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August 20, 2015

Midterm Financial Report for the Fiscal Year Ending December 31, 2015 (January 1, 2015 – June 30, 2015)

Japan Hotel REIT Investment Corporation

Listing: Tokyo Stock Exchange
 Securities code: 8985
 URL: <http://www.jhrth.co.jp/en/>
 Representative: Yukio Isa, 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 18, 2015

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

(Amounts are rounded down to the nearest million yen)

1. Summary of midterm financial results for the fiscal year ending December 31, 2015 (January 1, 2015 – June 30, 2015)

(1) Operating results

(Percentages: full year--changes from previous year, midterm period--changes from previous mid-term period)

	Operating revenue		Operating income		Ordinary income		Net income	
	JPY1M	%	JPY1M	%	JPY1M	%	JPY1M	%
Midterm period ended								
June 30, 2015	7,242	31.6	4,257	41.3	3,472	55.4	3,472	55.4
June 30, 2014	5,504	15.1	3,011	35.7	2,235	57.5	2,234	56.4
Fiscal year ended								
December 31, 2014	12,760	11.2	7,545	40.6	5,776	54.4	5,774	78.6

	Net income per unit
Midterm period ended	JPY
June 30, 2015	1,166
June 30, 2014	852
Fiscal year ended	
December 31, 2014	2,159

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

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
Midterm period ended	JPY1M	JPY1M	%	JPY
June 30, 2015	222,668	124,071	55.7	39,509
June 30, 2014	166,687	86,719	52.0	33,083
Fiscal year ended				
December 31, 2014	188,091	100,342	53.3	35,948

(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, 2015	5,073	(24,829)	30,476	25,145
June 30, 2014	4,215	(860)	(6,025)	9,883
Fiscal year ended				
December 31, 2014	8,353	(17,828)	11,347	14,424

**2. Operating forecast for the fiscal year ending December 31, 2015
(January 1, 2015 – December 31, 2015)**

(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	16,655	30.5	10,029	32.9	8,319	44.0	8,318	44.0	2,650	0

(Reference) Estimated net income per unit for the fiscal year ending December 31, 2015 (full year) ¥2,718

(Calculated based on the estimate of period-average number of investment units of 3,060,647.)

(Note) Reversal of reserve for dividends in the amount of ¥13 million is planned to be the source of dividend payment.

*** Other**

(1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements 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 prior period financial statements 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, 2015 3,140,322 units

As of June 30, 2014 2,621,281 units

As of December 31, 2014 2,791,281 units

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

As of June 30, 2015 0 units

As of June 30, 2014 0 units

As of December 31, 2014 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 32.

*** Status of midterm audit procedures**

At the time of disclosure of this 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 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 these forecasts. For the assumptions of the operating forecast and notes for making reference to the assumptions of the 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 6 and "Assumptions of the operating forecast for the full year of the fiscal year ending December 31, 2015 (16th period)" on page 9.

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, 2015).

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, 2015).

(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 the social infrastructure and profitability of hotels, JHR primarily invests in real-estate-related assets that are in themselves real estate which are wholly or partially used as hotels or real estate equivalents of such real estate or 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 the former Japan Hotel and Resort, Inc. (hereinafter referred to as the “former JHR”) with an effective date of April 1, 2012 (hereinafter referred to as the “merger”) and changed its name to Japan Hotel REIT Investment Corporation, making a new start as a REIT specializing in hotel properties. Combined with public offerings for capital increase, JHR has continuously acquired hotels that are “competitive enough to attract domestic and inbound leisure demand” and located in its “strategic investment target areas.” As such, JHR has steadily expanded the asset size by implementing the growth strategy through such means as acquiring a total of 15 new properties amounting to a total of ¥98,952 million (acquisition price basis) over a little more than three years since making a new start, including one property acquired in July 2015 subsequent to the end of the midterm period under review (June 30, 2015), and thereby growing to a portfolio of 38 properties with a combined acquisition price of ¥213,134 million as of the date of submission of this report.

The number of JHR’s investment units issued and outstanding was 3,140,322 units as of June 30, 2015.

(b) Investment performance

During the midterm period under review (six-month period from January 1, 2015 to June 30, 2015), the Japanese economy continued to show a modest recovery trend, as evident by such factors as corporate earnings improving overall and signs of pickup in consumer spending amid the employment and income environments continuing to improve due in part to the effect of the various measures implemented by the Abe administration to end deflation and achieve sustainable economic growth, along with the impact of drops in crude oil prices and depreciation of the yen. Under such circumstances, in the tourism industry, the leisure demand among the Japanese people remained solid, and the number of overseas (inbound) tourists visiting Japan, primarily from Asian countries, continued to largely increase thanks to the government’s various measures aimed at making Japan a major tourism nation as well as the depreciation of the yen and other factors. The number of such inbound tourists reached 10 million for first time in 2013, increased to 13 million, up approximately 29% over the previous year, in 2014. With this momentum also continuing into 2015, the number totaled 9 million in the first half of the year from January to June to record growth of approximately 46% over the same period of the previous year. In such an environment with favorable momentum for the hotel industry, many of the hotels owned by JHR achieved a rise in operating performance, mainly in the rooms department, allowing for ascertain of how strong the leisure demand was both in and outside Japan. Furthermore, also in the investment market for hotels, there are many investors anticipating future growth of hotel properties, keeping the market size expanding. In such an environment, JHR issued new investment units through public offerings in January and June 2015.

With the capital increase through public offering in January, JHR acquired six hotels, including five hotels operated by the Ishin Hotels Group (Note 1) (hereinafter referred to as “the five *the b* hotels”), located mainly in Tokyo that is deemed to enjoy the largest benefits from an increase in inbound tourists.

In addition, in April, JHR acquired Mercure Yokosuka, which has stable hotel accommodation demand and was ranked No. 1 in the Yokosuka market for guest reviews (March 27, 2015 ranking by a globally leading travel website TripAdvisor). With the capital increase through public offering in June, JHR decided to acquire Okinawa Marriott Resort & Spa, a large resort hotel in Okinawa, the location which is expected to show relatively high growth among JHR's strategic investment target areas.

JHR makes it a policy to aim at raising rents for its owned hotels against the backdrop of the strong performance in the lodging market. For hotels with fixed rent, JHR worked on revising rents upward, changing rent structures including introduction of revenue sharing structures and other negotiations upon renewal or expiration of lease contracts for hotels at which the ability to bear rent costs was enhanced through better performances. One example is Dormy Inn Suidobashi. Upon expiration of the fixed-term lease agreement, which was under a fixed rent structure, a lease contract that combines fixed rent and variable rent was concluded with the Ishin Hotels Group as lessee in pursuit of not only securing stability but also upside potential. With the rebranding of the hotel, it started operations as a hotel under the name of the b suidobashi on July 1, 2015. For hotels with variable rent and income from management contracts, JHR endeavored to expand its earnings by continuously discussing with the hotel operators for increasing revenue, after assessing the business environment and operation conditions at each hotel on a monthly basis.

With respect to capital expenditures in portfolio properties, JHR invested in the renewal of its facilities in order to maintain the value of its assets and carried out strategic refurbishment, etc. to increase profits at hotels with variable rent contracts, etc.

With regard to the status of operations of the five hotels (hereinafter referred to as "the five HMJ hotels") (Note 2) which JHR leases to Hotel Management Japan Co., Ltd. (hereinafter referred to as "HMJ") under variable rent contracts, they have produced a period-on-period increase both in sales and GOP (gross operating profit), led by the rooms department, during the midterm period under review. The rooms department achieved an increase in not only the guest room occupancy rate but also the ADR (average daily rate), endorsing the solidity in leisure-related consumption.

Moreover, inbound guests and domestic leisure demand were successfully attracted by the six hotels (Note 3) with variable rent or management contract structures under lease or management contracts with AAPC Japan K.K. (hereinafter referred to as "Accor"), a Japanese subsidiary of Accor Hotels headquartered in Paris, France (hereinafter referred to as "the six Accor hotels") and by "the five *the b* hotels" which have adopted variable rent. These hotels posted a year-on-year increase both in sales and GOP, mainly led by an increase in the ADR. For further details regarding sales, GOP and other management indicators for each of the five HMJ hotels, the six Accor hotels and the five *the b* hotels, please refer to "<Reference Materials 3> Sales and GOP of the Five HMJ Hotels," "<Reference Materials 4> Sales and GOP of the Six Accor Hotels" and "<Reference Materials 5> Sales and GOP of the Five *the b* Hotels" on pages 16 to 18 and "D. Overview of the hotel business" on page 56.

(Note 1) Represents the five hotels, namely, the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji and the b hakata.

(Note 2) Represents the five hotels, namely, Kobe Meriken Park Oriental Hotel, Oriental Hotel tokyo bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima.

(Note 3) Represents the six hotels, namely, the five hotels comprising ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo and Mercure Okinawa Naha (hereinafter referred to as the "five Accor hotels") plus Mercure Yokosuka, which was acquired on April 2, 2015.

Furthermore, JHR has been offering Investor Benefits Program so that investors would gain a better understanding of hotels owned by JHR. The aim has also been to improve customers' satisfaction and expand the number of investors. The Investor Benefits Program will be expanded, with a series of reviews in order to make the Investor Benefits Program more appealing leading to a recent new addition of the six Accor hotels to the list of hotels offering benefits in fiscal 2015.

In addition, JHR has continued to make steady progress in reducing costs, such as real estate operating costs, general and administrative expenses, and borrowing costs.

(c) Funding

JHR procured a total of ¥15,651 million by way of capital increase through public offering in January 2015 and capital increase through third-party allotment in February 2015, and procured ¥14,400 million in long-term loans payable and ¥1,000 million in short-term loans payable. These funds were used to acquire six properties, including the five *the b* hotels, and make early repayment of existing loan payable due for repayment on February 15, 2015 in the amount of ¥4,779 million on January 30, 2015. JHR also procured ¥10,500 million by way of capital increase through public offering in June 2015, and obtained ¥1,500 million in long-term loans payable and ¥5,000 million in short-term loans payable on July 10,

2015. These funds were used to acquire Okinawa Marriott Resort & Spa.

As of the end of the midterm period under review, interest-bearing debt totaled ¥91,485 million, including short-term loans payable of ¥1,000 million, current portion of long-term loans payable of ¥20,588 million, long-term loans payable of ¥63,896 million and investment corporation bonds of ¥6,000 million, and the ratio of interest-bearing debt to total assets at end of period (Note 4) stood at 41.1% (Note 5). In addition, through refinancing, JHR worked to lower its funding costs and diversify its repayment period.

JHR also concluded interest rate swap contracts to fix the interest on ¥9,700 million on loans on January 30 and March 27, 2015 in order to suppress the increase in interest payment resulting from future interest rate rises. These actions brought the fixed rate ratio (including the interest rate cap purchase portion) on total interest-bearing debt to approximately 90% at the end of the midterm period under review.

(Note 4) 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

(Note 5) After the acquisition of Okinawa Marriott Resort & Spa, the assumed ratio of interest-bearing debt to total assets is expected to be 41.7% as of the end of December 2015.

As of June 30, 2015, JHR's issuer ratings were as follows.

Rating agency	Rating	Outlook
Rating and Investment Information, Inc.	A-	Stable
Japan Credit Rating Agency, Ltd.	A	Stable

(d) Financial results

As a result of the abovementioned asset management, operating revenue, operating income and ordinary income were ¥7,242 million, ¥4,257 million and ¥3,472 million, respectively, for the midterm period under review (six-month period from January 1 to June 30, 2015). Net income for the midterm period was ¥3,472 million.

Variable rent from the five hotels with variable rent leased to HMJ in the amount of ¥730 million is included in operating revenue, but this amount is calculated based on the five HMJ hotels' GOP for the midterm period under review. The variable rent to be ultimately received from HMJ will be determined by the five HMJ hotels' GOP for the full year (12-month period).

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, 2015 to December 31, 2015). 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 (Act No. 26 of 1957, as amended), the plan is that the amount calculated by adding a reversal of reserve for dividends (amount of use of negative goodwill, such as the amount equivalent to losses on retirement of existing facilities incurred for the replacement of equipment) to unappropriated retained earnings would all be distributed except for fractions of less than one yen of dividend per unit.

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

(a) Investment policies and issues to be addressed

Going forward, the Japanese economy is expected to show moderate recovery amid the employment and income environments continuing to improve due in part to the impact of drops in crude oil prices and the effect of the government's various measures, but attention must be paid to the downside swing of overseas economies and other downside risks of the Japanese economy. In terms of the environment surrounding hotels, it is expected that JHR will benefit from increase in the number of inbound tourists thanks to the various national measures to promote tourism and the depreciation of the yen in addition to the active domestic leisure demand that is key to nonresident population.

Under such circumstances, JHR intends to manage assets based on the approach described below aiming to make investing in JHR more appealing based on its strategy to mix stability centered on fixed rent revenue and potential upside derived from variable rent, etc.

Internal growth

Increase of the earnings capability of existing properties requires that the variable rent and income from management contracts receivable by JHR be maximized by boosting GOP of properties with variable rent contracts including revenue sharing and properties operated under a management contract structure with Accor. To achieve this goal, JHR will request each hotel, its business support company and its operator to implement marketing initiatives to attract more demand and measures to maintain and increase room rates. JHR will also work with related parties to move the business focus from competition based on price to competition based on value, aiming to create facilities and services that become prominent in the market.

JHR is aiming for further increase in variable rent, etc. by reinforcing the four pillars of internal growth, which include the six HMJ hotels comprising the five HMJ hotels plus Okinawa Marriott Resort & Spa that was newly acquired in July 2015, the six Accor hotels, the six *the b* hotels comprising the five *the b* hotels plus the *b* *suidobashi* that was rebranded in July 2015 (hereinafter referred to as “the six *the b* hotels”) and properties with revenue sharing.

For hotels with only fixed rent contracts, JHR will increase its efforts to monitor operating conditions and, by paying careful attention to each tenant's ability to bear the rent costs, conduct negotiations with the hotels at which the ability to bear rent costs has been enhanced through better performances so that the improvement in hotel earnings would lead to an increase in JHR's profit such as revising rents upward and introducing revenue sharing structures.

In addition, JHR will carry out an ongoing program of facility maintenance and improvement to ensure each hotel becomes prominent in the market and to maintain and increase the value of its assets.

External growth

In terms of external growth strategy, JHR will keep focus on investing in hotels with prospects for attracting domestic and inbound leisure demand, in other word, hotels located in appealing or fashionable areas, as JHR has done to date. 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 and facilities (infrastructure) and the capabilities of the hotel tenant and operator (services).

However, competition over acquisition has become fierce in the investment market for hotels in accordance with an increase in the number of investors, with transaction yields showing a downward trend. Under such circumstances, JHR will utilize its strengths, such as high recognition and credibility as a REIT specializing in hotel properties, proposal and implementation of a variety of rent structures including the management contract structure, and excellent networks with major hotel operators. By doing so, JHR will acquire properties while maintaining its superiority in the investment market for hotels.

Finance strategy

JHR seeks to maintain and enhance the relationships of trust with financial institutions with which it does business, while working to ensure financial stability and strength by increasingly diversifying the means of financing. It aims to conduct financial operations by keeping the ratio of interest-bearing debt to total assets at no larger than 50% for the time being. In addition, when seeking new borrowings for property acquisitions or refinancing existing debt, JHR will work to reinforce its existing relationships with multiple banks while seeking to spread out the maturity dates of its debt and considering the balance with borrowing costs.

Moreover, JHR will investigate extending the maturity dates and managing interest rate risks while discerning the conditions of the market for interest rate in pursuit of financial management.

(b) Significant subsequent events

1. Acquisition of asset

On July 10, 2015, JHR acquired Okinawa Marriott Resort & Spa.

Property name	Okinawa Marriott Resort & Spa
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	1490-1 Kise, Nago-shi, Okinawa
Acquisition date	July 10, 2015
Seller	Rising Sun The Second A TMK
Acquisition price (Note)	¥14,950 million

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

2. Borrowing of funds

On July 10, 2015, JHR procured new borrowings as follows in order to partly fund the acquisition of the real estate beneficial interest in trust and movable assets attached to the hotel as described above in “1. Acquisition of asset.”

(1) Term Loan 13

Lender	Sumitomo Mitsui Banking Corporation / Shinsei Bank, Limited / Mizuho Bank, Ltd.
Amount of the loan	¥5,000 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.30%
Date of borrowing	July 10, 2015
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	March 31, 2016
Collateral	Unsecured/Unguaranteed

(2) Term Loan 14

Lender	Aozora Bank, Ltd. / Mitsubishi UFJ Trust and Banking Corporation
Amount of the loan	¥1,500 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.55%
Date of borrowing	July 10, 2015
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	June 30, 2022
Collateral	Unsecured/Unguaranteed

3. Issuance of new investment units

JHR resolved to issue new investment units at the Board of Directors meetings held on June 4, 2015 and June 15, 2015. In addition to the primary offering for which payment was completed by the end of the midterm period under review, payment for the new investment units through third-party allotment was completed on July 23, 2015, and the investment units were issued under the following terms and conditions. As a result, JHR's unitholders' capital increased to ¥85,470,541,569, with the number of investment units issued and outstanding totaling 3,144,227 units.

(a) Issuance of new investment units (third-party allotment)

Number of investment units issued:	3,905 units
Paid-in amount (issue value):	¥75,007 per unit
Total paid-in amount (total issue value):	¥292,902,335
Payment date:	July 23, 2015
Allottee:	SMBC Nikko Securities Inc.

(b) Use of funds

The proceeds from the issuance of new investment units through third-party allotment of ¥292,902,335 will be allocated for cash on hand and appropriated 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.

(c) Operating forecast

The following is the operating forecast for the full year of the fiscal year ending December 31, 2015 (16th period). For the assumptions of the operating forecast, please refer to “Assumptions of the operating forecast for the full year of the fiscal year ending December 31, 2015 (16th period)” on page 9.

In addition, the dividend per unit based on the annualized effect of the acquisition of the five *the b* hotels acquired on January 30, 2015, Hotel Francs acquired on March 31, 2015, Mercure Yokosuka acquired on April 2, 2015 and Okinawa Marriott Resort & Spa acquired on July 10, 2015 (hereinafter referred to as the “acquired assets”) is assumed to be ¥2,693. For the annualized effect of the acquisition of the new properties, please refer to “<Reference Materials 1> Highlights of the operating forecast and forecast of dividend” on page 15. For the assumptions of the forecast of the annualized effect, please refer to “<Reference Materials 2> Assumptions of the forecast of the annualized effect” on page 15.

	Forecast this time	Previous forecast (Note 1)	Increase (Decrease)
Full year of the fiscal year ending December 31, 2015 (16th period)			
Operating revenue	¥16,655 million	¥16,050 million	¥604 million
Operating income	¥10,029 million	¥9,375 million	¥654 million
Ordinary income	¥8,319 million	¥7,539 million	¥780 million
Net income	¥8,318 million	¥7,539 million	¥779 million
Dividend per unit	¥2,650	¥2,402	¥248
Dividend per unit resulting from excess of earnings	¥0	¥0	¥0

(Note 1) These are figures announced in the “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2015 (16th Period)” dated July 17, 2015.

(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 31, 2015 (16th period)

Item	Assumptions																												
Calculation period	<ul style="list-style-type: none"> Full year of fiscal year ending December 31, 2015 (16th period): January 1, 2015 through December 31, 2015 (365 days) 																												
Assets under management	<ul style="list-style-type: none"> The total 37 properties owned by JHR as of June 30, 2015, plus one property, Okinawa Marriott Resort & Spa, acquired on July 10, 2015, to total 38 properties is assumed. In addition, 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 31, 2015 (16th period). The actual number may fluctuate, though, depending on the changes in assets that may take place. 																												
Operating revenue	<ul style="list-style-type: none"> Operating revenue is calculated based on the effective lease contracts, etc. as of today and in consideration of hotel competitiveness and market environment, etc. Rents of the main hotels are calculated based on the following assumptions. For details of the variable rent and income from management contract arrangements, please refer to “D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing” on page 56. <p>(1) The Five HMJ Hotels (*1) The assumptions of the fixed rent and variable rent for the five HMJ hotels are as follows.</p> <p>Annual rent (¥5,990 million) = Fixed rent (¥3,221 million / year) + Variable rent Variable rent = [(a) Total GOP of the five HMJ hotels (*2) – (b) GOP base amount (*3)] × 81.5% The five HMJ hotels for the fiscal year ending December 31, 2015 (16th period)</p> <table border="1" data-bbox="323 972 1380 1151"> <thead> <tr> <th></th> <th colspan="3" style="text-align: right;">(millions of yen)</th> </tr> <tr> <th></th> <th>Total GOP of the five HMJ hotels (a)</th> <th>GOP base amount (b)</th> <th>Variable rent ((a) – (b)) × 81.5%</th> </tr> </thead> <tbody> <tr> <td>Midterm</td> <td align="center">2,572</td> <td align="center">1,675</td> <td align="center">730</td> </tr> <tr> <td>Full year</td> <td align="center">6,748</td> <td align="center">3,351</td> <td align="center">2,769</td> </tr> </tbody> </table> <p>(*1) The five HMJ hotels are five hotels, namely, Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima. (*2) GOP is Gross Operating Profit, which is the remaining amount calculated by deducting operating expenses from total sales. Operating expenses are expenses such as personnel cost and general and administrative expenses, etc., incurred directly from hotel operation. (*3) It is assumed that there will be no change in the GOP base amount throughout the contract period of the lease contracts. (*4) For the sales and GOP of the five HMJ hotels and other comparisons, please refer to “<Reference Materials 3> Sales and GOP of the Five HMJ Hotels” on page 16.</p> <p>(2) Okinawa Marriott Resort & Spa The fixed and variable rent of Okinawa Marriott Resort & Spa are calculated as follows. Rent for fiscal year ending December 31, 2015 (16th period) (*) (¥670 million) = Fixed rent (¥261 million) + Variable rent Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0%</p> <table border="1" data-bbox="323 1653 1380 1865"> <thead> <tr> <th></th> <th colspan="3" style="text-align: right;">(millions of yen)</th> </tr> <tr> <th></th> <th>Hotel GOP (a)</th> <th>GOP base amount (b)</th> <th>Variable rent ((a) – (b)) × 90.0%</th> </tr> </thead> <tbody> <tr> <td>Fiscal year ending December 31, 2015 (16th period)</td> <td align="center">818</td> <td align="center">365</td> <td align="center">408</td> </tr> </tbody> </table> <p>(*) The rent for the fiscal year ending December 31, 2015 (16th period) shows the figure estimated to incur during the 175 days from July 10, 2015 through December 31, 2015. Furthermore, it is assumed that the annual GOP base amount after January 1, 2016 will be ¥700 million and the annual fixed rent will be ¥550 million.</p>		(millions of yen)				Total GOP of the five HMJ hotels (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 81.5%	Midterm	2,572	1,675	730	Full year	6,748	3,351	2,769		(millions of yen)				Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%	Fiscal year ending December 31, 2015 (16th period)	818	365	408
	(millions of yen)																												
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Item	Assumptions							
Operating revenue	(3) The Six Accor Hotels (*1)							
	Income from management contracts and variable rent of the six Accor hotels (millions of yen)							
		ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total
	Midterm	243	180	202	167	152	41	989
	Full year	468	416	507	453	316	95	2,257
	(*1) The six Accor hotels represent the six hotels comprising the five Accor hotels, namely, ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, and Mercure Okinawa Naha, plus Mercure Yokosuka that JHR acquired on April 2, 2015.							
	(*2) For the sales and GOP of the six Accor hotels and other comparisons, please refer to “<Reference Materials 4> Sales and GOP of the Six Accor Hotels” on page 17.							
	(*3) It is assumed that the respective hotel’s GOP amount is posted as income from management contracts and the management contract fees to be paid by JHR is posted as an operating expenses item. In cases where certain revenue from non-hotel tenant(s) is included in the respective hotel’s GOP, income from management contracts is posted by subtracting such amount equivalent to tenant revenue from GOP. The concerned amount equivalent to revenue from non-hotel tenant(s) is posted as fixed rent, etc.							
	(*4) Mercure Sapporo includes variable rent from non-hotel tenant(s).							
	(4) The Six <i>the b</i> Hotels (*1)							
	Fixed and variable rent of the six <i>the b</i> hotels (midterm) (millions of yen)							
		the b suidobashi	the b akasaka- mitsuke	the b ikebukuro	the b ochanomizu	the b hachioji	the b hakata	Total
	Fixed (*2)	42	57	91	29	50	36	307
	Variable	-	58	53	20	33	27	193
	Total	42	115	145	49	84	63	500
Fixed and variable rent of the six <i>the b</i> hotels (full year) (millions of yen)								
	the b suidobashi	the b akasaka- mitsuke	the b ikebukuro	the b ochanomizu	the b hachioji	the b hakata	Total	
Fixed (*2)	84	125	199	63	112	77	663	
Variable	5	142	116	45	72	60	443	
Total	90	268	316	109	184	138	1,107	
(*1) The six <i>the b</i> hotels represent the five <i>the b</i> hotels, namely, the b akasaka-mitsuke, the b Ikebukuro, the b ochanomizu, the b hachioji, and the b hakata, plus the b suidobashi which was rebranded from Dormy Inn Suidobashi on July 1, 2015. The structure of rent of the b suidobashi was changed to variable rent contract on July 1, 2015. Fixed rent before rebranding is shown in the midterm table.								
(*2) Fixed rent includes rent from non-hotel tenant(s).								
(*3) For the sales and GOP of the five <i>the b</i> hotels and other comparisons, please refer to “<Reference Materials 5> Sales and GOP of the Five <i>the b</i> Hotels” on page 18.								
(5) Other hotels that have adopted variable rent								
Variable rent of other hotels that have adopted variable rent (millions of yen)								
	Smile Hotel Nihombashi Mitsukoshimae	Hotel Vista Kamata Tokyo	Chisun Inn Kamata	Hotel Keihan Universal City	Hotel Sunroute Shinbashi	Hilton Tokyo Bay	Total	
Midterm	16	6	33	(*)	64	(*)	356	
Full year	16	16	66	(*)	64	(*)	423	
(*) No information is shown since tenants that concluded lease agreements did not agree to disclose rent income, etc.								

Item	Assumptions						
Operating revenue	<ul style="list-style-type: none"> The following is the breakdown of variable rent and income from management contracts. 						
	<Breakdown of variable rent, etc. for the fiscal year ending December 31, 2015 (16th period)> (millions of yen)						
		Five HMJ Hotels	Okinawa Marriott Resort & Spa	Six Accor Hotels	Six <i>the b</i> Hotels	Other hotels with variable rent	Total
	Midterm	730	—	989	193	356	2,269
Full year	2,769	408	2,257	443	423	6,303	
Operating expenses	<ul style="list-style-type: none"> Among real estate leasing expenses, which is the major operating expenses, expenses other than depreciation are calculated based on past actual data, and variable factors are reflected in the calculation. Operating expenses of the five <i>the b</i> hotels, Hotel Francs, Mercure Yokosuka, and Okinawa Marriott Resort & Spa acquired in the 16th period (hereinafter called “Acquired Assets”) are based on past actual data as provided by previous owners, etc., and variable factors are reflected in the calculation. It is assumed that ¥946 million will be posted as expenses for fixed asset tax, city planning tax and other taxes and public dues. In general, fixed asset tax and city planning tax, etc. of acquired assets are settled with the previous owner at the time of acquisition, calculated on a pro rata basis of the holding period. For JHR, the settlement amount is included in the acquisition price, and it will not be posted as expenses for the calculation period of acquisition. Therefore, the fixed asset tax, city planning tax, and other taxes and public dues for the Acquired Assets will not be posted as expenses for the fiscal year ending December 31, 2015 (16th period). The annual fixed asset tax and city planning tax, etc. for the five <i>the b</i> hotels and Hotel Francs acquired in the 16th period are estimated to be ¥147 million, while the annual fixed asset tax and city planning tax, etc. for Mercure Yokosuka and Okinawa Marriott Resort & Spa are estimated to be ¥108 million. Moreover, the fixed asset tax and city planning tax, etc. to be recorded as expenses for the fiscal year ending December 31, 2015 (16th period) for the three properties (ibis Styles Sapporo, Mercure Sapporo and Mercure Okinawa Naha) acquired in the fiscal year ended December 31, 2014 (15th period) are assumed to be ¥81 million (for nine months). Depreciation is calculated by the straight-line method, and is estimated to be ¥2,862 million. This calculation includes the acquisition price of the Acquired Assets and incidental costs as well as planned capital expenditures (¥1,780 million) for the fiscal year ending December 31, 2015 (16th period). Repair expenses for buildings are posted as expenses in the estimated amount necessary for each operating period. Please bear in mind 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, etc. to buildings from unexpected causes, 2. The amount fluctuation of repair expenses generally tends to increase over time, and 3. Repair expenses are not required on a regular basis. 						
Non-operating expenses	<ul style="list-style-type: none"> ¥1,720 million is expected for interest expense, arrangement fee, amortization for the following (1) handling borrowing costs and (2) derivative instrument (interest rate caps), etc. Expenses for the issuance of new investment units in January 2015 and the issuance of new investment units by way of third-party allotment in February 2015 are estimated to be ¥33 million. Expenses for the issuance of new investment units in June 2015 and the issuance of new investment units by way of third-party allotment in July 2015 are estimated to be ¥33 million. Expenses for additional issuance of 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"> It is assumed that the balance of interest-bearing debt (sum of loans and investment corporation bonds) was ¥91,485 million as of June 30, 2015, ¥97,961 million as of July 31, 2015 after the purchase of Okinawa Marriott Resort & Spa, and ¥97,772 million as of December 31, 2015. Loans for acquiring Okinawa Marriott Resort & Spa are ¥6,500 million. It is assumed to refinance loans in the amount of ¥5,016 million with maturity due in September 2015 and loans in the amount of ¥1,592 million with maturity due in November 2015. Other than above, interest-bearing debt totaling ¥212 million is scheduled for contractual repayment in the latter half of the year, and it is assumed to be repaid by using JHR’s cash on hand. 						

Item	Assumptions																																				
Issuance of investment units	<ul style="list-style-type: none"> The number of investment units issued and outstanding as of today (3,144,227 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 31, 2015 (16th period). 																																				
Dividend per unit	<ul style="list-style-type: none"> It is assumed that the whole amount of net income excluding the amount posted as a loss on retirement of noncurrent assets is distributed. Dividend per unit for the fiscal year ending December 31, 2015 (16th period) is calculated based on the following assumptions. <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Net income</td> <td style="text-align: right;">¥8,318 million</td> </tr> <tr> <td>Retained earnings brought forward</td> <td style="text-align: right;">¥1 million</td> </tr> <tr> <td style="border-top: 1px solid black;">Use of negative goodwill (Loss on retirement of noncurrent assets) (*)</td> <td style="text-align: right; border-top: 1px solid black;">¥13 million</td> </tr> <tr> <td>Distributable amount</td> <td style="text-align: right;">¥8,332 million</td> </tr> <tr> <td style="border-top: 1px solid black;">Total number of investment units issued and outstanding</td> <td style="text-align: right; border-top: 1px solid black;">3,144,227 units</td> </tr> <tr> <td>Dividend per unit</td> <td style="text-align: right;">¥2,650</td> </tr> </table> <p>(*) Amount posted as a loss on retirement of noncurrent assets will be appropriated by reserve for dividends (negative goodwill) and expects to have little impact on dividend per unit. Regarding the issuance of new investment units during the fiscal year, dividend per unit will generally be reduced due to the increase in the number of investment units. But dividend for the fiscal year ending December 31, 2015 (16th period) after acquiring Acquired Assets is projected to increase compared with the previously forecasted dividend per unit due to the impact of revenue increase from the purchase of the Acquired Assets. Therefore, JHR does not plan to appropriate the reserve for dividends (negative goodwill) for dividends for the fiscal year ending December 31, 2015 (16th period) for the adjustment to dilution by the increase of investment units.</p> <ul style="list-style-type: none"> Dividend per unit may fluctuate by various causes, such as fluctuation of rental revenue resulting from transfer of asset, transfer of hotel lessee(s), etc., change of business environment, etc., for hotel lessee(s), etc., and unexpected repairs, etc. The balance of reserve for dividends (negative goodwill) after the appropriation for dividends for the fiscal year ending December 31, 2015 (16th period) is as follows. <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Balance of reserve for dividends (negative goodwill) at end of fiscal year ended December 31, 2014</td> <td style="text-align: right;">¥14,168 million</td> </tr> <tr> <td style="border-top: 1px solid black;">Use of negative goodwill (Loss on retirement of noncurrent assets)</td> <td style="text-align: right; border-top: 1px solid black;">(¥4 million)</td> </tr> <tr> <td>Use of negative goodwill (Financial costs in accordance with early repayment)</td> <td style="text-align: right;">(¥71 million)</td> </tr> <tr> <td style="border-top: 1px solid black;">Use of negative goodwill (Adjustment for dilution in 15th period)</td> <td style="text-align: right; border-top: 1px solid black;">(¥164 million)</td> </tr> <tr> <td>Balance of reserve for dividends at end of fiscal year ending December 31, 2015</td> <td style="text-align: right;">¥13,928 million</td> </tr> </table>	Net income	¥8,318 million	Retained earnings brought forward	¥1 million	Use of negative goodwill (Loss on retirement of noncurrent assets) (*)	¥13 million	Distributable amount	¥8,332 million	Total number of investment units issued and outstanding	3,144,227 units	Dividend per unit	¥2,650	Balance of reserve for dividends (negative goodwill) at end of fiscal year ended December 31, 2014	¥14,168 million	Use of negative goodwill (Loss on retirement of noncurrent assets)	(¥4 million)	Use of negative goodwill (Financial costs in accordance with early repayment)	(¥71 million)	Use of negative goodwill (Adjustment for dilution in 15th period)	(¥164 million)	Balance of reserve for dividends at end of fiscal year ending December 31, 2015	¥13,928 million														
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Acquired Assets	<ul style="list-style-type: none"> The operating forecast of the five <i>the b</i> hotels acquired on January 30, 2015, Hotel Francs acquired on March 31, 2015, Mercure Yokosuka acquired on April 2, 2015, and Okinawa Marriott Resort & Spa acquired on July 10, 2015 are estimated as follows. <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: left;"><the b akasaka-mitsuke></td> <td style="text-align: right;">(millions of yen)</td> </tr> <tr> <td></td> <td style="text-align: center;">Fiscal year ending December 31, 2015</td> <td style="text-align: center;">Annualized (*3)</td> </tr> <tr> <td>Operating revenue</td> <td style="text-align: center;">268</td> <td style="text-align: center;">289</td> </tr> <tr> <td>NOI (*1)</td> <td style="text-align: center;">262</td> <td style="text-align: center;">266</td> </tr> <tr> <td>NOI yield (%) (*2)</td> <td style="text-align: center;">-</td> <td style="text-align: center;">4.3</td> </tr> <tr> <td>Operating income</td> <td style="text-align: center;">208</td> <td style="text-align: center;">211</td> </tr> </table> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: left;"><the b ikebukuro></td> <td style="text-align: right;">(millions of yen)</td> </tr> <tr> <td></td> <td style="text-align: center;">Fiscal year ending December 31, 2015</td> <td style="text-align: center;">Annualized (*3)</td> </tr> <tr> <td>Operating revenue</td> <td style="text-align: center;">318</td> <td style="text-align: center;">341</td> </tr> <tr> <td>NOI (*1)</td> <td style="text-align: center;">309</td> <td style="text-align: center;">309</td> </tr> <tr> <td>NOI yield (%) (*2)</td> <td style="text-align: center;">-</td> <td style="text-align: center;">4.7</td> </tr> <tr> <td>Operating income</td> <td style="text-align: center;">243</td> <td style="text-align: center;">243</td> </tr> </table>	<the b akasaka-mitsuke>		(millions of yen)		Fiscal year ending December 31, 2015	Annualized (*3)	Operating revenue	268	289	NOI (*1)	262	266	NOI yield (%) (*2)	-	4.3	Operating income	208	211	<the b ikebukuro>		(millions of yen)		Fiscal year ending December 31, 2015	Annualized (*3)	Operating revenue	318	341	NOI (*1)	309	309	NOI yield (%) (*2)	-	4.7	Operating income	243	243
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Item	Assumptions		
Acquired Assets	<the b ochanomizu> (millions of yen)		
		Fiscal year ending December 31, 2015	Annualized (*3)
	Operating revenue	109	116
	NOI (*1)	106	106
	NOI yield (%) (*2)	-	4.6
	Operating income	80	80
	<the b hachioji> (millions of yen)		
		Fiscal year ending December 31, 2015	Annualized (*3)
	Operating revenue	193	203
	NOI (*1)	178	163
	NOI yield (%) (*2)	-	6.3
	Operating income	135	120
	<the b hakata> (millions of yen)		
		Fiscal year ending December 31, 2015	Annualized (*3)
	Operating revenue	138	147
	NOI (*1)	133	131
	NOI yield (%) (*2)	-	5.7
	Operating income	99	97
	<Hotel Francs> (millions of yen)		
		Fiscal year ending December 31, 2015	Annualized (*3)
	Operating revenue	229	303
	NOI (*1)	226	233
	NOI yield (%) (*2)	-	7.5
	Operating income	165	161
	<Mercure Yokosuka> (millions of yen)		
		Fiscal year ending December 31, 2015	Annualized (*3)
	Operating revenue	136	225
	NOI (*1)	77	120
NOI yield (%) (*2)	-	7.3	
Operating income	40	71	
<Okinawa Marriott Resort & Spa> (millions of yen)			
	Fiscal year ending December 31, 2015	Annualized (*3)	
Operating revenue	670	1,000	
NOI (*1)	654	918	
NOI yield (%) (*2)	-	6.1	
Operating income	506	626	
(*1) NOI = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets (*2) NOI yield = NOI ÷ Acquisition price (*3) For the assumptions of calculating the annualized figures, please refer to “<Reference Materials 2> Assumptions of the forecast of the annualized effect.”			

Item	Assumptions
Dividend per unit resulting from excess of earnings	<ul style="list-style-type: none"> • It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.
Other	<ul style="list-style-type: none"> • It is assumed that revision in law, tax system, accounting standard, regulations of the listing, regulations of The Investment Trusts Association, Japan, etc. 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, hotel business environment, etc. • The numerical values are rounded down to the nearest million yen in the assumptions above.

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

(millions of yen)

		15th Period	16th Period		(Reference)	Variance from						
		Actual	Forecast Previous Time (A)	Forecast This Time (B)	Forecast This Time Annualized (*1)	Forecast Previous Time	Variance					
Properties	No. of properties	30	38	38	38	0	0.0%					
	Acquisition price	173,429	213,134	213,134	213,134	0	0.0%					
Profit and loss	Operating revenue	12,760	16,050	16,655	17,220	604	3.8%					
	Fixed rent	Composition					0					
		71.1%	9,066	64.5%	10,347	62.2%	10,352	62.5%	10,764	5	0.0%	
	Variable rent	28.9%	3,693	35.5%	5,703	37.8%	6,303	37.5%	6,455	599	10.5%	(1) The five HMJ hotels--increase in variable rent by JPY311M (2) The six Accor hotels--increase in income from management contracts, etc. by JPY168M (3) The six <i>the b</i> hotels--increase in variable rent by JPY36M (4) Other increases from revenue sharing, etc. by JPY82M
	NOI (*2)	11,002	13,736	14,343	14,646	607	4.4%					
		6.3%	6.4%	6.7%	6.9%	0.3%	4.4%					
	NOI after depreciation (*2)	8,597	10,860	11,467	11,642	607	5.6%					
		5.0%	5.1%	5.4%	5.5%	0.3%	5.6%					
Operating income	7,545	9,375	10,029	10,162	654	7.0%						
Net income	5,774	7,539	8,318	8,457	779	10.3%						
Dividend	Use of negative goodwill	240	13	13	13	0	0.0%					
	Total dividends	6,015	7,552	8,332	8,467	779	10.3%					
	No. of units issued	2,791,281	3,144,227	3,144,227	3,144,227	0	0.0%	(Reference) Comparing with the previous fiscal period (15th period), the dividend per unit of forecast this time increased by 23%.				
	Dividend per unit (JPY)	2,155	2,402	2,650	2,693	248	10.3%					

(*1) For the assumptions of the latest annualized forecasts, please refer to " <Reference Materials 2> Assumptions of the forecast of the annualized effect" below.

(*2) Each is calculated using the following formula.

NOI (Net Operating Income) = Real estate operating revenue - Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets

NOI yield = NOI ÷ Acquisition price

NOI after depreciation = Real estate operating revenue - Real estate operating costs

NOI yield after depreciation = NOI after depreciation ÷ Acquisition price

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

- The operating revenue and operating expenses of the assets under management excluding Acquired Assets remain unchanged from the "Assumptions of the operating forecast for the full year of the fiscal year ending December 31, 2015 (16th period)" above.
- The fixed and variable rents for Okinawa Marriott Resort & Spa are calculated as follows:
Annual rent (¥1,000 million) = Fixed rent (¥550 million) + Variable rent
Variable rent = [(a) Hotel GOP - (b) GOP base amount] × 90.0%

(millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) - (b)) × 90.0%
Full year	1,200	700	450

- The variable rent for Mercure Yokosuka is assumed to be ¥184 million.
- The figures for the Acquired Assets are the forecasted annual figures calculated based on the information provided by the sellers, etc. For the revenue and other figures for the relevant period, please refer to "Acquired Assets" in "Assumptions of the operating forecast for the full year of the fiscal year ending December 31, 2015 (16th period)" on page 12.
- For the fixed asset tax, city planning tax, and other taxes and public dues for the relevant period (for twelve month), it is assumed that ¥82 million will be recorded as expenses for the five *the b* hotels, ¥65 million for Hotel Francs, ¥39 million for Mercure Yokosuka, and ¥68 million for Okinawa Marriott Resort & Spa.

<Reference Materials 3> Sales and GOP of the Five HMJ Hotels

(1) Sales by hotel

(millions of yen)

Sales of the Five HMJ Hotels		Fiscal year ended December 31, 2014		Fiscal year ending December 31, 2015			
		Results	Year-on-year change	Previous forecast	First half: Results Second half: Forecast Full year: Forecast	Comparison with previous forecast	Year-on-year change
Kobe Meriken Park Oriental Hotel	First half	2,424	0.4%	2,459	2,424	(1.5%)	(0.0%)
	Second half	2,798	0.1%	2,965	2,972	0.2%	6.2%
	Full year	5,222	0.2%	5,425	5,395	(0.5%)	3.3%
Oriental Hotel tokyo bay	First half	3,366	4.9%	3,305	3,395	2.7%	0.9%
	Second half	3,844	(3.3%)	3,931	3,936	0.1%	2.4%
	Full year	7,210	0.4%	7,236	7,331	1.3%	1.7%
Namba Oriental Hotel	First half	998	6.8%	1,039	1,189	14.4%	19.1%
	Second half	1,151	10.9%	1,166	1,264	8.3%	9.8%
	Full year	2,149	9.0%	2,205	2,452	11.2%	14.1%
Hotel Nikko Alivila	First half	2,190	(0.1%)	2,316	2,377	2.7%	8.6%
	Second half	3,301	3.7%	3,426	3,454	0.8%	4.6%
	Full year	5,491	2.2%	5,741	5,831	1.6%	6.2%
Oriental Hotel Hiroshima	First half	1,046	(0.0%)	1,039	991	(4.6%)	(5.2%)
	Second half	1,178	(2.5%)	1,208	1,174	(2.9%)	(0.3%)
	Full year	2,223	(1.4%)	2,248	2,165	(3.7%)	(2.6%)
Total	First half	10,024	2.3%	10,158	10,376	2.1%	3.5%
	Second half	12,272	0.6%	12,697	12,799	0.8%	4.3%
	Full year	22,296	1.4%	22,855	23,175	1.4%	3.9%

(Note 1) While the indicated figures are based on the data provided by the hotel lessees, please note that the figures have not undergone audit and other procedures and JHR is not in a position to guarantee the accuracy and completeness of the individual figures and descriptions.

(Note 2) Sales are rounded off to the nearest million yen. Year-on-year change is rounded off to one decimal place.

(2) Hotel GOP

(millions of yen)

GOP of the Five HMJ Hotels		Fiscal year ended December 31, 2014		Fiscal year ending December 31, 2015			
		Results	Year-on-year change	Previous forecast	Forecast this time	Comparison with previous forecast	Year-on-year change
Total for the Five HMJ Hotels		6,302	2.4%	6,366	6,749	6.0%	7.1%
Ratio of GOP to sales		28.3%	0.3%	27.9%	29.1%	1.3%	0.9%

(Note 1) While the indicated figures are based on the data provided by the hotel lessees, please note that the figures have not undergone audit and other procedures and JHR is not in a position to guarantee the accuracy and completeness of the individual figures and descriptions.

(Note 2) GOP is rounded off to the nearest million yen. Ratio of GOP to sales and year-on-year change are rounded off to one decimal place.

<Reference Materials 4> Sales and GOP of the Six Accor Hotels

(1) Sales by hotel

(millions of yen)

Sales of the Six Accor Hotels		Fiscal year ended December 31, 2014		Fiscal year ending December 31, 2015			
		Results	Year-on-year change	Previous forecast	First half: Results Second half: Forecast Full year: Forecast	Comparison with previous forecast	Year-on-year change
ibis Tokyo Shinjuku	First half	427	12.0%	443	453	2.2%	6.1%
	Second half	445	7.5%	456	438	(4.0%)	(1.6%)
	Full year	872	9.6%	899	891	(0.9%)	2.2%
ibis Styles Kyoto Station	First half	305	(1.2%)	348	357	2.5%	17.1%
	Second half	384	13.3%	401	426	6.2%	10.8%
	Full year	690	6.3%	749	783	4.5%	13.6%
ibis Styles Sapporo	First half	397	2.3%	421	429	1.9%	7.9%
	Second half	522	4.8%	534	568	6.3%	8.8%
	Full year	920	3.7%	955	997	4.4%	8.4%
Mercure Sapporo	First half	425	5.5%	454	499	10.0%	17.5%
	Second half	573	3.9%	623	645	3.6%	12.6%
	Full year	998	4.6%	1,077	1,145	6.3%	14.7%
Mercure Okinawa Naha	First half	363	28.0%	388	407	4.8%	12.1%
	Second half	414	14.5%	429	442	2.9%	6.6%
	Full year	778	20.5%	817	849	3.8%	9.1%
Mercure Yokosuka	First half	545	3.7%	550	550	0.0%	1.0%
	Second half	491	9.5%	470	471	0.1%	(4.1%)
	Full year	1,036	6.4%	1,020	1,021	0.1%	(1.4%)
Total	First half	2,463	7.5%	2,604	2,696	3.5%	9.5%
	Second half	2,829	8.3%	2,913	2,989	2.6%	5.6%
	Full year	5,292	7.9%	5,518	5,685	3.0%	7.4%

(Note 1) While the indicated figures are based on the data provided by the hotel lessees, please note that the figures have not undergone audit and other procedures and JHR is not in a position to guarantee the accuracy and completeness of the individual figures and descriptions.

(Note 2) Sales are rounded off to the nearest million yen. Year-on-year change is rounded off to one decimal place.

(2) Hotel GOP

(millions of yen)

GOP of the Six Accor Hotels		Fiscal year ended December 31, 2014		Fiscal year ending December 31, 2015			
		Results	Year-on-year change	Previous forecast	Forecast this time	Comparison with previous forecast	Year-on-year change
Total for the Six Accor Hotels		2,075	15.6%	2,210	2,379	7.6%	14.6%
Ratio of GOP to sales		39.2%	2.6%	40.1%	41.8%	1.8%	2.6%

(Note 1) While the indicated figures are based on the data provided by the hotel lessees, please note that the figures have not undergone audit and other procedures and JHR is not in a position to guarantee the accuracy and completeness of the individual figures and descriptions.

(Note 2) GOP is rounded off to the nearest million yen. Ratio of GOP to sales and year-on-year change are rounded off to one decimal place.

<Reference Materials 5> Sales and GOP of the Five *the b* Hotels

(1) Sales by hotel

(millions of yen)

Sales of the Five <i>the b</i> Hotels		Fiscal year ended December 31, 2014		Fiscal year ending December 31, 2015			
		Results	Year-on-year change	Previous forecast	First half: Results Second half: Forecast Full year: Forecast	Comparison with previous forecast	Year-on-year change
the b akasaka-mitsuke	First half	131	(13.7%)	235	221	(5.9%)	69.4%
	Second half	213	94.9%	251	255	1.8%	19.8%
	Full year	344	31.8%	486	476	(1.9%)	38.7%
the b ikebukuro	First half	279	8.1%	309	301	(2.8%)	7.7%
	Second half	283	4.6%	313	317	1.1%	11.8%
	Full year	562	6.4%	622	617	(0.8%)	9.8%
the b ochanomizu	First half	121	7.9%	134	132	(1.3%)	9.0%
	Second half	124	1.6%	141	141	0.3%	13.5%
	Full year	246	4.6%	275	273	(0.5%)	11.3%
the b hachioji	First half	242	9.8%	261	267	2.0%	10.4%
	Second half	256	0.9%	282	290	2.9%	13.4%
	Full year	497	5.0%	543	557	2.5%	11.9%
the b hakata	First half	172	7.0%	177	191	7.9%	10.9%
	Second half	191	8.7%	190	198	4.2%	3.6%
	Full year	363	7.9%	366	388	6.0%	7.1%
Total	First half	944	4.7%	1,116	1,111	(0.4%)	17.7%
	Second half	1,067	14.6%	1,176	1,201	2.1%	12.5%
	Full year	2,011	9.7%	2,292	2,312	0.9%	14.9%

(Note 1) While the indicated figures are based on the data provided by the hotel lessees, please note that the figures have not undergone audit and other procedures and JHR is not in a position to guarantee the accuracy and completeness of the individual figures and descriptions.

(Note 2) Sales are rounded off to the nearest million yen. Year-on-year change is rounded off to one decimal place.

(Note 3) The number of guest rooms of the b akasaka-mitsuke increased from 91 to 122 with the extension and refurbishment work conducted by the previous owner having completed in April 2014. Accordingly, the number of guest rooms available for sale in the first half of 2015 and the first half of 2014 are not identical.

(2) Hotel GOP

(millions of yen)

GOP of the Five <i>the b</i> Hotels		Fiscal year ended December 31, 2014		Fiscal year ending December 31, 2015			
		Results	Year-on-year change	Previous forecast	Forecast this time	Comparison with previous forecast	Year-on-year change
Total for the Five <i>the b</i> Hotels		854	15.5%	1,029	1,049	1.9%	22.9%
Ratio of GOP to sales		42.4%	2.1%	44.9%	45.4%	0.5%	2.9%

(Note 1) While the indicated figures are based on the data provided by the hotel lessees, please note that the figures have not undergone audit and other procedures and JHR is not in a position to guarantee the accuracy and completeness of the individual figures and descriptions.

(Note 2) GOP is rounded off to the nearest million yen. Ratio of GOP to sales and year-on-year change are rounded off to one decimal place.

3. Semi-annual financial statements

(1) Semi-annual balance sheets

(thousands of yen)

	As of December 31, 2014	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	7,539,897	18,597,032
Cash and deposits in trust	6,884,877	6,548,164
Operating accounts receivable	1,029,379	758,577
Prepaid expenses	381,639	401,834
Income taxes receivable	428	-
Other current assets	37	17,382
Total current assets	15,836,259	26,322,991
Noncurrent assets		
Property and equipment, at cost		
Machinery and equipment	155,796	167,411
Accumulated depreciation	(46,078)	(56,903)
Machinery and equipment, net	109,718	110,507
Tools, furniture and fixtures	1,041,932	1,136,909
Accumulated depreciation	(478,692)	(561,460)
Tools, furniture and fixtures, net	563,239	575,448
Buildings in trust	*1 67,291,439	*1 72,838,403
Accumulated depreciation	(7,389,134)	(8,575,530)
Buildings in trust, net	59,902,304	64,262,873
Structures in trust	736,632	760,041
Accumulated depreciation	(119,147)	(141,893)
Structures in trust, net	617,485	618,147
Machinery and equipment in trust	469,007	517,601
Accumulated depreciation	(49,103)	(59,585)
Machinery and equipment in trust, net	419,903	458,016
Tools, furniture and fixtures in trust	129,339	129,339
Accumulated depreciation	(61,607)	(65,615)
Tools, furniture and fixtures in trust, net	67,732	63,723
Land in trust	89,055,831	109,077,947
Construction in progress in trust	126	-
Net property and equipment	150,736,342	175,166,664
Intangible assets		
Software	57,421	55,539
Leasehold rights in trust	19,774,039	19,774,039
Other intangible assets	10,968	10,816
Total intangible assets	19,842,429	19,840,395
Investments and other assets		
Investment securities	602,725	-
Security deposits	12,520	12,520
Leasehold and security deposits in trust	158,323	158,323
Long-term prepaid expenses	803,747	983,324
Derivative assets	4,834	16,775
Reserve for repairs and maintenance	-	41,637
Total investments and other assets	1,582,151	1,212,581
Total noncurrent assets	172,160,922	196,219,641
Deferred assets		
Investment unit issuance costs	55,628	92,749
Investment corporation bond issuance costs	38,923	33,200
Total deferred assets	94,552	125,950
Total assets	188,091,734	222,668,582

(thousands of yen)

	As of December 31, 2014	As of June 30, 2015
Liabilities		
Current liabilities		
Operating accounts payable	285,938	568,158
Short-term loans payable	—	1,000,000
Current portion of long-term loans payable	11,825,132	20,588,985
Accrued expenses	400,390	405,956
Income taxes payable	1,210	605
Consumption taxes payable	290,174	135,332
Advances received	651,652	717,186
Dividends payable	10,770	16,285
Deposits received	9,384	149,132
Total current liabilities	13,474,653	23,581,640
Long-term liabilities		
Investment corporation bonds	6,000,000	6,000,000
Long-term loans payable	63,264,603	63,896,500
Tenant leasehold and security deposits	2,041,916	2,041,932
Tenant leasehold and security deposits in trust	2,608,901	2,822,184
Derivative liabilities	358,752	250,256
Deferred tax liabilities	—	4,279
Total long-term liabilities	74,274,172	75,015,152
Total liabilities	87,748,826	98,596,793
Net assets		
Unitholders' equity		
Unitholders' capital	59,024,923	85,177,639
Surplus		
Capital surplus	21,746,398	21,746,398
Voluntary reserve		
Dividend reserve	14,168,614	13,928,075
Total voluntary reserve	14,168,614	13,928,075
Unappropriated retained earnings (undisposed loss)	5,776,116	3,473,753
Total surplus	41,691,129	39,148,227
Total unitholders' equity	100,716,052	124,325,866
Valuation and translation adjustments		
Deferred gains (losses) on hedges	(373,144)	(254,077)
Total valuation and translation adjustments	(373,144)	(254,077)
Total net assets	*2 100,342,908	*2 124,071,789
Total liabilities and net assets	188,091,734	222,668,582

(2) Semi-annual statements of income

(thousands of yen)

	For the six months ended June 30, 2014	For the six months ended June 30, 2015
Operating revenue		
Real estate operating revenue	*1 5,406,097	*1 7,048,534
Other real estate operating revenue	*1 98,099	*1 189,846
Gain on sale of real estate properties	*2 13	-
Gain on investment in silent partnership	-	4,288
Total operating revenue	5,504,210	7,242,669
Operating expenses		
Real estate operating costs	*1,*3 1,983,828	*1,*3 2,362,448
Asset management fee	372,296	475,961
Asset custody fee	6,790	8,470
Administrative service fee	36,342	43,767
Directors' compensation	4,800	4,800
Other operating expenses	88,166	89,934
Total operating expenses	2,492,224	2,985,382
Operating income	3,011,985	4,257,286
Non-operating income		
Interest income	1,145	1,404
Gain on forfeiture of unclaimed dividends	395	429
Gain on insurance claims	-	278
Interest on tax refunds	-	177
Gain on derivative instruments	-	7,638
Total non-operating income	1,541	9,927
Non-operating expenses		
Interest expense	500,807	452,549
Interest expense on investment corporation bonds	16,296	26,692
Borrowing costs	228,660	273,997
Amortization of investment corporation bond issuance costs	3,929	5,723
Amortization of investment unit issuance costs	17,528	25,311
Loss on derivative instruments	10,761	9,981
Other	33	45
Total non-operating expenses	778,018	794,300
Ordinary income	2,235,508	3,472,913
Income before income taxes	2,235,508	3,472,913
Income taxes – current	605	605
Total income taxes	605	605
Net income	2,234,903	3,472,308
Retained earnings brought forward	1,236	1,444
Unappropriated retained earnings (undisposed loss)	2,236,140	3,473,753

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

For the six months ended June 30, 2014

(thousands of yen)

	Unitholders' equity						
	Unitholders' capital	Surplus					Total unitholders' equity
		Capital surplus	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	
			Dividend reserve	Total voluntary reserve			
Balance, January 1, 2014	48,845,523	21,746,398	16,017,484	16,017,484	3,235,030	40,998,912	89,844,236
Changes of items during the period:							
Reversal of dividend reserve			(1,848,870)	(1,848,870)	1,848,870	-	-
Dividends paid					(5,082,663)	(5,082,663)	(5,082,663)
Net income					2,234,903	2,234,903	2,234,903
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	-	(1,848,870)	(1,848,870)	(998,889)	(2,847,759)	(2,847,759)
Balance, June 30, 2014	*1 48,845,323	21,746,398	14,168,614	14,168,614	2,236,140	38,151,152	86,996,476

(thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2014	(88,022)	(88,022)	89,756,213
Changes of items during the period:			
Reversal of dividend reserve			-
Dividends paid			(5,082,663)
Net income			2,234,903
Net changes of items other than unitholders' equity	(188,563)	(188,563)	(188,563)
Total changes of items during the period	(188,563)	(188,563)	(3,036,323)
Balance, June 30, 2014	(276,585)	(276,585)	86,719,890

For the six months ended June 30, 2015

(thousands of yen)

	Unitholders' equity						
	Unitholders' capital	Surplus					Total unitholders' equity
		Capital surplus	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	
Dividend reserve	Total voluntary reserve						
Balance, January 1, 2015	59,024,923	21,746,398	14,168,614	14,168,614	5,776,116	41,691,129	100,716,052
Changes of items during the period:							
Issuance of new investment units	26,152,715						26,152,715
Reversal of dividend reserve			(240,538)	(240,538)	240,538	-	-
Dividends paid					(6,015,210)	(6,015,210)	(6,015,210)
Net income					3,472,308	3,472,308	3,472,308
Net changes of items other than unitholders' equity							
Total changes of items during the period	26,152,715	-	(240,538)	(240,538)	(2,302,363)	(2,542,901)	23,609,814
Balance, June 30, 2015	*1 85,177,639	21,746,398	13,928,075	13,928,075	3,473,753	39,148,227	124,325,866

(thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance, January 1, 2015	(373,144)	(373,144)	100,342,908
Changes of items during the period:			
Issuance of new investment units			26,152,715
Reversal of dividend reserve			-
Dividends paid			(6,015,210)
Net income			3,472,308
Net changes of items other than unitholders' equity	119,066	119,066	119,066
Total changes of items during the period	119,066	119,066	23,728,880
Balance, June 30, 2015	(254,077)	(254,077)	124,071,789

(4) Semi-annual statements of cash flows

(thousands of yen)

	For the six months ended June 30, 2014	For the six months ended June 30, 2015
Cash flows from operating activities		
Income before income taxes	2,235,508	3,472,913
Depreciation and amortization	1,168,283	1,327,987
Loss on retirement of noncurrent assets	2,802	1,654
Loss on derivative instruments	10,761	2,343
Amortization of investment corporation bond issuance costs	3,929	5,723
Amortization of investment unit issuance costs	17,528	25,311
Gain on investment in silent partnership	-	(4,288)
Decrease in property and equipment in trust due to sale	683,986	-
Interest income	(1,145)	(1,404)
Interest expense	517,103	479,241
Interest on tax refunds	-	(177)
(Increase) decrease in operating accounts receivable	347,560	270,801
(Increase) decrease in prepaid expenses	(1,894)	(20,195)
(Increase) decrease in long-term prepaid expenses	(122,856)	(179,576)
Increase (decrease) in operating accounts payable	(46,910)	141,956
Increase (decrease) in accounts payable	(46,197)	-
Increase (decrease) in accrued expenses	(3,902)	16,558
Increase (decrease) in consumption taxes payable	40,380	(154,842)
Increase (decrease) in advances received	8,093	65,533
Increase (decrease) in deposits received	(73,483)	139,747
Other – net	3,960	(27,133)
Subtotal	4,743,510	5,562,156
Interest received	1,145	1,404
Interest paid	(528,082)	(489,668)
Interest received on tax refunds	-	177
Income taxes – refunded (paid)	(804)	(781)
Net cash provided by operating activities	4,215,769	5,073,288
Cash flows from investing activities		
Proceeds from redemption of investment securities	-	607,013
Purchase of property and equipment in trust	(574,707)	(25,510,606)
Purchase of property and equipment	(212,711)	(81,905)
Purchase of intangible assets	-	(25,572)
Payments of reserve for repairs and maintenance	-	(41,637)
Proceeds from tenant leasehold and security deposits in trust	-	223,490
Reimbursements of tenant leasehold and security deposits in trust	(72,900)	-
Proceeds from tenant leasehold and security deposits	-	16
Net cash used in investing activities	(860,319)	(24,829,202)
Cash flows from financing activities		
Proceeds from short-term loans payable	-	1,000,000
Repayments of short-term loans payable	(2,669,150)	-
Proceeds from long-term loans payable	10,406,000	14,400,000
Repayments of long-term loans payable	(10,669,931)	(5,004,250)
Proceeds from investment corporation bonds	2,000,000	-
Proceeds from issuance of investment units	-	26,090,283
Payments for investment corporation bond issuance costs	(16,570)	-
Dividends paid	(5,075,426)	(6,009,696)
Net cash provided by (used in) financing activities	(6,025,078)	30,476,337
Net increase (decrease) in cash and cash equivalents	(2,669,628)	10,720,422
Cash and cash equivalents at beginning of period	12,553,289	14,424,774
Cash and cash equivalents at end of period	*1 9,883,660	*1 25,145,197

(5) Notes on going concern assumption

Not applicable.

(6) Notes on matters concerning significant accounting policies

1. Valuation standards and valuation method for assets	Securities, other securities, securities without market value. Stated at cost being determined by the moving average method. Equity interest in silent partnership is stated at its net asset value corresponding to the equity interest in the silent partnership.														
2. 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 data-bbox="491 528 1015 741"><tr><td>Machinery and equipment</td><td>2 to 12 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 65 years</td></tr><tr><td>Structures in trust</td><td>2 to 65 years</td></tr><tr><td>Machinery and equipment in trust</td><td>4 to 35 years</td></tr><tr><td>Tools, furniture and fixtures in trust</td><td>2 to 29 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 data-bbox="491 853 1206 882"><tr><td>Software (for internal use)</td><td>5 years as internally usable years</td></tr></table> <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 12 years	Tools, furniture and fixtures	2 to 20 years	Buildings in trust	2 to 65 years	Structures in trust	2 to 65 years	Machinery and equipment in trust	4 to 35 years	Tools, furniture and fixtures in trust	2 to 29 years	Software (for internal use)	5 years as internally usable years
Machinery and equipment	2 to 12 years														
Tools, furniture and fixtures	2 to 20 years														
Buildings in trust	2 to 65 years														
Structures in trust	2 to 65 years														
Machinery and equipment in trust	4 to 35 years														
Tools, furniture and fixtures in trust	2 to 29 years														
Software (for internal use)	5 years as internally usable years														
3. 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. The issuance of new investment units through public offerings on January 27, 2015 and June 22, 2015 was consummated under underwriting agreements in which underwriting securities companies committed to purchase all of the investment units being offered at an issue value and selling them at an offering price different from such issue value to general investors (the “spread method”). No underwriting fees were paid by JHR under the spread method since the underwriters were compensated by the underwriting spread, which amounted to ¥858,900 thousand for the six months ended June 30, 2015 and ¥0 for the six months ended June 30, 2014, representing the difference between the issue price and the issue value of all new investment units issued.</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>														
4. Standards for recognition of revenues and expenses	<p>Treatment of property taxes and other taxes</p> <p>For taxes imposed on properties under management such as property taxes, city planning taxes, and depreciable asset taxes, the imposed amounts are allocated to the respective period and expensed as “Real estate operating costs.”</p> <p>Cash paid for property taxes and city planning taxes to the transferor of real properties at acquisition is not recorded as “Real estate operating costs” but capitalized as part of the acquisition cost of the relevant property.</p> <p>The amount of such taxes capitalized in the acquisition cost of real properties was ¥143,061 thousand for the six months ended June 30, 2015 and ¥0 for the six months ended June 30, 2014.</p>														

<p>5. 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>6. 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>7. 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; 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. However, non-deductible consumption taxes on property and equipment are included in the cost of the respective period.</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 large necessity 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

	As of December 31, 2014	As of June 30, 2015
Buildings in trust	¥24,921 thousand	¥24,921 thousand

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

	As of December 31, 2014	As of June 30, 2015
	¥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, 2014		For the six months ended June 30, 2015	
A. Real estate operating revenue				
Real estate operating revenue				
Fixed rent	4,394,576		4,778,940	
Variable rent	640,603		1,323,069	
Income from management contracts	370,918	5,406,097	946,524	7,048,534
Other real estate operating revenue				
Parking lots	25,326		38,428	
Other incidental revenue	8,413		10,428	
Utilities	51,317		120,580	
Other	13,041	98,099	20,409	189,846
Total real estate operating revenue		5,504,197		7,238,381
B. Real estate operating costs				
Real estate operating costs				
Land lease and other rent expenses	231,569		231,617	
Property taxes	401,595		461,310	
Outsourcing expenses (Note)	81,990		157,278	
Nonlife insurance	12,915		15,297	
Depreciation and amortization	1,168,283		1,327,987	
Loss on retirement of noncurrent assets	2,802		1,654	
Repairs	10,877		19,547	
Utilities	52,703		119,288	
Trust fees	18,918		21,534	
Other	2,170	1,983,828	6,931	2,362,448
Total real estate operating costs		1,983,828		2,362,448
C. Net real estate operating income				
(A - B)		3,520,368		4,875,932

(Note) Outsourcing expenses include management contract fees of ¥85,063 thousand for the midterm period ended June 30, 2015 and ¥31,724 thousand for the midterm period ended June 30, 2014.

*2. Components of gain (loss) on sale of real estate properties

	For the six months ended June 30, 2014	For the six months ended June 30, 2015
Dormy Inn Namba		
Proceeds from sale of properties	¥700,000 thousand	¥— thousand
Costs of sale of properties	¥683,986 thousand	¥— thousand
Other selling expenses	¥16,000 thousand	¥— thousand
Gain (loss) on sale of real estate properties	¥13 thousand	¥— thousand

*3. Depreciation was expensed as follows:

	For the six months ended June 30, 2014	For the six months ended June 30, 2015
Property and equipment	¥1,162,591 thousand	¥1,318,277 thousand
Intangible assets	¥6,109 thousand	¥9,710 thousand

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

	For the six months ended June 30, 2014	For the six months ended June 30, 2015
*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	2,621,281 units	3,140,322 units

[Notes to semi-annual statements of cash flows]

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

	For the six months ended June 30, 2014	For the six months ended June 30, 2015
Cash and deposits	¥4,403,416 thousand	¥18,597,032 thousand
Cash and deposits in trust	¥5,480,243 thousand	¥6,548,164 thousand
Cash and cash equivalents	¥9,883,660 thousand	¥25,145,197 thousand

[Notes on lease transactions]

Operating leases (as lessor)

Minimum rental revenue under non-cancellable operating leases

	As of December 31, 2014	As of June 30, 2015
Due within one year	¥1,308,494 thousand	¥1,786,403 thousand
Due after one year	¥6,161,012 thousand	¥8,457,893 thousand
Total	¥7,469,507 thousand	¥10,224,297 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, 2014

	Carrying amount (JPY1000)	Fair value (JPY1000)	Difference (JPY1000)
(1) Cash and deposits	7,539,897	7,539,897	—
(2) Cash and deposits in trust	6,884,877	6,884,877	—
Total assets	14,424,774	14,424,774	—
(4) Current portion of long-term loans payable	11,825,132	11,825,132	—
(5) Investment corporation bonds	6,000,000	6,029,450	29,450
(6) Long-term loans payable	63,264,603	63,264,603	—
Total liabilities	81,089,735	81,119,185	29,450
(7) Derivative transactions (*)	(353,917)	(353,917)	—

As of June 30, 2015

	Carrying amount (JPY1000)	Fair value (JPY1000)	Difference (JPY1000)
(1) Cash and deposits	18,597,032	18,597,032	—
(2) Cash and deposits in trust	6,548,164	6,548,164	—
Total assets	25,145,197	25,145,197	—
(3) Short-term loans payable	1,000,000	1,000,000	—
(4) Current portion of long-term loans payable	20,588,985	20,588,985	—
(5) Investment corporation bonds	6,000,000	6,020,300	20,300
(6) Long-term loans payable	63,896,500	63,896,500	—
Total liabilities	91,485,485	91,505,785	20,300
(7) Derivative transactions (*)	(233,480)	(233,480)	—

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

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

(1) Cash and deposits; (2) Cash and deposits in trust

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

(3) Short-term loans payable, (4) Current portion of long-term loans payable; (6) 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.

(5) Investment corporation bonds

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

(7) Derivative transactions

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

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

(thousands of yen)

Classification	As of December 31, 2014	As of June 30, 2015
Investment securities	602,725	—
Tenant leasehold and security deposits	2,041,916	2,041,932
Tenant leasehold and security deposits in trust	2,608,901	2,822,184
Total	5,253,542	4,864,116

Investment securities

Investment securities (equity investment in silent partnership) are not subject to fair value disclosure because they have no market price and their fair values are considered extremely difficult to measure.

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 difficult.

[Notes on derivative transactions]

1. Derivative transactions to which hedge accounting is not applied

As of December 31, 2014

The contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date of derivative transactions to which hedge accounting is not applied 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)	5,000,000	5,000,000	(37,252)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.

As of June 30, 2015

The contract amount or the amount equivalent to the principal provided in the contract, etc. as of the account closing date of derivative transactions to which hedge accounting is not applied 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)	5,000,000	5,000,000	(29,614)	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, 2014

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 of derivative transactions to which hedge accounting is applied 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	55,604,250	48,659,950	(321,499)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	Long-term loans payable	9,413,500	9,413,500	4,834	

As of June 30, 2015

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 of derivative transactions to which hedge accounting is applied 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	65,304,250	52,806,750	(207,397)	The fair value is measured at the quoted price, etc. obtained from the counterparty financial institutions.
	Interest rate caps	Long-term loans payable	9,413,500	5,134,500	3,530	

[Notes on asset retirement obligations]

For the year ended December 31, 2014

Not applicable.

For the six months ended June 30, 2015

Not applicable.

[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, 2014

(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.	2,170,638	Investment and management of hotel real estate
The Dai-ichi Building Co., Ltd.	934,200	Investment and management of hotel real estate
Kyoritsu Maintenance Co., Ltd.	578,739	Investment and management of hotel real estate

For the six months ended June 30, 2015

(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.	2,341,761	Investment and management of hotel real estate
AAPC Japan K.K.	1,067,501	Investment and management of hotel real estate
The Dai-ichi Building Co., Ltd.	934,200	Investment and management of hotel real estate

[Notes on rental properties, etc.]

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

(thousands of yen)

Use		For the year ended December 31, 2014	For the six months ended June 30, 2015
Hotel	Carrying amount		
	Balance at beginning of period	155,753,667	169,847,788
	Net increase (decrease) during period	14,094,120	24,417,110
	Balance at end of period	169,847,788	194,264,899
	Fair value at end of period	205,408,000	246,324,000

(Note 1) For a summary of the rental properties, please refer to “5. Reference information; (2) Assets under management; (C) Other major assets under management; A. Summary of real estate properties under management” on page 42.

(Note 2) Carrying amount recognized in the (semi-annual) balance sheet is net of accumulated depreciation, if any, from acquisition price (including costs for acquisitions). Amounts for machinery and equipment, tools, furniture and fixtures, construction in progress in trust, and intangible assets other than leasehold rights in trust and facility usage rights are not included.

(Note 3) With regards to net increase (decrease) during period, increase during the year ended December 31, 2014 principally represents the acquisition of ibis Styles Sapporo (formerly Best Western Hotel Sapporo Nakajima Koen) for ¥6,868 million, Mercure Sapporo for ¥6,102 million and Mercure Okinawa Naha for ¥3,009 million. Decrease during the year ended December 31, 2014 principally represents the sale of Dormy Inn Namba for ¥683 million. Increase during the six months ended June 30, 2015 principally represents the acquisition of the five *the b* hotels for ¥20,230 million, Hotel Francs for ¥3,181 million and Mercure Yokosuka for ¥1,649 million.

(Note 4) Fair value at end of period is generally the appraisal value determined by licensed real estate appraisers.

[Notes on per unit information]

Net assets per unit is as follows:

	As of December 31, 2014	As of June 30, 2015
Net assets per unit	¥35,948	¥39,509

The basis of computation of net income per unit is as follows:

	For the six months ended June 30, 2014	For the six months ended June 30, 2015
Net income per unit (JPY)	852	1,166
[Basis of computation]		
Net income for midterm (JPY1000)	2,234,903	3,472,308
Amount not attributable to common unitholders (JPY1000)	—	—
Net income for midterm attributable to common investment units (JPY1000)	2,234,903	3,472,308
Average number of investment units during midterm period (units)	2,621,281	2,976,156

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

Diluted net income per unit is not presented since there are no potentially dilutive units.

[Notes on significant subsequent events]

1. Acquisition of asset

On July 10, 2015, JHR acquired Okinawa Marriott Resort & Spa.

Property name	Okinawa Marriott Resort & Spa
Asset category	Real estate beneficial interest in trust and movable assets attached to the hotel
Asset type	Hotel
Address	1490-1 Kise, Nago-shi, Okinawa
Acquisition date	July 10, 2015
Seller	Rising Sun The Second A TMK
Acquisition price (Note)	¥14,950 million

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

2. Borrowing of funds

On July 10, 2015, JHR procured new borrowings as follows in order to partly fund the acquisition of the real estate beneficial interest in trust and movable assets attached to the hotel as described above in “1. Acquisition of asset.”

(1) Term Loan 13

Lender	Sumitomo Mitsui Banking Corporation / Shinsei Bank, Limited / Mizuho Bank, Ltd.
Amount of the loan	¥5,000 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.30%
Date of borrowing	July 10, 2015
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	March 31, 2016
Collateral	Unsecured/Unguaranteed

(2) Term Loan 14

Lender	Aozora Bank, Ltd. / Mitsubishi UFJ Trust and Banking Corporation
Amount of the loan	¥1,500 million
Interest rate	Base interest rate (JBA Japanese Yen TIBOR for one month) + 0.55%
Date of borrowing	July 10, 2015
Method of principal repayment	Lump-sum payment on the maturity date
Maturity date	June 30, 2022
Collateral	Unsecured/Unguaranteed

3. Issuance of new investment units

JHR resolved to issue new investment units at the Board of Directors meetings held on June 4, 2015 and June 15, 2015. In addition to the primary offering for which payment was completed by the end of the midterm period under review, payment for the new investment units through third-party allotment was completed on July 23, 2015, and the investment units were issued under the following terms and conditions. As a result, JHR’s unitholders’ capital increased to ¥85,470,541,569, with the number of investment units issued and outstanding totaling 3,144,227 units.

(a) Issuance of new investment units (third-party allotment)

Number of investment units issued:	3,905 units
Paid-in amount (issue value):	¥75,007 per unit
Total paid-in amount (total issue value):	¥292,902,335
Payment date:	July 23, 2015
Allottee:	SMBC Nikko Securities Inc.

(b) Use of funds

The proceeds from the issuance of new investment units through third-party allotment of ¥292,902,335 will be allocated for cash on hand which will be appropriated for part of future acquisitions of specified assets, part of other repayment of loans, or capital expenditures to maintain or improve competitiveness of existing properties.

(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 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	
November 10, 2005	Incorporation through private placement	400	400	200	200	(Note 1)
June 13, 2006	Capital increase through public offering of investment units	41,800	42,200	19,361	19,561	(Note 2)
April 6, 2011	Capital increase through third-party allotment of investment units	15,831	58,031	3,599	23,161	(Note 3)
April 1, 2012	Investment unit split	638,341	696,372	—	23,161	(Note 4)
April 1, 2012	Merger	1,162,909	1,859,281	—	23,161	(Note 5)
September 12, 2012	Capital increase through public offering of investment units	240,000	2,099,281	4,855	28,017	(Note 6)
October 11, 2012	Capital increase through third-party allotment of investment units	12,000	2,111,281	242	28,260	(Note 7)
April 17, 2013	Capital increase through public offering of investment units	510,000	2,621,281	20,585	48,845	(Note 8)
September 9, 2014	Capital increase through public offering of investment units	170,000	2,791,281	10,179	59,024	(Note 9)
January 27, 2015	Capital increase through public offering of investment units	200,000	2,991,281	14,974	73,999	(Note 10)
February 18, 2015	Capital increase through third-party allotment of investment units	9,041	3,000,322	676	74,676	(Note 11)
June 22, 2015	Capital increase through public offering of investment units	140,000	3,140,322	10,500	85,177	(Note 12)

(Note 1) At the time of incorporation, investment units were issued with an issue price per unit of ¥500,000.

(Note 2) New investment units were issued through public offering with an issue price per unit of ¥480,000 (subscription price of ¥463,200) 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 price per unit of ¥227,400 in order to procure funds for the acquisition of new properties.

(Note 4) JHR conducted a 12-for-1 split of investment units.

(Note 5) JHR (the former NHF) merged with Japan Hotel & Resort Inc. (the former JHR). The merger was an absorption-type merger pursuant to Article 147 of the Investment Trusts Act where JHR is the surviving corporation and the former JHR is the absorbed corporation. Following this merger, 11 investment units of JHR after the split of investment units were delivered by allotment for each investment unit of the former JHR.

(Note 6) New investment units were issued through public offering with an issue price per unit of ¥20,990 (subscription price of ¥20,232) 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 price per unit of ¥20,232 in order to repay loans payable, etc.

(Note 8) New investment units were issued through public offering with an issue price per unit of ¥41,778 (subscription price of ¥40,363) in order to procure funds for the acquisition of new properties, etc.

(Note 9) New investment units were issued through public offering with an issue price per unit of ¥61,912 (subscription price of ¥59,880) in order to procure funds for the acquisition of new properties, etc.

(Note 10) New investment units were issued through public offering with an issue price per unit of ¥77,415 (subscription price of ¥74,874) 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 ¥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 12) New investment units were issued through public offering with an issue price per unit of ¥77,512 (subscription price of ¥75,007) in order to procure funds for the acquisition of new properties, etc.

4. Changes in directors

(1) Directors of JHR

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

Title	Name	Major career		Number of investment units held
Executive Director	Yukio Isa	Apr. 1971 May 1973 Jul. 1976 Sep. 1978 Jun. 1982 Apr. 1985 Nov. 1989 Apr. 2001 Apr. 2012 Oct. 2014	Joined JEOL Ltd. Joined Kyoto City Tourism Association Kyoto Convention Bureau Joined Hyatt Hotels Singapore as Sales Manager Regional Sales Manager Joined Hyatt Hotels Chain Service Ltd. as Tokyo Branch Manager (Headquarter of Hyatt Hotels Marketing) Marketing Director Transferred to Nihon Hyatt K.K. as Director Director and Executive Vice President Joined Japan Hotel REIT Investment Corporation as Executive Director (current) Joined Galaxy Entertainment Management Services (International) Limited (formerly, Galaxy Entertainment Group Limited) as Head of Japan (current)	72
Supervisory Director	Hiroshi Matsuzawa	Apr. 1966 May 1988 Dec. 1989 May 1991 Jan. 1993 Jun. 1995 Jul. 1999 Sep. 2001 May 2004 Apr. 2012	Joined Sumitomo Mitsui Trust Bank, Limited (formerly, The Mitsui Trust and Banking Co., Ltd.) Branch Manager, Yokosuka Branch Branch Manager, Umeda Branch General Manager, Investment Advisory Department General Manager, Pension Fund Management Department Joined JDC Corporation and served as Managing Director Joined Sumitomo Mitsui Trust Asset Management Co., Ltd. (formerly, Chuo Mitsui Asset Management Co., Ltd.) as Managing Director Representative Director and President Joined Premier Investment Corporation as Executive Officer Joined Japan Hotel REIT Investment Corporation as Supervisory Director (current)	0

Title	Name	Major career		Number of investment units held
Supervisory Director	Tetsuya Mishiku	Apr. 1993	Registered as a lawyer (Daiichi Tokyo Bar Association)	0
			Joined Iinuma Law Office	
		Dec. 2000	Partner	
		Sep. 2002	Part-time lecturer at Chuo University	
		Oct. 2002	Member of “Study Group for Public IT Service Guideline” of Ministry of Internal Affairs and Communications	
		Nov. 2003	Changed registration to Shizuoka Bar Association	
			Joined Aoba Law Office as Partner	
		Nov. 2005	Joined Japan Hotel REIT Investment Corporation (formerly, Nippon Hotel Fund Investment Corporation) as Supervisory Director (current)	
		Dec. 2005	Joined A-too Co., Ltd. as Part-time Corporate Auditor	
		Mar. 2007	Joined Healing Entertainment Co., Ltd. as Part-time Corporate Auditor (current)	
		Apr. 2008	Joined as entrusted candidate of examination committee for “ASP/SaaS Information Disclosure Certification System for Safety and Reliability” of Foundation for MultiMedia Communications (current)	
		Oct. 2008	Joined as Member of “Council of ASP and SaaS Promotion for Local Public Body” of Ministry of Internal Affairs and Communications (current)	
		Aug. 2010	Joined Mishiku & Nagamachi Law Office (formerly, Aoi Tower Law Office) as Representative (current)	
		Sep. 2010	Joined Koike Roof and Siding KK as Outside Corporate Auditor (current)	
Feb. 2011	Joined “Rights of Cloud Service Users” of Ministry of Internal Affairs and Communications as Vice Chairperson (current)			
Aug. 2011	Joined A-too Co., Ltd. as Outside Director (current)			
Nov. 2014	Joined as Member of “Information Disclosure and Personal Information Protection Review board of Yaizu City” (current)			

(2) Directors of the Asset Management Company

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

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

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

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

(Note) Based on the resolutions made at the Annual Shareholders' Meeting held on March 20, 2015, Kazuyuki Udo resigned from office of Director, and Noboru Itabashi newly took office of Director.

5. Reference information

(1) Investment status

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

Asset category	Hotel type (Note 1)	Prefectural location	Name	As of December 31, 2014		As of June 30, 2015		
				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	7,386	3.9	7,369	3.3	
			the b ikebukuro	-	-	6,582	3.0	
			the b akasaka-mitsuke	-	-	6,299	2.8	
			Hotel Sunroute Shinbashi	4,893	2.6	4,882	2.2	
			Comfort Hotel Tokyo Higashi Nihombashi	3,689	2.0	3,673	1.6	
			the b hachioji	-	-	2,644	1.2	
			the b ochanomizu	-	-	2,342	1.1	
			Smile Hotel Nihombashi Mitsukoshimae	2,056	1.1	2,048	0.9	
			R&B Hotel Ueno Hirokoji	1,760	0.9	1,753	0.8	
			R&B Hotel Higashi Nihonbashi	1,516	0.8	1,507	0.7	
			Hotel Vista Kamata Tokyo	1,467	0.8	1,484	0.7	
			Dormy Inn Suidobashi (Note 4)	1,065	0.6	1,234	0.6	
			Dormy Inn EXPRESS Asakusa	974	0.5	968	0.4	
		Chisun Inn Kamata	810	0.4	806	0.4		
		Osaka	Namba Oriental Hotel	14,746	7.8	14,719	6.6	
		Hokkaido	ibis Styles Sapporo	6,849	3.6	6,815	3.1	
			Mercure Sapporo	6,079	3.2	6,044	2.7	
		Kyoto	ibis Styles Kyoto Station	6,743	3.6	6,730	3.0	
		Fukuoka	the b hakata	-	-	2,323	1.0	
			Hakata Nakasu Washington Hotel Plaza	2,072	1.1	2,087	0.9	
			Toyoko Inn Hakata-guchi Ekimae	1,520	0.8	1,509	0.7	
	Okinawa	Mercure Okinawa Naha	2,994	1.6	2,971	1.3		
	Kumamoto	Dormy Inn Kumamoto	2,268	1.2	2,249	1.0		
	Nara	Nara Washington Hotel Plaza	1,949	1.0	1,929	0.9		
	Niigata	Hotel Sunroute Niigata	1,967	1.0	1,977	0.9		
	Akita	Daiwa Roynet Hotel Akita	1,672	0.9	1,654	0.7		
	Yamaguchi	Comfort Hotel Shin-Yamaguchi	799	0.4	792	0.4		
	Subtotal				75,284	40.0	95,404	42.8
	Full-service hotel	Chiba	Oriental Hotel tokyo bay	18,800	10.0	18,598	8.4	
			Hotel Francs	-	-	3,165	1.4	
		Hyogo	Kobe Meriken Park Oriental Hotel	10,171	5.4	10,049	4.5	
		Hiroshima	Oriental Hotel Hiroshima	4,026	2.1	4,001	1.8	
		Kanagawa	Mercure Yokosuka	-	-	1,643	0.7	
Subtotal				32,999	17.5	37,459	16.8	
Resort hotel	Chiba	Hilton Tokyo Bay	26,189	13.9	26,171	11.8		
		Okinawa	Hotel Nikko Alivila	18,475	9.8	18,438	8.3	
	The Beach Tower Okinawa		6,953	3.7	6,914	3.1		
	Osaka	Hotel Keihan Universal City	6,085	3.2	6,053	2.7		
	Kanagawa	Hakone Setsugetsuka	3,848	2.0	3,812	1.7		
Subtotal				61,553	32.7	61,390	27.6	
Real estate in trust – Total				169,837	90.3	194,254	87.2	
Equity interest in silent partnership (Note 5)				602	0.3	-	-	
Deposits and other assets (Note 6)				17,651	9.4	28,413	12.8	

	Amount (JPY1M)	Ratio to total assets (%)	Amount (JPY1M)	Ratio to total assets (%)
Total assets	188,091	100.0	222,668	100.0
Total liabilities	87,748	46.7	98,596	44.3
Total net assets	100,342	53.3	124,071	55.7

(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) Dormy Inn Suidobashi terminated operations as a hotel on March 31, 2015. Furthermore, with the completion of the refurbishment work conducted in accordance with the rebranding of the hotel, it started operations as a hotel under the name of the b suidobashi. In this report, the same shall apply hereinafter.

(Note 5) Represents the equity interest in silent partnership with G.K. Tourism Japan No. 1 as a business operator.

(Note 6) Includes machinery and equipment, tools, furniture and fixtures, construction in progress in trust, and intangible assets (excluding leasehold rights 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 under management

The following summarizes the real estate properties under management by JHR as of the end of the midterm period under review.

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

Property No.	Name	Location	Form of ownership (Note 1)		Area		Structures and stories (Note 4)	Building completion (Note 5)	Total number of guest rooms (rooms) (Note 6)
			Land	Building	Acreage (m ²) (Note 2)	Total floor area (m ²) (Note 3)			
1	Kobe Meriken Park Oriental Hotel	Chuo-ku, Kobe-shi, Hyogo	Leasehold right (Note 7)	Compartmentalized ownership (Note 7)	22,660.09 (Note 7)	48,701.82 (Note 7)	S 14F	July 1995	319
2	Oriental Hotel tokyo bay	Urayasu-shi, Chiba	Ownership	Ownership	9,914.00	44,833.11	SRC/S/RC B2/12F	May 1995	503
3	Namba Oriental Hotel	Chuo-ku, Osaka-shi, Osaka	Ownership	Ownership	4,505.23	19,364.33	S/SRC B1/9F	March 1996	257
4	Hotel Nikko Alivila	Yomitan-son, Nakagami-gun, Okinawa	Ownership/ Leasehold right (Note 8)	Ownership	65,850.05 (Note 8)	38,024.98 (Note 8)	SRC B1/10F	April 1994	396
5	Oriental Hotel Hiroshima	Naka-ku, Hiroshima-shi, Hiroshima	Ownership	Ownership	1,792.84	13,752.22	SRC B2/23F	September 1993 Extended in September 2006	227
6	ibis Tokyo Shinjuku	Nishi-Shinjuku, Shinjuku-ku, Tokyo	Ownership	Ownership	937.67	7,398.19	SRC/RC/S B1/11F	September 1980	206
8	The Beach Tower Okinawa	Chatan-cho, Nakagami-gun, Okinawa	Ownership	Ownership	10,242.00	20,140.01	SRC 24F	March 2004 Extended in June 2005 Extended in May 2006	280
9	Hakone Setsugetsuka	Hakone-machi, Ashigarashimo-gun, Kanagawa	Ownership	Ownership	10,478.89	10,655.03	RC B1/5F	October 2006	158
10	Dormy Inn Kumamoto	Kumamoto-shi, Kumamoto	Ownership	Ownership	1,295.85	7,701.19	SRC 13F	January 2008	294
12	Dormy Inn Suidobashi	Hongo, Bunkyo-ku, Tokyo	Ownership	Ownership	723.86	3,097.25	SRC/RC B1/8F	August 1986 Extended in September 1989	99
13	Dormy Inn EXPRESS Asakusa	Hanakawado, Taito-ku, Tokyo	Ownership	Ownership	287.66	2,006.51	SRC/RC 10F	March 1997	77
14	Hakata Nakasu Washington Hotel Plaza	Hakata-ku, Fukuoka-shi, Fukuoka	Ownership	Ownership	1,128.46	5,692.24	S 12F	March 1995	247
15	Nara Washington Hotel Plaza	Nara-shi, Nara	Ownership	Ownership	2,322.28	5,385.82	S 7F	March 2000	204
16	R&B Hotel Ueno Hirokoji	Ueno, Taito-ku, Tokyo	Ownership	Ownership	446.29	3,060.21	S 13F	April 2002	187
17	R&B Hotel Higashi Nihonbashi	Higashi-Nihonbashi, Chuo-ku, Tokyo	Ownership/ Leasehold right	Ownership	507.83 (Note 9)	3,715.26	S 10F	March 1998	202
18	Comfort Hotel Tokyo Higashi Nihombashi	Nihonbashi-bakurocho, Chuo-ku, Tokyo	Ownership	Ownership	823.67	5,765.26	S 11F	January 2008	259

19	Comfort Hotel Shin-Yamaguchi	Yamaguchi-shi, Yamaguchi	Ownership	Ownership	754.06	3,002.15	S 8F	August 2007	139
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Property No.	Name	Location	Form of ownership (Note 1)		Area		Structures and stories (Note 4)	Building completion (Note 5)	Total number of guest rooms (rooms) (Note 6)
			Land	Building	Acreage (m ²) (Note 2)	Total floor area (m ²) (Note 3)			
21	Daiwa Roynet Hotel Akita	Akita-shi, Akita	Ownership	Ownership	1,540.15	7,539.52	S 14F	June 2006	221
22	Smile Hotel Nihombashi Mitsukoshimae	Nihonbashi-Honcho, Chuo-ku, Tokyo	Ownership	Ownership	512.58	3,097.85	SRC/RC B1/10F	March 1997	164
23	Hotel Sunroute Niigata	Chuo-ku, Niigata-shi, Niigata	Ownership	Ownership	1,402.51	8,328.84	S/SRC/RC B1/14F	August 1992	231
24	Toyoko Inn Hakata-guchi Ekimae	Hakata-ku, Fukuoka-shi, Fukuoka	Ownership	Ownership	Main building: 565.98 Annex: 152.37	Main building: 3,566.46 Annex: 856.68	Main building: SRC 14F Annex: SRC 9F	Main building and annex both September 2001	257
25	Hotel Vista Kamata Tokyo	Nishikamata, Ota-ku, Tokyo	Ownership	Ownership	743.46	3,831.80	SRC/S B1/9F	January 1992	106
26	Chisun Inn Kamata	Kamata, Ota-ku, Tokyo	Ownership	Ownership	240.35	1,499.87	SRC 12F	April 2003	70
29	Hotel Keihan Universal City	Konohana-ku, Osaka-shi, Osaka	Ownership/ Leasehold right (Note 10)	Compartmentalized ownership (Note 10)	3,350.14 (Note 10)	17,252.71 (Note 10)	S/SRC 21F	June 2001	330
30	Hotel Sunroute Shinbashi	Shinbashi, Minato-ku, Tokyo	Ownership	Ownership	761.01	5,476.39	S/SRC 16F	March 2008	220
31	Hilton Tokyo Bay	Urayasu-shi, Chiba	Ownership (Note 11)	Ownership (Note 11)	36,121.00 (Note 11)	72,146.60 (Note 11)	SRC B1/11F	June 1988	818
32	ibis Styles Kyoto Station	Minami-ku, Kyoto-shi, Kyoto	Ownership	Ownership	1,107.77	5,003.99	RC 10F	March 2009	215
33	ibis Styles Sapporo	Chuo-ku, Sapporo-shi, Hokkaido	Ownership	Ownership	2,515.22	14,992.49	RC B1/16F	July 2010	278
34	Mercure Sapporo	Chuo-ku, Sapporo-shi, Hokkaido	Ownership	Ownership	2,016.27	16,145.79	S B1/15F	April 2009	285
35	Mercure Okinawa Naha	Naha-shi, Okinawa	Ownership/ Leasehold right	Ownership	2,860.69 (Note 12)	10,884.25	RC 14F	August 2009	260
36	the b akasaka-mitsuke	Akasaka, Minato-ku, Tokyo	Ownership	Ownership	625.46	2,867.04	S 8F	November 2002	122
37	the b ikebukuro	Higashi-ikebukuro, Toshima-ku, Tokyo	Ownership	Ownership	718.71	5,650.01	SRC/S B2/10F	June 1982	175
38	the b ochanomizu	Kanda-awajicho, Chiyoda-ku, Tokyo	Ownership	Ownership	357.47	1,742.23	SRC 9F	August 1999	72
39	the b hachioji	Hachioji-shi, Tokyo	Ownership	Ownership	1,227.29	7,847.65	SRC B2/12F	August 1986	196
40	the b hakata	Hakata-ku, Fukuoka-shi, Fukuoka	Ownership	Ownership	719.46	3,986.09	SRC 8F	September 1997	175
41	Hotel Francs	Mihama-ku, Chiba-shi, Chiba	Ownership	Ownership	4,828.00	19,213.39	SRC B1/13F	August 1991	222
42	Mercure Yokosuka	Yokosuka-shi, Kanagawa	Right of site (co-ownership) (Note 13)	Compartmentalized ownership (Note 13)	1,887.86 (Note 13)	16,881.82 (Note 13)	SRC/S B3/21F	November 1993	160

- (Note 1) “Form of ownership” is the type of right held by the owner of the real estate that is the asset held (the trustee in the case of a real estate in trust).
- (Note 2) “Acreage” is the area of the entire site based on the registration or registration record. The registration or registration record entry may not coincide with the present state of the land.
- (Note 3) “Total floor area” is the area of the building based on the registration or registration record. The area of the accessory building, if any, is included unless otherwise stated. The registration or registration record entry may not coincide with the present state of the building.
- (Note 4) Under “Structures and stories,” “S” means steel-framed building, “RC” means reinforced concrete building and “SRC” means steel reinforced concrete building.
- (Note 5) “Building completion” is based on the registration or registration record.
- (Note 6) “Total number of guest rooms” is the respective number of guest rooms available for sale (excluding rooms occupied by the hotel for a long term) as of the date of this report.
- (Note 7) The land of Kobe Meriken Park Oriental Hotel is land leased by JHR from the City of Kobe and land with permission for use from the City of Kobe under the City of Kobe’s ordinance for harbor facilities, etc. The area of the land above is based on the value on the building confirmation application form. The area of the land for which permission for use has been obtained is 2,804.18 square meters, of which 1,188.32 square meters is included in the area of the land above. In addition, the building of Kobe Meriken Park Oriental Hotel is a building under compartmentalized ownership by two compartmentalized owners (JHR and the City of Kobe). The figure above is the total floor area of the entire building under compartmentalized ownership (including an accessory building of 764.83 square meters), where the portion owned exclusively by JHR (excluding an accessory building of 764.83 square meters) is 31,899.07 square meters, the portion owned exclusively by the City of Kobe is 13,960.11 square meters, and the portion that is the common area of JHR and the City of Kobe is 2,077.81 square meters (JHR has 72.18% interest and the City of Kobe has 27.82% interest of the common area). Furthermore, regarding the portion of the building owned exclusively by the City of Kobe, the area of the building for which JHR has obtained the permission for use is 694.00 square meters (part of the building for which the permission for use was obtained was returned on April 1, 2010, resulting in the area of the building changing from 824.00 square meters to 694.00 square meters) and is included in the area of the building above of 48,701.82 square meters.
- (Note 8) The land of Hotel Nikko Alivila is land owned by JHR or land leased or subleased by JHR from Kabushiki Kaisha Okinawa Umi No Sono (hereinafter referred to as the “Umi No Sono”). The area of the land above is the sum total of the area on the certified copy of the real estate registry of each land. Furthermore, the land leased or land subleased includes those where only a portion of a parcel of land is leased or subleased and, thus, the area of the land above includes some area that is not leased or subleased by JHR from Umi No Sono. In addition, subdivision of part of the subleased land resulted in the area of the land above changing from 67,038.05 square meters to 65,850.05 square meters on June 12, 2012. The sum total of the area of the land of the land owned by JHR and the land leased or subleased calculated based on the certified copy of the real estate registry, lease contract with Umi No Sono, etc. is 57,406.26 square meters. The area of the building above includes an accessory building of 120.10 square meters and excludes a building leased from Umi No Sono of 493.50 square meters.
- (Note 9) Of this, the area of the land leased is 77.38 square meters.
- (Note 10) The land of Hotel Keihan Universal City comprises land under co-ownership with other right holders (8,785.43 square meters) and land leased under quasi-co-ownership with other right holders from the City of Osaka (8,788.67 square meters). The acreage above is the sum total of JHR’s co-ownership interest of the land under co-ownership of 1,674.76 square meters (approximately 19.06% of co-ownership interest) and JHR’s quasi-co-ownership interest in the land leasehold right of the land leased from the City of Osaka of 1,675.38 square meters (approximately 19.06% of quasi-co-ownership interest). In addition, the building of Hotel Keihan Universal City is a building under compartmentalized ownership for Universal CityWalk Osaka, which comprises two hotel buildings, business facilities, commercial facilities and others, as a single building (86,888.64 square meters). The portion owned exclusively by JHR (including the common area by bylaws) is 15,749.32 square meters, and JHR’s co-ownership interest of the common area (15,648.98 square meters) is 3,466.56 square meters (approximately 22.15% of co-ownership interest). “Total floor area” in the table above is the total floor area based on the completion drawing of new construction of Hotel Keihan.
- (Note 11) The land of Hilton Tokyo Bay is land under co-ownership with other right holders. The acreage is the total area of the land under co-ownership. Of the acreage, JHR’s co-ownership interest is 32,508.90 square meters (9/10 of co-ownership interest). In addition, the building of Hilton Tokyo Bay is a building under co-ownership with other right holders. The total floor area is the total area of the building under co-ownership (including an accessory building of 37.38 square meters). Of the total floor area, JHR’s co-ownership interest is 64,931.94 square meters (9/10 of co-ownership interest).
- (Note 12) The acreage of Mercure Okinawa Naha includes land leased of 125.67 square meters.
- (Note 13) The land of Mercure Yokosuka comprises the entire joint ownership of right of site. The acreage is the area equivalent to JHR’s co-ownership interest of the right to use the site (181,372/1,000,000) of the entire area of the subject land (10,408.79 square meters). In addition, the building is a building under compartmentalized ownership for Bay Square Yokosuka Ichibankan, which comprises a hotel, a theater, stores, residential complex, office spaces and parking lots, as a single building (67,019.04 square meters). Total floor area is the area of the portion owned exclusively by the hotel on the certified copy of the real estate registry.
- (Note 14) The property numbers of assets that were transferred before the end of the previous fiscal year (No. 7, 11, 20, 27 and 28) are intentionally omitted.

Details of property assets 2 (acquisition price, etc.)

Property No.	Name	Grade (Note 1)	Acquisition price (JPY1M) (Note 2)	Carrying amount at end of period (JPY1M) (Note 3)	Appraisal value at end of period (JPY1M) (Note 4)	Appraisal agency (Note 5)	Investment ratio (%) (Note 6)	Collateral (Note 7)
1	Kobe Meriken Park Oriental Hotel	Upper-middle	10,900	10,164	12,800	J	5.5	Unsecured
2	Oriental Hotel tokyo bay	Mid-price	19,900	18,760	29,100	J	10.0	Unsecured
3	Namba Oriental Hotel	Mid-price	15,000	14,769	22,000	J	7.6	Unsecured
4	Hotel Nikko Alivila	Luxury	18,900	18,658	22,100	J	9.5	Unsecured
5	Oriental Hotel Hiroshima	Upper-middle	4,100	4,035	4,150	J	2.1	Unsecured
6	ibis Tokyo Shinjuku	Mid-price	7,243	7,424	8,430	J	3.7	Unsecured
8	The Beach Tower Okinawa	Mid-price	7,610	6,914	8,720	J	3.8	Unsecured
9	Hakone Setsugetsuka	Mid-price	4,070	3,822	4,490	J	2.1	Unsecured
10	Dormy Inn Kumamoto	Mid-price	2,334	2,249	2,830	M	1.2	Unsecured
12	Dormy Inn Suidobashi (Note 8)	Mid-price	1,120	1,234	1,670	J	0.6	Unsecured
13	Dormy Inn EXPRESS Asakusa	Economy	999	968	1,140	M	0.5	Unsecured
14	Hakata Nakasu Washington Hotel Plaza	Mid-price	2,130	2,089	3,110	J	1.1	Unsecured
15	Nara Washington Hotel Plaza	Mid-price	2,050	1,936	2,200	J	1.0	Unsecured
16	R&B Hotel Ueno Hirokoji	Economy	1,720	1,753	1,700	M	0.9	Unsecured
17	R&B Hotel Higashi Nihonbashi	Economy	1,534	1,507	1,890	M	0.8	Unsecured
18	Comfort Hotel Tokyo Higashi Nihombashi	Economy	3,746	3,673	4,830	M	1.9	Unsecured
19	Comfort Hotel Shin-Yamaguchi	Economy	866	792	834	M	0.4	Unsecured
21	Daiwa Roynet Hotel Akita	Economy	1,760	1,654	1,880	J	0.9	Unsecured
22	Smile Hotel Nihombashi Mitsukoshimae	Economy	2,108	2,048	2,680	M	1.1	Unsecured
23	Hotel Sunroute Niigata	Mid-price	2,105	1,977	1,930	M	1.1	Unsecured
24	Toyoko Inn Hakata-guchi Ekimae	Economy	1,652	1,509	2,360	T	0.8	Unsecured
25	Hotel Vista Kamata Tokyo	Economy	1,512	1,484	1,700	T	0.8	Unsecured
26	Chisun Inn Kamata	Economy	823	811	1,070	T	0.4	Unsecured
29	Hotel Keihan Universal City	Mid-price	6,000	6,053	12,000	R	3.0	Unsecured
30	Hotel Sunroute Shinbashi	Mid-price	4,800	4,882	6,750	D	2.4	Unsecured
31	Hilton Tokyo Bay	Luxury	26,050	26,171	32,100	D	13.1	Unsecured
32	ibis Styles Kyoto Station	Mid-price	6,600	6,751	7,460	D	3.3	Unsecured
33	ibis Styles Sapporo	Mid-price	6,797	6,823	7,400	J	3.4	Unsecured
34	Mercure Sapporo	Mid-price	6,000	6,056	6,720	J	3.0	Unsecured
35	Mercure Okinawa Naha	Mid-price	3,000	2,991	4,000	J	1.5	Unsecured
36	the b akasaka-mitsuke	Mid-price	6,250	6,308	6,420	J	3.2	Unsecured
37	the b ikebukuro	Mid-price	6,520	6,585	6,790	J	3.3	Unsecured
38	the b ochanomizu	Mid-price	2,320	2,346	2,480	J	1.2	Unsecured
39	the b hachioji	Mid-price	2,610	2,649	2,740	J	1.3	Unsecured
40	the b hakata	Mid-price	2,300	2,326	2,430	J	1.2	Unsecured
41	Hotel Francs	Mid-price	3,105	3,165	3,740	D	1.6	Unsecured
42	Mercure Yokosuka	Mid-price	1,650	1,651	1,680	D	0.8	Unsecured
	Total		198,184	195,005	246,324		100.0	

- (Note 1) JHR categorizes hotels into the four 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 or real estate purchase and sale agreement (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 from the former JHR.
- (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) In general “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 The Investment Trusts Association, Japan.
- (Note 5) Under “Appraisal agency,” the letters indicate the appraisers for the properties as follows:
M: Morii Appraisal & Investment Consulting, Inc.
T: The Tanizawa Sōgō Appraisal Co., Ltd.
J: Japan Real Estate Institute
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) Dormy Inn Suidobashi terminated operations as a hotel on March 31, 2015. Furthermore, with the completion of the refurbishment work conducted in accordance with the rebranding of the hotel, it started operations as a hotel under the name of the b suidobashi. The grade of the hotel has changed from economy to mid-price after the rebranding. In this report, the same shall apply hereinafter.
- (Note 9) The property numbers of assets that were transferred before the end of the previous fiscal year (No. 7, 11, 20, 27 and 28) are intentionally omitted.

Details of property assets 3 (NOI, etc.)

Property No.	Name	Rent type (Note 1)	Real estate operating revenue (JPY1000)	NOI (Note 2) (JPY1000)	NOI after depreciation (Note 3) (JPY1000)
1	Kobe Meriken Park Oriental Hotel	Variable/Fixed	407,923	265,739	90,904
2	Oriental Hotel tokyo bay	Variable/Fixed	729,750	669,671	426,980
3	Namba Oriental Hotel	Variable/Fixed	601,501	551,263	467,042
4	Hotel Nikko Alivila	Variable/Fixed	417,677	341,139	168,950
5	Oriental Hotel Hiroshima	Variable/Fixed	185,393	161,629	126,721
6	ibis Tokyo Shinjuku	Management contract	332,421	230,172	200,919
8	The Beach Tower Okinawa	Fixed	255,506	234,038	174,625
9	Hakone Setsugetsuka	Fixed	147,472	135,977	95,161
10	Dormy Inn Kumamoto	Fixed	97,230	86,514	66,725
12	Dormy Inn Suidobashi (Note 4)	Fixed	42,000	33,957	27,629
13	Dormy Inn EXPRESS Asakusa	Fixed	31,997	27,620	21,490
14	Hakata Nakasu Washington Hotel Plaza (Note 5)	Fixed	120,000	111,000	98,000
15	Nara Washington Hotel Plaza (Note 5)	Fixed	75,000	67,000	46,000
16	R&B Hotel Ueno Hirokoji	Fixed	48,647	41,479	35,128
17	R&B Hotel Higashi Nihonbashi	Fixed	61,103	52,614	43,960
18	Comfort Hotel Tokyo Higashi Nihombashi	Fixed	135,057	119,735	101,952
19	Comfort Hotel Shin-Yamaguchi	Fixed	30,264	25,619	18,448
21	Daiwa Roynet Hotel Akita (Note 5)	Fixed	69,000	60,000	43,000
22	Smile Hotel Nihombashi Mitsukoshimae	Variable/Fixed	83,310	75,568	66,578
23	Hotel Sunroute Niigata	Fixed	78,000	70,543	51,144
24	Toyoko Inn Hakata-guchi Ekimae	Fixed	70,519	63,962	53,266
25	Hotel Vista Kamata Tokyo	Variable/Fixed	53,142	45,649	34,560
26	Chisun Inn Kamata	Variable	33,216	29,276	23,510
29	Hotel Keihan Universal City	Variable/Fixed	513,117	474,854	433,065
30	Hotel Sunroute Shinbashi	Variable/Fixed	222,180	190,171	179,634
31	Hilton Tokyo Bay	Variable/Fixed	940,459	784,729	705,326
32	ibis Styles Kyoto Station	Management contract	203,786	179,846	164,067
33	ibis Styles Sapporo	Management contract	230,569	193,993	158,493
34	Mercure Sapporo	Management contract	261,934	176,925	138,612
35	Mercure Okinawa Naha	Management contract	160,322	132,628	107,850
36	the b akasaka-mitsuke (Note 6)	Variable/Fixed	115,761	113,812	104,417
37	the b ikebukuro (Note 6)	Variable/Fixed	146,443	143,872	130,525
38	the b ochanomizu (Note 6)	Variable/Fixed	49,411	48,397	44,226
39	the b hachioji (Note 6)	Variable/Fixed	89,148	87,127	77,219
40	the b hakata (Note 6)	Variable/Fixed	64,090	63,024	55,768
41	Hotel Francs (Note 7)	Fixed	79,558	78,709	63,330
42	Mercure Yokosuka (Note 8)	Variable	54,581	35,541	28,642
	Total		7,238,381	6,205,574	4,875,932

(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 combined fixed and variable rent structure.

(Note 2) $NOI = \text{Real estate operating revenue} - \text{Real estate operating costs} + \text{Depreciation} + \text{Loss on retirement of noncurrent assets}$

(Note 3) $NOI \text{ after depreciation (net real estate operating income)} = \text{Real estate operating revenue} - \text{Real estate operating costs}$

(Note 4) For Dormy Inn Suidobashi, the contract was changed to a variable rent contract with Ishin Suidobashi Operations, K.K. as lessee on July 1, 2015. In this report, the same shall apply hereinafter.

(Note 5) For Hakata Nakasu Washington Hotel Plaza, Nara Washington Hotel Plaza and Daiwa Roynet Hotel Akita, consent on disclosure of rent in units of thousand yen has not been obtained from the lessor and is thus rounded down to the nearest million yen.

(Note 6) The b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji and the b hakata were acquired as of January 30, 2015.

(Note 7) Hotel Francs was acquired as of March 31, 2015.

(Note 8) Mercure Yokosuka was acquired as of April 2, 2015.

(Note 9) The property numbers of assets that were transferred before the end of the previous fiscal year (No. 7, 11, 20, 27 and 28) are intentionally omitted.

Details of property assets 4 (status of rent settings of major tenants)

Tenant name (Note 1)	Property name	Business type	Contract commencement date Contract expiration date	Leased area (By hotel)		Leased area (By tenant)		Annual rent (By hotel) (Note 4) (JPY1M)	Total annual rent (By tenant) (Note 4) (JPY1M)
				(Note 2)	Ratio to total (Note 3)	(Note 2)	Ratio to total (Note 3)	Fixed rent (Note 5) Variable rent	Fixed rent (Note 5) Variable rent
Hotel Management Japan Co., Ltd. (Note 6)	Kobe Meriken Park Oriental Hotel	Hotel	April 1, 2012 December 31, 2019	32,663.90 m ²	7.3%	148,638.54 m ²	33.4%	645 (Note 7)	3,221 (Note 7)
	Oriental Hotel tokyo bay		April 1, 2012 December 31, 2019	44,833.11 m ²	10.1%			631 (Note 7)	
	Namba Oriental Hotel		April 1, 2012 December 31, 2019	19,364.33 m ²	4.4%			797 (Note 7)	
	Hotel Nikko Alivila		April 1, 2012 December 31, 2019	38,024.98 m ²	8.6%			804 (Note 7)	
	Oriental Hotel Hiroshima		April 1, 2012 December 31, 2019	13,752.22 m ²	3.1%			341 (Note 7)	
Accor (AAPC Japan K.K.)	ibis Tokyo Shinjuku	Ryokan/ Hotel	July 1, 2012 June 30, 2024	5,789.26 m ²	1.3%	65,098.16 m ²	14.6%	— (Note 8)	— (Note 8)
	ibis Styles Kyoto Station		October 31, 2013 October 30, 2018	4,628.32 m ²	1.0%			— (Note 8)	
	ibis Styles Sapporo		December 27, 2014 December 27, 2019	14,076.45 m ²	3.2%			— (Note 8)	
	Mercure Sapporo		September 30, 2014 September 29, 2029	12,888.36 m ²	2.9%			— (Note 8)	
	Mercure Okinawa Naha		September 30, 2014 April 26, 2024	10,833.95 m ²	2.4%			— (Note 8)	
	Mercure Yokosuka		April 2, 2015 August 30, 2019	16,881.82 m ²	3.8%			— (Note 8)	
The Dai-ichi Building Co., Ltd.	Hilton Tokyo Bay	Real estate leasing and management	July 1, 2010 June 30, 2015	64,931.94 m ²	14.6%	64,931.94 m ²	14.6%	1,872 (Note 9)	1,872 (Note 9)
Total for major tenants				278,668.64 m ²	62.7%	278,668.64 m ²	62.7%	5,093 —	5,093 —
Total for entire portfolio				444,532.39 m ²	100.0%	444,532.39 m ²	100.0%	9,807 —	9,807 —

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

(Note 2) Leased area is, of leasable area, the total area for which lease contracts have been concluded and which are actually leased. Under “Leased area,” in principle, leased area represents the leased area described in the lease contract of the building. For properties in which the leased area is not described in the lease contract, leased area shows the area described in the registration of the building.

(Note 3) Ratio to total is rounded off to one decimal place.

(Note 4) The ratio of annual rent by hotel or by tenant may vary depending on the amount of variable rent and income from management contracts and is thus not shown.

(Note 5) Fixed rent is the amount arrived at when the monthly fixed rent income based on lease contracts between JHR and the major tenant (rent of the building itself only, excluding common area maintenance charges and signage and parking usage fees; not factoring in any change in rent during the fiscal period under review) is multiplied by 12, excluding variable rent and income from management contracts.

(Note 6) HMJ falls under the category of interested party, etc. under the Investment Trusts Act and sponsor-related party as stipulated in the Asset Management Company’s company rule for transactions with sponsor-related persons.

(Note 7) For details of the variable rent arrangements for HMJ, please refer to “D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing” on page 56.

(Note 8) Variable rent for Accor (AAPC Japan K.K.) means income from management contracts and variable rent. For details of the variable rent and income from management contract arrangements, please refer to “D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing” on page 56.

(Note 9) The variable rent for The Dai-ichi Building Co., Ltd. is not disclosed as consent on disclosure has not been obtained from the tenant and thus considered to be a case where disclosure cannot be made due to unavoidable circumstances. There is thus also no entry of the total for major tenants.

B. Income statements for individual real estate properties under management

The following are the individual income statements for real estate properties under management for the midterm period under review (from January 1, 2015 to June 30, 2015).

Figures are rounded down to the nearest thousand yen in principle, but are otherwise noted if circumstances do not allow for the figures to be stated in units of thousand yen. Income statement items that are not directly attributable to the property are not included. In addition, the income statement amounts shown are on an accrual basis in principle, but are otherwise noted if circumstances require the amounts to be shown on a cash basis.

Property No.	-	1	2	3	4	5
Property name	Portfolio total	Kobe Meriken Park Oriental Hotel	Oriental Hotel tokyo bay	Namba Oriental Hotel	Hotel Nikko Alivila	Oriental Hotel Hiroshima
(A) Real estate operating revenue subtotal	7,238,381	407,923	729,750	601,501	417,677	185,393
Fixed rent	4,778,940	322,950	315,799	398,950	402,049	170,752
Variable rent	2,269,594	84,083	413,950	202,551	15,627	14,641
Other revenue	189,846	889	-	-	-	-
(B) Real estate operating costs subtotal	2,362,448	317,018	302,769	134,459	248,727	58,671
Land lease and other rent expenses	231,617	110,014	-	-	42,074	-
Property taxes	461,310	28,343	57,434	48,553	30,556	21,411
Outsourcing expenses	157,278	480	480	480	960	480
Nonlife insurance	15,297	1,729	1,657	688	1,226	565
Depreciation and amortization	1,327,987	174,834	242,690	82,595	172,160	34,908
Loss on retirement of noncurrent assets	1,654	-	-	1,626	28	-
Other costs	167,301	1,617	506	516	1,720	1,305
(C) Net real estate operating income = (A) – (B)	4,875,932	90,904	426,980	467,042	168,950	126,721
(Reference) Occupancy rate	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of lessees	115	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	Dormy Inn Suidobashi	Dormy Inn EXPRESS Asakusa
(A) Real estate operating revenue subtotal	332,421	255,506	147,472	97,230	42,000	31,997
Fixed rent	50,586	255,504	147,169	97,230	42,000	31,697
Variable rent	243,947	-	-	-	-	-
Other revenue	37,888	2	303	-	-	300
(B) Real estate operating costs subtotal	131,502	80,880	52,311	30,504	14,370	10,506
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	16,888	19,773	10,748	9,857	4,062	3,030
Outsourcing expenses	44,642	-	-	-	-	660
Nonlife insurance	329	674	341	239	112	67
Depreciation and amortization	29,253	59,412	40,816	19,789	6,328	6,129
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	40,388	1,019	405	618	3,867	619
(C) Net real estate operating income = (A) – (B)	200,919	174,625	95,161	66,725	27,629	21,490
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of lessees	4	1	1	1	1	1

Property No.	14	15	16	17	18	19
Property name	Hakata Nakasu Washington Hotel Plaza (Note 2)	Nara Washington Hotel Plaza (Note 2)	R&B Hotel Ueno Hirokoji	R&B Hotel Higashi Nihonbashi	Comfort Hotel Tokyo Higashi Nihombashi	Comfort Hotel Shin-Yamaguchi
(A) Real estate operating revenue subtotal	120,000	75,000	48,647	61,103	135,057	30,264
Fixed rent	120,000	73,000	48,252	61,103	129,454	29,963
Variable rent	-	-	-	-	-	-
Other revenue	0	1,000	394	-	5,602	300
(B) Real estate operating costs subtotal	21,000	28,000	13,519	17,143	33,104	11,815
Land lease and other rent expenses	-	-	-	2,700	-	-
Property taxes	6,000	6,000	5,886	4,334	13,204	3,111
Outsourcing expenses	0	1,000	420	600	807	420
Nonlife insurance	0	0	92	116	224	78
Depreciation and amortization	13,000	20,000	6,351	8,654	17,782	7,170
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	1,000	0	768	737	1,085	1,035
(C) Net real estate operating income = (A) – (B)	98,000	46,000	35,128	43,960	101,952	18,448
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of lessees	1	2	1	1	2	1

Property No.	21	22	23	24	25	26
Property name	Daiwa Roynet Hotel Akita (Note 2)	Smile Hotel Nihombashi Mitsukoshimae	Hotel Sunroute Niigata	Toyoko Inn Hakata-guchi Ekimae	Hotel Vista Kamata Tokyo	Chisun Inn Kamata
(A) Real estate operating revenue subtotal	69,000	83,310	78,000	70,519	53,142	33,216
Fixed rent	69,000	67,200	78,000	70,519	46,767	-
Variable rent	-	16,110	-	-	6,340	33,216
Other revenue	-	-	0	-	35	-
(B) Real estate operating costs subtotal	25,000	16,732	26,855	17,252	18,581	9,706
Land lease and other rent expenses	-	-	-	-	-	-
Property taxes	5,000	6,184	5,384	5,249	6,060	2,356
Outsourcing expenses	1,000	600	1,020	540	600	540
Nonlife insurance	0	113	259	143	125	51
Depreciation and amortization	17,000	8,990	19,398	10,695	11,089	5,766
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	0	843	792	623	706	991
(C) Net real estate operating income = (A) – (B)	43,000	66,578	51,144	53,266	34,560	23,510
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of lessees	1	1	1	1	1	1

Property No.	29	30	31	32	33	34
Property name	Hotel Keihan Universal City	Hotel Sunroute Shinbashi	Hilton Tokyo Bay	ibis Styles Kyoto Station (Note 1)	ibis Styles Sapporo (Note 1)	Mercure Sapporo (Note 1)
(A) Real estate operating revenue subtotal	513,117	222,180	940,459	203,786	230,569	261,934
Fixed rent	(Note 3)	141,133	934,200	21,167	13,133	33,059
Variable rent	(Note 3)	64,463	-	180,759	202,795	167,714
Other revenue	(Note 3)	16,583	6,259	1,860	14,640	61,160
(B) Real estate operating costs subtotal	80,052	42,545	235,133	39,719	72,075	123,322
Land lease and other rent expenses	10,555	-	66,128	-	-	-
Property taxes	23,050	12,523	68,900	9,003	9,138	12,116
Outsourcing expenses	2,474	2,355	14,040	12,417	12,850	27,390
Nonlife insurance	704	181	1,886	221	484	530
Depreciation and amortization	41,789	10,536	79,403	15,779	35,500	38,313
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	1,479	16,948	4,772	2,298	14,102	44,971
(C) Net real estate operating income = (A) – (B)	433,065	179,634	705,326	164,067	158,493	138,612
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100%	99.4%	97.5%
(Reference) Number of lessees	1	5	1	2	5	14

Property No.	35	36	37	38	39	40
Property name	Mercure Okinawa Naha (Note 1)	the b akasaka-mitsuke (Note 4)	the b ikebukuro (Note 4)	the b ochanomizu (Note 4)	the b hachioji (Note 4)	the b hakata (Note 4)
(A) Real estate operating revenue subtotal	160,322	115,761	146,443	49,411	89,148	64,090
Fixed rent	2,700	57,559	91,514	29,120	50,780	36,061
Variable rent	152,206	58,201	53,612	20,117	33,576	27,635
Other revenue	5,416	-	1,316	173	4,790	393
(B) Real estate operating costs subtotal	52,472	11,343	15,918	5,184	11,928	8,322
Land lease and other rent expenses	145	-	-	-	-	-
Property taxes	5,790	-	-	-	-	-
Outsourcing expenses	19,860	606	606	606	606	606
Nonlife insurance	336	112	196	59	213	111
Depreciation and amortization	24,778	9,394	13,347	4,170	9,907	7,256
Loss on retirement of noncurrent assets	-	-	-	-	-	-
Other costs	1,561	1,230	1,767	348	1,201	348
(C) Net real estate operating income = (A) – (B)	107,850	104,417	130,525	44,226	77,219	55,768
(Reference) Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(Reference) Number of lessees	5	2	6	1	41	2

Property No.	41	42
Property name	Hotel Francs (Note 5)	Mercure Yokosuka (Note 6)
(A) Real estate operating revenue subtotal	79,558	54,581
Fixed rent	75,806	-
Variable rent	-	41,775
Other revenue	3,752	12,805
(B) Real estate operating costs subtotal	16,228	25,938
Land lease and other rent expenses	-	-
Property taxes	-	-
Outsourcing expenses	454	4,572
Nonlife insurance	272	579
Depreciation and amortization	15,379	6,898
Loss on retirement of noncurrent assets	-	-
Other costs	121	13,886
(C) Net real estate operating income = (A) – (B)	63,330	28,642
(Reference) Occupancy rate	100.0%	100.0%
(Reference) Number of lessees	1	1

(Note 1) Variable rent includes income from management contracts. For overview of management contracts, please refer to “D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing” on page 56.

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

(Note 3) Rent income, etc. is not disclosed as consent on disclosure has not been obtained from the tenant with whom a lease contract has been concluded and thus considered to be a case where disclosure cannot be made due to unavoidable circumstances.

(Note 4) The b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji and the b hakata were acquired as of January 30, 2015.

(Note 5) Hotel Francs was acquired as of March 31, 2015.

(Note 6) Mercure Yokosuka was acquired as of April 2, 2015.

(Note 7) The property numbers of assets that were transferred before the end of the previous fiscal year (No. 7, 11, 20, 27 and 28) are intentionally omitted.

C. Status of portfolio diversification

a. Diversification by hotel type

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

Hotel type (Note 1)	Total annual rent (Note 2) (JPY1M)	Acquisition price (Note 3) (JPY1M)	Investment ratio (Note 4) (%)
Limited-service hotel	7,098	95,899	48.4
Full-service hotel	3,678	39,655	20.0
Resort hotel	4,971	62,630	31.6
Total	15,748	198,184	100.0

b. Diversification by geographical area

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

Geographical area (Note 5)	Total annual rent (Note 2) (JPY1M)	Acquisition price (Note 3) (JPY1M)	Investment ratio (Note 4) (%)
Hokkaido	1,049	12,797	6.5
Tokyo	2,820	43,305	21.9
Kanto (excluding Tokyo)	4,282	54,775	27.6
Kansai	3,725	40,550	20.5
Okinawa	2,362	29,510	14.9
Other	1,507	17,247	8.7
Total	15,748	198,184	100.0

c. Diversification by hotel grade

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

Hotel grade	Total annual rent (Note 2) (JPY1M)	Acquisition price (Note 3) (JPY1M)	Investment ratio (Note 4) (%)
Luxury	3,401	44,950	22.7
Upper-middle	1,562	15,000	7.6
Mid-price	9,582	121,514	61.3
Economy	1,203	16,720	8.4
Total	15,748	198,184	100.0

d. Diversification by building age

The total annual rent, the total of acquisition price and the investment ratio by the building age of the assets held at the end of the midterm period under review were as follows. The building age is the period from the date stated as the date of new construction on the registration or registration record to the last day of June 2015:

Building age	Total annual rent (Note 2) (JPY1M)	Acquisition price (Note 3) (JPY1M)	Investment ratio (Note 4) (%)
Less than 5 years (inclusive)	533	6,797	3.4
More than 5 years, less than 10 years (inclusive)	2,589	33,176	16.7
More than 10 years, less than 20 years (inclusive)	3,843	50,366	25.4
More than 20 years	8,783	107,845	54.4
Total	15,748	198,184	100.0

e. Diversification by remaining contract term

The total annual rent and the ratio of the total annual rent of the concerned properties to the total annual rent of all assets held at the end of the period under review by the remaining contract term of the assets held at the end of the period under review were as follows, where the remaining contract term is the period from the last day of June 2015 to the lease contract expiration date:

Remaining contract term	Total annual rent (Note 2) (JPY1M)	Ratio of total annual rent to total (%)
Less than 5 years (inclusive)	10,158	64.5
More than 5 years, less than 10 years (inclusive)	3,714	23.6
More than 10 years, less than 20 years (inclusive)	1,876	11.9
More than 20 years	—	—
Total	15,748	100.0

f. Diversification by rent type

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

Rent type	Total annual rent (Note 2) (JPY1M)	Ratio of total annual rent to total (%)
Fixed rent	9,807	62.3
Variable rent, etc.	5,941	37.7
Total	15,748	100.0

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

(Note 2) “Total annual rent” is the amount arrived at when the monthly rent income, etc. (rent of the building itself only, excluding signage and parking usage fees; not factoring in any change in rent during the fiscal period under review) of the assets under management at the end of the midterm period under review is multiplied by 12.

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

The Five HMJ Hotels	The amount of (i) the variable rent calculated based on actual GOP from January 1, 2015 to June 30, 2015 and forecast GOP from July 1, 2015 to December 31, 2015, plus (ii) the amount arrived at when the monthly fixed rent at the end of the midterm period under review is multiplied by 12
The Five Accor Hotels	The amount of (i) the total amount of income from management contracts actually generated in the six-month period from January 1, 2015 to June 30, 2015 and income from management contracts calculated based on forecast GOP from July 1, 2015 to December 31, 2015 for the hotel portion, plus (ii) the amount arrived at when the monthly rent income, etc. of each tenant for the retail tenant portion at the end of the midterm period under review is multiplied by 12
Mercure Yokosuka	The amount of (i) the amount arrived at when the variable rent actually generated from April 2, 2015 to June 30, 2015 is converted into the amount equivalent to a six-month period, plus (ii) the variable rent calculated based on forecast GOP from July 1, 2015 to December 31, 2015
The Five <i>the b</i> Hotels	The amount of (i) the amount arrived at when the variable rent actually generated from January 30, 2015 to June 30, 2015 is converted into the amount equivalent to a six-month period, plus (ii) the amount of the variable rent calculated based on forecast GOP from July 1, 2015 to December 31, 2015, plus (iii) the amount arrived at when the monthly fixed rent at the end of the midterm period under review is multiplied by 12
Hotel Vista Kamata Tokyo Chisun Inn Kamata	The amount arrived at when the total amount of variable rent actually generated in the six-month period from January 1, 2015 to June 30, 2015 is multiplied by 2
Smile Hotel Nihombashi Mitsukoshimae Hotel Keihan Universal City Hotel Sunroute Shinbashi Hilton Tokyo Bay	The amount of (i) the actual variable rent, plus (ii) the amount arrived at when the monthly fixed rent at the end of the midterm period under review is multiplied by 12

For details of the contracts of the hotels with revenue sharing, with variable rent or operated under a management contract structure, please refer to “D. Overview of the hotel business; (1) Rent structures of hotels with variable rent, management contract or revenue sharing” on page 56.

(Note 3) “Acquisition price” is the acquisition price stated on the purchase and sale agreement for beneficial interest in trust or real estate purchase and sale agreement (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 from the former JHR.

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

(Note 5) Tokyo means Tokyo metropolitan area. Kanto (excluding Tokyo) means Kanagawa, Chiba, Saitama, Ibaraki, Gunma, Tochigi and Yamanashi prefectures. Kansai means Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Okinawa means Okinawa prefecture.

D. Overview of the hotel business

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

	Property No.	Name	Rent type	Method of calculating variable rent and income from management contracts
The Five 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 81.5%. 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		
The Six Accor Hotels	6	ibis Tokyo Shinjuku	Management contract (Note 2)	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 (Note 3)	Variable/Fixed	Amount linked to GOP (Note 4)
	36	the b akasaka-mitsuke		
	37	the b ikebukuro		
	38	the b ochanomizu		
	39	the b hachioji		
	40	the b hakata		
Other hotels with variable rent or revenue sharing	22	Smile Hotel Nihombashi Mitsukoshimae	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 4)
	25	Hotel Vista Kamata Tokyo (Note 5)	Fixed + Revenue sharing	When the amount arrived at when total hotel sales from January 1 to December 31 of every year is multiplied by 32.5% is greater than the amount arrived at when the monthly rent is multiplied by 12, the amount of difference
	26	Chisun Inn Kamata	Variable	Amount that is the monthly GOP multiplied by 85% (¥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 4)
	30	Hotel Sunroute Shinbashi	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 4)
	31	Hilton Tokyo Bay	Fixed + Revenue sharing	Amount that is a certain percentage of sales exceeding the threshold (Note 4)

(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 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 3) On July 1, 2015, Dormy Inn Suidobashi was changed to a variable rent contract with Ishin Suidobashi Operations, K.K. as lessee and started operations as a hotel under the name of the b suidobashi. In this report, the same shall apply hereinafter.

(Note 4) The detailed content of the contract is not disclosed as consent on disclosure has not been obtained from the lessee.

(Note 5) Hotel Vista Kamata Tokyo underwent a contract change on July 1, 2015. When total hotel sales from January 1 to December 31 of every year (however, from July 1 to December 31 in the case of 2015) exceeds ¥270 million (however, ¥270 million × Actual number of days from July 1 to December 31 ÷ 365 days in the case of 2015), the amount arrived at when the amount exceeding that is multiplied by 32.5% is received as revenue sharing in addition to fixed rent.

(2) Major indicators of the hotel business

The following tables indicate the figures related to the hotel business of the five HMJ hotels, the six Accor hotels and the six *the b* hotels for the operating period from January 1, 2015 through June 30, 2015, based on the data provided by the hotel lessees.

(a) The Five HMJ Hotels

	Kobe Meriken Park Oriental Hotel		Oriental Hotel tokyo bay		Namba Oriental Hotel		Hotel Nikko Alivila		Oriental Hotel Hiroshima		Total/Average	
		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)		Ratio to total sales (%)
Occupancy rate	80.0%	—	97.0%	—	93.0%	—	83.2%	—	76.8%	—	87.3%	—
ADR	15,028	—	18,149	—	14,964	—	19,317	—	8,452	—	16,222	—
RevPAR	12,023	—	17,609	—	13,919	—	16,067	—	6,488	—	14,163	—
Total sales	2,424	100.0	3,395	100.0	1,189	100.0	2,377	100.0	991	100.0	10,376	100.0
Rooms department	765	31.5	1,766	52.0	713	60.0	1,271	53.5	293	29.6	4,808	46.3
Food & beverage department	1,502	62.0	1,396	41.1	84	7.0	892	37.5	662	66.8	4,537	43.7
Product sales department	48	2.0	—	—	—	—	175	7.3	—	—	223	2.1
Tenant department	30	1.2	125	3.7	370	31.1	1	0.0	11	1.1	537	5.2
Other departments	79	3.2	108	3.2	22	1.8	38	1.6	24	2.4	270	2.6
GOP	403	16.6	855	25.2	665	55.9	517	21.7	133	13.4	2,572	24.8

(Note 1) ADR: Represents average daily rate, which is calculated by dividing total rooms revenue for a certain period (excluding service charges) by the total number of rooms sold during the period. 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) 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.

(Note 4) While the 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 daily 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. 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	
		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	92.1%	—	87.4%	—	84.6%	—	74.3%	—	78.7%	—	92.8%	—	83.9%	
ADR	11,846	—	9,678	—	8,102	—	10,234	—	9,088	—	11,610	—	9,953	
RevPAR	10,907	—	8,461	—	6,857	—	7,602	—	7,156	—	10,775	—	8,350	
Total sales	453	100.0	357	100.0	429	100.0	499	100.0	407	100.0	550	100.0	2,696	100.0
Rooms department	405	89.4	329	92.2	345	80.5	392	78.5	334	82.1	312	56.7	2,117	78.6
Food & beverage department	37	8.1	25	7.0	72	16.9	103	20.6	59	14.6	225	40.9	521	19.3
Other departments	11	2.5	3	0.8	11	2.7	5	0.9	13	3.3	13	2.4	57	2.1
GOP	244	53.9	181	50.6	203	47.3	167	33.4	160	39.3	136	24.8	1,090	40.5

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

(c) The Six *the b* Hotels

	the b suidobashi		the b akasaka-mitsuke		the b ikebukuro		the b ochanomizu		the b hachioji		the b hakata		Total/Average	
		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	—%	—	88.3%	—	90.4%	—	92.5%	—	88.4%	—	94.5%	—	90.7%	—
ADR	—	—	11,238	—	10,331	—	10,909	—	6,922	—	6,294	—	8,659	—
RevPAR	—	—	9,920	—	9,336	—	10,089	—	6,117	—	5,947	—	7,852	—
Total sales	—	—	221	100.0	301	100.0	132	100.0	267	100.0	191	100.0	1,111	100.0
Rooms department	—	—	219	99.0	296	98.4	131	99.4	217	81.4	188	98.8	1,052	94.6
Food & beverage department	—	—	—	—	—	—	—	—	48	17.9	—	—	48	4.3
Other departments	—	—	2	1.0	5	1.6	1	0.6	2	0.7	2	1.2	12	1.1
GOP	—	—	125	56.5	148	49.3	61	46.2	87	32.6	80	41.7	501	45.1

(Note 1) For the b suidobashi, there is no figure available for disclosure for the operating period ended June 30, 2015 as no data exist for the period before July 1, 2015.

(Note 2) For Total/Average, figures calculated by JHR are indicated as no figures have been provided by the hotel lessees. Furthermore, the figures represent the total and average of the five *the b* hotels, or the six *the b* hotels excluding the b suidobashi.

E. Status of capital expenditures

a. Planned capital expenditures (Note)

The following table shows major estimated capital expenditures for renovation work during the fiscal period under review planned as of the end of the midterm period under review for real estate properties under management by JHR. The estimated construction costs below include the portion expensed in accounting. Capital expenditures are expected to total ¥1,130 million for the second half and, in aggregate with the capital expenditures for the first half, capital expenditures are expected to total ¥1,780 million for the full year.

Name of property, etc. (Location)	Purpose	Scheduled period	Estimated construction costs (JPY1M)		
			Total amount	Payment for the period	Total amount paid
ibis Tokyo Shinjuku (Shinjuku-ku, Tokyo)	Replacement of piping	From August 2015 to November 2015	90	—	—
Hilton Tokyo Bay (Urayasu-shi, Chiba)	Replacement of kitchen and guest room piping	From February 2015 to December 2015	54	22	22
Total			144	22	22

(Note) For new construction and renewal work, estimated construction costs include those for buildings, attached facilities, etc. as well as items classified as furniture and fixtures. The scheduled period of the above planned repair work and whether or not the repair work will be performed may change.

b. Capital expenditures during the period (Note)

For real estate properties 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 ¥649 million, and repair expenses that were accounted for as expense in the fiscal period under review totaled ¥19 million. In aggregate, ¥669 million of construction work was carried out.

Name of property, etc. (Location)	Purpose	Period	Construction costs (JPY1M)
Dormy Inn Suidobashi (Bunkyo-ku, Tokyo)	Replacement of air conditioning units	From April 2015 to June 2015	55
Dormy Inn Suidobashi (Bunkyo-ku, Tokyo)	Renewal in association with re-branding	From April 2015 to June 2015	60
Total			207

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