

Former Nippon Hotel Fund Investment Corporation and former Japan Hotel and Resorts, Inc. merged effective April 1, 2012. In the merger, the former Nippon Hotel Fund Investment Corporation was the surviving corporation and changed its name to Japan Hotel REIT Investment Corporation.

## Japan Hotel REIT Investment Corporation



### Provisional Translation Only

This English translation of the Japanese original is provided solely for information purposes. In the event that there is any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.



## Announcement of Operational Results for the 12<sup>th</sup> Period Ending March 31, 2012

May 24, 2012

## 1 Dividend per unit <sup>(note)</sup> at former Nippon Hotel Fund Investment Corporation (ex-NHF) for 12<sup>th</sup> period ended Mar. 31, 2012

**JPY 8,166**

✓ Period: 6 months (Oct.1, 2011 to Mar.31, 2012)

(Note) "Unit" here refers to units before the unit split that took effect on Apr. 1, 2012.

➡ See page 4.

## 2 Dividend per unit <sup>(note)</sup> at former Japan Hotel and Resort, Inc. (ex-JHR) for deemed 7<sup>th</sup> period ended Mar. 31, 2012

**JPY 5,755**

✓ Period: 7months (Sep.1, 2011 to Mar. 31, 2012)

(Note) "Unit" here refers to units before being swapped with new JHR units.

➡ See page 5.

## 3 Forecasted dividend per unit for Japan Hotel REIT Investment Corporation (new JHR) for the 13<sup>th</sup> period ending Dec. 31, 2012

**JPY 1,341**

✓ Period: 9 months (Apr. 1, 2012 to Dec. 31, 2012)

✓ Annualized amount: JPY 1,502

✓ Equivalent to: JPY 16,522 at ex-JHR (1,502 x 11)  
JPY 18,024 at ex-NHF (1,502 x 12)

➡ See page 6.

## 4 Performance of variable-rent hotels

### ◆ Variable-rent hotels of ex-JHR

Recovering from the impact of the earthquake disaster, the total revenue in the most recent 6 months (Oct. 2011 to Mar.2012) was 8.8% up from the same period in the previous year, and 2.4% up from the same period two years ago.

### ◆ Ibis Tokyo Shinjuku of ex-NHF

Ever since the hotel operator and brand changed in Nov. 2011, the hotel's revenue has tended to improve month to month.

➡ See pages 28 & 35.

## 5 Investment strategy for 2012

### Improvement of variable rent

- ✓ Variable rents are largely linked with hotel GOP.
- ✓ Focus our efforts on improving hotel profitability

### Property replacement

- ✓ Replace properties with due consideration on profitability, location, potential revenue improvement, and NOI.
- ✓ Acquire hotels that will attract leisure customers

➡ See page 9.

## I . Financial Highlights

1 . Performance highlights (ex-NHF)	4
2 . Performance highlights (ex-JHR)	5
3 . Earnings forecast	6
4 . Balance sheet (summary)	7

## II . Investment Strategy

1 . Internal growth strategy	9
2 . CAPEX results and plans	10-11
3 . External growth strategy	12
4 . Financial strategy	13
5 . IR strategy	14

## Appendix 1. Basic Information

1 . List of properties	16-17
2 . Variable rent system	18
3 . Portfolio map	19
4 . Portfolio diversification	20
5 . Properties	21-26

## Appendix 2. Hotel Performance

1 . HMJ 5 hotels performance in latest 12 months	28
2 . HMJ 5 hotels performance highlights – as a portfolio	29
3 . HMJ 5 hotels performance highlights – individual hotels	30-34
4 . Ibis Tokyo Shinjuku performance highlights	35
5 . HMJ 5 hotels performance indicators	36-38

## Appendix 3. Investors and Unit Price

1 . Major investors	40
2 . Unit price	41

## Appendix 4. Merger

1 . Background of merger	43
2 . Merits of merger	44
3 . Merger overview	45
4 . New REIT and its asset management company	46
5 . Impact on investors	47
6 . Negative goodwill utilization	48

## Appendix 5. Market Data

1 . Sales of major travel agents	50
2 . Inbound tourists to Japan	51
3 . Economic sentiment index (DI) by industry	52
4 . Indicators of Japan's economy	53





## **I. FINANCIAL HIGHLIGHTS**

# 1. Performance highlights (ex-NHF)

## Income statement of former Nippon Hotel Fund Investment Corporation (ex-NHF)

(in million yen)

		(A)	(B)	(in million yen)	
		10th Period (2010/10-2011/3) Actual	11th Period (2011/4-2011/9) Actual	12th Period (2011/10-2012/3) Actual	Change (B) — (A)
Operating revenue		1,255	1,419	1,431	12
	Variable rents	0	17	109	92
Operating expenses		575	619	681	62
	Depreciation expense	231	265	263	-2
	Loss on disposal of fixed assets	0	0	0	0
Operating income		679	799	750	-49
Non-operating income		-337	-305	-275	30
Ordinary income		342	494	474	-20
Net income		340	493	473	-20
Dividend per unit (in yen) <sup>(Note 1)</sup>		8,080	8,502	8,166	-336
NOI <sup>(Note 2)</sup>		1,062	1,231	1,191	-40
NOI yield (%) <sup>(Note 3)</sup>		5.7	5.7	5.5	-0.2
FFO <sup>(Note 4)</sup>		572	759	737	-22
LTV (%) <sup>(Note 5)</sup>		47.2	46.2	46.0	-0.2
Number of units issued <sup>(Note 6)</sup>		42,200	58,031	58,031	0

(Note 1) "Unit" here refers to units of ex-NHF before the 12-for-1 split.

(Note 2) NOI (Net Operating Income) = property rent business revenue - property rent business expenses + depreciation expenses + loss on disposal of fixed assets

(Note 3) NOI yield = (NOI x 2) / acquisition price

(Note 4) FFO (Funds From Operation) = net income + depreciation expenses + loss on disposal of fixed assets

(Note 5) LTV (Loan To Value) = interest-bearing debts (loans + outstanding investment corporation bonds) / total assets (All at the end of period)

(Note 6) Ex-NHF carried out a 12-for-one unit split effective Apr. 1, 2012.

## 2. Performance highlights (ex-JHR)

### Income statement of former Japan Hotel and Resort, Inc. (ex-JHR)

(in million yen)

	5th Period (2009/9-2010/8) Actual	6th Period (2010/9-2011/8) Actual	7th Period (*1) (2011/9-2012/3) Actual
<b>Operating revenue</b>	<b>5,626</b>	<b>5,115</b>	<b>3,209</b>
Variable rents	1,852	1,212	(*2) 836
<b>Operating expenses</b>	<b>3,159</b>	<b>3,240</b>	<b>2,076</b>
Depreciation expense	1,782	1,326	1,079
Loss on disposal of fixed assets	32	25	66
<b>Operating income</b>	<b>2,467</b>	<b>1,874</b>	<b>1,132</b>
<b>Non-operating income</b>	<b>-1,129</b>	<b>-950</b>	<b>-523</b>
<b>Ordinary income</b>	<b>1,338</b>	<b>924</b>	<b>609</b>
<b>Net income</b>	<b>1,336</b>	<b>922</b>	<b>608</b>
Dividend per unit (in yen) (Note 1)	12,640	8,722	5,755
NOI (Note 2)	4,727	4,229	2,695
NOI yield (%) (Note 3)	5.6	4.7	-
FFO (Note 4)	3,151	2,774	1,754
LTV (%) (Note 5)	41.6	43.3	43.2
Number of units issued (Note 6)	105,719	105,719	105,719

(\*1) The 7<sup>th</sup> period is a deemed fiscal period consisting of 213 days (7months) from Sep.1, 2011 to Mar. 31, 2012.

(\*2) Since the deemed 7<sup>th</sup> period does not include summer, which is usually the most profitable season, simply annualizing this period will not provide a proper comparison with past years.

(Note 1) "Unit" here refers to units of ex-JHR before swapped with new JHR units.

(Note 2) NOI (Net Operating Income) = property rent business revenue - property rent business expenses + depreciation expenses + loss on disposal of fixed assets

(Note 3) NOI yield = NOI / acquisition price. Please note that NOI yield for the 7<sup>th</sup> period is not computed since the period is a 7-month deemed fiscal period.

(Note 4) FFO (Funds From Operation) = net income + depreciation expenses + loss on disposal of fixed assets

(Note 5) LTV (Loan To Value) = interest-bearing debts (loans + outstanding investment corporation bonds) / total asset (All at the end of the period)

(Note 6) Each unit of ex-JHR was swapped with 11 units of new JHR effective Apr. 1, 2012.

### 3. Earnings forecast

(in million yen)

	13th Period (2012/4-2012/12) Forecast	Annualized <sup>(Note 1)</sup> (2012/1-2012/12)
<b>Operating revenue</b>	<b>6,997</b>	<b>8,790</b>
Variable rents	1,952	2,064
<b>Operating expenses</b>	<b>3,425</b>	<b>4,562</b>
Depreciation expense	1,571	2,095
Loss on disposal of fixed assets	53	70
<b>Operating income</b>	<b>3,572</b>	<b>4,229</b>
Non-operating income	-1,129	-1,505
<b>Ordinary income</b>	<b>2,443</b>	<b>2,724</b>
<b>Net income</b>	<b>2,441</b>	<b>2,722</b>
Dividend per unit (in yen)	1,341	1,502
NOI	5,906	7,336
NOI yield (%) <sup>(Note 2)</sup>	—	6.0
FFO	4,065	4,887
Number of units issued	1,859,281	1,859,281

(Note 1) Annualized figures are obtained by simply multiplying the figures for the 13<sup>th</sup> period (9 months) by 12/9, except that variable rents from HMJ 5 hotels (Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima) are based on the forecasts provided by the hotels.

(Note 2) NOI yield for the 13<sup>th</sup> period is not shown since the period consists of only 9 months.

#### Preconditions for 13<sup>th</sup> period forecast

##### 【Portfolio】

- No change (such as property acquisition or disposal) is assumed in the portfolio we possess, which consists of 28 properties including 9 properties inherited from ex-JHR on the effective date of merger (Apr. 1, 2012).

##### 【Operating revenue】

- Calculated based on the lease agreements for the properties we possess as of Apr. 1, 2012.
- For MHJ 5 hotels which operate on variable-rent basis, the revenue is forecasted based on the new lease agreement that took effect on Apr. 1, 2012.

##### 【Operating expenses】

- Total JPY 606M of property taxes and city planning taxes is estimated.
- Depreciation cost is computed on a straight-line basis and estimated at JPY 1,571M inclusive of additional capital expenditures of JPY 1,037M planned during the period.

##### 【Non-operating expenses】

- Interest payment and borrowing cost are estimated to total JPY1,084M.

##### 【Extraordinary income】

- Total JPY 18,600M of gain on negative goodwill is expected from the merger. However, this gain will not be used as dividend resource, and therefore is not included in the extraordinary income.

##### 【Borrowing / Investment unit】

- Total JPY 12,753M borrowing will mature during the period and will be wholly renewed.
- No additional issuance of investment unit is assumed.

##### 【Dividend per Unit】

- It is assumed that loss on disposal of fixed assets will be compensated by gain on negative goodwill.

## 4. Balance sheet (summary)

(in million yen)

	Old NHF (as at 2012/3/31)	Old JHR (as at 2012/3/31)	New JHR (forecast as at 2012/4/1) (Note 3)
<b>ASSETS</b>			
<b>Current Assets</b>	<b>3,509</b>	<b>4,459</b>	<b>7,968</b>
Cash and deposits (Note 1)	3,024	3,985	
Operating account receivable	40	289	
Others	444	184	
<b>Fixed Assets</b>	<b>43,244</b>	<b>85,795</b>	<b>122,623</b>
Property and equipment at cost	42,951	72,777	
Building (Note 2)	4	1,844	
Land	-	884	
Building in trust (Note 2)	18,723	29,025	
Land in trust	24,223	41,022	
Intangible assets	116	12,359	
Investment and other assets	175	658	
<b>Deferred Assets</b>	<b>20</b>	<b>11</b>	<b>31</b>
<b>TOTAL ASSETS</b>	<b>46,773</b>	<b>90,265</b>	<b>130,622</b>

	Old NHF (as at 2012/3/31)	Old JHR (as at 2012/3/31)	New JHR (forecast as at 2012/4/1) (Note 3)
<b>LIABILITIES</b>			
<b>Current Liabilities</b>	<b>6,410</b>	<b>14,148</b>	<b>20,558</b>
Operating account payable	217	181	
Short-term loans payable	3,960	-	
Long-term debt due within one year	1,974	13,253	
Other payable	53	357	
Advances received	199	355	
Others	5	1	
<b>Fixed Liabilities</b>	<b>16,727</b>	<b>27,993</b>	<b>44,720</b>
Investment corporation bonds	-	2,000	
Long-term debts	15,582	23,698	
Leasehold & security deposit received	1,145	2,295	
<b>TOTAL LIABILITIES</b>	<b>23,138</b>	<b>42,141</b>	<b>65,279</b>
<b>EQUITY</b>			
Total unit holders' capital	23,161	47,514	23,161
Unit holders surplus	-	-	21,746
Retained earnings	473	608	20,436
<b>TOTAL EQUITY</b>	<b>23,635</b>	<b>48,123</b>	<b>65,343</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>46,773</b>	<b>90,265</b>	<b>130,622</b>

(Note 1) "Cash and deposits" includes cash and deposits in trust.

(Note 2) "Building" includes buildings, constructions, machines, equipment, tools and fixtures, and constructions in progress.

(Note 3) Figures for new JHR are obtained by simply combining figures of ex-NHF and of ex-JHR as at Mar. 31, 2012, and adjusting with reappraisal values (= acquisition prices adopted by new JHR) of the ex-JHR properties and the gain on negative goodwill estimated as of May 23, 2012. The estimate does not guarantee actual result and may change in the future before the next announcement of financial results depending on many factors.





## II. INVESTMENT STRATEGY

# 1. Internal growth strategy

## Our view on external conditions

- Market in general
  - Though EU sovereign debt problem and international commodity market situation remain unpredictable, Japan's economy is expected to slowly get back on a recovery track, backed by the demand from post-disaster reconstruction and growth of emerging economies. Domestic individual spending is expected to keep recovering.
- Hotel market
  - Demand for hotels is expected to improve as the economic recovery will take place followed by a recovery of demand from domestic leisure and business customers as well as international customers.
  - In mid-to-long term, the number of (1) baby boomer travelers and (2) incoming tourists to Japan (backed by the government promotion) is expected to rise.



- We will work with hotel operators to boost hotel revenues.
- Will take measures to maintain/improve hotel competitiveness and asset values to take advantage of economic recovery.

## Basic policy

- ◆ To optimize the asset value by maintaining / raising the level of rents, controlling revenue by cost cutting and other means, and taking proper care of buildings and facilities.

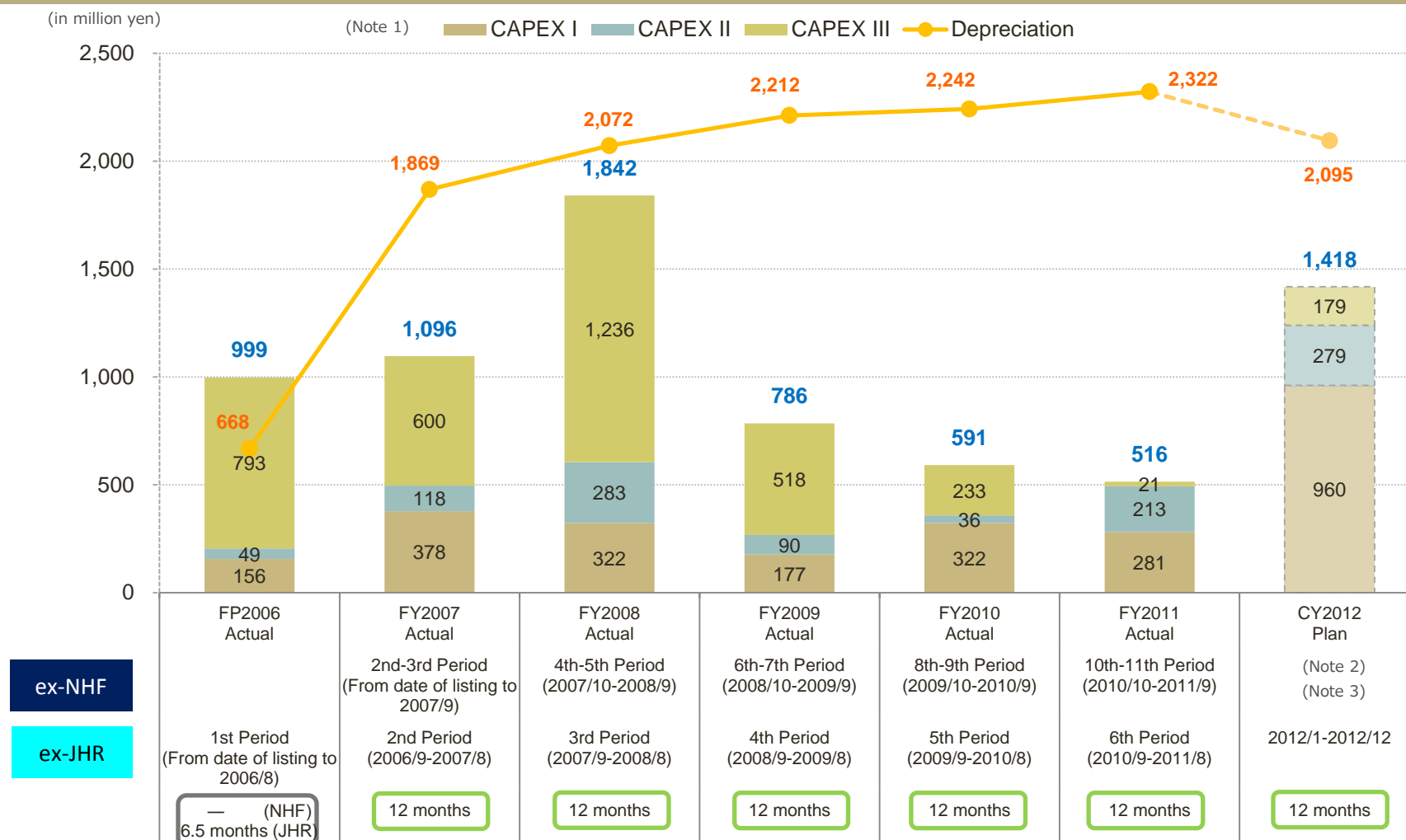
## Measures

- > Monitor and manage the assets using our in-depth understanding of hotel business
  - Analyze tenant creditworthiness and monitor and improve hotel revenues and costs
  - Differentiate hotels not in terms of price but in terms of value
  - Understand and respond to ever-changing customer needs
  - Provide world-class services to hotel customers
- > Propose and carry out strategic CAPEX
  - Selectively carry out CAPEX that will help maintain current revenue or enhance mid-to-long term competitiveness.

## Measures to be taken in 2012

- ✓ Improve revenue from variable rents
- ✓ Dispose of unprofitable properties by giving due consideration on their profitability, location, NOI and potential revenue improvement

## 2. CAPEX results and plans - 1/2



(Note 1) Capex I: Replacement of equipment and facilities required for maintaining the asset value of properties

Capex II: Purchase of fixtures, furniture and equipment required for operating hotels, unrelated to their building frame or facilities

Capex III: Strategic renovation of guest rooms, banquet halls and restaurants with a view to maintaining and increasing hotel competitiveness

(Note 2) The CAPEX plan for CY2012 consists of actual spending from Jan.1 to Mar.31, 2012 and the plan for Apr.1 to Dec.31. The depreciation cost for CY2012 is obtained by annualizing the depreciation plan for Apr.1 to Dec.31.

(Note 3) Aside from the above, ex-NHF implemented total JPY31M of CAPEX between Oct.1 and Dec. 31, 2011, while ex-JHR implemented JPY90M between Sep.1 and Dec.31, 2011.

## 2. CAPEX results and plans - 2/2

### Major CAPEX III in hotels with variable rents

( ): expenditures in million yen

	FP2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FP2012 Actual	FP2012 (New) Plan
old JHR	1st Period (From date of listing to 2006/8)	2nd Period (2006/9-2007/8)	3rd Period (2007/9-2008/8)	4th Period (2008/9-2009/8)	5th Period (2009/9-2010/8)	6th Period (2010/9-2011/8)	7th Period (2011/9-2012/3)	2012/4-2012/12
old NHF	-	2nd - 3rd Period (From date of listing to 2007/9)	4th - 5th Period (2007/10-2008/9)	6th - 7th Period (2008/10-2009/9)	8th - 9th Period (2009/10-2010/9)	10th - 11th Period (2010/10-2011/9)	12th Period (2011/10-2012/3)	
Kobe Meriken Park Oriental Hotel	• 12-13F Guest rooms (189) • Restaurant (51)	• 10-11F Guest rooms (222) • Restaurant pier (98)	• Brides room (68) • Banquet(46)	-	-	-	-	-
	Re-positioning project							
Oriental Hotel Tokyo Bay	• 9-10F Guest rooms (145) • Banquet (59)	• 7-8F Guest rooms (171) • Restaurant (58)	• 5-6F Guest rooms (210) • Lobby (60)	-	• Chapel (77) • 12F Guest rooms (135)	-	• Restaurant (79)	-
	Re-branding project							
Namba Oriental Hotel	• 7-8F Guest rooms (93)	• Restaurant (40)	-	-	• 4F Guest rooms and corridors on 4, 5 and 6F (20)	-	-	-
Hotel Nikko Alivila	• Suite rooms (32) • Restaurant (155)	-	• 3-8F Guest rooms (479)	• 1-6F South and West Guest Rooms (361)	-	-	-	-
Oriental Hotel Hiroshima	N/A	(Acquired in October 2007)	• 7-18F Guest rooms (347) • Tenant floor (23)	• 3F,4F Banquet (138)	-	• 3F Banquet and corner guest double rooms (21)	-	• 3F Chapel (9)
	Re-branding project							
Ibis Tokyo Shinjuku	N/A	-	-	-	-	-	-	• 2F Restaurant (42) • 3,5,7,9F Guest rooms (30) • Guest room FF&E (17)
	Re-branding project							

### 3. External growth strategy

#### Our view on external conditions

- Hotel investment market
  - Maturity of nonrecourse loans to hotels and recovery of hotel revenues from the aftermath of the earthquake disaster will narrow the gap between prices expected by buyers and sellers, gradually pushing up the volume of transactions. Scale of investment is on a rise because hotel investor base is expanding though still to a limited extent.
  - The above trend will continue and the hotel investment market is expected to be more active.

#### Basic policy

- ◆ To establish a portfolio that offers stable revenue as well as future growth.
- ◆ To build a well-balanced portfolio in terms of four key factors, namely, hotel grade, type, location, and mix of rent type (fixed / variable).

#### Measures

- We will determine which properties to purchase at what timing, by carefully monitoring their profitability and stability and financing environment.
- Will selectively acquire quality properties that have stability and mid-to-long term growth potential.
- After acquisitions, we will work with operators to boost internal growth.

- > Target at hotels that can attract domestic and international leisure customers which are expected to increase in the future.
- > Target at hotels that are competitive in physical and operational aspects as well as in location.
  - Mainly target at city hotels and resort hotels, which offer high entry barriers to competitors due to required management skills, capital, and location.
  - For business hotels, will focus on tenants' creditworthiness, building age, location, rooms mix and profitability.
  - For business hotels composed mainly of single rooms, we will be particularly selective.
- > Strategic investment areas
  - Central Tokyo, Osaka City, Kyoto City, Fukuoka City, Karuizawa, Hakone, Hokkaido, Okinawa, etc.



# 4. Financial strategy

## Basic policy

◆ To secure financial soundness and stability

## Measures

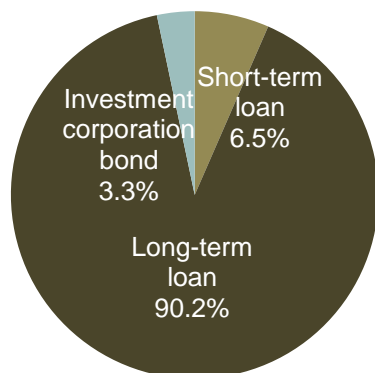
- Maintain conservative LTV at 35%-55%
- Control bank formation and enhance relationship with banks
- Diversify financing by, for example, issuing investment corporation bonds
- Obtain better rating
- Borrow in longer term and control borrowing cost
- Diversify loan maturity dates

## Sources of interest-bearing debts

(in million yen)

Sources	ex-NHF		ex-JHR		New JHR (right after merger)	
	Outstanding Amount	%	Outstanding Amount	%	Outstanding Amount	%
Sumitomo Mitsui Banking Corporation	6,963	32.4%	9,713	25.0%	16,676	27.6%
Mizuho Bank, Ltd.	-	-	7,119	18.3%	7,119	11.8%
The Norinchukin Bank	-	-	7,119	18.3%	7,119	11.8%
Shinsei Bank, Ltd.	2,673	12.4%	3,000	7.7%	5,673	9.4%
Resona Bank, Ltd.	3,564	16.6%	2,000	5.1%	5,564	9.2%
American Life Insurance Company	-	-	5,000	12.8%	5,000	8.3%
The Tokyo Star Bank, Ltd.	1,485	6.9%	3,000	7.7%	4,485	7.4%
Sumitomo Mitsui Trust and Bank, Ltd.	4,158	19.3%	-	-	4,158	6.9%
The Nomura Trust and Banking Co., Ltd.	990	4.6%	-	-	990	1.6%
Sompo Japan Insurance Inc.	891	4.1%	-	-	891	1.5%
The Chiba Bank, Ltd.	792	3.7%	-	-	792	1.3%
<b>Loans Total</b>	<b>21,516</b>	<b>100.0%</b>	<b>36,951</b>	<b>94.9%</b>	<b>58,467</b>	<b>96.7%</b>
1 <sup>st</sup> issue of unsecured investment corporate bonds (with limited inter-bond pari passu clause)	-	-	2,000	100.0%	2,000	100.0%
<b>Investment corporation bonds</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>5.1%</b>	<b>2,000</b>	<b>3.3%</b>
<b>Interest-bearing debts</b>	<b>21,516</b>	<b>100.0%</b>	<b>38,951</b>	<b>100.0%</b>	<b>60,467</b>	<b>100.0%</b>

## Interest-bearing debts

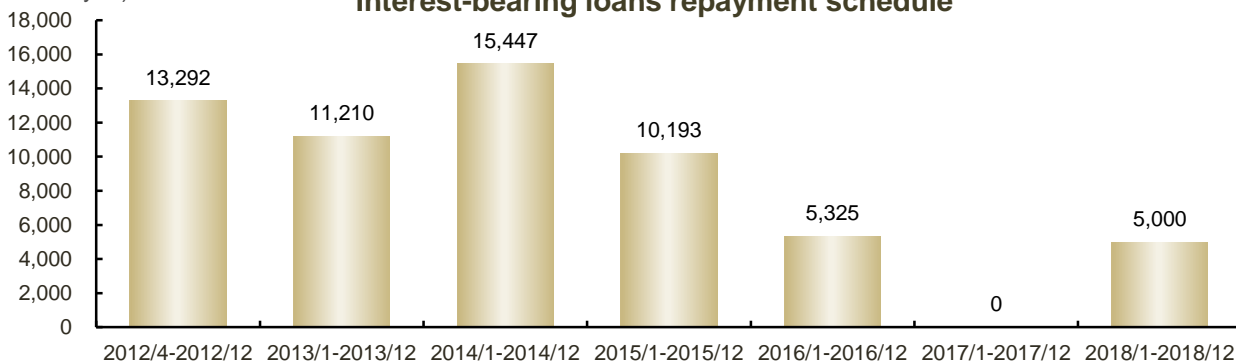


## Estimated LTV after merger

**46.3%**

Interest-bearing debts  
Estimated total assets  
(Note)  
as of Apr. 1, 2012

(in million yen)



(Note) For estimated total assets, please refer to the balance sheet on page 7.

### IR strategy

#### Basic policy

- ◆ To provide clear and timely disclosure of appropriate, accurate and continuous information
- ◆ To improve satisfaction of existing investors and attract new investors

#### Measures

- Continue annual dividend payouts and investor benefit program
- Continue monthly disclosure
- Enhance IR activities targeted at individual/foreign investors
- Continue and expand English disclosure

### Investor benefit program

#### Basic policy

- ◆ To continue the investor benefit program of ex-JHR

#### Measures

#### ➤ Launch date and eligible recipients

Every year starting 2013, the following discount coupons will be delivered to the investors holding 10 or more JHR units as at Jun.30.

#### ➤ Coupons

5 coupons for 50% room discount (from rack rate) and 5 coupons for 20% restaurant discount to be used in the following hotels:

- Kobe Meriken Park Hotel
- Oriental Hotel Tokyo Bay
- Namba Oriental Hotel
- Hotel Nikko Alivila
- Oriental Hotel Hiroshima



## **APPENDIX 1**

### **BASIC INFORMATION**

# 1. List of properties - 1/2

Code	Hotel	Type	Grade	Acquisition price (in million yen) (Note 1)	Book value (in million yen) (Note 2)	Appraisal value (in million yen) (Note 3)	CAP rate	Investment rate (Note 4)	Rent business revenue (in thousand yen) (Note 5)	Rent business income (in thousand yen) (Note 5)	NOI (in thousand yen) (Note 5)	Rent type (Note 6)	Age (years) (Note 7)	Operator	NOI yield (forecast) (Note 8)
M01	Hotel Nikko Alivila	Resort	Luxury	18,900	18,900	18,900	6.3%	15.5%	460,000	141,174	363,479	Variable	18.0	K.K. Hotel Management Japan	6.4%
M03	Kobe Meriken Park Oriental Hotel	City	Upper middle	10,900	10,900	10,900	6.3%	8.9%	665,443	207,449	458,858	Variable	16.8	K.K. Hotel Management Japan	6.6%
M04	Namba Oriental Hotel	City	Mid-priced	15,000	15,000	15,000	5.4%	12.3%	526,013	359,487	461,284	Variable	16.1	K.K. Hotel Management Japan	5.2%
M05	Oriental Hotel Tokyo Bay	City	Mid-priced	19,900	19,900	19,900	5.4%	16.3%	810,201	399,659	733,022	Variable	16.9	K.K. Hotel Management Japan	5.5%
M06	Oriental Hotel Hiroshima	City	Upper middle	4,100	4,100	4,100	8.0%	3.4%	253,946	126,523	222,306	Variable	18.6	K.K. Hotel Management Japan	9.5%
S01	Nara Washington Hotel Plaza	Business	Mid-priced	2,050	2,050	2,050	6.3%	1.7%	90,000	52,000	77,000	Fixed	12.1	Washington Hotel Corporation	6.6%
S02	Hakata Nakasu Washington Hotel Plaza	Business	Mid-priced	2,130	2,130	2,130	8.7%	1.7%	151,000	106,000	136,000	Fixed	17.1	Washington Hotel Corporation	10.3%
S03	Daiwa Roynet Hotel Akita	Business	Economy	1,760	1,760	1,760	6.6%	1.4%	80,000	38,000	71,000	Fixed	5.8	DAIWAROYAL Co., Ltd	6.5%
S04	Hakone Setsugetsuka	Resort	Mid-priced	4,070	4,070	4,070	6.4%	3.3%	171,853	117,589	170,459	Fixed	5.5	Kyoritsu Maintenance Co., Ltd.	6.6%
B01	Ibis Tokyo Shinjuku	Business	Mid-priced	7,243	7,330	5,270	5.2%	5.9%	140,033	65,830	85,975	Variable	31.6	Hoshi Investment GK	3.3%
B02	Pearl Hotel Kayabacho	Business	Economy	3,121	3,214	3,091	5.9%	2.6%	111,690	77,202	95,315	Fixed	31.2	Yuasa Funashoku Co., Ltd.	6.1%
B03	Dormy Inn Suidobashi	Business	Economy	1,120	1,084	994	5.8%	0.9%	42,000	30,226	35,942	Fixed	25.6	Kyoritsu Maintenance Co., Ltd.	6.4%
B04	Kamogawa Inn Nihombashi	Business	Economy	2,108	2,069	2,090	5.3%	1.7%	67,200	48,231	57,333	Fixed	15.0	The Kamogawa Grand Hotel, Ltd.	5.5%
B05	R&B Hotel Higashi-Nihombashi	Business	Economy	1,534	1,504	1,620	5.7%	1.3%	61,103	42,500	50,343	Fixed	14.1	Washington Hotel Corporation	6.9%
B06	Dormy Inn Asakusa	Business	Economy	999	966	904	5.3%	0.8%	31,997	20,722	26,261	Fixed	15.0	Kyoritsu Maintenance Co., Ltd.	5.2%
B07	Vista Hotel Kamata	Business	Economy	1,512	1,499	1,070	5.8%	1.2%	55,055	32,560	45,367	Fixed	20.2	Sun Vista Kabushiki Kaisha	5.2%
B08	Hotel Urbain Kamata Annex	Business	Economy	823	816	700	6.0%	0.7%	29,004	19,664	24,351	Fixed	8.9	Sun Vista Kabushiki Kaisha	4.7%
B09	Dormy Inn Namba	Business	Economy	1,270	1,229	1,080	6.5%	1.0%	43,860	28,257	37,594	Fixed	13.1	Kyoritsu Maintenance Co., Ltd.	5.9%

\* For notes, see the next page.



# 1. List of properties - 2/2

Code	Hotel	Type	Grade	Acquisition price (in million yen) (Note 1)	Book value (in million yen) (Note 2)	Appraisal value (in million yen) (Note 3)	CAP rate	Investment rate (Note 4)	Rent business revenue (in thousand yen) (Note 5)	Rent business income (in thousand yen) (Note 5)	NOI (in thousand yen) (Note 5)	Rent type (Note 6)	Age (years) (Note 7)	Operator	NOI yield (forecast) (Note 8)
B10	Hotel Sunroute Niigata	Business	Mid-priced	2,105	1,991	1,840	6.5%	1.7%	78,000	48,617	66,483	Fixed	19.6	Sunroute Co., Ltd.	6.4%
B11	Toyoko Inn Hakataguchi Ekimae	Business	Economy	1,652	1,579	1,910	6.3%	1.4%	70,519	51,872	62,578	Fixed	10.6	Toyoko Inn Co., Ltd.	7.6%
B12	Hotel Resol Sapporo Minaminiyou	Business	Economy	850	835	479	6.5%	0.7%	32,653	11,152	19,249	Variable	19.6	Resort Solution Co., Ltd.	4.5%
B13	R&B Hotel Ueno-Hirokoji	Business	Economy	1,720	1,751	1,600	5.2%	1.4%	48,647	33,894	40,204	Fixed	10.0	Washington Hotel Corporation	4.7%
B14	Hotel Vista Hashimoto	Business	Economy	1,510	1,556	1,020	6.6%	1.2%	42,244	27,457	35,018	Fixed	25.3	Vista Hotel Management Co., Ltd.	4.8%
B15	Comfort Hotel Shin Yamaguchi	Business	Economy	866	839	807	6.7%	0.7%	30,266	17,465	24,771	Fixed	4.6	Greens Co., Ltd.	5.7%
B16	The Millennia Hotel Matsuyama	Business	Economy	1,352	1,393	691	6.5%	1.1%	36,638	12,295	26,304	Fixed	21.0	Fine Resort Co., Ltd.	3.8%
B17	Comfort Hotel Tokyo Higashi-Nihombashi	Business	Economy	3,746	3,774	4,130	5.9%	3.1%	135,057	114,450	132,423	Fixed	4.2	Greens Co., Ltd.	6.2%
B18	Dormy Inn Kumamoto	Business	Mid-priced	2,334	2,375	2,530	6.9%	1.9%	97,230	75,291	95,655	Fixed	4.2	Kyoritsu Maintenance Co., Ltd.	7.3%
R01	The Beach Tower Okinawa	Resort	Mid-priced	7,610	7,256	7,070	6.0%	6.2%	255,508	170,439	230,721	Fixed	8.0	Kyoritsu Maintenance Co., Ltd.	6.1%
Total (or Average)		-	-	122,285	121,878	117,706		100.0%				-	16.3	-	6.0%

(Note 1) For properties M01 – M06 and S01 – S04, which are inherited from ex-JHR, values are the estimated acquisition prices (reappraisal values) adopted by new JHR at the time of merger. For properties from B01 - B18 and R01, values are the purchase prices stated on the purchase agreement, etc., excluding other related costs such as commission to agents, taxes and public dues, etc., and are rounded down to million yen units.

(Note 2) As at Mar. 31, 2012. For properties M01 – M06 and S01 - S04, values are the estimated acquisition prices (reappraisal values) adopted by new JHR at the time of merger.

(Note 3) As at Mar. 31, 2012. Note that, for properties M01 – M06 and S01 – S04, values are the reappraisal values at the time of merger.

(Note 4) "Investment ratio" shows the ratio of each property in total portfolio in terms of acquisition price, which is rounded off to one decimal place.

(Note 5) For properties M01 – M06 and S01 – S04, figures are actual performance for 7 months from Sep.1, 2011 to Mar.31, 2012. For properties B01 – B18 and R01, figures are actual performance for 6 months from Oct.1, 2011 to Mar.31, 2012. For properties S01 to S03, the figures are rounded down to million yen units, since their lessee does not agree to a disclosure in thousand yen units.

(Note 6) For properties B07 and B08, rent system is planned to be changed to variable rent from Jul. 1, 2012. For details of variable-rent system, see next page.

(Note 7) "Average" of "Age" is a weighted average in which acquisition price of each property is multiplied by its age before being aggregated and divided by the total acquisition price of all properties in the portfolio.

(Note 8) "NOI yield (forecast)" is based on the annualized NOI indicated in P6, "Earnings Forecast".



## 2. Variable rent system

### Properties currently operating with variable rents

	Lessee	Annual fixed rent	Variable rent	CAPEX to be borne by new JHR
HMJ 5 hotels <sup>(Note 1)</sup>	K.K. Hotel Management Japan (HMJ)	JPY 3,221 M	[Total GOP of 5 hotels <sup>(Note 2)</sup> - Base GOP (JPY 3,351M / annum) <sup>(Note 3)</sup> ] x 81.5%	Repair and replacement of equipment (Capex I), Furniture, Fixture, Equipment (Capex II) and Strategic renovation (Capex III)
Kobe Meriken Park Oriental Hotel				
Oriental Hotel Tokyo Bay				
Namba Oriental Hotel				
Hotel Nikko Alivila				
Oriental Hotel Hiroshima				
Ibis Tokyo Shinjuku	Hoshi Investment GK	N/A <sup>(Note 4)</sup>	Monthly GOP - (management contract fee to be paid to the hotel operator + JPY150,000)	Same as above
Hotel Resol Sapporo Minaminijyou	Resort Solution Co., Ltd	JPY 65M <sup>(Note 5)</sup>	Total revenue x a% <sup>(Note 5)</sup> - fixed rent	Repair and replacement of equipment (Capex I) only

### Properties planned to operate with variable rents (from Jul. 1, 2012)

	Lessee (Planned)	Annual fixed rent	Variable rent	CAPEX to be borne by new JHR
Vista Hotel Kamata	Sun Vista Kabushiki Kaisha	JPY 93M <sup>(Note 6)</sup>	Total revenue x 32.5% - fixed rent	Repair and replacement of equipment (Capex I) only
Hotel Urbain Kamata Annex <sup>(Note 7)</sup>	Solare Hotels and Resorts Co., Ltd. <sup>(Note 7)</sup>	N/A	Monthly GOP x 85%	Repair and replacement of equipment (Capex I), Furniture, Fixture, Equipment (Capex II) and Strategic renovation (Capex III)

(Note 1) In this material, Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, Oriental Hotel Hiroshima are collectively called "HMJ 5 Hotels".

(Note 2) GOP(Gross Operating Profit) here refers to the total of departmental profits minus undistributed operating expenses.

(Note 3) For the first fiscal period after merger, the base GOP for HMJ 5 Hotels is JPY2,513M, which is obtained by multiplying JPY3,351 by 9/12.

(Note 4) This hotel operates on variable-rent basis but other tenants of the same property pay fixed rent of JPY100M per annum in total.

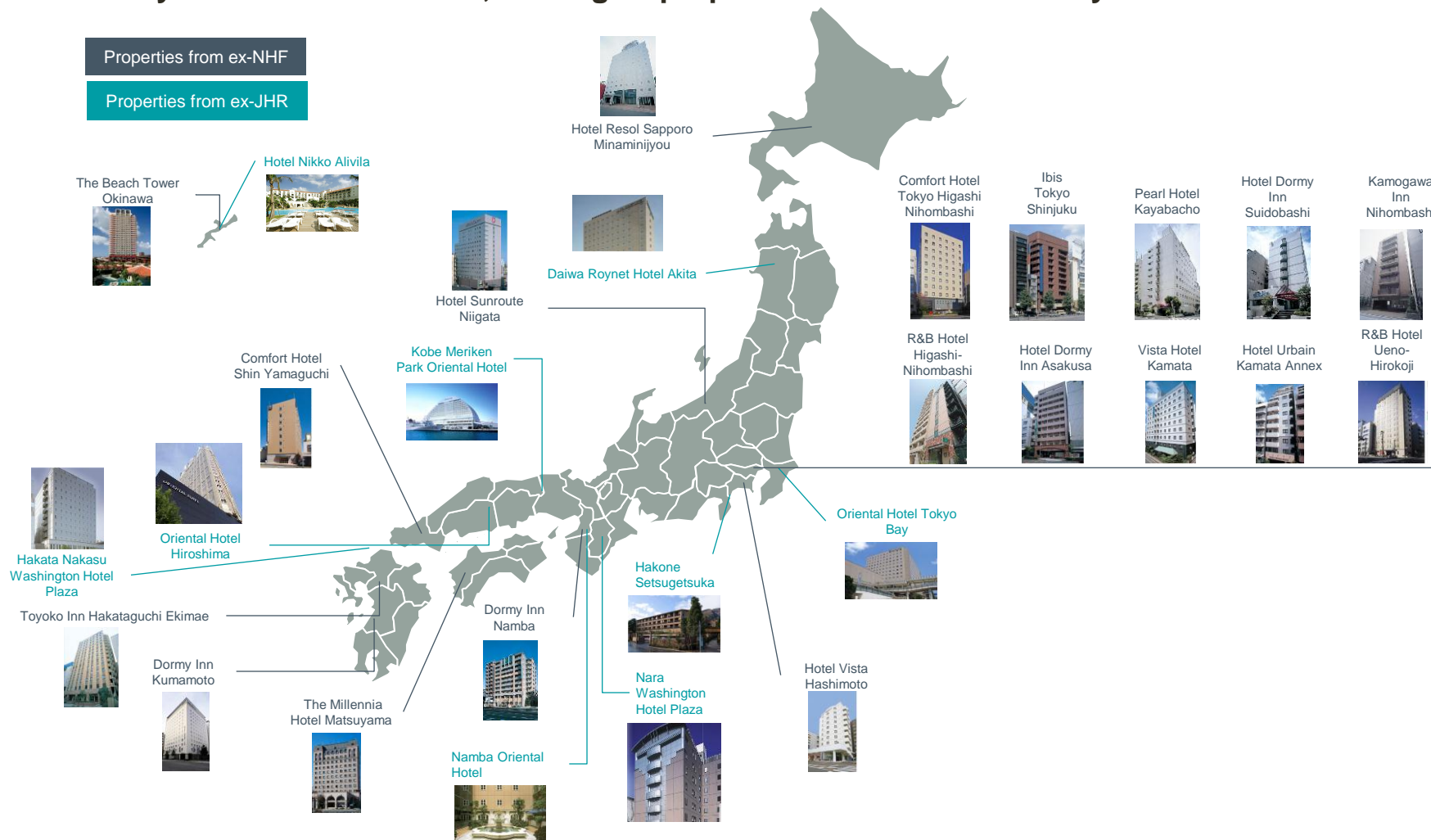
(Note 5) The rent from this property is linked to revenue. The minimum guaranteed rent for each year from Apr. 1 to Mar. 31 is set to JPY65M. If the revenue-linked rent is below JPY65M, the lessee will pay the balance. Note that the percentage of rent in revenue is not disclosed since the lessee does not agree to such disclosure.

(Note 6) After Jul. 1, 2012, the hotel is planned to pay monthly fixed rent of JPY7,794,000 (JPY93 M / annum) plus revenue-linked rent. If 32.5% of the hotel revenue from Jan. 1 to Dec. 31 each year is above the fixed rent, then the hotel will pay the balance. Please note that for 2012, the rent will be computed for the period from Jul. 1 to Dec. 31.

(Note 7) After Jul. 1, 2012, the lessee of this property is planned to change from Sun Vista Kabushiki Kaisha to Solare Hotels and Resorts Co., Ltd, and the name of the hotel is planned to change to Chisun Inn Kamata.

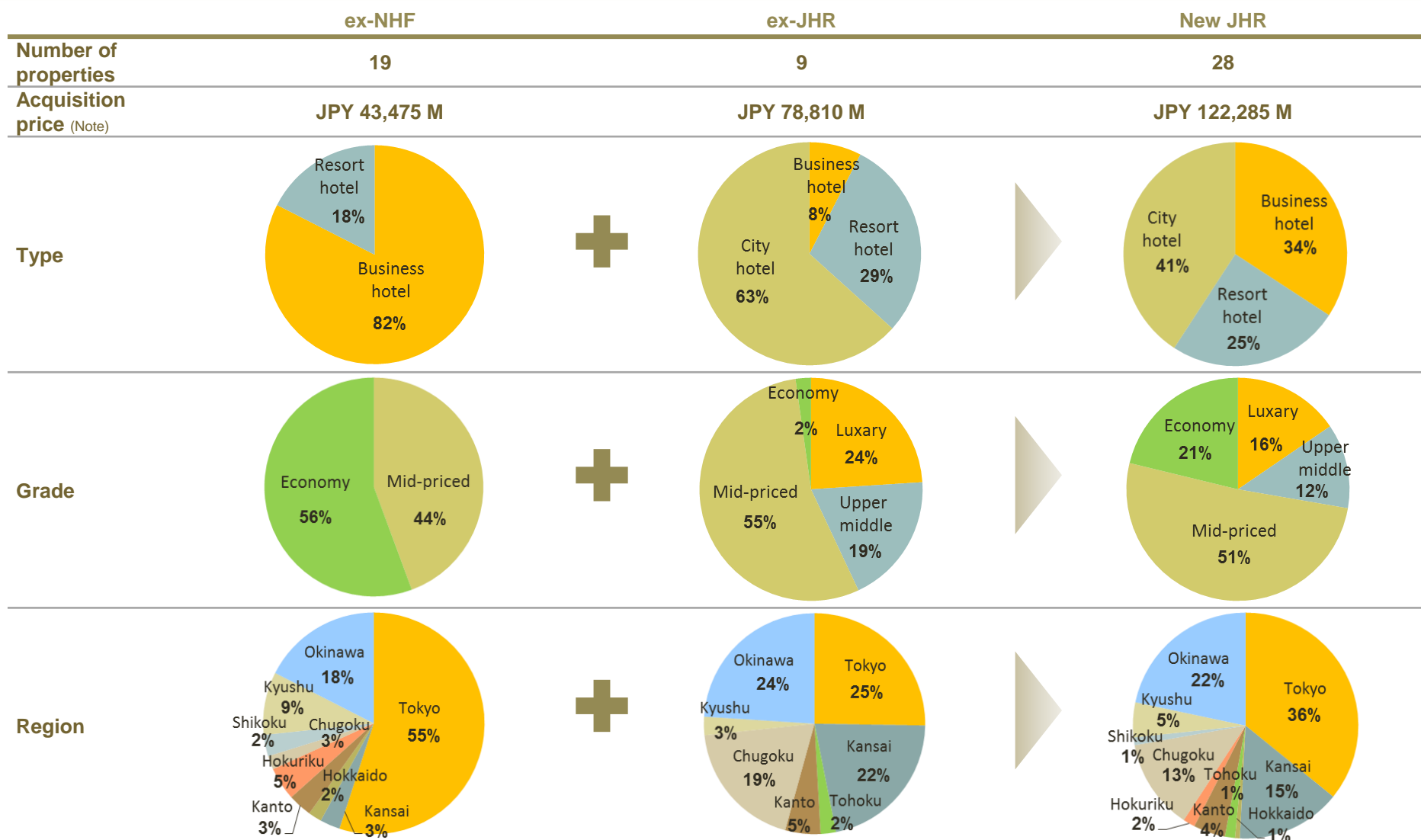
### 3. Portfolio map

We are the only hotel-focused J-REIT, holding 28 properties worth 122.2 billion yen in total. Note<sup>1</sup>



(Note 1) This is the total value of new JHR properties based on acquisition prices. For properties of ex-JHR, the prices are the reappraisal values that new JHR adopted at the time of merger.

## 4. Portfolio diversification



(Note) The acquisition prices of ex-JHR properties show the reappraisal values that new JHR adopted at the time of merger.

# 5. Properties - 1/6

Hotel Nikko Alivila



Location Yomitanson, Nakagami-gun, Okinawa

No. of rooms 396

Year built Apr. 1994

Map



The Beach Tower Okinawa



Location Chatan-cho, Nakagami-gun, Okinawa

No. of rooms 280













Year built Mar. 2004 / Jun. 2005 / May. 2006 (extension)

Map




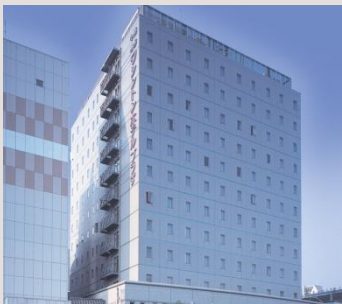








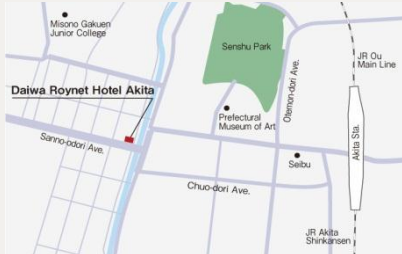



# 5. Properties - 2/6















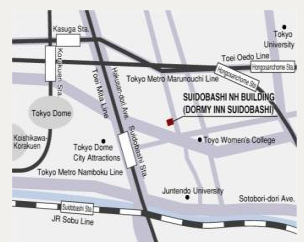



	Kobe Meriken Park Oriental Hotel	Oriental Hotel Tokyo Bay	Namba Oriental Hotel	Oriental Hotel Hiroshima
Exterior				
Interior				
Location	Chuo-ku, Kobe City	Urayasu City, Chiba	Chuo-ku, Osaka City, Osaka	Hiroshima City, Hiroshima
No. of rooms	319	503	257	227
Year built	Jul. 1995 / Jun. 2001	May 1995	Mar. 1996	Sep. 1993 / Sep. 2006 (extension)
Map				



# 5. Properties - 3/6

	Nara Washington Hotel Plaza	Hakata Nakasu Washington Hotel Plaza	Daiwa Roynet Hotel Akita	Hakone Setsugetsuka
Exterior				
Interior				
Location	Nara Ciity, Nara	Hakata-ku, Fukuoka City, Fukuoka	Akita City, Akita	Hakone-machi, Ashigarashimo-gun, Kanagawa
No. of rooms	204	247	221	158
Year built	Mar. 2000	Mar. 1995	Jun. 2006	Oct. 2006
Map				

# 5. Properties - 4/6













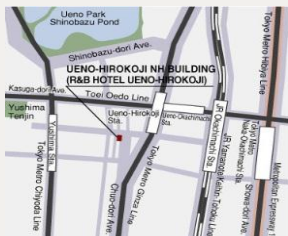





	Ibis Tokyo Shinjuku	Pearl Hotel Kayabacho	Dormy Inn Suidobashi	Kamogawa Inn Nihombashi	R&B Hotel Higashi-Nihombashi	Dormy Inn Asakusa
Exterior						
Interior						
Location	Nishi-Shinjuku, Shinjuku-ku, Tokyo	Shinkawa, Chuo-ku, Tokyo	Hongo, Bunkyo-ku, Tokyo	Nihonbashi-honcho, Chuo-ku, Tokyo	Higashi Hihonbashi, Chuo-ku, Tokyo	Nanakawado, Taito-ku, Tokyo
No. of rooms	206	268	99	164	203	77
Year built	Sep. 1980	Jan. 1981	Aug. 1986 / Sep.1989 (extension)	Mar. 1997	Mar.1998	Mar.1997
Map						



# 5. Properties - 5/6

	Vista Hotel Kamata	Hotel Urbain Kamata Annex	Dormy Inn Namba	Hotel Sunroute Niigata	Toyoko Inn Hakataguchi Ekimae	Hotel Resol Sapporo Minaminiyoi
Exterior						
Interior						
Location	Nishi-kamata, Ohta-ku, Tokyo	Kamata, Ohta-ku, Tokyo	Naniwa-ku, Osaka City, Osaka	Chuo-ku, Niigata City, Niigata	Hakata-ku, Fukuoka City, Fukuoka	Chuo-ku, Sapporo City, Hokkaido
No. of rooms	106	70	105	231	257	116
Year built	Jan. 1992	Apr. 2003	Feb. 1999	Aug. 1992	Sep. 2001	Aug. 1992
Map						

# 5. Properties - 6/6

	R&B Hotel Ueno-Hirokoji	Hotel Vista Hashimoto	Comfort Hotel Shin Yamaguchi	The Millenia Hotel Matsuyama	Comfort Hotel Tokyo Higashi-Nihombashi	Dormy Inn Kumamoto
Exterior						
Interior						
Location	Ueno, Taito-ku, Tokyo	Midori-ku, Sagami-hara City, Kanagawa	Yamaguchi City, Yamaguchi	Matsuyama City, Ehime	Nihonbashi-bakurocho, Chuo-ku, Tokyo	Kumamoto City, Kumamoto
No. of rooms	187	99	139	138	259	294
Year built	Apr. 2002	Dec. 1986	Aug. 2007	Mar. 1991	Jan. 2008	Jan. 2008
Map						





## **APPENDIX 2 HOTEL PERFORMANCE**

# 1. HMJ 5 hotels performance in latest 12 months

(in million yen)

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	12 months Apr.- Mar.	6 months Oct. - Mar.	
2011/2012	1,296	1,640	1,387	1,940	2,282	1,727	1,974	1,904	1,876	1,402	1,416	1,935	20,780	10,507	
Year-on-year	Vs. previous year	-21.7%	-16.4%	-11.8%	1.6%	-4.2%	-1.6%	-0.6%	10.2%	7.2%	-4.4%	1.9%	44.3%	-0.5%	8.8%
	Vs. two years ago	-18.6%	-10.3%	-4.5%	1.7%	0.5%	2.1%	2.6%	1.1%	7.0%	0.4%	-3.1%	5.0%	-1.1%	2.4%
2010/2011	1,655	1,961	1,572	1,910	2,382	1,755	1,986	1,727	1,749	1,466	1,390	1,341	20,894	9,659	
2009/2010	1,593	1,829	1,452	1,907	2,271	1,692	1,924	1,882	1,753	1,396	1,462	1,843	21,003	10,259	



The demand for the hotels has gradually recovered from the impact of the earthquake disaster after Oct. 2011 especially among leisure customers. Though the most recent 12-month (Apr.1, 2011 to Mar.31, 2012) revenue was lower than that of one year or two years before, the most recent 6-month (Oct. 1,2011 to Mar. 31, 2012) revenue was better than that of the same period one year or two years before.

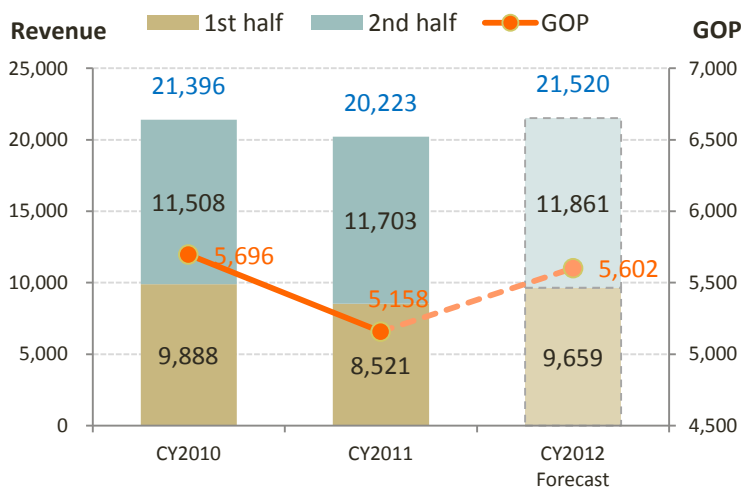
By department, rooms revenue was better than that of one year or two years before in terms of both 12-month and 6-month comparisons, thanks to easing impact of the earthquake disaster and sales enhancement efforts. The food & beverage department suffered intensifying competition with other wedding facilities, but the drop in revenue was kept to a minimum thanks to the easing impact of the earthquake disaster, hotel's efforts to enhance sales of general banquets and increased revenue of restaurants following a recovery of occupancy rates.

## 2. HMJ 5 hotel performance highlights – as a portfolio

### All HMJ 5 hotels (total) (Note)

#### Revenue and GOP

(in million yen)



#### Other performance indicators

	CY2010	CY2011	CY2012 (Forecast)
Occupancy rate	80.4%	76.7%	81.7%
ADR (yen)	15,980	15,846	16,343
RevPAR (yen)	12,845	12,160	13,351
GOP (million yen)	5,696	5,158	5,602
GOP ratio	26.6%	25.5%	26.0%

#### CY2011 revenue (actual)

- Full-year revenue was down year-on-year by JPY1,173M or 5.5%.
- In the first half of the year, hotel operations were affected by fallen demand in the wake of the Great East Japan Earthquake (hereinafter, "the earthquake disaster") and temporary closure of Tokyo Disney Resort. Though the hotel made efforts to attract customers who evacuated or switched destination from Kanto region so that the negative effect of the earthquake disaster could be kept to a minimum, both occupancy rate and ADR dropped, resulting in a decrease of rooms revenue by JPY605M, or 16.5% year on year. Food & beverage revenue was also down from the previous year by JPY684M or 13.4% as the number of restaurant customers dropped after the earthquake disaster and the competition with other wedding facilities intensified, though the opening of the 2<sup>nd</sup> chapel in Hotel Nikko Alivila brought additional revenue. Overall, hotels revenue was down by JPY1,368M or 13.8% from the previous year.
- In the latter half, the demand recovered from the aftermath of the earthquake disaster especially among leisure customers, boosting both occupancy rate and ADR. As a result, rooms revenue was up by JPY141M or 2.8% year on year. Food & beverage revenue was also up year on year by JPY22M or 0.4% because the number of general banquets increased thanks to hotels' sales efforts. Overall, hotels' revenue was JPY195M or 1.7% up year on year.

#### CY2012 revenue (forecast)

- Full-year revenue is expected to increase by JPY1,297M or 6.4% year on year. Note that actual performance from Jan. 1 to Mar. 31, 2012 showed a year-on-year improvement of revenue by JPY556M or 13.3%.
- In the first half of the year, both occupancy rate and ADR are expected to improve as the demand especially among leisure customers will recover from the aftermath of the earthquake disaster. As a result, rooms revenue is expected to increase by JPY 754M or 24.7%. Food & beverage revenue is expected to go up by JPY382M or 8.6% because restaurant revenue will increase driven by improved occupancy rate, and revenue from general and wedding banquets will also increase as a result of hotel's efforts to enhance their sales system. Overall, hotels revenue is expected to increase by JPY 1,138M or 13.4% year on year.
- In the latter half, rooms revenue is expected to improve by JPY82M or 1.6% year on year as the impact of the earthquake disaster will further ease and ADR will improve. Food & beverage revenue is expected to increase by JPY 171M or 3.3% year on year because the number of restaurant customers as well as the number of general and wedding banquets will be boosted as a result of hotels' efforts. Overall, hotels revenue is expected to increase by JPY 158M or 1.4%.

#### CY2012 GOP (forecast)

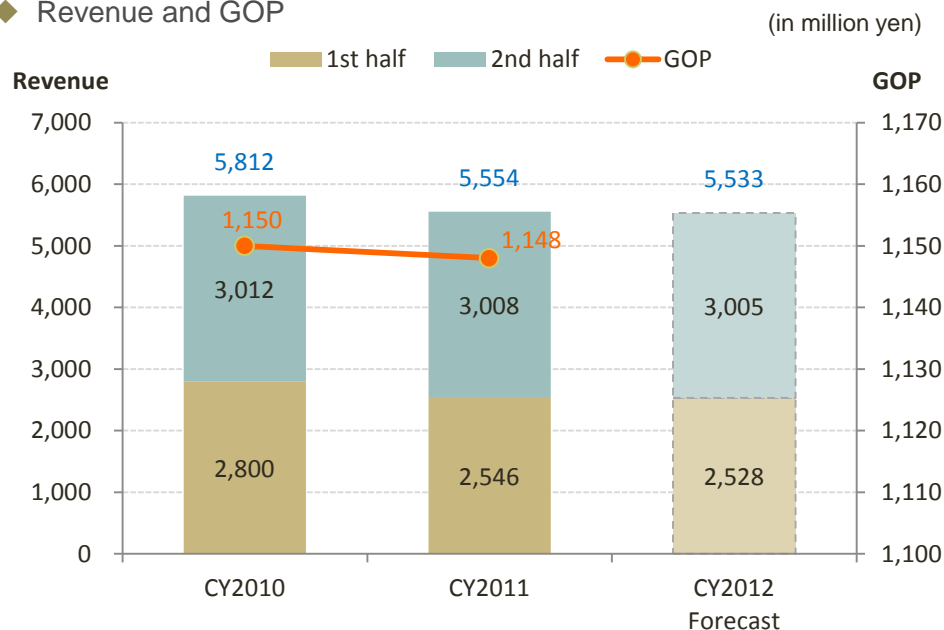
- GOP is expected to increase by JPY 444M or 8.6% year on year.
- GOP rate is also expected to improve from 25.5% in CY2011 to 26.0% in CY2012, as revenue and profitability of each department will improve as a result of easing effect of the earthquake disaster, personnel cost reduction through improved personnel positioning, and operational cost reduction through re-examining of supplies.
- [Reference] When compared with CY2010, full-year revenue in CY2012 is expected to increase by JPY124M or 0.6%, but GOP is expected to drop by JPY94M or 1.7%. The reason why GOP may drop despite a rise in revenue is that Oriental Hotel Tokyo Bay spent on improvement of management, Hotel Nikko Alivila saw an increase in personnel cost, and because Namba Oriental Hotel will receive reduced rents from some tenants in CY2012, whereas the hotel had extra revenue from tenant cancellation fee and penalty in CY2010.

(Note) Revenue, GOP and other performance data have been provided by the lessee. The figures for CY2012 are forecast figures and the actual performance may differ from the forecast, subjected to many factors. (The same applies for the forecast of each hotel.)

### 3. HMJ 5 hotel performance highlights – individual hotels

#### Kobe Meriken Park Oriental Hotel

##### ◆ Revenue and GOP



##### ◆ Other performance indicators

	CY2010	CY2011
Occupancy rate	81.3%	76.5%
ADR (yen)	13,564	14,645
RevPAR (yen)	11,027	11,197
GOP (million yen)	1,150	1,148
GOP ratio	19.8%	20.7%

##### CY2011 revenue (actual)

- Full-year revenue was down by JPY 258M or 4.4% from the previous year.
- Rooms revenue was up by JPY 21M or 1.5% from the previous year because the hotel attracted disaster evacuees and school tourists switching destination from eastern Japan though the hotel was also negatively affected by the earthquake disaster that took place in the first half of the year.
- Food & beverage revenue was down by JPY 289M or 7.1% despite the record-high revenue in general banquets brought by the sales effort to attract new customers, because wedding banquets were negatively affected by the intensifying competition with other wedding facilities in spite of the hotel's effort to enhance its sales system.

##### CY2012 revenue (forecast)

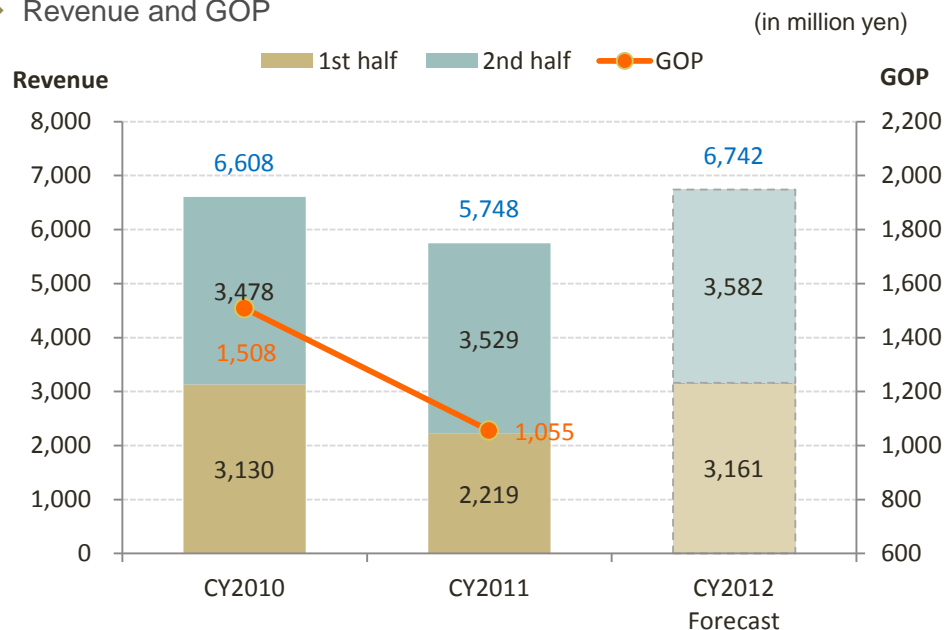
- Full-year revenue is expected to drop by JPY 21M or 0.4% from the previous year. Note that actual performance from Jan.1 to Mar.31, 2012 showed a year-on-year improvement of revenue by JPY49M or 4.2%.
- Rooms revenue is expected to increase by JPY 21M or 1.5% year on year thanks to the hotel's efforts to expand sales channels.
- In food & beverage department, the number of general banquets is expected to increase thanks to the hotel's ongoing sales effort and the number of restaurant customers will also increase as a result of improved occupancy rate and promotional activities such as events. However, revenue is expected to decrease by JPY54M or 1.4% year on year, because the sales from wedding banquets will suffer intensifying competition with other wedding facilities, though the hotel will continue its sales efforts as in the previous year.



### 3. HMJ 5 hotel performance highlights – individual hotels

#### Oriental Hotel Tokyo Bay

##### ◆ Revenue and GOP



##### ◆ Other performance indicators

	CY2010	CY2011
Occupancy rate	90.2%	78.7%
ADR (yen)	16,583	15,941
RevPAR (yen)	14,950	12,542
GOP (million yen)	1,508	1,055
GOP ratio	22.8%	18.3%

#### CY2011 revenue (actual)

- Full-year revenue was up by JPY 860M or 13.0% year on year.
- Rooms revenue dropped in the first half of the year by JPY531M or 40.1% year on year, affected by the earthquake disaster and the temporary closure of Tokyo Disney Resort. In the latter half, rooms revenue went up by 46M or 2.7% year on year thanks to easing effect of the earthquake disaster and 10<sup>th</sup> anniversary of Tokyo Disney Sea. In full year term, rooms revenue dropped by JPY484M or 16.1% from the previous year.
- Food & beverage revenue was down in the first half of the year by JPY 339M or 21.9%, affected by the earthquake disaster. In the latter half, food & beverage revenue dropped year on year because restaurant revenue decreased as a result of fewer customers taking evening meals and sales focus on more affordable accommodation plans without breakfast, though the revenue from wedding banquets was better than the previous year thanks to improved sales per customer. Full-year revenue of food & beverage was down by JPY 377M or 12.3% year on year.

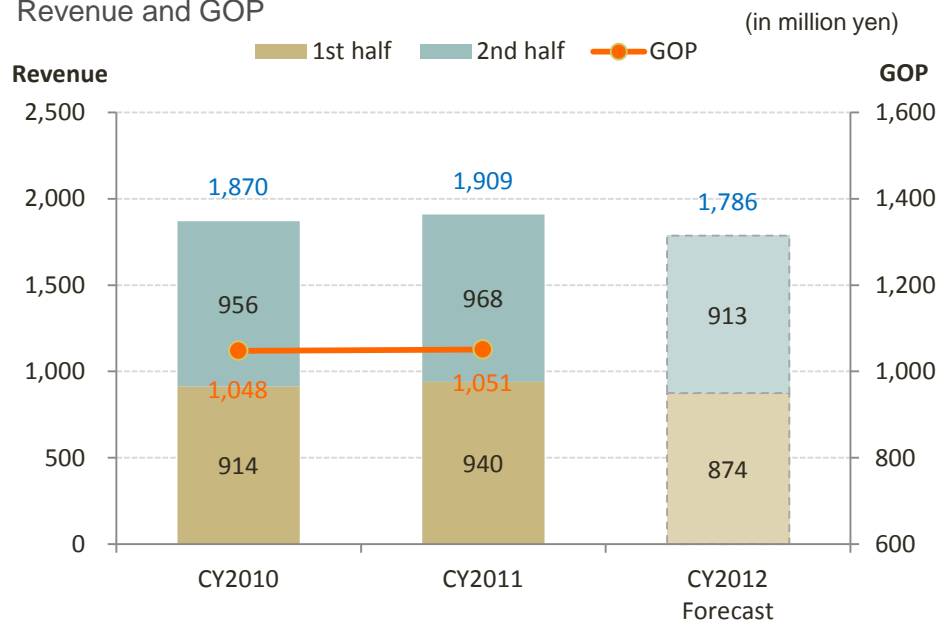
#### CY2012 revenue (forecast)

- Full-year revenue is expected to increase by JPY994M or 17.3% year on year. Note that actual performance from Jan.1 to Mar.31, 2012 showed a year-on-year improvement of revenue by JPY381M or 30.9%.
- Rooms revenue is expected to increase by JPY655M or 25.9% year on year because the previous year suffered the impact of the earthquake disaster and closure of Tokyo Disney Resort and also because ADR improved in CY2012.
- Food & beverage revenue is expected to increase by JPY411M or 15.3% partly because the previous year suffered the earthquake disaster and also because restaurant revenue will be boosted by renovation and operational improvement in Mihama, a Japanese restaurant inside the hotel, and the number of wedding banquets may increase thank to sales enhancement.

### 3. HMJ 5 hotel performance highlights – individual hotels

#### Namba Oriental Hotel

##### ◆ Revenue and GOP



##### ◆ Other performance indicators

	CY2010	CY2011
Occupancy rate	81.6%	87.3%
ADR (yen)	9,677	10,250
RevPAR (yen)	7,899	8,949
GOP (million yen)	1,048	1,051
GOP ratio	56.0%	55.1%

##### CY2011 revenue (actual)

- Full-year revenue was up by JPY39M or 2.1% year on year.
- Rooms revenue was up by JPY108M or 13.3% as a result of the hotel's efforts to attract evacuees from disaster-affected eastern Japan, though the number of foreign customers dropped following the earthquake disaster which took place in the first half of the year.
- Food & beverage s dropped by JPY10M or 6.5% year on year since the number of customers, especially foreign customers, dropped after the earthquake disaster.
- Tenant revenue was down by JPY73M or 8.6% year on year, because the tenant cancellation fee and penalty were recorded in CY2010 and some tenant agreements were revised in CY2011.

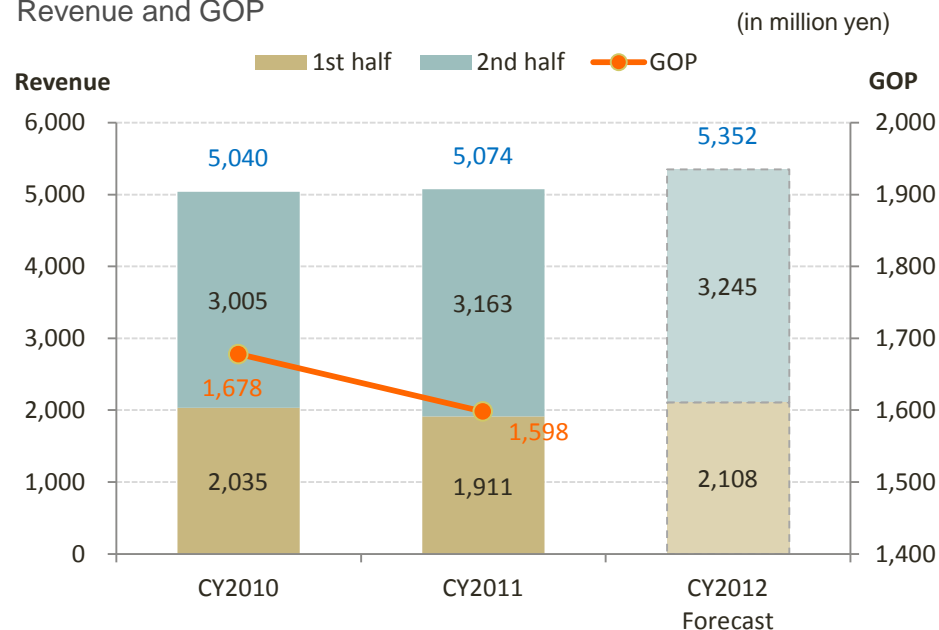
##### CY2012 revenue (forecast)

- Full-year revenue is expected to drop by JPY122M or 6.4% year on year. Note that actual performance from Jan.1 to Mar.31, 2012 showed a year-on-year drop by JPY17M or 3.7%.
- Rooms revenue is expected to drop by JPY77M or 8.4% because the evacuation demand will lessen, though the hotel will try to boost sales by expanding its line of accommodation packages.
- Food & beverage revenue is expected to go up by JPY9M or 6.4% because the number of customers will be boosted by sales promotion to travel agents, though occupancy rate may go down.
- Tenant revenue is expected to go down by JPY39M or 4.9% as a result of the revision in some tenant agreements, though some of the revisions may generate cancellation fee income.

### 3. HMJ 5 hotel performance highlights – individual hotels

#### Hotel Nikko Alivila

##### Revenue and GOP



##### Other performance indicators

	CY2010	CY2011
Occupancy rate	72.2%	73.2%
ADR (yen)	25,800	24,934
RevPAR (yen)	18,634	18,243
GOP (million yen)	1,678	1,598
GOP ratio	33.3%	31.5%

##### CY2011 revenue (actual)

- Full-year revenue was up by JPY34M or 0.7% year on year.
- Rooms revenue was down by 60M or 2.0% year on year, as the number of visitors to Okinawa dropped in the first half of the year after the earthquake disaster and many cancellation occurred due to a powerful typhoon that hit the islands in August.
- Food & beverage revenue was up by JPY102M or 6.4% year on year, as a result of the 2<sup>nd</sup> chapel and other wedding facilities newly opened in the first half of the year bringing additional revenue, though the revenue from general banquets was negatively affected by the earthquake disaster.

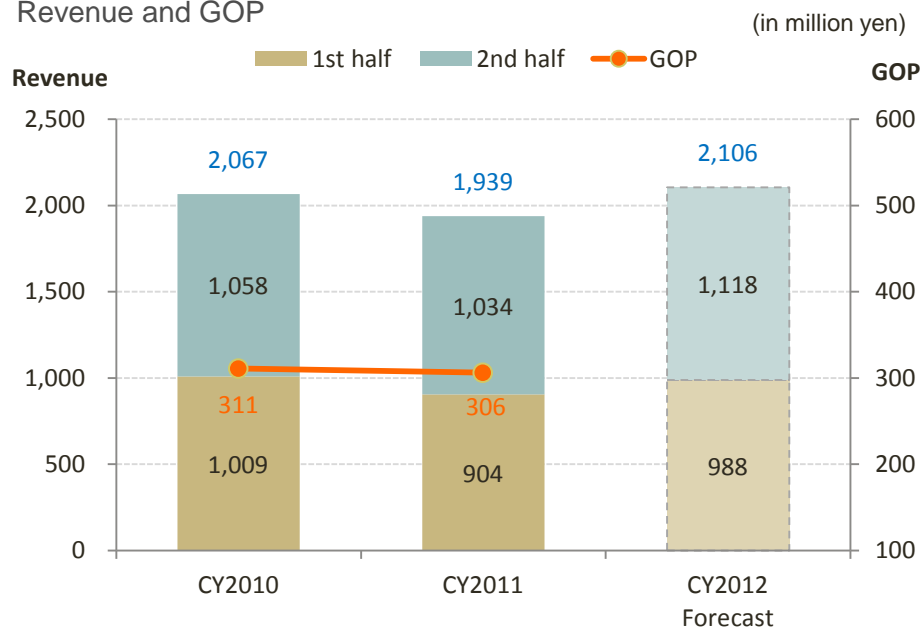
##### CY2012 revenue (forecast)

- Full-year revenue was up by JPY279M or 5.5% year on year. Note that actual performance from Jan.1 to Mar.31, 2012 showed a year-on-year increase of revenue by JPY96M or 10.7%.
- Rooms revenue is expected to go up by JPY182M or 6.3% year on year as the effect of the earthquake disaster will ease and the government's tourism promotion will raise the level of demand, while the hotel will work to enhance its sales via a new web agent and existing travel agents. The 2<sup>nd</sup> chapel that opened in 2011 will also bring additional demand.
- Food & beverage revenue is expected to increase by JPY67M or 3.9% as the easing effect of the earthquake disaster will push up the occupancy rate.

### 3. HMJ 5 hotel performance highlights – individual hotels

#### Oriental Hotel Hiroshima

##### Revenue and GOP



##### Other performance indicators

	CY2010	CY2011
Occupancy rate	70.3%	67.1%
ADR (yen)	8,876	8,479
RevPAR (yen)	6,240	5,692
GOP (million yen)	311	306
GOP ratio	15.1%	15.8%

##### CY2011 revenue (actual)

- Full-year revenue was down by JPY 129M or 6.2% year on year.
- Rooms revenue was down by JPY 50M or 8.8% year on year because daily rates decreased due to intensified price competition and slower demand after the earthquake disaster.
- Food & beverage revenue was down by JPY 88M or 6.1% since the number of wedding banquets was affected by new competitors entering the market, though the number of general banquets rose thanks to the hotel's sales efforts in response to the impact of the earthquake disaster.

##### CY2012 revenue (forecast)

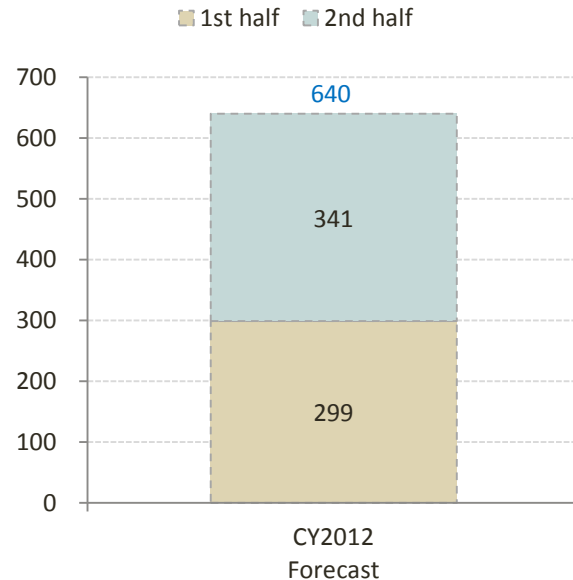
- Full-year revenue is expected to increase by JPY167M or 8.6% year on year. Note that actual performance from Jan. 1 to Mar. 31, 2012 showed a year-on-year improvement of revenue by JPY 47M or 10.7%.
- Rooms revenue is expected to increase by JPY55M or 10.7% thanks to the government's tourism promotion, recovery of demand from the impact of the earthquake disaster among leisure customers, and the hotel's efforts to expand sales channels to bring in group tourists.
- Food & beverage revenue is expected to increase by JPY120M or 9.0% as the number of general and wedding banquets may increase thanks to the renovation of banquet rooms on the 3<sup>rd</sup> and 23<sup>rd</sup> floors implemented in Apr. and Aug. 2011, as well as a sales enhancement program launched in the previous year.



## 4. Ibis Tokyo Shinjuku performance highlights

### ◆ Revenue

(in million yen)



### CY2012 revenue (forecast)

- Full-year revenue is expected at JPY640M. Note that actual revenue from Jan.1 to Mar.31, 2012 was JPY153M.
- The hotel was re-branded as Ibis Tokyo Shinjuku under the new operator, Accor group, in November, 2011. The operator will work to raise occupancy rate and ADR by attracting not only domestic business and leisure customers but also inbound travelers by utilizing its own network and promoting the hotel to overseas agents.

### ◆ Other performance indicators

	Nov. 2011	Dec. 2011	Jan. 2012	Feb. 2012	Mar. 2012
Revenue (million yen)	44	51	44	53	55
Occupancy rate	72.4%	80.8%	75.4%	84.9%	89.6%
ADR (yen)	9,013	9,084	8,408	9,645	8,976
RevPAR (yen)	6,525	7,342	6,342	8,187	8,041

# 5. HMJ 5 hotels performance indicators - 1/3

## 5 Hotels Total

		Jan.	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec.	Total
Revenue (million yen)	2010	1,396	1,462	1,843	1,655	1,961	1,572	1,910	2,382	1,755	1,986	1,727	1,749	21,396
	2011	1,466	1,390	1,341	1,296	1,640	1,387	1,940	2,282	1,727	1,974	1,904	1,876	20,223
	2012	1,402	1,416	1,935										
Occupancy rate	2010	66.1%	76.2%	80.8%	80.1%	79.3%	78.6%	81.9%	91.5%	87.9%	86.1%	79.6%	76.2%	80.4%
	2011	74.6%	75.8%	61.3%	52.6%	69.2%	72.0%	82.3%	90.4%	87.3%	88.0%	86.3%	80.7%	76.7%
	2012	72.3%	80.2%	84.9%										
ADR (yen)	2010	12,971	11,870	15,846	13,518	16,494	13,104	19,105	25,288	15,745	15,203	13,833	16,063	15,980
	2011	12,912	12,213	14,091	14,006	14,926	12,328	18,983	25,157	16,284	15,240	13,705	16,731	15,846
	2012	12,907	11,693	16,093										
RevPER (yen)	2010	8,572	9,044	12,797	10,827	13,082	10,307	15,641	23,148	13,846	13,089	11,018	12,242	12,845
	2011	9,632	9,258	8,642	7,368	10,322	8,876	15,631	22,748	14,223	13,404	11,825	13,498	12,160
	2012	9,337	9,380	13,661										

## Kobe Meriken Park Oriental Hotel

		Jan.	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec.	Total
Revenue (million yen)	2010	406	429	476	447	608	434	434	493	448	608	511	518	5,812
	2011	372	358	445	439	531	401	468	490	456	555	532	507	5,554
	2012	359	357	508										
Occupancy rate	2010	70.7%	71.6%	78.6%	78.5%	75.7%	80.3%	80.4%	91.7%	86.7%	88.3%	82.8%	89.6%	81.3%
	2011	66.5%	61.4%	74.7%	61.4%	83.3%	76.0%	74.0%	87.6%	83.0%	83.3%	82.9%	81.9%	76.5%
	2012	61.7%	68.8%	82.3%										
ADR (yen)	2010	12,485	11,480	12,853	11,964	15,248	12,156	13,273	16,344	12,966	13,891	13,084	15,787	13,564
	2011	12,050	12,149	13,876	14,140	14,722	12,390	14,860	18,026	14,827	15,290	13,841	17,598	14,645
	2012	13,055	11,582	13,142										
RevPER (yen)	2010	8,821	8,216	10,105	9,387	11,537	9,767	10,669	14,986	11,240	12,261	10,835	14,140	11,027
	2011	8,019	7,456	10,364	8,676	12,263	9,420	10,997	15,795	12,303	12,740	11,473	14,407	11,197
	2012	8,049	7,968	10,812										

## 5. HMJ 5 hotels performance indicators - 2/3

### Oriental Hotel Tokyo Bay

		Jan.	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec.	Total
Revenue (million yen)	2010	474	442	610	486	605	513	501	618	513	649	612	585	6,608
	2011	510	462	262	211	393	382	456	599	516	657	643	657	5,748
	2012	488	458	669										
Occupancy rate	2010	76.4%	85.4%	91.7%	82.5%	89.4%	91.1%	88.6%	96.2%	97.9%	97.6%	94.8%	90.1%	90.2%
	2011	87.5%	91.1%	44.4%	17.9%	53.5%	68.1%	85.8%	99.6%	98.7%	99.1%	99.2%	99.1%	78.7%
	2012	90.2%	97.4%	98.8%										
ADR (yen)	2010	13,368	11,895	19,625	14,706	17,685	13,791	15,439	22,103	15,114	18,124	16,369	18,878	16,583
	2011	14,091	12,845	14,156	12,410	13,643	11,529	14,337	22,130	16,379	17,732	15,505	19,097	15,941
	2012	13,416	12,374	20,142										
RevPER (yen)	2010	10,208	10,160	18,003	12,135	15,805	12,558	13,678	21,262	14,798	17,690	15,521	17,008	14,950
	2011	12,330	11,706	6,291	2,217	7,301	7,855	12,294	22,046	16,174	17,576	15,388	18,922	12,542
	2012	12,106	12,051	19,906										

### Namba Oriental Hotel

		Jan.	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec.	Total
Revenue (million yen)	2010	141	136	181	151	159	146	155	175	150	154	156	166	1,870
	2011	151	140	162	161	164	163	179	171	142	152	148	176	1,909
	2012	142	141	154										
Occupancy rate	2010	75.5%	76.6%	83.4%	85.8%	80.3%	78.3%	79.6%	88.0%	82.9%	79.5%	85.5%	84.0%	81.6%
	2011	78.2%	79.4%	86.1%	89.8%	89.0%	93.5%	98.4%	92.9%	83.3%	83.4%	86.1%	86.8%	87.3%
	2012	79.5%	75.4%	88.3%										
ADR (yen)	2010	9,025	8,835	9,812	9,520	10,333	8,953	9,893	10,145	9,460	9,902	9,896	10,090	9,677
	2011	9,496	9,487	10,751	10,580	10,340	10,170	11,053	10,419	9,677	10,124	9,741	10,778	10,250
	2012	9,429	8,929	9,861										
RevPER (yen)	2010	6,813	6,769	8,179	8,164	8,294	7,011	7,874	8,923	7,841	7,871	8,464	8,473	7,899
	2011	7,431	7,530	9,257	9,503	9,198	9,513	10,878	9,683	8,056	8,447	8,389	9,358	8,949
	2012	7,499	6,732	8,705										

## 5. HMJ 5 hotels performance indicators - 3/3

### Hotel Nikko Alivila

		Jan.	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec.	Total
Revenue (million yen)	2010	244	291	382	384	418	316	644	943	485	387	271	276	5,040
	2011	317	276	302	332	380	303	678	899	465	420	376	325	5,074
	2012	283	292	416										
Occupancy rate	2010	47.1%	74.7%	71.3%	80.7%	74.2%	70.7%	80.3%	91.6%	89.8%	80.9%	57.1%	48.7%	72.2%
	2011	72.2%	74.1%	56.2%	65.2%	67.1%	66.5%	85.3%	88.0%	85.2%	86.7%	76.6%	54.9%	73.2%
	2012	60.2%	76.8%	77.7%										
ADR (yen)	2010	20,106	15,825	21,139	18,539	23,681	18,342	40,205	54,398	25,657	18,594	16,864	22,116	25,800
	2011	16,253	14,881	20,862	20,045	23,781	17,714	38,190	53,155	25,615	18,253	16,694	23,055	24,934
	2012	17,858	14,251	20,698										
RevPER (yen)	2010	9,465	11,829	15,073	14,955	17,580	12,975	32,295	49,838	23,048	15,042	9,627	10,772	18,634
	2011	11,729	11,034	11,731	13,070	15,949	11,781	32,587	46,803	21,816	15,834	12,781	12,666	18,243
	2012	10,745	10,942	16,073										

### Oriental Hotel Hiroshima

		Jan.	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec.	Total
Revenue (million yen)	2010	131	163	193	188	170	164	176	153	159	188	178	204	2,067
	2011	116	153	170	154	172	139	159	123	148	190	204	210	1,939
	2012	129	169	188										
Occupancy rate	2010	59.3%	64.2%	73.0%	69.6%	70.0%	63.0%	74.3%	85.0%	70.0%	74.1%	74.3%	65.9%	70.3%
	2011	57.5%	61.0%	60.8%	53.0%	65.1%	60.1%	63.1%	75.3%	76.6%	77.0%	79.4%	76.2%	67.1%
	2012	60.8%	63.8%	69.6%										
ADR (yen)	2010	8,455	8,475	8,627	8,295	9,726	8,194	9,023	9,812	8,777	8,873	8,920	8,894	8,876
	2011	8,297	8,577	8,783	8,597	8,802	7,626	8,461	9,170	8,264	8,406	8,367	8,327	8,479
	2012	7,627	7,886	8,248										
RevPER (yen)	2010	5,014	5,439	6,296	5,776	6,809	5,163	6,708	8,335	6,148	6,577	6,631	5,865	6,240
	2011	4,768	5,235	5,337	4,560	5,727	4,581	5,340	6,904	6,334	6,468	6,647	6,342	5,692
	2012	4,640	5,035	5,744										





## **APPENDIX 3**

### **INVESTORS AND UNIT PRICE**

# 1. Major investors

## Top 10 Unitholders

### ex-NHF

Rank	Name	Units	% Holding
1	Umi Investment TMK	14,450	24.90
2	Japan Trustee Service Bank, Ltd.(Trust account)	5,254	9.05
3	Goldman Sachs International	3,571	6.15
4	The Nomura Trust and Banking Corporation (Investment trust account)	2,711	4.67
5	Nomura PB Nominees TK 1 Limited	2,360	4.06
6	Trust & Custody Services Bank, Ltd. (Securities investment trust account)	1,620	2.79
7	Kyoritsu Maintenance Co., Ltd.	1,616	2.78
8	Opal Paramount Sdn.Bhd	1,381	2.37
9	The Master Trust Bank of Japan, Ltd. (Investment trust account)	1,171	2.01
10	Deutsche Bank AG London-PB Non-treaty clients 613	1,082	1.86
Total		35,216	60.68

(Note) Ratio of holding is the number of units held by each investor divided by the total number of issued units outstanding as at Mar. 31, 2012, and is rounded down to one decimal place.

### ex-JHR

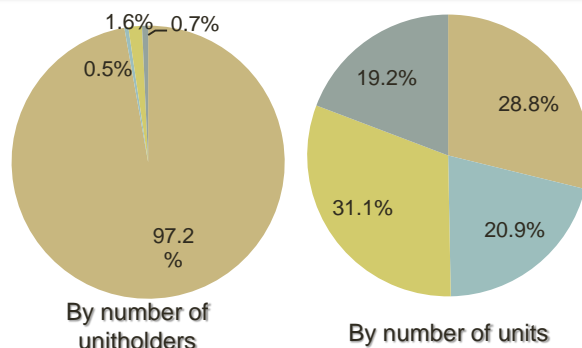
Rank	Name	Units	% Holding
1	Taiyo Investment TMK	23,369	22.10
2	Trust & Custody Services Bank, Ltd. (Securities investment trust account)	9,503	8.98
3	Japan Trustee Service Bank, Ltd.(Trust account)	8,109	7.67
4	The Master Trust Bank of Japan, Ltd.(Trust account)	6,578	6.22
5	The Nomura Trust and Banking Corporation (Investment trust account)	6,114	5.78
6	Shikoku Railway Company	5,301	5.01
7	Nomura Bank (Luxembourg) S.A.	3,416	3.23
8	Morgan Stanley & Co. LLC	2,828	2.67
9	THE BANK OF NEW YORK - JASDECTREATY ACCOUNT	2,015	1.90
10	Barclays Capital Japan Limited	1,561	1.47
Total		68,794	65.07

## Unitholder Composition

### ex-NHF

Type	Number of holders	Number of units
Individuals and others	5,568	16,727
Financial institutions (incl. securities companies)	27	12,115
Other domestic corporations	92	18,032
Foreign corporations and individuals	41	11,157
Total	5,728	58,031

Individuals and others Financial institutions (incl. securities companies)

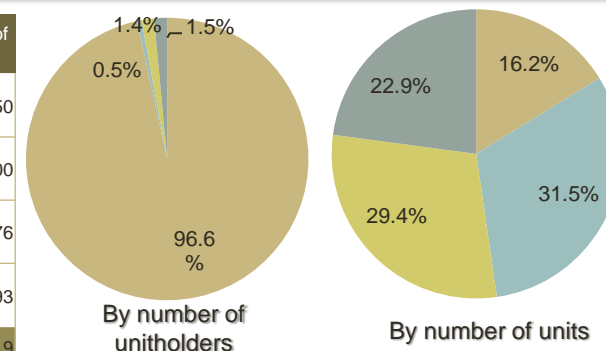


(Note) "By number of unitholders" shows the share of each type of holders in terms of the number of holders as at Mar. 31, 2012. "By number of units" shows the share of each type of holders in terms of the number of units as at Mar. 31, 2012. All percentages are rounded off to one decimal place.

### ex-JHR

Type	Number of holders	Number of units
Individuals and others	4,867	17,150
Financial institutions (incl. securities companies)	25	33,300
Other domestic corporations	72	31,076
Foreign corporations and individuals	75	24,193
Total	5,039	105,719

Other domestic corporations Foreign corporations and individuals



# 2. Unit price

## Investment unit price (closing price)

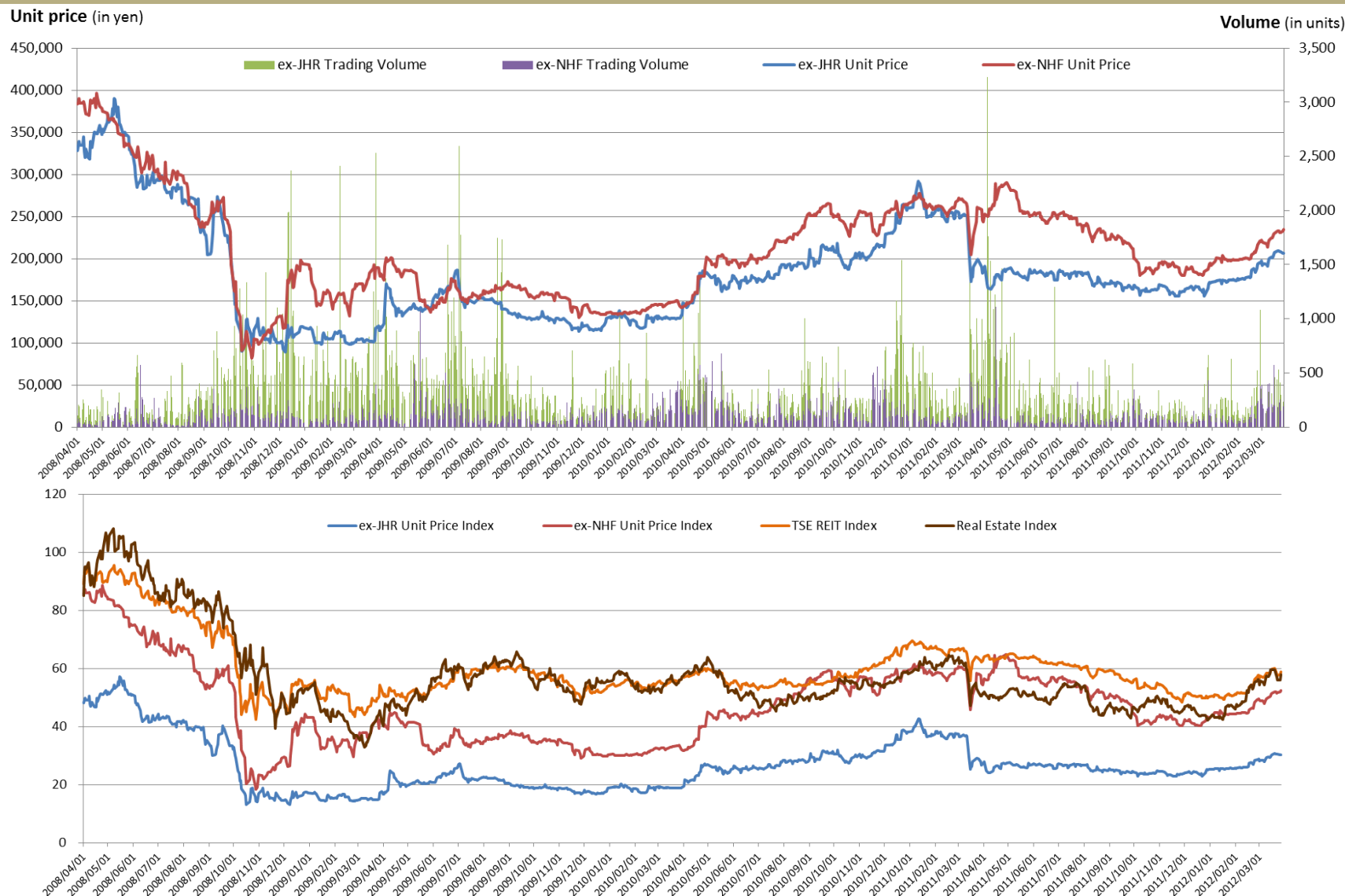
Closing price as at Mar. 31, 2012  
(After 12-for-one split at ex-NHF)

JPY 18,700

(Note) The market price of a real estate investment trust (REIT) may fall due to changes in the price or profitability of properties held, by which investors may suffer a loss. Investors may also incur a loss as a result of deteriorating financial status of the REIT issuer including a bankruptcy. For more information about the risks of investing in new JHR, please refer to the Investment Securities Report of ex-NHF, "Part I: Fund Information, Section I: Fund Circumstances; 3 Investment Risks", dated Dec. 21, 2011.

## Comparison with TSE REIT Index and Real Estate Index

(Note) The charts show index values expressed as ratio to the base value (=100) as of Jun. 14, 2006 (the day ex-NHF went public). TSE REIT Index shows index values of weighted average of total market cap of all REITs listed on Tokyo Stock Exchange.







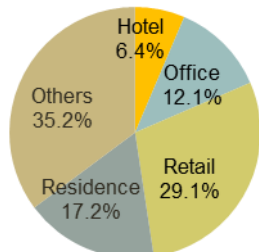
## **APPENDIX 4 MERGER**

# 1. Background of merger

- > We have made a fresh start as the one and only hotel-focused J-REIT so as to provide investors with ever more attractive investment opportunities through further growth and portfolio enhancement.



Share of hotel-focused REIT in the US  
by market value: 6.4%



Market cap (total): JPY 35,202,276 M

as at Apr. 30, 2012

Note: Mortgage REIT is not included.

Source: NAREIT



## 2. Merits of merger



### Enhanced management strategy

#### Achievement of both stability and upside potential

- > Stabilized NOI and dividend brought by expanded fixed-rent revenues
- > Potential for upside gains brought by enhanced asset management and strategic CAPEX injection

#### Enhanced asset management

- > Knowledge and experience of two asset management companies with different specialties will be integrated

#### Support from our new sponsor

- > Long-term commitment by the new sponsor which has strong presence and experience in Asia
- > Potential acquisition of overseas properties in the future

### Negative goodwill

#### Stabilized dividend brought by negative goodwill

- > Better profitability and stability achieved by asset replacement
- > Readiness for future changes in business environment

### Expanded scale

#### Expanded asset scale

- > Stabilized revenues brought by diversified type, location, etc. in the portfolio
- > Improved public recognition realized by asset expansion

#### Expanded market cap

- > Stabilized unit price through higher liquidity and broader and deeper investor base

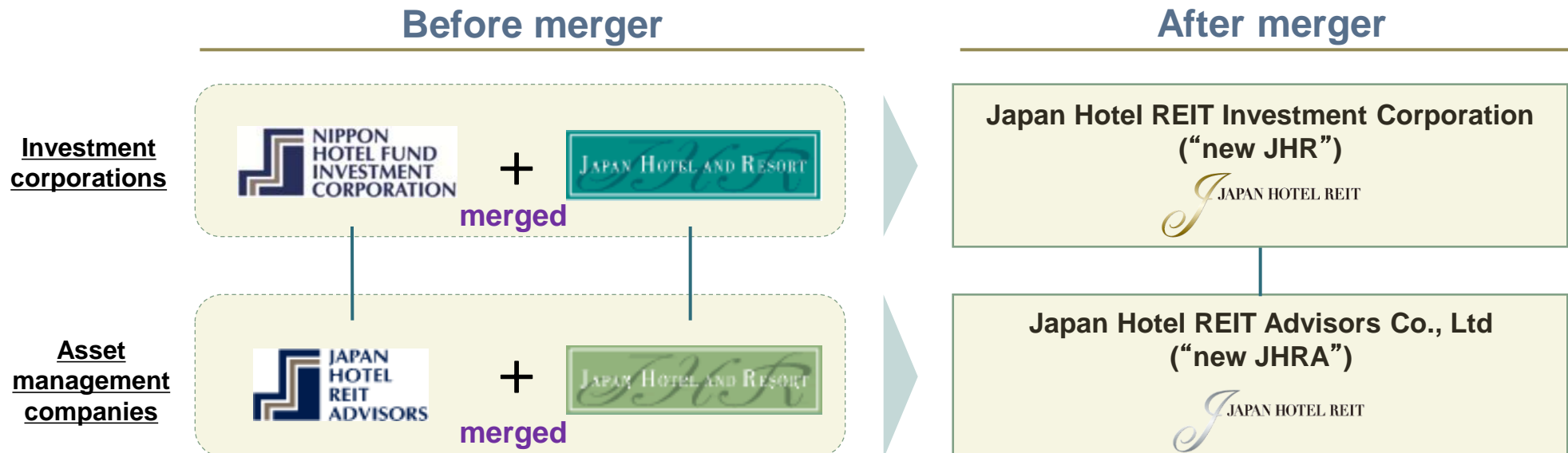
### Synergy of merger

#### Raised level of dividend as merger synergy effect

- > Cost reduction by merger

### 3. Merger overview

- > Effective on April 1, 2012, two investment corporations and two asset management companies merged respectively.



#### Merger ratio

	ex-NHF	ex-JHR
Unit split	1 unit (ex-NHF) => 12 units (new JHR)	-
Unit swap	-	1 unit (ex-JHR) => 11 units (new JHR)
Merger ratio (after split)	12:11	

## 4. New REIT & its asset management company

	New Investment Corporation
Name	Japan Hotel REIT Investment Corporation (new JHR)
Executive director	Yukio Isa
Supervisory directors	Hiroshi Matsuzawa Tetsuya Mishiku
Sponsors	RECAP Group Kyoritsu Maintenance Co., Ltd. ORIX Real Estate Corporation
Date of listing	June 14, 2006
Number of properties held	28
Total value of properties (based on acquisition price)	JPY 122,285 million <sup>(Note 1)</sup>
No. of investment units issued	1,859,281 units
Fiscal period	January 1 to December 31
Major unitholders	RECAP Group 24.04% <sup>(Note 2)</sup>

	New Asset Management Company						
Name	Japan Hotel REIT Advisors Co., Ltd. (new JHRA)						
Date of establishment	August 10, 2004						
Representative director	Hiroyuki Suzui						
Capital	JPY 300 million						
Fiscal period	January 1 to December 31						
Shareholders	<table> <tr> <td>RECAP Group<sup>(Note 3)</sup></td><td>87.6%</td></tr> <tr> <td>Kyoritsu Maintenance Co., Ltd.</td><td>10.3%</td></tr> <tr> <td>ORIX Real Estate Corporation</td><td>2.1%</td></tr> </table>	RECAP Group <sup>(Note 3)</sup>	87.6%	Kyoritsu Maintenance Co., Ltd.	10.3%	ORIX Real Estate Corporation	2.1%
RECAP Group <sup>(Note 3)</sup>	87.6%						
Kyoritsu Maintenance Co., Ltd.	10.3%						
ORIX Real Estate Corporation	2.1%						

(Note 1) This is the total value of new-JHR properties based on acquisition price, in which properties inherited from ex-JHR are valued based on the reappraisal at the time of the merger.

(Note 2) Taiyo Investment TMK (SPC wholly owned by RECAP Group) 13.82%; Umi Investment TMK (SPC wholly owned by RECAP Group) 9.32%; Opal Paramount (SPC wholly owned by RECAP Group) 0.89%.

(Note 3) Rockrise Sdn Bhd (wholly owned by RECAP Group)

## 5. Impact on investors

### Investment Unit Split

Ex-NHF and ex-JHR merged on April 1, 2012 at 12:11 merger ratio. In the merger, ex-NHF made a 12-for-1 unit split effective on April 1, 2012.

- Each unit of ex-NHF was split to 12 units of new JHR.
- Each unit of ex-JHR was swapped with 11 units of new JHR.

### Change of Fiscal Period

New JHR will have only one fiscal period each year (ending Dec. 31)

- Dividend will be paid out once every year (around March).

➡ This is to avoid fluctuation in dividend payments to be caused by seasonality of the revenue from those hotels with variable rents (inherited from ex-JHR).

### Method of Transition to the New Fiscal Periods

The chart below shows the post-merger fiscal periods and timing of dividend payout.

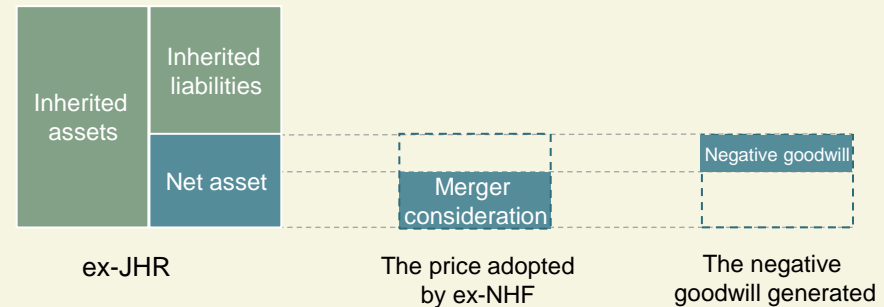


## 6. Negative goodwill utilization

### > What is negative goodwill?

Negative goodwill = net asset value of JHR - merger consideration

Adopting undervalued price for the ex-JHR assets has generated negative goodwill, which will be recorded as profit on the book.



### > Negative goodwill expected at:

**JPY 18.6 billion**

(Based on the earnings forecast announced on May 23, 2012)

The amount may change depending on preconditions.

<Preconditions>

• Merger ratio

ex-NHF: ex-JHR = 12:11 (1:11/12)

• Unit price of ex-NHF

18,700 yen (closing price on Mar. 31, 2012 after 12-for-1 split)

### > Negative goodwill utilization strategy

#### To stabilize dividend

Negative goodwill can be utilized to correct temporary dividend fluctuation.

#### For example,

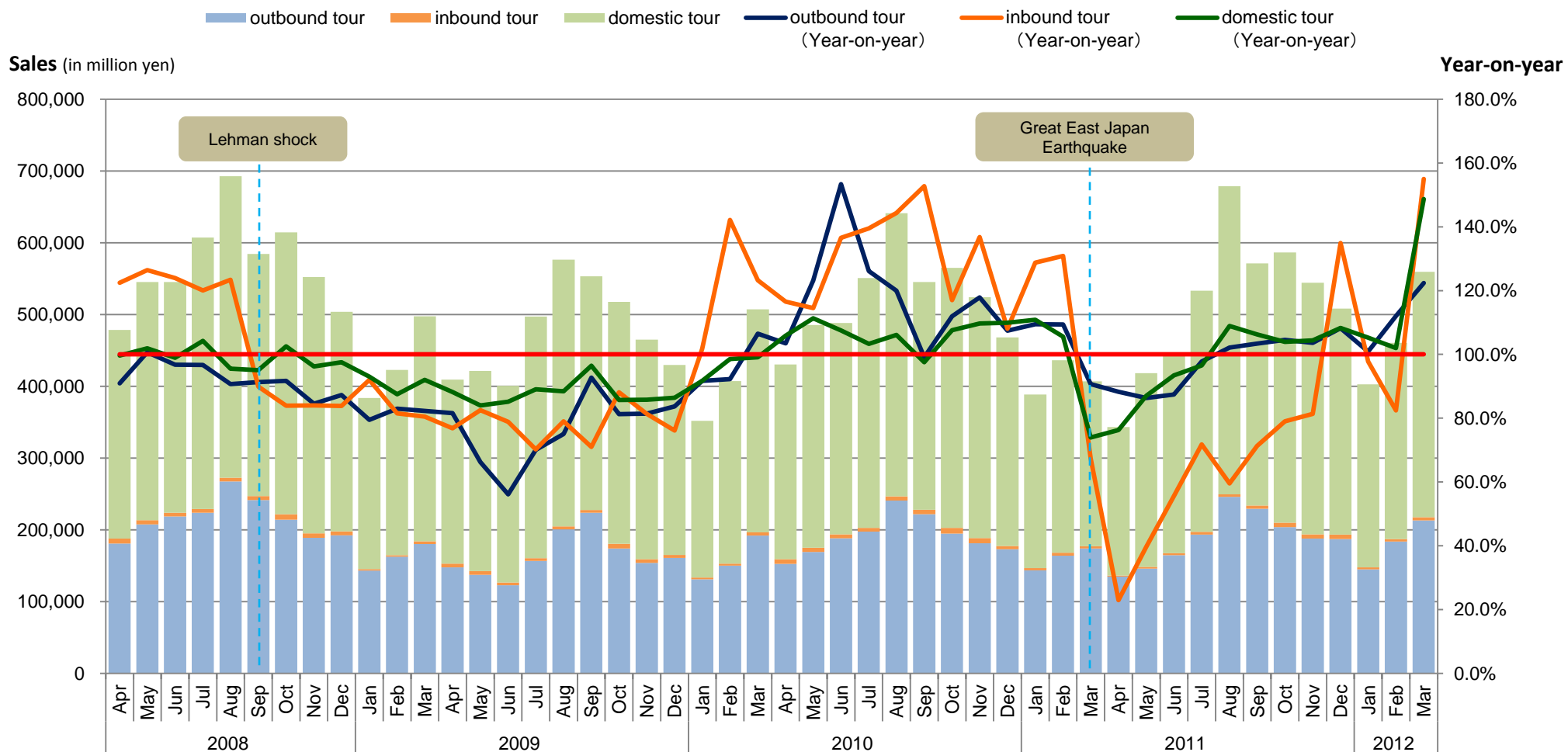
- By compensating capital loss generated by property disposal
- By compensating rent income reduction resulted from hotel operation suspended due to renovation, etc.
- By compensating loss on disposal of fixed asset generated by renovation etc.
- By compensating dilution resulted from new public offerings.





## **APPENDIX 5 MARKET DATA**

# 1. Sales of major travel agents



Source: "shuyo ryokougyousha no ryokou toriatsukai joukyou sokuhou" by Japan Tourism Agency

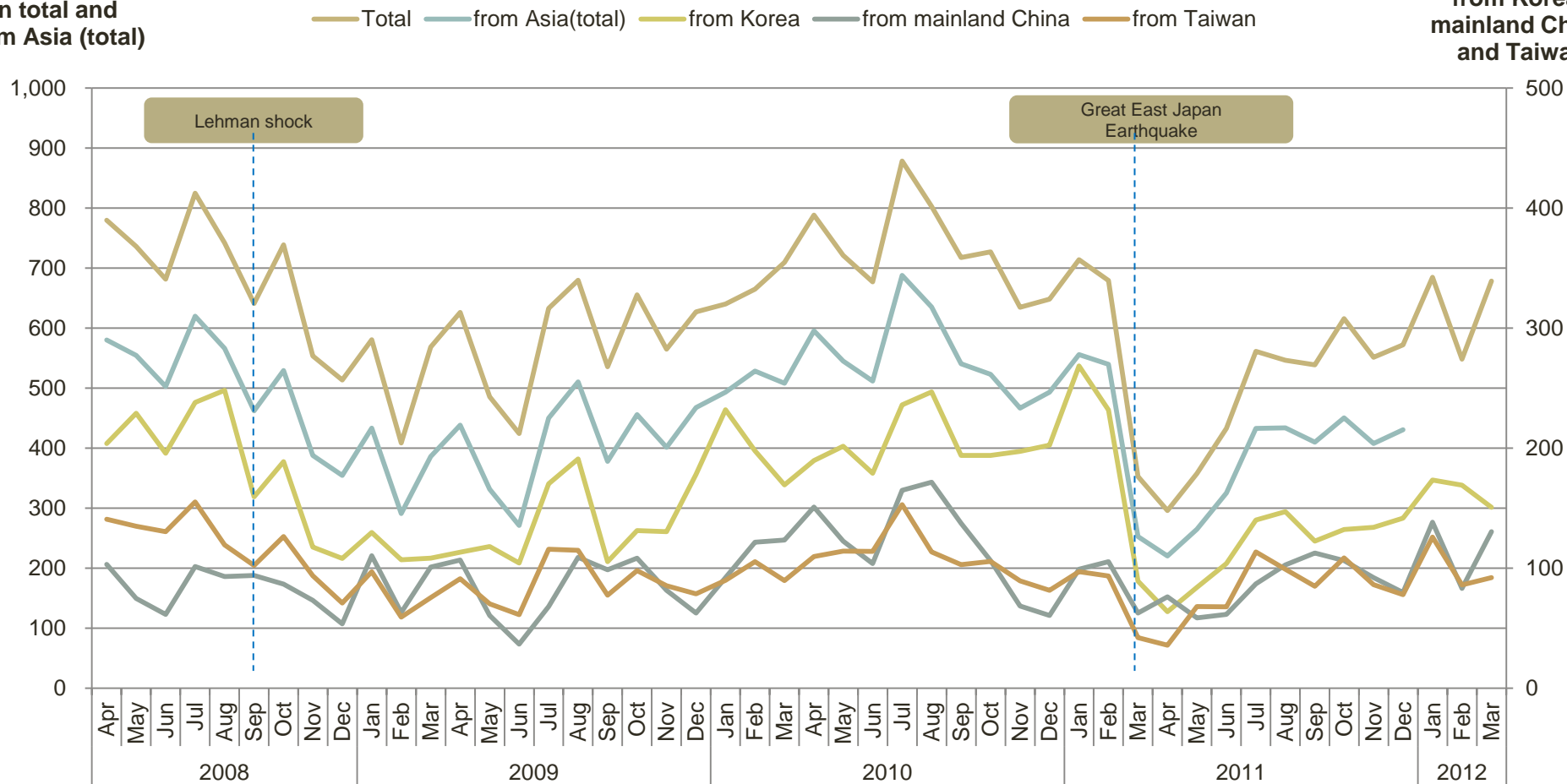


In 2010, year-on-year growth returned to positive for the first time after the Lehman shock. It turned negative in 2011 due to the earthquake disaster, but turned positive again in the latter half of the same year showing a sign of recovery.

## 2. Inbound tourists to Japan

Number of inbound  
travelers  
in total and  
from Asia (total)

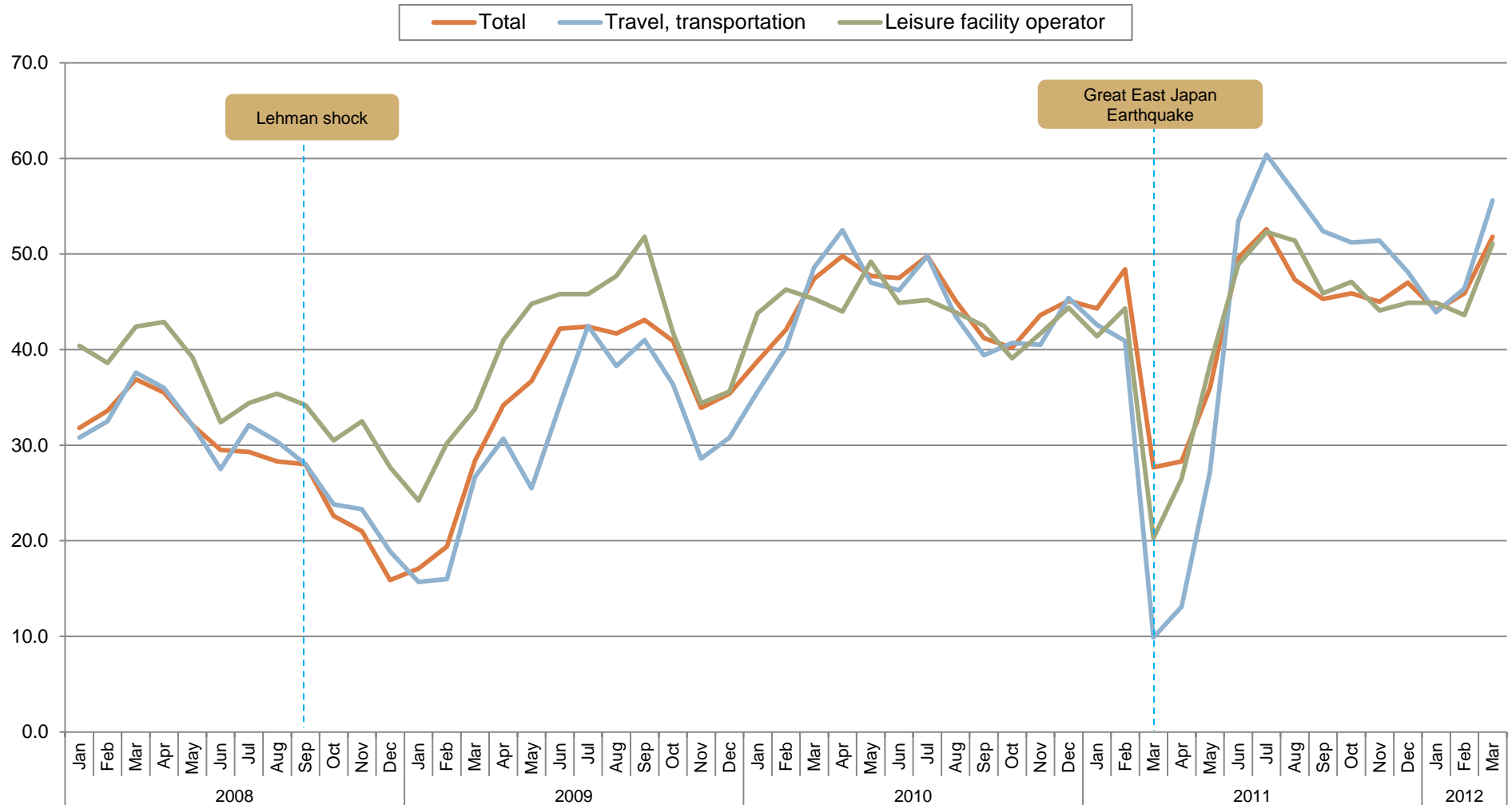
Number of inbound  
travelers  
from Korea,  
mainland China  
and Taiwan



Source: Japan National Tourism Organization (JNTO)

➡ The number of visiting foreigners is on track towards recovery after a plunge due to the earthquake disaster.

### 3. Economic sentiment index (DI) by industry



Source: "Economy Watchers Survey" by Cabinet Office



In the latter half of 2011, the economic sentiment recovered from a plunge after the earthquake disaster and exceeded the pre-Lehman level. Travel and transportation businesses have expressed especially strong recovery of economic sentiment.



## 4. Indicators of Japan's economy

year-on-year growth (%)  
except for unemployment rate

	CY2011 Actual	CY2012 Forecast		CY2013 Forecast	
		Daiwa Institute of Research	SMBC Nikko Securities	Daiwa Institute of Research	SMBC Nikko Securities
Real GDP	-0.7	2.0	2.1	1.4	1.9
Private-sector consumption expenditures	0.0	1.4	1.4	0.6	0.4
Private-sector housing investment	5.2	1.7	6.8	6.7	7.1
Public-sector fixed capital formation	-3.9	8.3	7.4	-2.1	3.4
Export	0.0	1.6	4.7	3.7	7.1
Import	5.9	5.3	6.8	3.1	8.5
Nominal GDP	-2.8	0.9	0.5	1.0	1.2
Consumer price increase (excluding perishable foods)	-0.3	0.0	0.0	0.4	0.2
Unemployment rate	4.6	4.4	4.4	4.2	4.0

Source: Daiwa Institute of Research, "172th Japan Economy Forecast (revised)", Mar.8, 2012 and SMBC NIKKO, "Japanese economic outlook for FY11-13 (revised)", Mar. 9, 2012

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