investment status of STRs as of the end of the interim period under review.								
Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2017		As of June 30, 2018		
				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	7,984	2.3	7,965	2.3	
			CANDEO HOTELS UENO-KOEN	6,719	1.9	6,700	1.9	
			the b ikebukuro	6,573	1.9	6,590	1.9	
			the b akasaka-mitsuke (Note 4)	6,290	1.8	6,283	1.8	
			Hotel Sunroute Shinbashi	4,840	1.4	4,832	1.4	
			Comfort Hotel Tokyo Higashi Nihombashi	3,593	1.0	3,575	1.0	
			the b hachioji	2,680	0.8	2,684	0.8	
			the b ochanomizu (Note 4)	2,350	0.7	2,348	0.7	
			Smile Hotel Nihombashi Mitsukoshimae	2,041	0.6	2,040	0.6	
			R&B Hotel Ueno Hirokoji	1,751	0.5	1,744	0.5	
			R&B Hotel Higashi-nihonbashi (Note 4)	1,495	0.4	1,486	0.4	
			Hotel Vista Kamata Tokyo	1,464	0.4	1,455	0.4	
			the b suidobashi	1,204	0.3	1,204	0.4	
			Dormy Inn EXPRESS Asakusa	961	0.3	954	0.3	
		Chisun Inn Kamata	789	0.2	784	0.2		
		Osaka	Holiday Inn Osaka Namba	27,083	7.7	27,059	7.9	
			Namba Oriental Hotel	14,595	4.1	14,585	4.2	
		Hokkaido	ibis Styles Sapporo	6,659	1.9	6,625	1.9	
			Mercure Sapporo	5,895	1.7	5,860	1.7	
		Fukuoka	HOTEL ASCENT FUKUOKA	5,187	1.5	5,173	1.5	
			the b hakata	2,335	0.7	2,327	0.7	
			Hakata Nakasu Washington Hotel Plaza	2,040	0.6	2,043	0.6	
			Toyoko Inn Hakata-guchi Ekimae	1,456	0.4	1,446	0.4	
		Kyoto	ibis Styles Kyoto Station	6,682	1.9	6,669	1.9	
		Okinawa	Mercure Okinawa Naha	2,889	0.8	2,866	0.8	
		Kumamoto	Dormy Inn Kumamoto	2,185	0.6	2,167	0.6	
		Nara	Nara Washington Hotel Plaza	1,835	0.5	1,818	0.5	
		Subtotal			129,588	36.8	129,296	37.6
		Full-service hotel	Chiba	Oriental Hotel tokyo bay	18,002	5.1	17,866	5.2
				Hilton Tokyo Narita Airport	13,318	3.8	13,251	3.9
	International Garden Hotel Narita			9,222	2.6	9,174	2.7	
	Hotel Francs			3,155	0.9	3,136	0.9	
	Hiroshima		ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) (Note 5)	17,620	5.0	17,544	5.1	
			Oriental Hotel Hiroshima	4,091	1.2	4,109	1.2	
	Aichi		Hilton Nagoya	15,588	4.4	15,621	4.5	
	Nara		Hotel Nikko Nara	10,525	3.0	10,486	3.1	
	Hyogo		Kobe Meriken Park Oriental Hotel	9,893	2.8	9,804	2.9	
	Fukuoka		Hotel Centraza Hakata	7,341	2.1	7,270	2.1	
	Kanagawa		Mercure Yokosuka	1,636	0.5	1,653	0.5	
	Subtotal			110,397	31.3	109,917	32.0	
	Resort hotel		Okinawa	Hotel Nikko Alivila	18,128	5.1	18,030	5.2
				Okinawa Marriott Resort & Spa	14,722	4.2	14,636	4.3
		The Beach Tower Okinawa		6,749	1.9	6,709	2.0	
		Chiba	Hilton Tokyo Bay	26,192	7.4	26,114	7.6	
		Osaka	Hotel Keihan Universal City	5,984	1.7	5,971	1.7	
		Kanagawa	Hakone Setsugetsuka	3,798	1.1	3,755	1.1	
		Subtotal			75,576	21.5	75,217	21.9
	Real estate in trust – Total			315,561	89.6	314,432	91.5	
	Deposits and other assets (Note 6)			36,621	10.4	29,171	8.5	
	Total assets			352,183	100.0	343,603	100.0	
				Amount (JPY1M)	Ratio to total assets (%)	Amount (JPY1M)	Ratio to total assets (%)	
Total liabilities				150,219	42.7	149,872	43.6	
Total net assets				201,963	57.3	193,731	56.4	

(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) R&B Hotel Higashi-nihonbashi, the b akasaka-mitsuke and the b ochanomizu were sold on August 10, 2018.

- (Note 5) ACTIVE-INTER CITY HIROSHIMA is classified in accordance with the business category of Sheraton Grand Hiroshima Hotel, its main facility.
- (Note 6) Includes machinery and equipment, tools, furniture and fixtures, 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 midterm period under review.

a. Details of assets under management (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	9,962	15,800	N	3.4	Unsecured
2	Oriental Hotel tokyo bay	Mid-price	19,900	18,026	34,100	N	6.2	Unsecured
3	Namba Oriental Hotel	Mid-price	15,000	14,749	32,900	N	4.7	Unsecured
4	Hotel Nikko Alivila	Luxury	18,900	18,281	31,500	N	5.9	Unsecured
5	Oriental Hotel Hiroshima	Upper-middle	4,100	4,183	4,350	N	1.3	Unsecured
6	ibis Tokyo Shinjuku	Mid-price	7,243	8,101	9,650	N	2.3	Unsecured
8	The Beach Tower Okinawa	Mid-price	7,610	6,713	9,810	N	2.4	Unsecured
9	Hakone Setsugetsuka	Mid-price	4,070	3,763	5,240	N	1.3	Unsecured
10	Dormy Inn Kumamoto	Mid-price	2,334	2,167	3,000	J	0.7	Unsecured
12	the b suidobashi	Mid-price	1,120	1,230	1,940	N	0.4	Unsecured
13	Dormy Inn EXPRESS Asakusa	Economy	999	954	1,330	J	0.3	Unsecured
14	Hakata Nakasu Washington Hotel Plaza	Mid-price	2,130	2,044	4,340	N	0.7	Unsecured
15	Nara Washington Hotel Plaza	Mid-price	2,050	1,821	2,430	N	0.6	Unsecured
16	R&B Hotel Ueno Hirokoji	Economy	1,720	1,744	1,950	J	0.5	Unsecured
17	R&B Hotel Higashi-nihonbashi (Note 8)	Economy	1,534	1,486	3,050	-	0.5	Unsecured
18	Comfort Hotel Tokyo Higashi Nihombashi	Economy	3,746	3,575	5,680	J	1.2	Unsecured
22	Smile Hotel Nihombashi Mitsukoshimae	Economy	2,108	2,040	3,110	J	0.7	Unsecured
24	Toyoko Inn Hakata-guchi Ekimae	Economy	1,652	1,446	2,720	T	0.5	Unsecured
25	Hotel Vista Kamata Tokyo	Economy	1,512	1,456	2,010	T	0.5	Unsecured
26	Chisun Inn Kamata	Economy	823	787	1,430	T	0.3	Unsecured
29	Hotel Keihan Universal City	Mid-price	6,000	5,972	13,900	R	1.9	Unsecured
30	Hotel Sunroute Shinbashi	Mid-price	4,800	4,833	8,780	D	1.5	Unsecured
31	Hilton Tokyo Bay	Luxury	26,050	26,114	36,100	D	8.2	Unsecured
32	ibis Styles Kyoto Station	Mid-price	6,600	6,695	11,200	D	2.1	Unsecured
33	ibis Styles Sapporo	Mid-price	6,797	6,647	10,800	N	2.1	Unsecured
34	Mercure Sapporo	Mid-price	6,000	5,892	10,700	N	1.9	Unsecured
35	Mercure Okinawa Naha	Mid-price	3,000	2,890	7,760	N	0.9	Unsecured
36	the b akasaka-mitsuke (Note 8)	Mid-price	6,250	6,297	6,600	-	2.0	Unsecured
37	the b ikebukuro	Mid-price	6,520	6,618	7,330	N	2.0	Unsecured
38	the b ochanomizu (Note 8)	Mid-price	2,320	2,355	2,500	-	0.7	Unsecured
39	the b hachioji	Mid-price	2,610	2,695	2,780	N	0.8	Unsecured
40	the b hakata	Mid-price	2,300	2,343	4,390	N	0.7	Unsecured
41	Hotel Francs	Mid-price	3,105	3,136	4,080	D	1.0	Unsecured
42	Mercure Yokosuka	Mid-price	1,650	1,683	2,830	D	0.5	Unsecured
43	Okinawa Marriott Resort & Spa	Upper-middle	14,950	14,752	18,600	N	4.7	Unsecured
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Luxury	17,320	17,622	20,600	D	5.4	Unsecured
45	CANDEO HOTELS UENO-KOEN	Mid-price	6,705	6,708	7,620	D	2.1	Unsecured
46	Hotel Centraza Hakata	Mid-price	7,197	7,385	8,490	D	2.3	Unsecured
47	Holiday Inn Osaka Namba	Mid-price	27,000	27,139	27,200	N	8.5	Unsecured
48	HOTEL ASCENT FUKUOKA	Economy	4,925	5,173	5,560	D	1.5	Unsecured

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)
49	Hilton Nagoya	Luxury	15,250	15,621	15,700	D	4.8	Unsecured
50	Hilton Tokyo Narita Airport	Upper-middle	13,175	13,324	13,400	N	4.1	Unsecured
51	International Garden Hotel Narita	Mid-price	9,125	9,215	9,430	N	2.9	Unsecured
52	Hotel Nikko Nara	Upper-middle	10,373	10,520	11,200	D	3.2	Unsecured
	Total		319,474	316,179	443,890		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.
- (Note 3) “Carrying amount at end of period” is the book value at the end of the midterm period 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 midterm period 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 JITA.
- (Note 5) Under “Appraisal agency,” the letters indicate the appraisers for the properties as follows:
N: Nihon Fudosan Kenkyusho (Japan Real Estate Institute)
J: JLL Morii Valuation & Advisory K.K.
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 midterm period under review to the total amount of acquisition price of all assets held at the end of the midterm period 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) R&B Hotel Higashi-nihonbashi, the b akasaka-mitsuke and the b ochanomizu were sold on August 10, 2018. Appraisal value at end of period is the sale price.
- (Note 9) The omitted property numbers are the property numbers of assets that have been transferred.

b. Details of assets under management (change in tenants of portfolio)

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

	End of 14th period December 2013	End of 15th period December 2014	End of 16th period December 2015	End of 17th period December 2016	End of 18th period December 2017	End of midterm period of 19th period June 2018
Total number of tenants (Note 1)	38	57	113	128	131	130
Total leasable area (Note 2)	349,162.63 m ²	386,826.71	493,758.78 m ²	587,481.02 m ²	687,124.54 m ²	687,124.62 m ²
Total leased area (Note 3)	349,162.63 m ²	386,447.08 m ²	493,138.06 m ²	587,050.94 m ²	686,694.46 m ²	686,273.14 m ²
Occupancy rate (Note 4)	100.0%	99.9%	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 or midterm 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, total 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. 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 or midterm period. The same shall apply hereinafter.

c. Details of assets under management (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” 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 midterm period under review is multiplied by 12, plus (ii) assumed amounts of revenue sharing, variable rent or income from management contracts for full year.

d. Details of assets under management (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	492,707	365,634	212,452
2	Oriental Hotel tokyo bay	Variable/Fixed	814,633	755,019	558,281
3	Namba Oriental Hotel	Variable/Fixed	787,740	736,567	639,284
4	Hotel Nikko Alivila	Variable/Fixed	586,879	512,448	355,201
5	Oriental Hotel Hiroshima	Variable/Fixed	187,392	165,142	123,481
6	ibis Tokyo Shinjuku	Management contract	318,028	227,396	171,965
8	The Beach Tower Okinawa	Fixed	255,508	233,412	168,763
9	Hakone Setsugetsuka	Fixed	147,472	135,395	89,693
10	Dormy Inn Kumamoto	Fixed	97,230	84,325	63,646
12	the b suidobashi	Variable/Fixed	54,664	49,108	35,702
13	Dormy Inn EXPRESS Asakusa	Fixed	31,997	27,650	20,996
14	Hakata Nakasu Washington Hotel Plaza (Note 4)	Fixed	120,000	110,000	98,000
15	Nara Washington Hotel Plaza (Note 4)	Fixed	75,000	67,000	46,000
16	R&B Hotel Ueno Hirokoji	Fixed	48,647	41,597	34,797
17	R&B Hotel Higashi Nihonbashi (Note 5)	Fixed	61,103	52,584	43,063
18	Comfort Hotel Tokyo Higashi-nihonbashi	Variable/Fixed (Note 6)	135,463	120,564	102,481
22	Smile Hotel Nihombashi Mitsukoshimae	Variable/Fixed (Note 6)	86,265	78,751	68,770
24	Toyoko Inn Hakata-guchi Ekimae	Fixed	70,519	64,003	54,433
25	Hotel Vista Kamata Tokyo	Variable/Fixed (Note 6)	46,802	39,226	27,373
26	Chisun Inn Kamata	Variable	38,693	35,100	29,350
29	Hotel Keihan Universal City	Variable/Fixed (Note 6)	533,511	495,849	450,899
30	Hotel Sunroute Shinbashi	Variable/Fixed (Note 6)	260,091	226,632	215,962
31	Hilton Tokyo Bay	Variable/Fixed (Note 6)	940,482	790,700	698,903
32	ibis Styles Kyoto Station	Management contract	270,246	242,705	224,472
33	ibis Styles Sapporo	Management contract	306,916	243,182	204,911
34	Mercure Sapporo	Management contract	373,477	267,102	226,730
35	Mercure Okinawa Naha	Management contract	219,900	178,922	152,495
36	the b akasaka-mitsuke (Note 5)	Variable/Fixed	119,708	110,197	99,027
37	the b ikebukuro	Variable/Fixed	175,407	160,215	143,497
38	the b ochanomizu (Note 5)	Variable/Fixed	48,591	44,295	39,000
39	the b hachioji	Variable/Fixed	99,688	86,598	72,419
40	the b hakata	Variable/Fixed	121,413	115,192	104,718
41	Hotel Francs	Fixed	150,000	118,699	95,764
42	Mercure Yokosuka	Variable	180,904	124,906	106,763
43	Okinawa Marriott Resort & Spa	Variable/Fixed	337,816	294,615	176,271
44	ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel)	Variable/Fixed	729,831	522,545	424,209
45	CANDEO HOTELS UENO-KOEN	Fixed	174,985	162,192	142,366
46	Hotel Centraza Hakata	Variable/Fixed	359,739	236,695	109,890
47	Holiday Inn Osaka Namba	Variable/Fixed	572,576	549,536	483,796
48	HOTEL ASCENT FUKUOKA	Fixed	217,174	144,691	126,928
49	Hilton Nagoya	Variable	683,347	337,495	264,156
50	Hilton Tokyo Narita Airport	Variable/Fixed	397,072	374,229	300,415
51	International Garden Hotel Narita	Variable/Fixed	304,494	292,293	231,427
52	Hotel Nikko Nara	Variable/Fixed	286,166	272,907	210,287
	Total		12,321,105	10,294,589	8,250,043

- (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) $\text{NOI} = \text{Real estate operating revenue} - \text{Real estate operating costs} + \text{Depreciation} + \text{Loss on retirement of noncurrent assets} + \text{Asset retirement obligations expenses}$
- (Note 3) $\text{NOI after depreciation (net real estate operating income)} = \text{Real estate operating revenue} - \text{Real estate operating costs}$
- (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 numbers are thus rounded down to the nearest million yen.
- (Note 5) R&B Hotel Higashi-nihonbashi, the b akasaka-mitsuke and the b ochanomizu were sold on August 10, 2018.
- (Note 6) For Comfort Hotel Tokyo Higashi-nihombashi 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 include rent calculated based on revenue sharing. For Comfort Hotel Tokyo Higashi-nihombashi the rent structure was changed from “Fixed” to “Variable/Fixed”, as the rent structure was changed after a memorandum of amendment concerning the fixed-term lease agreement for Comfort Hotel Tokyo Higashi-nihonbashi was concluded on April 27, 2018.
- (Note 7) The property numbers of assets that were transferred before the end of the previous fiscal year are intentionally omitted.

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 midterm period under review (from January 1, 2018 to June 30, 2018). 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.

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	-	181	181	181	181	181
(A) Real estate operating revenue subtotal	12,321,105	492,707	814,633	787,740	586,879	187,392
Fixed rent	6,858,614	322,950	315,799	398,950	402,049	170,752
Variable rent	4,891,077	169,272	498,833	388,790	184,829	16,640
Other revenue	571,413	484	-	-	-	-
(B) Real estate operating costs subtotal	4,071,061	280,255	256,351	148,456	231,678	63,910
Land lease and other rent expenses	455,425	97,509	-	-	42,074	-
Property taxes	802,682	26,941	57,022	49,463	29,155	20,737
Outsourcing expenses	303,715	480	480	480	960	480
Nonlife insurance	23,846	1,599	1,605	723	1,226	526
Depreciation and amortization	2,031,821	152,646	196,686	87,681	157,108	40,286
Loss on retirement of noncurrent assets	11,701	535	51	9,601	139	1,373
Other costs	441,869	543	506	506	1,015	506
(C) Net real estate operating income = (A) - (B)	8,250,043	212,452	558,281	639,284	355,201	123,481
(Reference) Occupancy rate	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	130	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	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	318,028	255,508	147,472	97,230	54,664	31,997
Fixed rent	51,889	255,504	147,169	97,230	42,499	31,697
Variable rent	238,401	-	-	-	12,164	-
Other revenue	27,737	4	303	-	-	300
(B) Real estate operating costs subtotal	146,062	86,745	57,779	33,583	18,962	11,000
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	17,465	19,546	11,348	9,614	4,073	3,013
Outsourcing expenses	43,593	-	-	-	600	600
Nonlife insurance	278	553	322	213	93	54
Depreciation and amortization	55,430	64,649	45,702	20,678	13,406	6,653
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	29,294	1,994	405	3,075	788	679
(C) Net real estate operating income = (A) - (B)	171,965	168,763	89,693	63,646	35,702	20,996
(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 (Note 3)	Comfort Hotel Tokyo Higashi Nihombashi	Smile Hotel Nihombashi Mitsukoshimae
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	120,000	75,000	48,647	61,103	135,463	86,265
Fixed rent	120,000	73,000	48,252	61,103	129,860	67,200
Variable rent	-	-	-	-	-	19,065
Other revenue	0	1,000	394	-	5,602	-
(B) Real estate operating costs subtotal	22,000	28,000	13,849	18,040	32,982	17,495
Land lease and other rent expenses	-	-	-	2,700	-	-
Property taxes	6,000	5,000	6,026	4,296	13,261	6,201
Outsourcing expenses	0	1,000	420	600	807	600
Nonlife insurance	0	0	84	94	209	94
Depreciation and amortization	12,000	20,000	6,799	9,520	18,083	9,980
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	2,000	0	518	828	621	618
(C) Net real estate operating income = (A) – (B)	98,000	46,000	34,797	43,063	102,481	68,770
(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	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	70,519	46,802	38,693	533,511	260,091	940,482
Fixed rent	70,519	46,767	-	Undisclosed (Note 4)	144,852	Undisclosed (Note 4)
Variable rent	-	-	38,693	Undisclosed (Note 4)	97,762	Undisclosed (Note 4)
Other revenue	-	35	-	Undisclosed (Note 4)	17,475	Undisclosed (Note 4)
(B) Real estate operating costs subtotal	16,085	19,428	9,342	82,611	44,129	241,579
Land lease and other rent expenses	-	-	-	10,555	-	66,128
Property taxes	5,232	5,972	2,331	22,567	12,661	68,874
Outsourcing expenses	540	600	540	2,121	5,460	12,383
Nonlife insurance	120	108	47	659	158	1,590
Depreciation and amortization	9,569	11,852	5,749	44,949	10,670	91,797
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	623	894	674	1,758	15,177	806
(C) Net real estate operating income = (A) – (B)	54,433	27,373	29,350	450,899	215,962	698,903
(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 (Note 3)	the b ikebukuro
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	270,246	306,916	373,477	219,900	119,708	175,407
Fixed rent	21,167	10,899	33,025	-	68,191	109,914
Variable rent	247,278	272,284	282,627	214,524	51,516	64,425
Other revenue	1,800	23,731	57,823	5,376	-	1,068
(B) Real estate operating costs subtotal	45,774	102,004	146,747	67,404	20,681	31,910
Land lease and other rent expenses	-	-	-	153	-	-
Property taxes	9,289	18,281	24,192	11,450	7,657	10,111
Outsourcing expenses	16,408	25,011	33,317	26,968	600	3,641
Nonlife insurance	207	402	331	466	108	199
Depreciation and amortization	18,233	38,270	40,372	26,426	11,170	16,718
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	1,634	20,038	48,533	1,936	1,145	1,240
(C) Net real estate operating income = (A) – (B)	224,472	204,911	226,730	152,495	99,027	143,497
(Reference) Occupancy rate	100.0%	98.3%	98.1%	100.0%	100.0%	100.0%
(Reference) Number of tenants	2	4	14	1	2	4

Property No.	38	39	40	41	42	43
Property name	the b ochanomizu (Note 3)	the b hachioji	the b hakata	Hotel Francs	Mercure Yokosuka	Okinawa Marriott Resort & Spa
Number of operating days	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	48,591	99,688	121,413	150,000	180,904	337,816
Fixed rent	34,500	62,142	44,761	150,000	-	274,999
Variable rent	14,091	34,163	76,652	-	160,594	62,816
Other revenue	-	3,382	-	-	20,310	-
(B) Real estate operating costs subtotal	9,591	27,268	16,695	54,235	74,141	161,545
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	3,123	10,734	4,692	29,693	17,919	40,436
Outsourcing expenses	600	600	600	900	9,409	1,200
Nonlife insurance	57	218	125	455	854	1,135
Depreciation and amortization	5,294	14,178	10,474	22,935	18,143	118,344
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	514	1,537	803	251	27,815	429
(C) Net real estate operating income = (A) – (B)	39,000	72,419	104,718	95,764	106,763	176,271
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of tenants	1	12	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	181	181	181	181	181	181
(A) Real estate operating revenue subtotal	729,831	174,985	359,739	572,576	217,174	683,347
Fixed rent	378,652	Undisclosed (Note 4)	199,999	288,000	156,623	Undisclosed (Note 4)
Variable rent	214,201	-	159,739	284,576	-	Undisclosed (Note 4)
Other revenue	136,977	Undisclosed (Note 4)	-	-	60,550	Undisclosed (Note 4)
(B) Real estate operating costs subtotal	305,622	32,619	249,849	88,779	90,245	419,191
Land lease and other rent expenses	-	-	111,103	-	13,999	111,200
Property taxes	58,287	11,529	9,438	21,260	15,634	51,641
Outsourcing expenses	44,379	600	1,500	780	6,768	52,421
Nonlife insurance	1,643	235	577	577	238	1,631
Depreciation and amortization	98,336	19,826	126,005	65,739	17,539	73,338
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	102,975	428	1,224	421	36,065	128,956
(C) Net real estate operating income = (A) – (B)	424,209	142,366	109,890	483,796	126,928	264,156
(Reference) Occupancy rate	99.8%	100.0%	100.0%	100.0%	96.8%	100.0%
(Reference) Number of tenants	39	1	1	1	5	4

Property No.	50	51	52
Property name	Hilton Tokyo Narita Airport	International Garden Hotel Narita	Hotel Nikko Nara
Number of operating days	181	181	181
(A) Real estate operating revenue subtotal	397,072	304,494	286,166
Fixed rent	222,000	168,000	210,000
Variable rent	175,072	136,494	76,166
Other revenue	-	-	-
(B) Real estate operating costs subtotal	96,657	73,066	75,879
Land lease and other rent expenses	-	-	-
Property taxes	19,528	9,868	10,136
Outsourcing expenses	1,260	1,140	1,380
Nonlife insurance	1,581	718	1,398
Depreciation and amortization	73,814	60,865	62,620
Loss on retirement of noncurrent assets	-	-	-
Other costs	473	474	343
(C) Net real estate operating income = (A) – (B)	300,415	231,427	210,287
(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 “C. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing” on page 52.

(Note 2) Consent on disclosure of rent in units of thousand yen has not been obtained from the lessee and numbers are thus rounded down to the nearest million yen.

(Note 3) R&B Hotel Higashi-nihonbashi, the b akasaka-mitsuke and the b ochanomizu were sold on August 10, 2018.

(Note 4) 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 5) The property numbers of assets that were transferred before the end of the previous fiscal year are intentionally omitted.

C. 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%
The Six Accor Hotels	6	ibis Tokyo Shinjuku	Management contract (Note 3)	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 (Note 4)		
	37	the b ikebukuro		
	38	the b ochanomizu (Note 4)		
	39	the b hachioji		
	40	the b hakata		
Other hotels with variable rent or revenue sharing	18	Comfort Hotel Tokyo Higashi Nihombashi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 5) (Note 6)
	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 total sales of the hotel 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 86.0% (¥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	Annual GOP base amount
Kobe Meriken Park Oriental Hotel	¥599,900 thousand
Oriental Hotel tokyo bay	¥693,200 thousand
Namba Oriental Hotel	¥832,200 thousand
Hotel Nikko Alivila	¥995,700 thousand
Oriental Hotel Hiroshima	¥230,000 thousand
Total	¥3,351,000 thousand

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

(Note 3) 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 4) the b akasaka-mitsuke and the b ochanomizu were sold on August 10, 2018.

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

(Note 6) Concerning the fixed-term lease agreement for Comfort Hotel Tokyo Higashi Nihombashi, a memorandum of amendment was concluded on April 27,

2018 to amend the rent structure to one that sets not only fixed rent, but also include rent based on revenue sharing.

(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, 2018 through June 30, 2018 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 (%)	Ratio to total sales (%)	Ratio to total sales (%)				
Occupancy rate	82.7%	—	97.5%	—	93.5%	—	83.8%	—	83.8%	—	89.1%	—
ADR (Note 1)	16,397	—	18,664	—	19,742	—	22,250	—	9,092	—	18,026	—
RevPAR (Note 2)	13,566	—	18,196	—	18,454	—	18,649	—	7,615	—	16,063	—
Total sales	2,556	100.0	3,263	100.0	1,418	100.0	2,569	100.0	879	100.0	10,685	100.0
Rooms department	864	33.8	1,828	56.0	949	67.0	1,477	57.5	344	39.1	5,463	51.1
Food & beverage department	1,559	61.0	1,218	37.3	64	4.5	859	33.4	506	57.5	4,205	39.4
Tenant department	34	1.3	116	3.6	384	27.1	1	0.0	11	1.3	546	5.1
Other departments (Note 3)	99	3.9	100	3.1	21	1.5	232	9.0	18	2.1	471	4.4
GOP	499	19.5	933	28.6	874	61.6	715	27.8	135	15.3	3,156	29.5

	Okinawa Marriott Resort & Spa		Sheraton Grand Hiroshima Hotel (Note 4)		Hotel Centraza Hakata		Holiday Inn Osaka Namba		Hilton Tokyo Narita Airport		International Garden Hotel Narita	
		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	83.0%	—	90.6%	—	94.7%	—	95.5%	—	86.8%	—	86.4%	—
ADR (Note 1)	16,571	—	17,574	—	12,067	—	18,218	—	10,661	—	7,395	—
RevPAR (Note 2)	13,754	—	15,923	—	11,431	—	17,406	—	9,253	—	6,392	—
Total sales	1,663	100.0	1,610	100.0	1,199	100.0	1,014	100.0	1,625	100.0	762	100.0
Rooms department	992	59.7	755	46.9	443	37.0	991	97.7	1,027	63.2	589	77.3
Food & beverage department	472	28.4	807	50.1	641	53.5	—	—	551	33.9	168	22.0
Tenant department	27	1.6	—	—	108	9.0	18	1.8	25	1.5	3	0.4
Other departments (Note 3)	172	10.4	49	3.0	6	0.5	5	0.5	22	1.3	2	0.3
GOP	420	25.2	486	30.2	494	41.2	633	62.4	477	29.4	319	41.9

	Hotel Nikko Nara		The Twelve HMJ Hotels Total/Average (Note 5)	
		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	74.2%	—	87.6%	—
ADR (Note 1)	12,443	—	15,085	—
RevPAR (Note 2)	9,229	—	13,218	—
Total sales	1,395	100.0	19,953	100.0
Rooms department	606	43.5	10,866	54.5
Food & beverage department	763	54.7	7,607	38.1
Tenant department	16	1.1	743	3.7
Other departments (Note 3)	10	0.7	737	3.7
GOP	318	22.8	6,304	31.6

(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 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 6) 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	90.8%	-	92.9%	-	83.7%	-	81.8%	-	80.0%	-	90.3%	-	85.8%	-
ADR	12,394	-	10,978	-	10,682	-	12,910	-	11,034	-	12,717	-	11,733	-
RevPAR	11,259	-	10,193	-	8,944	-	10,563	-	8,823	-	11,487	-	10,071	-
Total sales	464	100.0	451	100.0	553	100.0	636	100.0	524	100.0	570	100.0	3,198	100.0
Rooms department	420	90.5	397	87.9	450	81.3	545	85.7	415	79.3	333	58.4	2,559	80.0
Food & beverage department	37	7.9	51	11.3	93	16.8	87	13.6	97	18.6	228	40.0	593	18.5
Other departments	7	1.5	4	0.9	10	1.8	5	0.7	11	2.1	9	1.6	46	1.4
GOP	238	51.4	247	54.8	272	49.2	282	44.3	219	41.8	190	33.3	1,448	45.3

(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 (Note 1)		the b ikebukuro		the b ochanomizu (Note 1)		the b hachioji		the b hakata		Total/Average (Note 2)	
		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	88.9%	-	89.3%	-	90.2%	-	93.9%	-	91.3%	-	90.8%	-	90.6%	-
ADR	10,880	-	10,698	-	10,494	-	10,415	-	7,112	-	8,634	-	9,376	-
RevPAR	9,670	-	9,552	-	9,463	-	9,775	-	6,495	-	7,838	-	8,495	-
Total sales	174	100.0	212	100.0	301	100.0	128	100.0	281	100.0	250	100.0	1,346	100.0
Rooms department	173	99.6	211	99.3	300	99.5	127	99.7	230	82.1	248	99.2	1,290	95.8
Food & beverage department	-	-	-	-	-	-	-	-	48	17.3	-	-	48	3.6
Other departments	1	0.4	2	0.7	1	0.5	0	0.3	2	0.6	2	0.8	8	0.6
GOP	78	45.1	112	52.6	159	52.8	53	41.6	91	32.5	129	51.4	622	46.2

(Note 1) the b akasaka-mitsuke and the b ochanomizu were sold on August 10, 2018.

(Note 2) For Total/Average, figures are calculated by JHR since no figures have been provided by the hotel lessees.

D. Status of capital expenditures

a. Planned capital expenditures (Note 1)

The following table shows major estimated capital expenditures items for renovation work during the fiscal year planned as of the end of the midterm period under review for real estate properties (in trust) under management by JHR. Capital expenditures are expected to total ¥2,244 million for the second half and, in aggregate with the capital expenditures for the first half, capital expenditures are expected to total ¥3,186 million (Note 2) for the full year.

Name of property, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (JPY 1M)		
			Total amount	Payment for the first half	Total amount paid
Kobe Meriken Park Oriental Hotel (Kobe-shi, Hyogo)	Renewal of telephone switchboard	From May 2018 to July 2018	42	—	—
Oriental Hotel Tokyo Bay (Urayasu-shi, Chiba)	Splitting of suite guestroom and relocation of Mama Salon	From October 2018 to November 2018	144	—	—
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 4th and 12th floor	From September 2018 to September 2018	57	—	—
Hotel Centraza Hakata (Fukuoka-shi, Fukuoka)	Major renovation works	From October 2018 to March 2019	3,100	46	46
Total			3,603	46	46

(Note 1) New construction and renewal work include those 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 the renovation work will be performed may change.

(Note 2) Expected construction cost for the major renovation works of Hotel Centraza Hakata will not be included in total for the fiscal period ending December 31, 2018 since its construction work will be completed in March 2019.

b. Capital expenditures during the period (Note)

For real estate properties (in trust) under management by JHR, major construction work conducted during the midterm period under review that represents capital expenditures is as below. Capital expenditures for the midterm period under review totaled ¥942 million, and repair expenses that were accounted for as expense in the period totaled ¥23 million. In aggregate, ¥966 million of construction work was carried out.

Name of property, etc. (Location)	Purpose	Period	Construction costs (JPY 1M)
Namba Oriental Hotel (Osaka-shi, Osaka)	Renewal of guest rooms on the 6th floor	From January 2018 to February 2018	78
Holiday Inn Osaka Namba (Osaka-shi, Osaka)	Renewal of guest rooms on the 6th and 7th floors	From January 2018 to February 2018	58
Hilton Nagoya (Nagoya-shi, Aichi)	Renewal of drainage for sewage and gray water	From June 2017 to January 2018	55
Total			192

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