



Financial Results Briefing (Mid-term of 15th period (FY12/2014))

Japan Hotel REIT Investment Corporation (JHR)

TSE: 8985

<http://www.jhrth.co.jp/en/index.html>

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Former Nippon Hotel Fund Investment Corporation ("former NHF") and former Japan Hotel and Resort, Inc. ("former JHR") merged in April 1, 2012 (The surviving company is the former NHF). The new name after the merger is Japan Hotel REIT Investment Corporation ("JHR"). The asset management company of JHR is Japan Hotel REIT Advisors Co., Ltd. ("Asset Management Company").

I. MID-TERM FINANCIAL CLOSING FOR FY12/2014 - HIGHLIGHTS

I-1. Highlights of Mid-Term Financial Closing

1 Revenue improvement of the hotels with the variable rent

(JPY M)

(1) HMJ 5 Hotels (*1)

	(Initial forecast)	(Forecast this time)	
CY2014 Sales	22,053	22,397	(+1.6%)
CY2014 GOP	6,003	6,239	(+3.9%)

FY2014 Variable rent

2,161 ➡ 2,354 (+192)

(2) Hotels under management contract scheme (*2)

	(Initial forecast)	(Forecast this time)	
CY2014 Sales	1,533	1,538	(+0.3%)
CY2014 GOP	749	792	(+5.7%)

FY2014 Revenue from management contract

748 ➡ 792 (+43)

(*1) HMJ's five hotels consist of Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivilla, and Oriental Hotel Hiroshima.
(The same applies hereafter.)

(*2) ibis Tokyo Shinjuku and ibis Styles Kyoto Station

2 Addition to Global Real Estate Index Series

FTSE

Addition to **FTSE EPRA/NAREIT Global Real Estate Index**, a real estate investment indexes made through collaboration with two representative real estate associations in Europe (The European Public Real Estate Association (EPRA)) and the US (The National Association of Real Estate Investment Trusts (NAREIT)).
(from June 23, 2014)

Topics after mid-term financial closing

► Acquisition of new properties and public offering (PO)

Acquisition of new properties

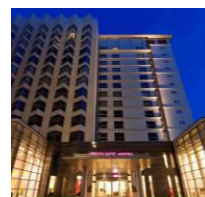
(1) Best Western Hotel Sapporo Nakajima Koen



(2) Mercure Hotel Sapporo



(3) Mercure Hotel Okinawa Naha



Acquisition price	JPY6,797M
Appraisal value	JPY6,840M
Acquisition date	July 9, 2014
Completion	July 2010
Rent type	Variable rent ^(*)
NOI yield	6.4%

Acquisition price (schedule)	JPY6,000M
Appraisal value	JPY6,030M
Acquisition date (schedule)	September 30, 2014
Completion	April 2009
Rent type	Management contract
NOI yield	6.3%

Acquisition price (schedule)	JPY3,000M
Appraisal value	JPY3,040M
Acquisition date (schedule)	September 30, 2014
Completion	August 2009
Rent type	Management contract
NOI yield	6.3%

(*3) Scheduled to change to management contract in December 2014.

Fund procurement to acquire three properties

Summary of PO

Additional issuance of units	170,000 units
Capital increase by PO	JPY10,179M
Payment date	September 9, 2014

+

New borrowing (schedule)	JPY7,426M
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Total funding JPY17,605M

► Impact from property acquisition through PO

Impact on revenue

	FY12/2014 (Forecast)	Annual basis (Forecast)
Operating revenue (JPY M)	+ 429	+ 1,355
NOI ^(*) (JPY M)	+ 372	+ 1,000
	-	6.3%
NOI after depreciation ^(*)	+ 293	+ 794
	-	5.0%

(*4) 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

Growth performance

(*) annual basis (End of last term) (After acquisition)

Total (scheduled) acquisition price (JPY M)	158,902	173,429
Total appraisal value (JPY M)	166,237	188,123
NOI after depreciation (total portfolio)(*)	4.8%	5.2%
LTV (appraisal value base)	45.0%	43.2%
Borrowing cost (*)	2.0%	1.8%
Percentage of rental income	Fixed rent (*)	75.5%
	Variable rent (*)	24.5%
		68.1%
		31.9%

Dividend per unit

(Initial forecast)

JPY1,940



(Forecast this time)

JPY2,058

(Annual basis (for reference))

JPY2,146

I-2. HMJ's Five Hotels- Monthly Performance Highlight

- In FY2013, contribution to growth of RevPAR shifted from occupancy rate in the first half of the year to ADR in the second half of 2013.
- Continued from 2013, RevPAR increased by contribution of improving ADR in FY2014.

			Jan	Feb	Mar	Apr	May	Jun	1st. half of the year	Jul	Aug	Sep	Oct	Nov	Dec.	2nd. half of the year	Total
Major Indicators for Rooms Department	Occupancy	2014	76.9%	80.3%	87.1%	87.2%	87.4%	86.8%	84.3%	89.6%							
		vs 2013	1.8%	-3.8%	-2.0%	1.8%	3.3%	3.2%	0.8%	2.1%							
		2013	75.1%	84.1%	89.1%	85.3%	84.1%	83.6%	83.5%	87.5%	94.8%	88.9%	88.6%	88.6%	82.8%	88.5%	86.1%
		vs 2012	2.7%	4.6%	3.8%	5.8%	6.6%	4.3%	4.6%	4.5%	1.7%	1.9%	-0.1%	2.1%	2.3%	2.0%	3.3%
		2012	72.3%	79.4%	85.3%	79.5%	77.5%	79.3%	78.9%	83.1%	93.2%	87.0%	88.7%	86.5%	80.5%	86.5%	82.7%
	ADR (JPY)	2014	14,668	12,850	18,177	14,827	16,215	14,181	15,240	20,372							
		vs 2013	7.5%	3.2%	11.8%	-3.8%	0.6%	1.3%	3.5%	0.2%							
		2013	13,640	12,454	16,252	15,417	16,113	13,994	14,718	20,338	28,240	17,674	16,150	16,080	18,840	19,691	17,297
		vs 2012	5.7%	6.5%	1.0%	3.3%	1.5%	3.6%	3.4%	5.7%	11.3%	12.4%	7.8%	9.2%	9.7%	9.5%	6.8%
		2012	12,907	11,693	16,093	14,920	15,875	13,511	14,230	19,236	25,365	15,725	14,982	14,723	17,174	17,978	16,200
	RevPAR (JPY)	2014	11,279	10,319	15,832	12,923	14,175	12,309	12,849	18,253							
		vs 2013	10.1%	-1.5%	9.3%	-1.8%	4.6%	5.2%	4.5%	2.5%							
		2013	10,242	10,471	14,481	13,156	13,546	11,703	12,295	17,803	26,779	15,707	14,317	14,246	15,595	17,434	14,886
		vs 2012	9.7%	12.7%	5.5%	10.9%	10.1%	9.2%	9.5%	11.4%	13.3%	14.8%	7.7%	11.8%	12.8%	12.1%	11.1%
		2012	9,337	9,289	13,730	11,866	12,300	10,718	11,227	15,982	23,628	13,682	13,291	12,740	13,822	15,549	13,400
Sales (JPY M)	2014	1,483	1,343	2,081	1,614	1,837	1,665	10,024	2,108								
	vs 2013	5.1%	-0.9%	8.6%	-5.7%	1.7%	4.1%	2.3%	5.7%								
	2013	1,410	1,355	1,915	1,711	1,806	1,599	9,797	1,994	2,543	1,849	1,891	1,943	1,976	12,197	21,994	
	vs 2012	0.6%	-4.3%	-1.0%	2.1%	9.1%	0.3%	1.2%	1.4%	7.5%	8.4%	2.0%	4.2%	5.4%	4.8%	3.2%	
	2012	1,402	1,416	1,935	1,677	1,655	1,594	9,679	1,966	2,367	1,707	1,854	1,864	1,874	11,633	21,312	

※ ADR (Average Daily Rate)

※ RevPAR (Revenue Per Available Room)

※ GOP (Gross Operating Profit)

: Total rooms revenue for a certain period (excluding service charges) / Total number of rooms sold for the period.

: Total rooms revenue for a certain period (excluding service charges) / Total number of rooms available during the period (same as ADR x Occupancy rate).

: Hotel operating revenue – Direct expenses related to operate hotel such as personnel cost and general and administrative expenses, etc.

II. SUMMARY OF SETTLEMENT OF ACCOUNTS

II-1. Actual for Mid-Term and Forecast for Full Financial Year (FY 12/2014)

(JPY M)

		2014/1-2014/6	2014/1-2014/12		2014/1-2014/12	Variance (1)	Variance (2)	* Major causes of variance	
		Actual Mid-term	Initial forecast (A)	Forecast this time (B)	Annualized actual (Reference) (C)	(B) - (A)	(C) - (A)	Variance 1	Variance 2
Profit and loss	Operating revenue	5,504	11,964	12,667	13,593	703	1,628	<New property acquisitions>	
	Variable rent	1,011	3,006	3,605	4,332	599	1,326	Increase in rents, etc. (+)	429 1,355
	Fixed rent	4,492	8,958	9,061	9,260	103	302	Increase in operating expenses, etc. (-)	-92 -446
	NOI (*)	4,691	10,180	10,881	11,509	701	1,329	Increase in depreciation (-)	-78 -205
		-	6.5%	6.3%	6.6%	-0.2%	0.1%	Increase in financial costs (-)	-92 -126
	Depreciation	1,168	2,358	2,437	2,564	78	205	Increase in profit associated with new property acquisitions(+) (a)	166 577
	Loss on retirement of noncurrent assets	2	13	13	13	0	0	<Existing properties>	
	Loss on sale	0	0	0	0	0	0	Increase in rents (HMJ's 5 hotels) (+)	192 192
	NOI after depreciation (*)	3,520	7,808	8,431	8,932	623	1,123	Increase in management contract revenue (Shinjuku & Kyoto)(+)	43 43
		-	5.0%	4.9%	5.2%	-0.1%	0.2%	Increase in other revenue (+)	37 37
	Other operating expenses	508	1,124	1,171	1,227	46	103	Decrease in operating expenses (+)	-18 55
	Operating income	3,011	6,684	7,260	7,704	576	1,020	Increase in profit from existing properties (+) (b)	255 329
	Non-operating income	1	0	1	1	1	1	Current net profit <(a)+(b)>	421 906
	Non-operating expenses	778	1,609	1,765	1,724	155	114	<Negative goodwill>	
	Ordinary income	2,235	5,074	5,496	5,981	421	907	Adjustment for dilution	164 -
Dividend	Net income	2,234	5,072	5,494	5,979	421	906	Financial costs for early repayment (non-cash item)	74 -
	Use of negative goodwill	-	13	251	13	238	0		238 -
	Total dividends	-	5,085	5,746	5,992	661	906		
Number of units issued (Units)		2,621,281	2,621,281	2,791,281	2,791,281	170,000	170,000		
Dividend per unit (JPY)		-	1,940	2,058	2,146	118	206		

(*) Following formulas have been applied for each.

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

II-2. Balance Sheet (Summary)

(JPY M)

(As of)	FY12/2013 End of term 2013.12.31	FY12/2014 (End of mid-term) 2014.6.30	Variance
ASSETS			
Current assets	13,642	10,623	-3,019
Cash and deposits(*1)	12,553	9,883	-2,670
Operating accounts receivable	753	406	-347
Others	335	333	-2
Property and equipment, at cost	157,005	155,988	-1,017
Net property and equipment	136,529	135,422	-1,107
Buildings (*2)	546	657	111
Land	-	-	-
Buildings in trust (*3)	53,480	52,553	-927
Land in trust	82,502	82,210	-292
Intangible assets	19,824	19,819	-5
Other assets	651	747	96
Leasehold and security deposits	170	170	-
Others	481	576	95
Deferred assets	79	74	-4
TOTAL ASSETS	170,727	166,687	-4,040

(As of)	FY12/2013 End of term 2013.12.31	FY12/2014 (End of mid-term) 2014.6.30	Variance
LIABILITIES AND NET ASSETS			
Current liabilities	17,887	12,108	-5,779
Operating accounts payable	238	147	-91
Short-term loans payable	2,669	-	-2,669
Current portion of long-term loans payable	13,701	10,762	-2,939
Accounts payables	560	538	-22
Advances received	634	642	8
Others	82	16	-66
Long-term liabilities	63,084	67,858	4,774
Long-term loans payable	55,913	58,588	2,675
Investment corporation bonds	2,500	4,500	2,000
Tenant leasehold and security deposits	4,625	4,552	-73
Others	45	217	172
TOTAL LIABILITIES	80,971	79,967	-1,004
NET ASSETS			
Unitholders' capital	48,845	48,845	-
Capital surplus	21,746	21,746	-
Dividend reserve	16,017	14,168	-1,849
Unappropriated retained earnings	3,235	2,236	-999
Others	-88	-276	-188
TOTAL NET ASSETS	89,756	86,719	-3,037
TOTAL LIABILITIES AND NET ASSETS	170,727	166,687	-4,040

(*1) Cash and deposits in trust is included.

(*2) The sum of buildings, structures, machinery and equipment, tools, furniture and fixtures, and construction in progress.

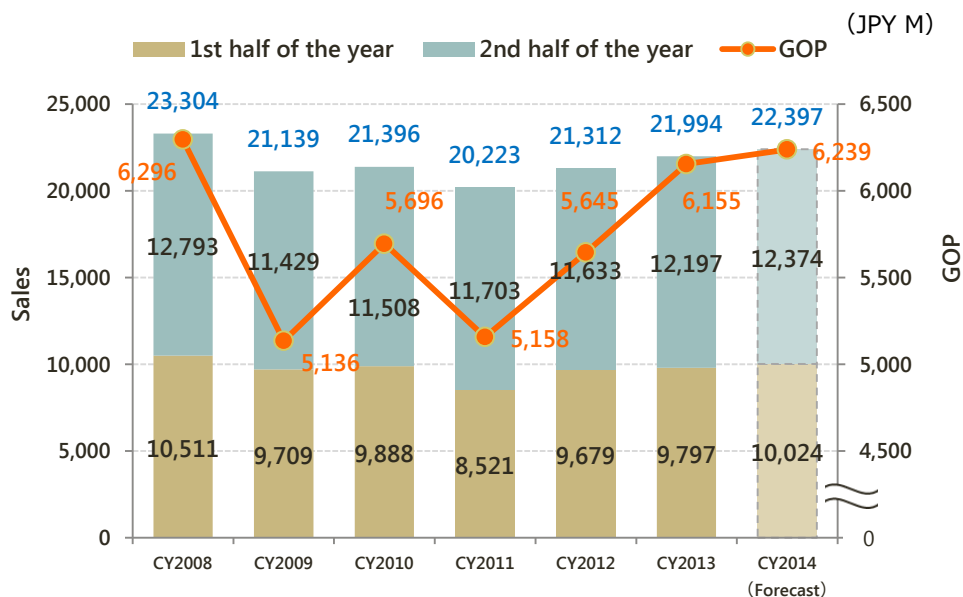
(*3) The sum of buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixture in trust, and constructions in progress in trust.

III. PERFORMANCE OF THE MAJOR HOTELS WITH VARIABLE RENT

III-1. Performance Highlights of HMJ's Five Hotels

Changes in sales volume, GOP and management indicators(*) of HMJ's five hotels

Sales and GOP



Management indicators

	CY2008	CY2009	CY2010	CY2011	CY2012	CY2013	CY2014 (Forecast)
Occupancy rate	77.8%	73.8%	80.4%	76.7%	82.7%	86.1%	87.2%
ADR (JPY)	18,463	17,197	15,980	15,846	16,200	17,297	17,315
RevPAR (JPY)	14,367	12,696	12,845	12,160	13,400	14,886	15,095
GOP (JPY M)	6,296	5,136	5,696	5,158	5,645	6,155	6,239
GOP ratio	27.0%	24.3%	26.6%	25.5%	26.5%	28.0%	27.9%

Actual performance from January 2014 through June 2014

- Total sales increased by JPY227M or 2.3% compared with the first half of the previous year. (And increased by JPY194M or 2.0% compared with the initial forecast.)
- Sales in rooms department was affected by ending of the 30th anniversary event by Tokyo Disney Resort (TDR) at Oriental Hotel Tokyo Bay and by a temporary closedown of some guest rooms for renovation at Hotel Nikko Alivila. HMJ's 5 hotels, however, steadily attracted both domestic and overseas leisure demand. Room sales increased by JPY188M or 4.5% compared with the first half of the previous year.
- Due to an increase in wedding and restaurant sales, sales from the food and beverage department increased by JPY73M or 1.6% compared with the first half of the previous year.

Sales forecast from July 2014 through December 2014

- Total sales are expected to increase by JPY177M or 1.4% compared with the second half of the previous year. (And expected to increase by JPY150M or 1.2% compared with the initial forecast.)
- The rooms department will be affected by the ending of TDR's anniversary event throughout the second half of the year. Although the sales are expected to be higher than the initial forecast, they are expected to decrease by JPY50M or 0.8% compared with the second half of the previous year.
- Wedding, general banquet, and restaurant sales are expected to increase. Sales from the food and beverage department is expected to increase by JPY208M or 4.1% compared with the second half of the previous year.

GOP forecast from January 2014 through December 2014

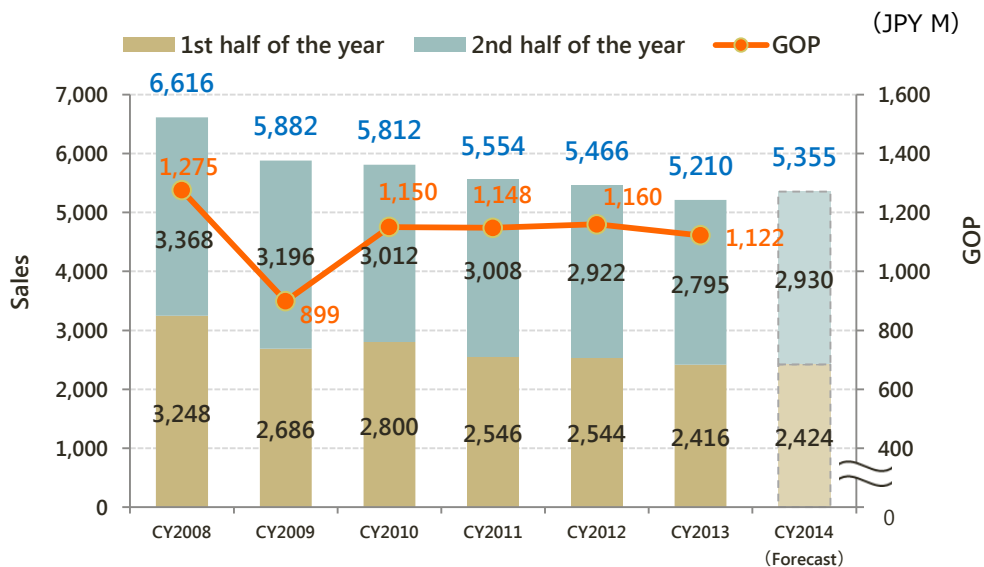
- GOP is expected to increase by JPY84M or 1.4% compared with the previous year. (And is expected to increase by JPY236M or 3.9% compared with the initial forecast.)
- GOP is expected to exceed that of the previous term due to increased sales from the rooms department which attract leisure demand aggressively (both domestic and overseas) and the food and beverage department.

(*) Sales volume, GOP and management indicators have been provided by lessee or operator. CY2013 is a forecast; actual figures may differ due to various factors. (The same applies hereafter for each hotel.)

III- 2 . Performance Highlights of Each HMJ Hotel (1)

Kobe Meriken Park Oriental Hotel

◆ Sales and GOP



◆ Management indicators

	CY2008	CY2009	CY2010	CY2011	CY2012	CY2013
Occupancy rate	76.5%	69.8%	81.3%	76.5%	80.0%	81.5%
ADR (JPY)	15,750	14,848	13,564	14,645	14,326	14,526
RevPAR (JPY)	12,042	10,365	11,027	11,197	11,464	11,844
GOP (JPY M)	1,275	899	1,150	1,148	1,160	1,122
GOP ratio	19.3%	15.3%	19.8%	20.7%	21.2%	21.5%

Actual performance from January 2014 through June 2014

- Total sales increased by JPY9M or 0.4% compared with the first half of the previous year. (And decreased by JPY33M or 1.3% compared with the initial forecast.)
- The rooms department attracted both domestic and overseas leisure demand, and improved ADR. Room sales increased by JPY38M or 5.9% compared with the first half of the previous year.
- Wedding sales increased due to increased unit price but restaurant sales declined due to a decrease in the number of customers. Sales from the food and beverage department decreased by JPY19M or 1.2% compared with the first half of the previous year.

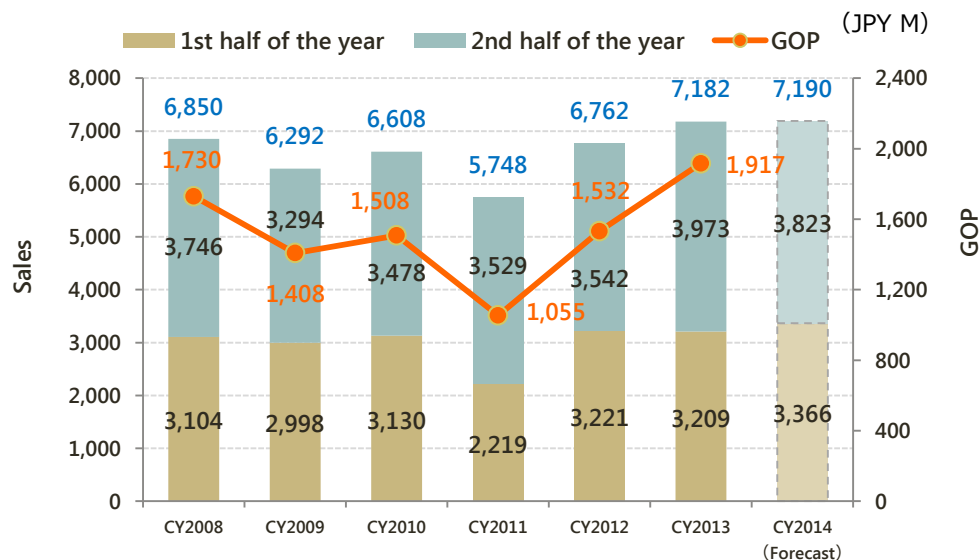
Sales forecast from July 2014 through December 2014

- Total sales are expected to increase by JPY136M or 4.9% compared with the second half of the previous year. (And are expected to decrease by JPY19M or 0.6% compared with the initial forecast.)
- The rooms department intends to attract demand of both domestic and overseas leisure travelers continuously. Sales are expected to increase by JPY37M or 4.2% compared with the second half of the previous year.
- Both wedding and general banquet sales are expected to increase due to a rise in the numbers of banquets. Sales from the food and beverage are expected to increase by JPY98M or 5.7% compared with the second half of the previous year.

III- 2 . Performance Highlights of Each HMJ Hotel (2)

Oriental Hotel tokyo bay

◆ Sales and GOP



◆ Management indicators

	CY2008	CY2009	CY2010	CY2011	CY2012	CY2013
Occupancy rate	81.7%	80.1%	90.2%	78.7%	94.0%	96.1%
ADR (JPY)	19,885	17,907	16,583	15,941	17,469	20,125
RevPAR (JPY)	16,252	14,345	14,950	12,542	16,425	19,349
GOP (JPY M)	1,730	1,408	1,508	1,055	1,532	1,917
GOP ratio	25.3%	22.4%	22.8%	18.3%	22.7%	26.7%

Actual performance from January 2014 through June 2014

- Total sales increased by JPY158M or 4.9% compared with the first half of the previous year. (And increased by JPY139M or 4.3% compared with the initial forecast.)
- In addition to the positive effect from TDR's 30th anniversary event until March 2014, although the rooms department had seen some slowdown after the event since April, sales exceeded the initial forecast. Room sales increased by JPY95M or 5.8% compared with the first half of the previous year.
- Both wedding and restaurant sales increased due to improved operations. Sales from the food and beverage department increased by JPY77M or 5.8% compared with the first half of the previous year.

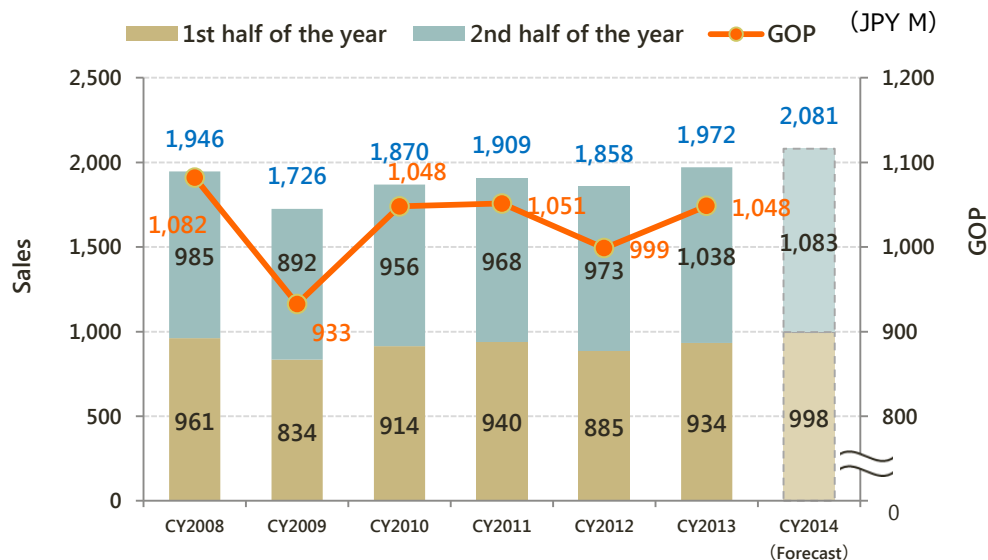
Sales forecast from July 2014 through December 2014

- Total sales are expected to decrease by JPY150M or 3.8% compared with the second half of the previous year. (And are expected to increase by JPY113M or 3.0% compared with the initial forecast.)
- The rooms department expects to see some slowdown throughout the second half of the year after TDR's 30th anniversary event. But by maximizing its occupancy rate and ADR through refined revenue management, sales are expected to remain in decrease of JPY231M or 10.1% compared with the second half of the previous year.
- General banquet, wedding, and restaurant sales are expected to increase due to continued strengthened sales efforts and improved operations. Sales from the food and beverage department are expected to increase by JPY82M or 5.7% compared with the second half of the previous year.

III- 2 . Performance Highlights of Each HMJ Hotel (3)

Namba Oriental Hotel

◆ Sales and GOP



◆ Management indicators

	CY2008	CY2009	CY2010	CY2011	CY2012	CY2013
Occupancy rate	84.3%	75.2%	81.6%	87.3%	87.6%	91.9%
ADR (JPY)	10,757	9,742	9,677	10,250	10,049	10,918
RevPAR (JPY)	9,066	7,322	7,899	8,949	8,805	10,037
GOP (JPY M)	1,082	933	1,048	1,051	999	1,048
GOP ratio	55.6%	54.0%	56.0%	55.1%	53.7%	53.2%

Actual performance from January 2014 through June 2014

- Total sales increased by JPY64M or 6.8% compared with the first half of the previous year.
(And increased by JPY41M or 4.3% compared with the initial forecast.)
- Amid a favorable market environment, the rooms department attracted demand of both domestic and overseas leisure travelers at higher unit price. ADR improved and the room sales increased by JPY64M or 13.6% compared with the first half of the previous year.

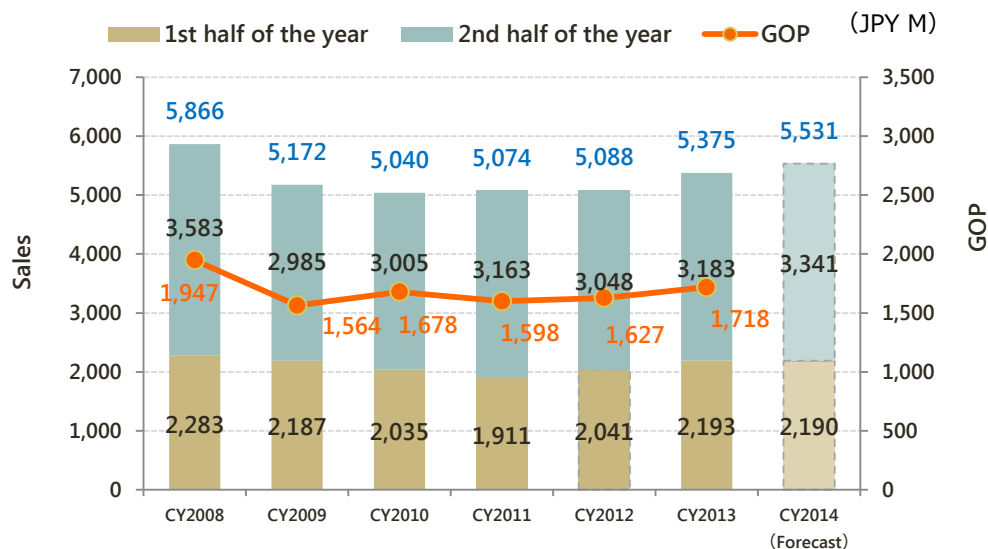
Sales forecast from July 2014 through December 2014

- Total sales are expected to increase by JPY45M or 4.3% compared with the second half of the previous year.
(And are expected to increase by JPY50M or 4.8% compared with the initial forecast.)
- The rooms department intends to attract demand of both domestic and overseas leisure travelers continuously. Room sales are expected to increase by JPY40M or 7.1% compared with the second half of the previous year.

III-2. Performance Highlights of Each HMJ Hotel (4)

Hotel Nikko Alivila

◆ Sales and GOP



◆ Management indicators

	CY2008	CY2009	CY2010	CY2011	CY2012	CY2013
Occupancy rate	77.1%	69.9%	72.2%	73.2%	73.4%	78.0%
ADR (JPY)	28,856	27,986	25,800	24,934	25,030	25,127
RevPAR (JPY)	22,256	19,572	18,634	18,243	18,364	19,594
GOP (JPY M)	1,947	1,564	1,678	1,598	1,627	1,718
GOP ratio	33.2%	30.2%	33.3%	31.5%	32.0%	32.0%

Actual performance from January 2014 through June 2014

- Total sales decreased by JPY3M or 0.1% compared with the first half of the previous year. (And increased by JPY64M or 3.0% compared with the initial forecast.)
- Since some rooms were closed temporarily for renovation from January to March, the rooms department implemented flexible price measures to attract customers. Occupancy rate exceeded the initial forecast and room sales remained in decrease of JPY14M or 1.2% compared with the first half of the previous year.
- Restaurant and wedding sales increased due to strengthened sales efforts. Sales from the food and beverage department increased by JPY22M or 2.6% compared with the first half of the previous year.

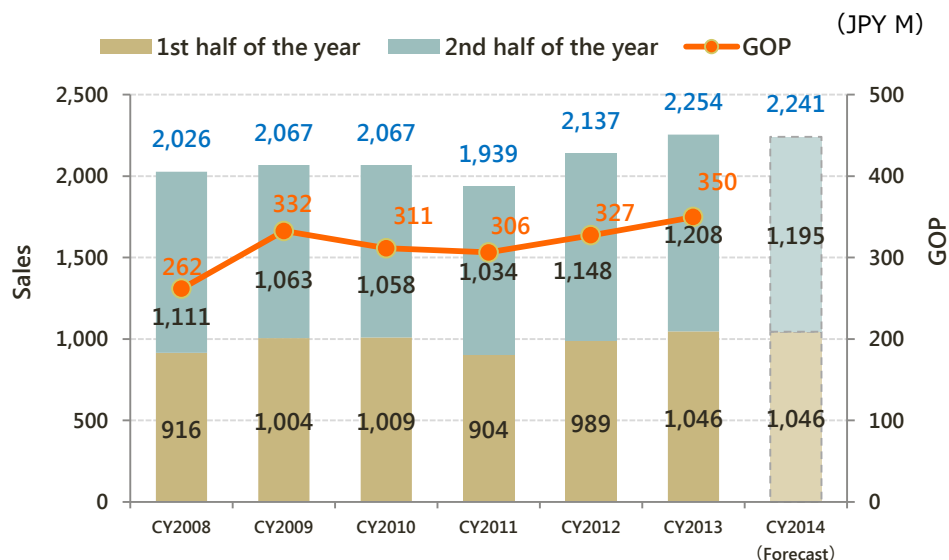
Sales forecast from July 2014 through December 2014

- Total sales are expected to increase by JPY159M or 5.0% compared with the second half of the previous year. (And are expected to decrease by JPY24M or 0.7% compared with the initial forecast.)
- The rooms department intends to implement a flexible price strategy to cope with market demand, and increase occupancy rate. Sales are expected to increase by JPY97M or 4.9% compared with the second half of the previous year.
- Restaurant sales are expected to increase due to improving occupancy rate. Sales from the food and beverage department are expected to increase by JPY48M or 5.0% compared with the second half of the previous year.

III-2. Performance Highlights of Each HMJ Hotel (5)

Oriental Hotel Hiroshima

◆ Sales and GOP



◆ Management indicators

	CY2008	CY2009	CY2010	CY2011	CY2012	CY2013
Occupancy rate	65.2%	70.8%	70.3%	67.1%	72.2%	77.5%
ADR (JPY)	8,989	9,032	8,876	8,479	8,255	8,446
RevPAR (JPY)	5,857	6,393	6,240	5,692	5,959	6,545
GOP (JPY M)	262	332	311	306	327	350
GOP ratio	12.9%	16.1%	15.1%	15.8%	15.3%	15.5%

Actual performance from January 2014 through June 2014

- Total sales remain unchanged from the first half of the previous year.
(And decreased by JPY18M or 1.7% compared with the initial forecast.)
- The rooms department steadily attracted domestic leisure demand. Occupancy rate improved and room sales increased by JPY6M or 2.1% compared with the first half of the previous year.
- Although general banquet sales increased due to strengthened sales efforts, wedding and restaurant sales decreased. Sales from the food and beverage department decreased by JPY5M or 0.6% compared with the first half of the previous year.

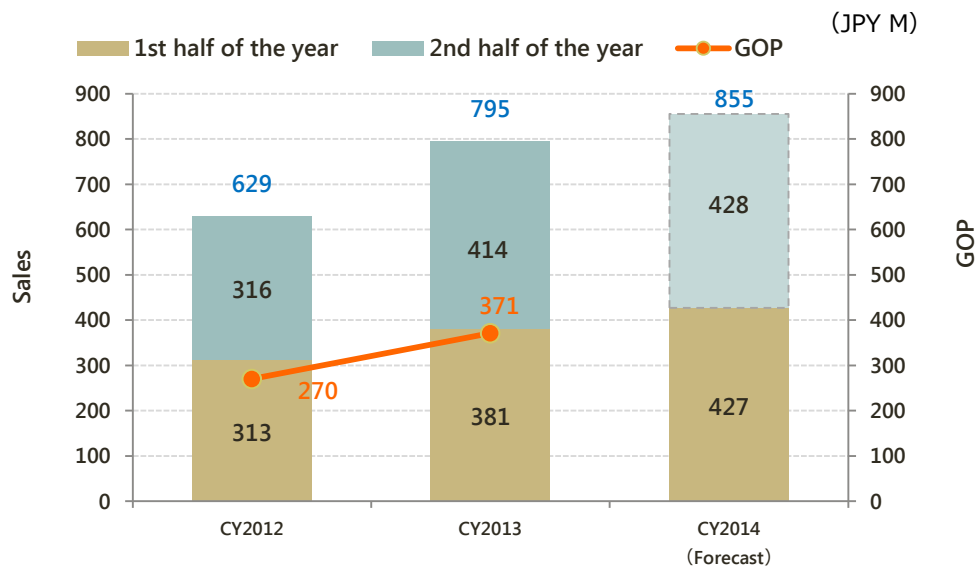
Sales forecast from July 2014 through December 2014

- Total sales are expected to decrease by JPY13M or 1.1% compared with the second half of the previous year.
(And are expected to increase by JPY30M or 2.6% compared with the initial forecast.)
- The rooms department intends to focus on leisure demand continuously and sales are expected to increase by JPY8M or 2.3% compared with the second half of the previous year.
- Although general banquet sales are expected to increase, wedding sales are expected to decline due to a decreased unit price. Sales from the food and beverage department are expected to decrease by JPY24M or 2.8%.

III-3. Performance Highlights of ibis Tokyo Shinjuku

ibis Tokyo Shinjuku

◆ Sales and GOP



◆ Management indicators

	CY2012	CY2013
Occupancy rate	83.5%	92.8%
ADR (JPY)	9,154	10,240
RevPAR (JPY)	7,641	9,502
GOP (JPY M)	270	371
GOP ratio	42.9%	46.7%

Actual performance from January 2014 through June 2014

- Total sales increased by JPY46M or 12.0% compared with the first half of the previous year. (And increased by JPY29M or 7.3% compared with the initial forecast.)
- Amid a favorable market environment, the rooms department strived to attract domestic business and leisure travelers as well as overseas travelers, and increased ADR through refined revenue management. Room sales increased by JPY37M or 10.8% compared with the first half of the previous year.

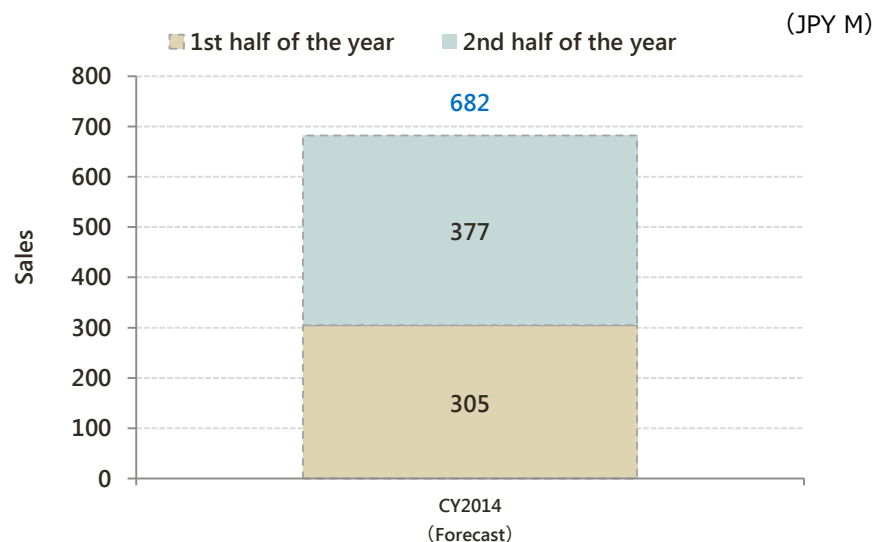
Sales forecast for July 2014 through December 2014

- Total sales are expected to increase by JPY15M or 3.5% compared with the second half of the previous year. (And are expected to increase by JPY14M or 3.3% compared with the forecast at the beginning of the term.)
- The rooms department intends to implement price strategies to cope with demand continuously and increase ADR. Room sales are expected to increase by JPY15M or 4.2% compared with the second half of the previous year

III-4. Performance Highlights of ibis Styles Kyoto Station

ibis Styles Kyoto Station

◆ Sales and GOP (Plan for 2014)



◆ Management indicators

	2014						
	Jan	Feb	Mar	Apr	May	June	July
Occupancy rate	59.6%	79.7%	82.6%	91.9%	84.0%	73.6%	82.6%
ADR (JPY)	8,115	7,615	10,021	11,271	9,623	8,258	8,762
RevPAR (JPY)	4,835	6,069	8,282	10,363	8,084	6,078	7,234
Sales (JPY M)	35	40	59	71	58	43	52

Actual performance from January 2014 through June 2014

- Total sales were JPY305M.
(And decreased by JPY30M or 8.9% compared with the initial forecast.)
- JHR rebranded the hotel immediately after the acquisition on October 31, 2013.
- The hotel changed its booking website and revised existing contracts with travel agencies following its rebranding. It strived to attract domestic and overseas leisure travelers.

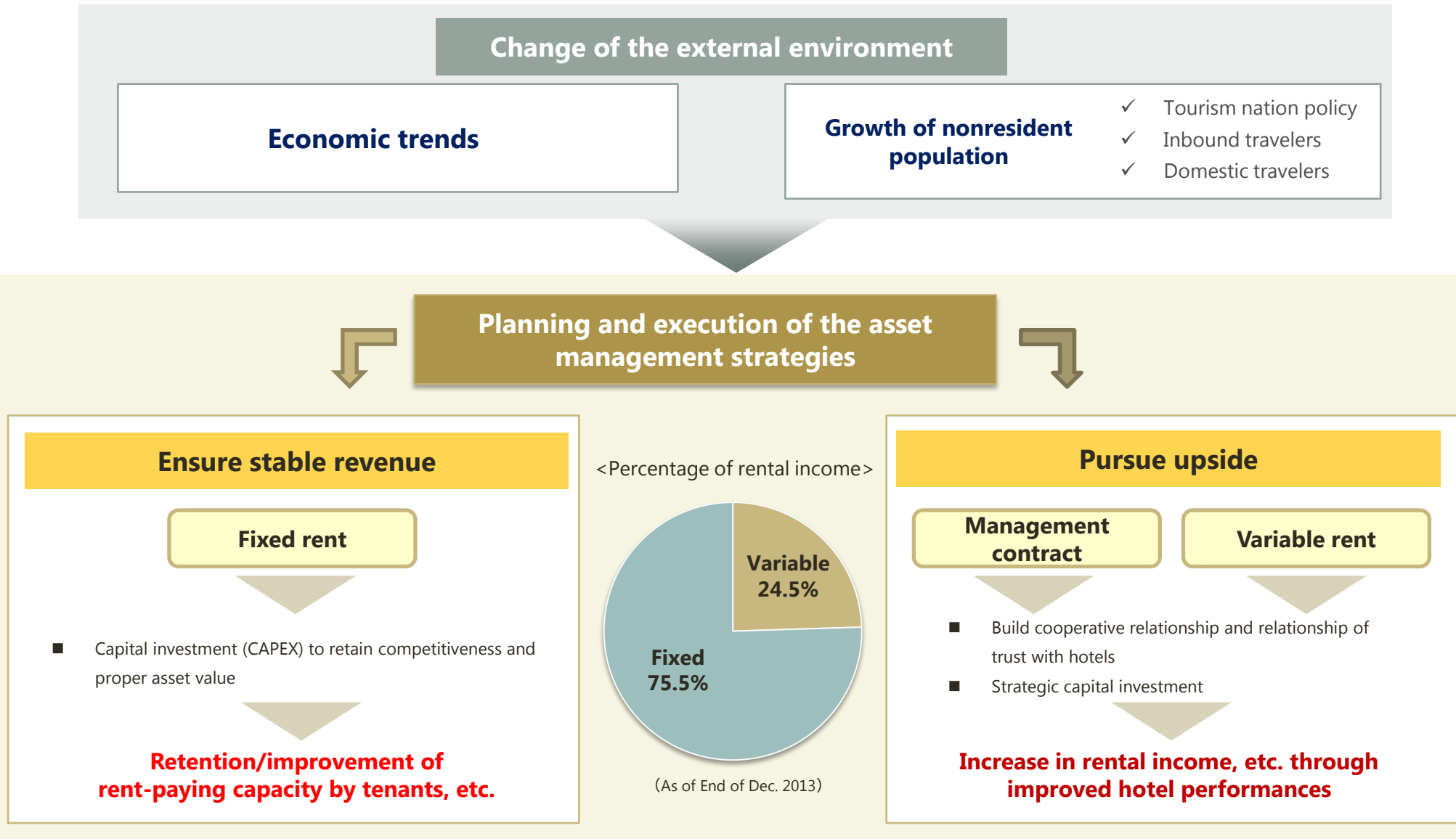
Sales forecast for July 2014 through December 2014

- Total sales are expected to be JPY377M.
(And are expected to decrease by JPY8M or 2.0% compared with the initial forecast.)
- The hotel intends to build up new sales structure and improve public recognition as soon as possible. In addition to attracting domestic leisure travelers, the hotel intends to attract overseas travelers positively through the operator's own network to improve occupancy rate and ADR.

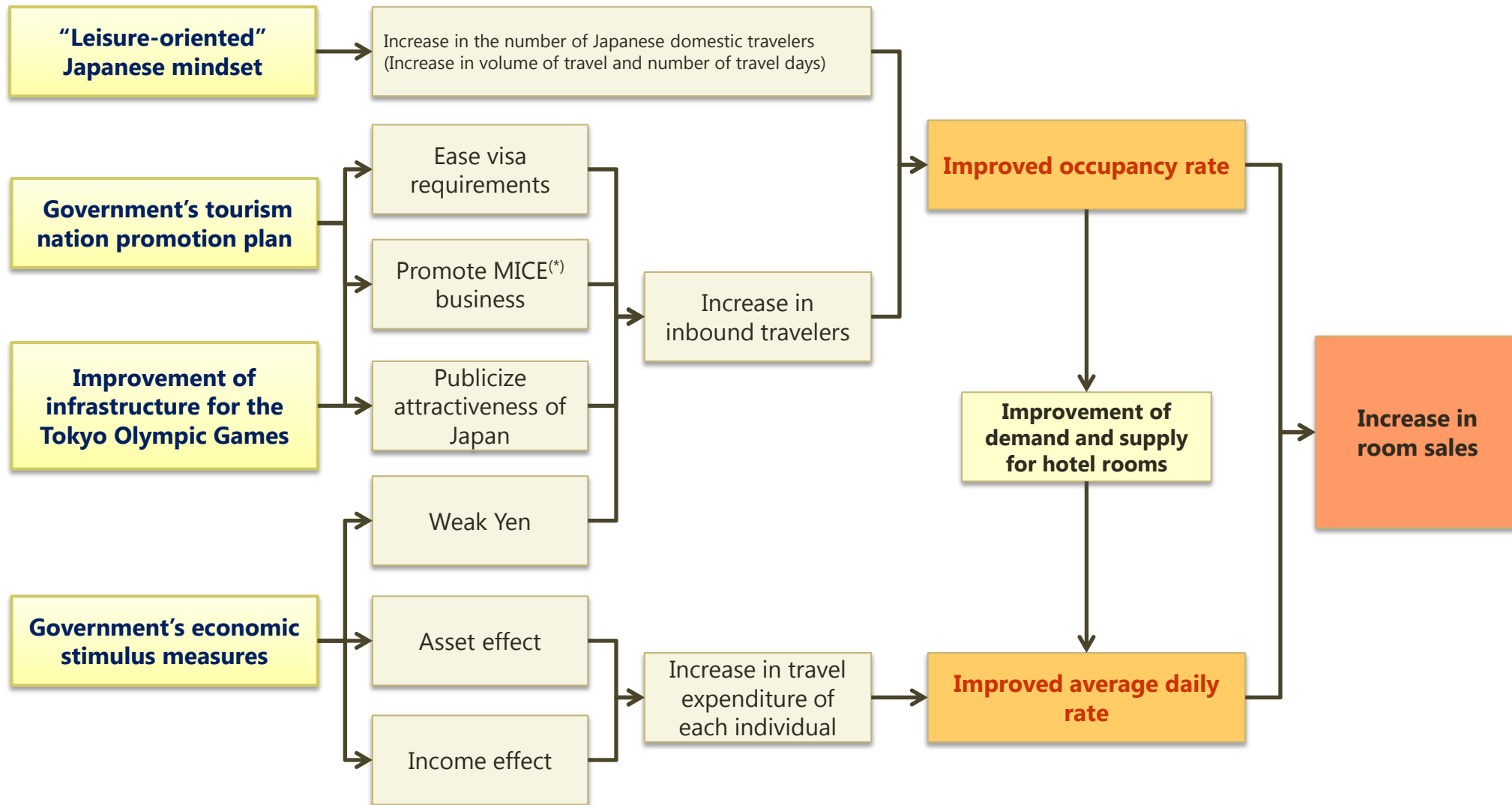
IV. CHARACTERISTICS OF JHR

IV- 1 . Accommodate Both Stability and Upside Potential

- JHR accommodates both stability and upside potential through various combinations of rent systems.



IV-2. Factors Which Increase Room Sales from a Medium- to Long-Term Perspective



(*) MICE stands for Meeting (business meetings, etc.), Incentive (corporate training, etc.), Convention (international conventions, etc.), and Exhibitions and Events.

IV-3. Growth Opportunities of Japan's Tourism Industry (Domestic Travels)

- Growth opportunities through changes in consumption needs and population makeup (aging)
- Growth opportunities through increase in individual income on the back of economic recovery

▶ Economic trend in Japan

1. Business recovery

- ✓ Consolidated ordinary profit of listed companies in FY March 2014 **increased by 36% compared with FY March 2013.**
It is forecast to **increase by 2%** in March 2015 compared with FY2014.
(Nihon Keizai Shimbun Newspaper dated May 15 and May 16, 2014)
- ✓ GDP growth during January through March 2014: **+ 6.7% (annual rate)**
(Announced by Cabinet office on June 9, 2014)

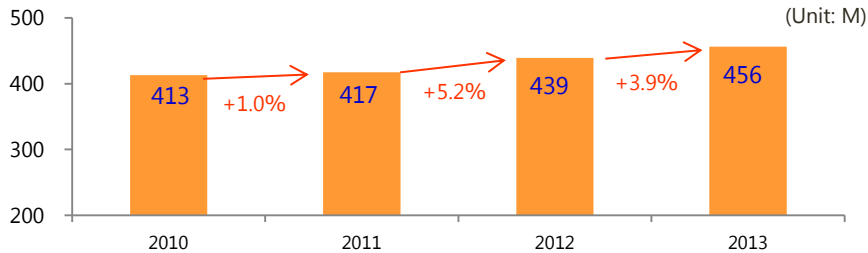
2. Impact of consumption tax hike

- ✓ "Diffusion index for judging economic prospect in April 2014 : **50.3**
→ Impact of consumption tax hike seems to be limited.
(Economic watcher survey by Cabinet office)

3. Increase in individual income

- ✓ Prospect for average wage raise in 2014:
+2.08% increase or + JPY1,056 compared with previous year
(Asahi Shimbun dated June 5, 2014)
- ✓ Amount of summer bonus of major companies: **+ 8.8% compared with previous year**
→ Growth rate exceeds that of 1990, "bubble economy period."
(Announced by the Federation of Economic Organization dated May 2, 2014)

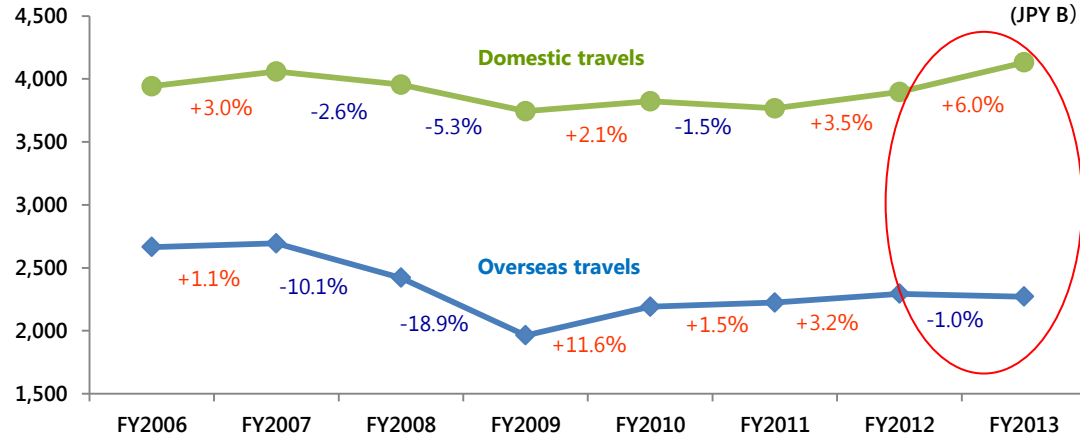
▶ Total number of guests in lodging facilities



Source: Statistics for overnight trips by Japan Tourism Agency dated March 7, 2014

▶ Changes in travel volumes handled by the major travel agencies (Domestic demand only)

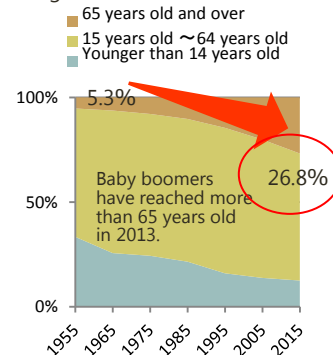
- ✓ Domestic travels have increased but outbound travels decreased in 2013 compared with previous year.



Source: Travel volumes handled by the major travel agency by Japan Tourism Agency

▶ Population makeup

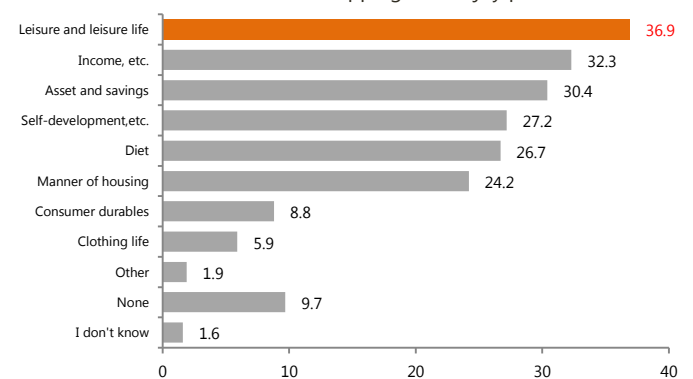
- ✓ Elderly generations with affluent savings increase



Source: National census and population estimate by Ministry of Internal Affairs and Communications

▶ Attitude survey concerning lifestyle

- ✓ The most important focus of consumers is "leisure and leisure life." Demands are shifted from "shopping" to "enjoy pastime."



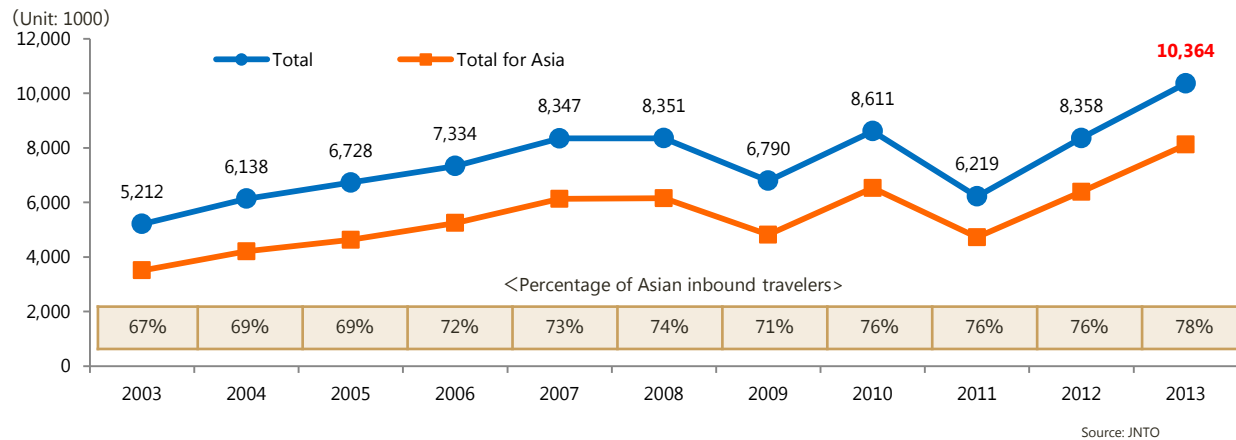
Source: Opinion poll on people's living by Office of Public Relations, Minister's Secretariat of Cabinet Office

IV-4. Growth Opportunities of Japan's Tourism Industry (Inbound Visitors)

- Inbound visitors recorded highest in 2013: More than 10M visitors (+24% year-on-year). Inbound visitors during January to June 2014 increased by 26% year on year. Sharp growth continues.
- Travel balance went into the black (JPY17.7B) in April 2014 after interval of 44 years.
- Government continues to strengthen tourism policies to achieve 20M inbound visitors on 2020 backed by economic growth of Asian countries.

▶ Change of inbound visitors

- ✓ The number of inbound visitors has increased since launch of "Visit Japan Campaign" in 2003. In particular, inbound visitors from Asia account for 78% of all inbound visitors.



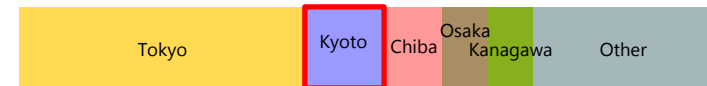
▶ Inbound visitors' popular travel destinations

- ✓ Rural areas are also popular among Asian inbound visitors.

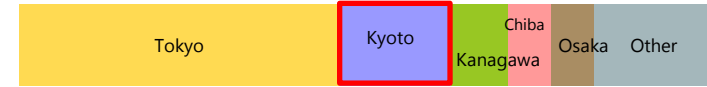
◆ Top three Asian visitors (Korea, Taiwan and China)



◆ Travelers from the U.S.



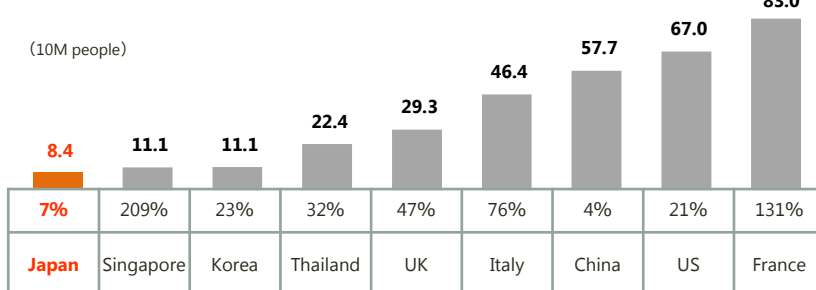
◆ Travelers from the U.K.



Source: "Overnight trips survey" by Japan Tourism Agency

▶ Inbound visitors and population by country (2012)

- ✓ Japan's rank: 33rd in the world and 8th in Asia
In terms of sightseeing resources and ratio to population, further growth is expected.



※Bar graph: The number of inbound visitors based on data announced by the World Bank, "International Inbound Tourists (overnight visitors)"

※Percentage on the chart: The number of inbound visitors vs. population

▶ Goal and measures set by government to boost up tourism business

- ✓ Government set the goal for the number of inbound visitors to receive.

"Strategy for revitalization of Japan"
(Determined by cabinet meeting in June 14, 2013)

"Investigation policy to advance growth strategy"
(Council for Industrial Competitiveness dated January 20, 2014)



- ✓ Aiming at increasing inbound visitors, plan is made and executed.

"Action program toward the tourism nation"
(Cabinet meeting to promote tourism nation in June 11, 2013)

- (1) Create "Japan brand" and send message
- (2) Promote inbound travels through easing visa requirements, etc.
- (3) Improve environments to accept foreign visitors
- (4) Attract MICE and promote investment

- Visa exemption arrangement for travelers from Thailand and Malaysia
- Ease visa requirements for travelers from Indonesia, Vietnam and Philippines, etc.
(From July 1, 2013)
- Extension of stay for affluent foreign travelers under review

IV-5. Utilization of Negative Goodwill

- With utilization of negative goodwill, JHR seeks strategic renovation, rebranding and replacement of portfolio assets, while avoiding impact to profit distribution.

Major policies for utilizing negative goodwill

- ✓ Cope with losses caused by property dispositions in replacing assets.
- ✓ Adjust dilution at issuance of investment units during the period.
- ✓ Cope with loss on retirement of noncurrent assets resulting from renovation, etc.

2012 (April to December)	Gain on negative goodwill	JPY18,578M
	Offset various losses, and paid dividend per unit which eliminated special factors	Impairment loss : 958M Loss on sale : 1,393M Loss on retirement of noncurrent assets : 9M Adjustment for dilution : 200M
	Balance of negative goodwill (Dividend allowance)	JPY16,017M
2013 (January to December)	Amount of negative goodwill used	Impairment loss : 516M Loss on sale : 1,189M Loss on retirement of noncurrent assets : 8M Adjustment for dilution : 135M
	Balance of negative goodwill	JPY14,168M
	Amount of negative goodwill (plan)	Loss on retirement of noncurrent assets : 13M Adjustment for dilution : 164M Financial costs for early repayment : 74M
2014 (January to December)	Balance of negative goodwill (plan)	JPY13,917M

IV-6. Benefits Program for Unitholders

➤ JHR offers a benefits program to unitholders to improve their satisfaction and expand the investor base.

✓ **Eligible recipients of the complimentary coupons and program launch date**

Complimentary coupons will be sent to those who hold ten or more JHR units at the end of June every year (end of the mid-term settlement).

✓ **Details of the benefits program**

Five 50% off discount accommodation coupons (50% off discount from rack rate) and five 20% off restaurant coupons.

✓ **Hotels that offer the benefits program**

HMJ's five hotels(*)

◆ Coupon redemption (June 2012 through May 2013)

Hotels	Rooms		Restaurant	
	No. of coupons used	No. of people who used	No. of coupons used	No. of people who used
Kobe Meriken Park Oriental Hotel	109	133	315	880
Oriental Hotel tokyo bay	458	533	750	2,228
Namba Oriental Hotel	64	76	29	53
Hotel Nikko Alivila	131	229	292	778
Oriental Hotel Hiroshima	168	175	113	283
Total	930	1,146	1,499	4,222

No. of eligible recipients: 5,376 (Former JHR unitholders as of the end of Feb. 2012)

*HMJ's five hotels (below) are the hotels being leased by Hotel Management Japan Co., Ltd.



Kobe Meriken Park Oriental Hotel



Namba Oriental Hotel



Oriental Hotel tokyo bay



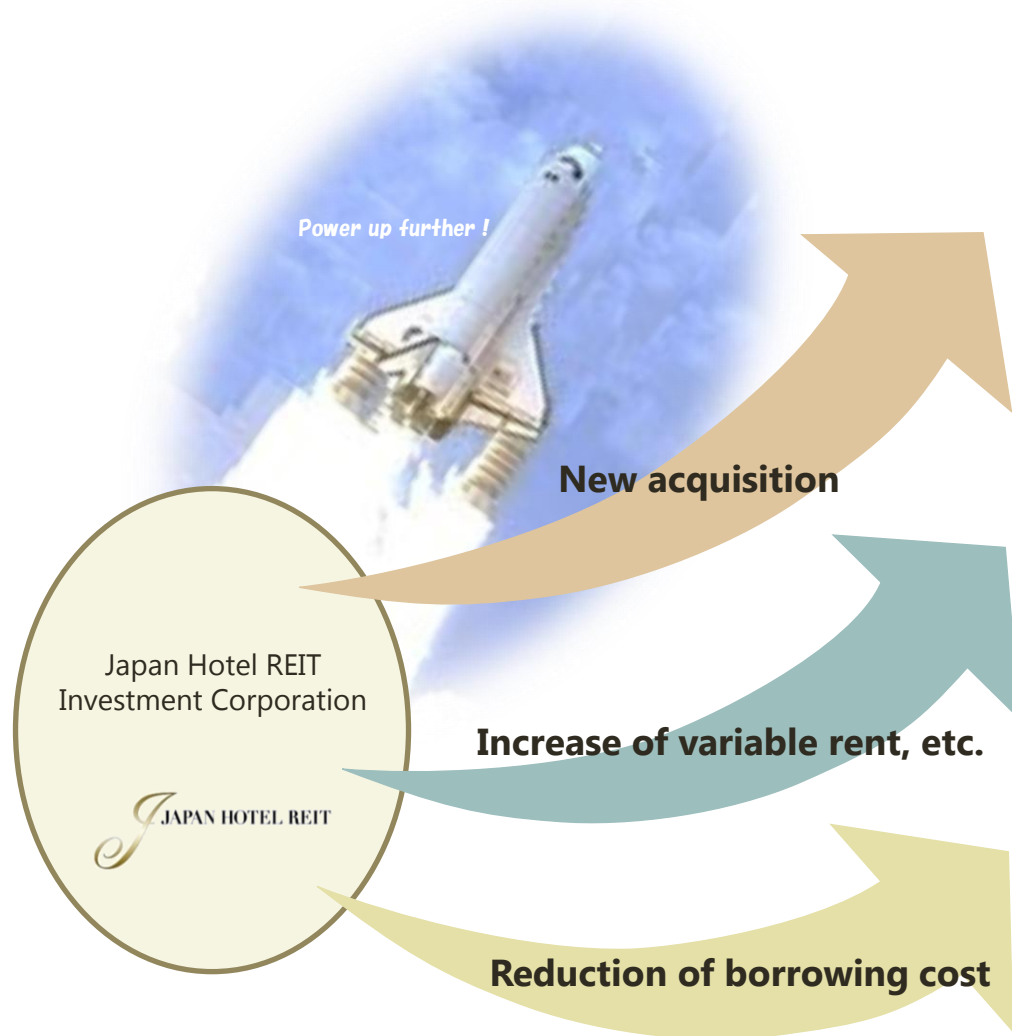
Oriental Hotel Hiroshima



Hotel Nikko Alivila

V. OPERATIONS STRATEGY

I. Three growth engines



II. Points of operations strategies

External growth strategies

1. Acquire hotels with prospects for attracting domestic and inbound leisure travelers.
2. Improve profitability, stability and quality of the entire portfolio.

Internal growth strategies

1. Increase variable rent, etc. through improved hotel revenue.
2. Maintain proper fixed rent based on proper rent-paying capacity.

Financial strategies

1. Maintain LTV level at a maximum of 50% for the time being (total asset base).
2. Diversify fund procurement methods including issuance of investment corporation bonds
3. Disperse maturity and manage interest rate risk.

Perception of the external environment

■ Trend of the hotel investment market

- Due to the effects of improvement in hotel revenue caused by the economic recovery and increase in inbound demand together with decline in yields of other asset classes, competitions to acquire hotel assets have become intense and yields on transactions are on a downward trend.
- This trend is predicted to continue for a period of time and the transaction prices are expected to rise further.

Basic policy

- Acquire hotel real estate that is capable of attracting “domestic and inbound leisure customers.”
- Improve profitability, stability, and quality of the overall portfolio.

Key measures

- Emphasize the superiority of buildings and facilities (infrastructure), operations (services), and locations of hotel real estates.
 - The prime investment targets are “full-service hotels” and “resort hotels” that have high barriers to entry due to operation and management know-how, capital outlay and location.
 - In the case of “limited-service hotels,” the credit worthiness of the hotel lessee, the age of the building, location, guest room composition and profitability are important.
 - Hotels specialized in selling single rooms only are carefully chosen.
- Major areas of strategic investment
 - Tokyo Metropolitan area, Osaka city, Kyoto city, Fukuoka city, Karuizawa (Nagano prefecture), Hakone (Kanagawa prefecture), Hokkaido, Okinawa, etc.
- Investigation and planning of the internal growth strategy upon property acquisition.
 - Investigate the appropriate rent level and rent scheme upon renewal, cost reduction possibilities, and improvement of buildings and facilities.
 - If the hotel pays a variable rent, etc., internal growth is accelerated through collaboration with the operator.

Perception of the external environment

■ General market conditions

- Due to various measures implemented by the Abe administration to pull Japan out of deflation and realize economic growth, Japan has seen improved corporate revenues and wage hikes. The Japanese economy is on a moderate recovery path. The nation also sees a waning adverse effect after the last-minute demand prior to the consumption tax hike in April.

■ Hotel market environment

- In addition to the increase in domestic business and leisure demand due to improved corporate revenues and household income, the number of inbound travelers, mainly from Asian countries, have significantly increased due to the government's policy to promote Japan as a tourism-oriented nation. Hotels market is expected to remain favorable. Unit price in the accommodation market is expected to increase continuously.

Basic policy

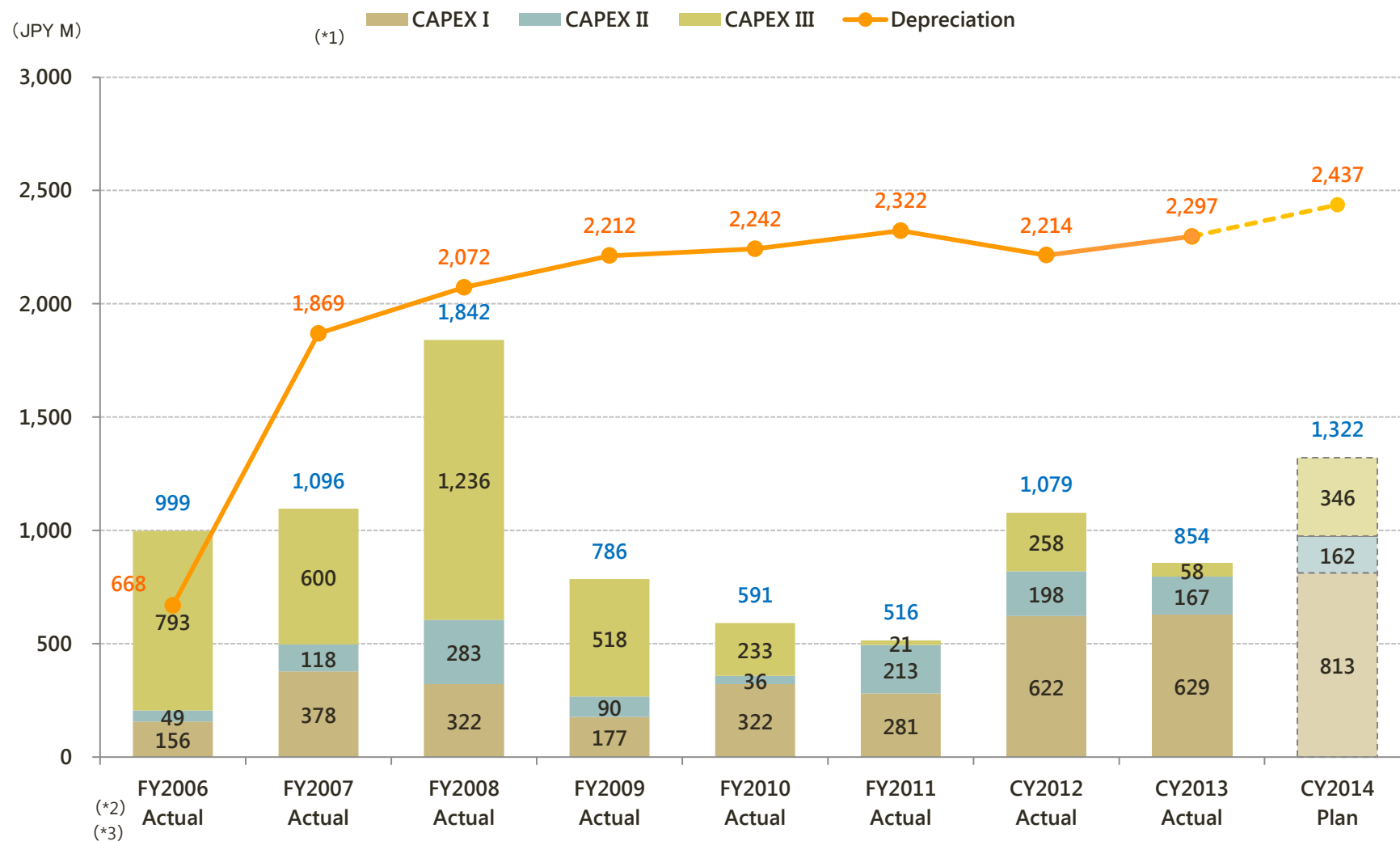
- Increase variable rent through improvement of hotel revenues
- Maintain proper fixed rent levels based on rent-paying capacity



Key measures

- Monitoring, planning and execution of the asset management strategy based on an in-depth understanding of the hotel business.
 - Analyze the credit worthiness of hotel lessees; understand and improve hotel income and expenditures.
 - Understand the ever-changing needs of customers and diligently cope with the changes.
 - Provide global level services to hotel users.
 - Differentiation strategy that enables "Value competition," not "Price competition."
 - Propose a system for hotel organization which can spur innovations.
- Plan and execute strategic CAPEX.
 - Strategic investment that will improve profitability and strengthen competitiveness.
 - Maintain asset value and daily revenue.
- Financial management including cost reduction, and maximization of asset value through proper building maintenance.

V- 4 . Track Record and Capital Investment Plan



- (*1) CAPEX is the capital investment for retaining the proper building, facilities, and equipment values. CAPEX II is the capital investment for the fixtures and furnishings that are not directly related to the building structure or facilities but necessary for operating hotels. CAPEX III is the strategic capital investment for renewing the guest rooms, banquet rooms and restaurant for maintaining/improving the proper competitiveness of the hotel.
- (*2) The actual for FY2006 is the actual of the former JHR for the period from IPO to August 2006 (6.5 months). The actual for FY2007 is the sum of the actual of the former JHR from September 2006 through August 2007 and that of the former NHF from IPO to September 2007 (15.5 months). FY2008 is the sum of the actual of former JHR from September 2007 through August 2008 and that of former NHF from October 2007 through September 2008 (same for FY2009 to FY2011). The sum of CY2012 is the actual from January 2012 through December 2012 (Depreciation is the annualized number for the 13th period.), and the actual for CY2013 is for the period from January 2013 through December 2013. The plan for CY2014 is the plan for the period from January 2014 through December 2014 based on the operating forecast dated December 19, 2013.
- (*3) The former NHF and former JHR spent JPY31M (October 2011 through December 2011) and JPY90M (September 2011 through December 2011), respectively, in addition to the amount indicated above.

V- 5 . Major CAPEX Ⅲ by Each Hotel

Unit: JPY M * Numbers in brackets are amount of expenditures.

	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2012 (New) Actual	CY2013 Actual	CY2014 Plan
Former JHR	1 st period (IPO -2006/8)	2 nd period (2006/9-2007/8)	3 rd period (2007/9-2008/8)	4 th period (2008/9-2009/8)	5 th period (2009/9-2010/8)	6 th period (2010/9-2011/8)	7 th period (2011/9-2012/3)	13 th period	14 th period	15 th period
Former NHF	-	2 nd to 3 rd period (IPO -2007/9)	4 th to 5 th period (2007/10-2008/9)	6 th to 7 th period (2008/10-2009/9)	8 th to 9 th period (2009/10-2010/9)	10 th to 11 th period (2010/10-2011/9)	12 th period (2011/10-2012/3)	2012/4-2012/12	2013/1-2013/12	2014/1-2014/12
Kobe Meriken Park Oriental Hotel	<ul style="list-style-type: none"> Guest rooms on 12th and 13th floors (189) Restaurant (51) 	<ul style="list-style-type: none"> Guest rooms on 10th and 11th floors (222) Pier (98) 	<ul style="list-style-type: none"> Bride's room (68) Banquet room (46) 	-	-	-	-	-		
	Repositioning project									
Oriental Hotel tokyo bay	<ul style="list-style-type: none"> Guest rooms on 9th and 10th floors (145) Banquet room (59) 	<ul style="list-style-type: none"> Guest rooms on 7th and 8th floors (171) Restaurant (58) 	<ul style="list-style-type: none"> Guest rooms on 5th and 6th floors (210) Lobby (60) 	-	<ul style="list-style-type: none"> Chapel (77) Guest rooms, etc. on 12th floor (135) 	-	<ul style="list-style-type: none"> Restaurant (79) 	-	<ul style="list-style-type: none"> Restaurant (45) 	
	Rebranding project									
Namba Oriental Hotel	<ul style="list-style-type: none"> Guest rooms on 7th and 8th floors (93) 	<ul style="list-style-type: none"> Restaurant (40) 	-	-	<ul style="list-style-type: none"> Guest rooms on 4th floor and corridors on 4th, 5th and 6th floors (20) 	-	-	-	<ul style="list-style-type: none"> Corner rooms on 5th to 8th floors (10) 	
Hotel Nikko Alivila	<ul style="list-style-type: none"> Suite (32) Restaurant (155) 	-	<ul style="list-style-type: none"> Guest rooms on 3rd to 8th floors (479) 	<ul style="list-style-type: none"> Guest rooms on 1st to 6th floors of South and West wings (361) 	-	-	-	-		<ul style="list-style-type: none"> Guest rooms on 3rd to 8th floors of North building and 3rd to 5th floors of Central building (332)
Oriental Hotel Hiroshima	N/A	(Acquired in Oct. 2007)	<ul style="list-style-type: none"> Guest rooms on 7th to 18th floors (347) Tenant floor (23) 	<ul style="list-style-type: none"> Banquet rooms on 3rd and 4th floors (138) 	-	<ul style="list-style-type: none"> Renovation of banquet room on 3rd floor. Renovation of corner double room to twin room (21) 	-	<ul style="list-style-type: none"> Chapel on 3rd floor (9) 	<ul style="list-style-type: none"> Restaurant and bar on 1st floor (3) 	<ul style="list-style-type: none"> Banquet rooms on 23rd floor (10)
	Rebranding project									
ibis Tokyo Shinjuku	N/A	-	-	-	-	-	-	<ul style="list-style-type: none"> Lobby and restaurant on 2nd floor, and guest rooms on 3rd, 5th, 6th and 9th floors (170) 		
	Rebranding project									
ibis Styles Kyoto Station	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(Acquired in Oct. 2013)	

V-6 . Financial Strategy

Basic policy

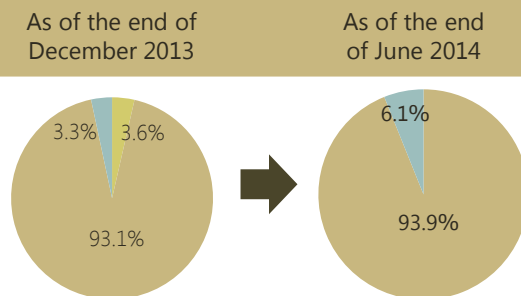
- Ensure financial health and stability
- Strengthen bank formation and relationships with financial institutions

Key measures

- Maintain LTV level at a maximum of 50% (total asset base) for the time being
- Diverse fund procurement methods including issuance of the investment corporation bonds
- Disperse maturity
- Interest-rate risk management while preparing for interest rate hike

Breakdown of the interest-bearing debts

- Long-term loan
 - Short-term loan
 - Investment Corporation Bonds
- (*) Long-term loan: Original loan maturity over one year.
Short-term loan: Original loan maturity within one year.



LTV (total asset base)

43.8% → 44.3%

Interest rate fixation ratio

(including purchase of cap contract)

65.5% → 82.8%

Lender list for the interest-bearing debts

(JPY M)

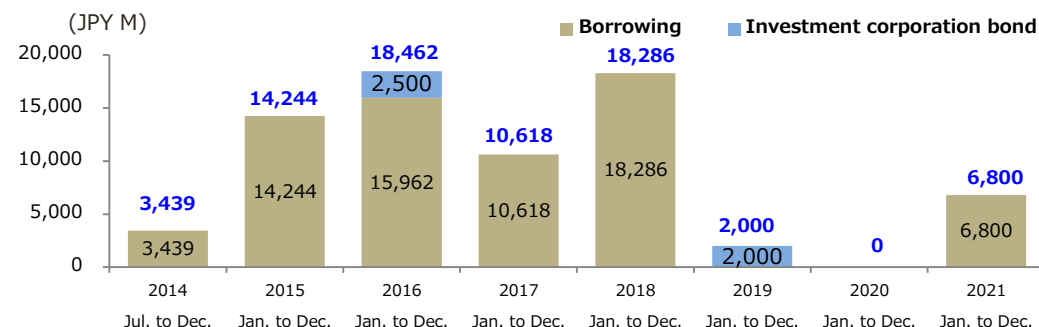
Lenders	Balance as of the end of last term (As of the end of Dec. 2013)		Balance as of the end of mid-term (As of the end of Jun. 2014)		Variance
	Balance	Percentage	Balance	Percentage	Balance
Sumitomo Mitsui Banking Corporation	19,365	25.9%	18,986	25.7%	▲ 378
Shinsei Bank, Ltd.	9,735	13.0%	9,020	12.2%	▲ 714
The Tokyo Star Bank, Limited	7,520	10.1%	7,451	10.1%	▲ 68
Mizuho Bank, Ltd.	5,769	7.7%	5,626	7.6%	▲ 142
Resona Bank, Limited	6,000	8.0%	5,302	7.2%	▲ 697
Sumitomo Mitsui Trust Bank, Limited	5,506	7.4%	5,210	7.1%	▲ 295
MetLife Insurance K.K.*1	5,000	6.7%	4,963	6.7%	▲ 36
The Norinchukin Bank	4,769	6.4%	4,634	6.3%	▲ 134
The Nomura Trust and Banking Co., Ltd.	3,794	5.1%	3,615	4.9%	▲ 178
The Chiba Bank, Ltd.	1,670	2.2%	1,540	2.1%	▲ 129
Hiroshima Bank, Ltd.	1,000	1.3%	992	1.3%	▲ 7
Development Bank of Japan Inc.	895	1.2%	884	1.2%	▲ 11
Sompo Japan Nipponkoa Insurance Inc. *2	760	1.0%	629	0.9%	▲ 131
The Bank of Fukuoka, Ltd.	497	0.7%	491	0.7%	▲ 6
Loans (Sub-Total)	72,284	96.7%	69,350	93.9%	▲ 2,933
2nd unsecured investment corporation bonds	2,500	3.3%	2,500	3.4%	0
3rd unsecured investment corporation bonds	0	0.0%	2,000	2.7%	2,000
Investment Corporation Bonds (Sub-Total)	2,500	3.3%	4,500	6.1%	2,000
Total Interest-Bearing Debts	74,784	100.0%	73,850	100.0%	▲ 933

(*1) The name changed from MetLife Alico Life Insurance K.K. to MetLife Insurance K.K. as of July 1st, 2014.

(*2) The name changed from Sompo Japan Insurance Inc. to Sompo Japan Nipponkoa Insurance Inc. as of September 1st, 2014 due to merger

Repayment schedule of the interest-bearing debts

(As of the end of June 2014)



APPENDIX 1

BASIC INFORMATION

Appendix 1- 1 . Property List (1/2)

As of the end of June 2014

No.	Property name	Hotel type	Grade	No. of guest rooms	Location	Age	Purchase price	Book value	Appraisal value				Investment ratio	Real estate operating revenue	NOI	P/L from real estate operation	NOI yield (Assumption)
									14th period (As of Dec. 31, 2013)		15th period (mid-term) (As of Jun. 30, 2014)						
									Appraisal value	CAP rate	Appraisal value	Cap rate					
		(*1)	(*2)			(*3)	(JPY M) (*4)	(JPY M) (*5)	(JPY M) (*6)				(JPY M) (*7)	(JPY M) (*7)	(JPY M) (*7)		(*8)
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	319	Hyogo	19.0	10,900	10,386	10,900	6.1%	11,900	6.0%	6.9%	441,164	297,975	120,494	7.4%
2	Oriental Hotel tokyo bay	Full-service	Mid-price	503	Chiba	19.2	19,900	19,185	21,400	5.1%	22,600	5.0%	12.6%	681,783	621,992	373,205	7.4%
3	Namba Oriental Hotel	Limited-service	Mid-price	257	Osaka	18.3	15,000	14,807	15,400	5.2%	16,400	5.0%	9.5%	504,666	453,908	371,388	6.2%
4	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Hiroshima	20.8	4,100	4,073	4,100	8.0%	4,100	8.0%	2.6%	195,739	171,320	137,039	9.6%
5	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	20.3	18,900	18,850	19,900	6.1%	20,600	5.9%	12.0%	347,770	270,794	90,268	6.6%
6	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	10.3	7,610	6,998	7,440	5.7%	8,080	5.5%	4.8%	255,508	233,890	175,401	6.1%
7	Hakone Setsugetsuka	Resort	Mid-price	158	Kanagawa	7.8	4,070	3,899	4,260	6.2%	4,340	6.1%	2.6%	147,472	135,686	94,697	6.6%
8	Dormy Inn Kumamoto	Limited-service	Mid-price	294	Kumamoto	6.4	2,334	2,287	2,660	6.6%	2,710	6.5%	1.5%	97,230	86,707	66,936	7.3%
9	Dormy Inn Suidobashi	Limited-service	Economy	99	Tokyo	27.9	1,120	1,060	1,030	5.7%	1,050	5.6%	0.7%	42,000	36,912	31,322	6.4%
10	Dormy Inn EXPRESS Asakusa (*9)	Limited-service	Economy	77	Tokyo	17.3	999	980	950	5.1%	1,020	5.1%	0.6%	31,997	27,177	21,075	4.7%
11	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Fukuoka	19.3	2,130	2,083	2,210	6.1%	2,490	5.9%	1.4%	120,000	112,000	99,000	10.4%
12	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Nara	14.3	2,050	1,967	2,090	6.2%	2,100	6.1%	1.3%	75,000	67,000	47,000	6.4%
13	R&B Hotel Ueno-Hirokoji	Limited-service	Economy	187	Tokyo	12.2	1,720	1,735	1,580	5.1%	1,580	5.1%	1.1%	48,754	41,636	35,627	4.8%
14	R&B Hotel Higashi-Nihombashi	Limited-service	Economy	203	Tokyo	16.3	1,534	1,488	1,710	5.5%	1,750	5.5%	1.0%	61,103	52,160	43,783	6.7%
15	Comfort Hotel Tokyo Higashi-Nihombashi	Limited-service	Economy	259	Tokyo	6.4	3,746	3,707	4,410	5.6%	4,490	5.5%	2.4%	135,057	119,994	102,292	6.4%
16	Comfort Hotel Shin-Yamaguchi	Limited-service	Economy	139	Yamaguchi	6.9	866	806	805	6.4%	807	6.4%	0.5%	30,264	25,753	18,506	5.8%
17	Daiwa Roynet Hotel Akita	Limited-service	Economy	221	Akita	8.1	1,760	1,689	1,770	6.7%	1,770	6.7%	1.1%	69,000	62,000	45,000	7.1%
18	Smile Hotel Nihombashi-Mitsukoshimae	Limited-service	Economy	164	Tokyo	17.3	2,108	2,050	2,210	5.1%	2,380	5.1%	1.3%	67,200	58,805	50,142	5.5%
19	Hotel Sunroute Niigata	Limited-service	Mid-price	231	Niigata	21.9	2,105	1,955	1,870	6.5%	1,870	6.5%	1.3%	78,000	69,777	51,255	6.6%

Appendix 1-1. Property List (2/2)

As of the end of June 2014

No.	Property name	Hotel type	Grade	No. of guest rooms	Location	Age	Purchase price	Book value	Appraisal value				Investment ratio	Real estate operating revenue	NOI	P/L from real estate operation	NOI yield (Assumption)
									14th period (As of Dec. 31, 2013)		15th period (mid-term) (As of Jun. 30, 2014)						
									Appraisal value	CAP rate	Appraisal value	Cap rate					
		(*1)	(*2)			(*3)	(JPY M) (*4)	(JPY M) (*5)	(JPY M)		(JPY M)		(*6)	(JPY1000) (*7)	(JPY1000) (*7)	(JPY1000) (*7)	(*8)
20	Toyoko Inn Hakataguchi Ekimae	Limited-service	Economy	257	Fukuoka	12.8	1,652	1,531	2,060	6.1%	2,160	5.9%	1.0%	70,519	63,898	53,203	7.7%
21	Hotel Keihan Universal City	Resort	Mid-price	330	Osaka	13.0	6,000	6,114	7,070	6.4%	7,290	6.2%	3.8%	277,497	236,311	195,231	7.9%
22	Chisan Inn Kamata	Limited-service	Economy	70	Tokyo	11.2	823	819	712	5.8%	776	5.6%	0.5%	29,469	25,067	19,415	6.3%
23	Hotel Vista Kamata Tokyo	Limited-service	Economy	106	Tokyo	22.4	1,512	1,453	1,290	5.5%	1,430	5.4%	1.0%	46,802	39,291	28,680	5.1%
24	Hotel Sunroute Shimbashi	Limited-service	Mid-price	220	Tokyo	6.3	4,800	4,903	5,720	5.1%	5,830	5.0%	3.0%	209,641	176,420	165,884	6.3%
25	Hilton Tokyo Bay Hotel	Resort	Luxury	818	Chiba	26.0	26,050	26,187	29,500	5.1%	29,500	5.1%	16.5%	953,346	832,242	755,867	6.2%
26	ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	33.8	7,243	7,458	5,740	5.3%	6,440	5.1%	4.6%	304,616	207,384	177,298	5.6%
27	ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kyoto	5.3	6,600	6,758	6,750	5.2%	6,750	5.2%	4.2%	175,890	159,557	145,477	5.5%
Total or Average		-	-	6,687	-	18.3	157,632	155,239	165,537	-	172,213	-	100.0%	5,504,197	4,691,455	3,520,368	6.7%

(*1) "Full-service" is full-service hotel, "Resort" is resort hotel, and "Limited-service" is limited service hotel.

(*2) Based on ADR, etc., JHR has classified the hotels into four categories such as "luxury," "Upper-middle," "Mid-price," and "Economy."

(*3) Average age: The sum of (Purchase price x property age) ÷ Total purchase price.

(*4) The acquisition price on the Purchase & Sale Agreement for the Beneficial Interest in Trust or Real Estate Purchase & Sale Agreement is indicated. (Consumption tax, brokerage fee and other purchase related cost are exclusive.)

(*5) Book value as of the end of June 2014.

(*6) Percentage of the acquisition price of the acquired asset to the total acquisition price. Numbers beyond one decimal place is rounded off.

(*7) Actual for the period from January 2014 to June 2014. The actual for the property disposed during the period (Dormy Inn Namba) is included in Total (Real estate operating revenue: JPY5,423,000, NOI: JPY4,600,000, profit and loss from real estate operation: JPY3,618,000).

The lessee did not agree to disclose numbers in units of JPY1000 for Nos. 11, 12, and 17. Fractions less than JPY1M are rounded down.

(*8) Forecast NOI yield is the annualized NOI forecast of each property for FY12/2014 ÷ Acquisition price.

(*9) "Dormy Inn Asakusa" was renamed to "Dormy Inn EXPRESS Asakusa" on February 1, 2014. (The same applies hereafter.)

Appendix 1-2. Summary of Lease Contracts (1/2)

As of the end of June 2014

No.	Property name	Rent type (*1)	Lessee	Hotel operator/Hotel consulting and management company	Lease term	Remaining contract term (*2)	Contractual rent (*3)	Rent summary	Rent modification summary (Acquisition to 2013)		Rent modification schedule (2014~2015)	
									Term	Condition (*4)	2014 (*4)	2015
1	Kobe Meriken Park Oriental Hotel	Fixed + Variable	Hotel Management Japan Co., Ltd.	Abilitas Hospitality Co., Ltd.	8	6	<Fixed rent> JPY3,221M/year + <Variable rent> (When the total GOP of HMJ's five hotels exceeds GOP base amount (JPY3,351M), the excess x 81.5% is paid.)	The same rent will be applied until expiration of the contract. (Fixed rent)	Sep. 2011	Scheme is modified.	—	—
2	Oriental Hotel Tokyo Bay											
3	Namba Oriental Hotel											
4	Oriental Hotel Hiroshima											
5	Hotel Nikko Alivila			JAL Hotels Co., Ltd.								
6	The Beach Tower Okinawa	Fixed	Kyoritsu Maintenance Co., Ltd.		20	12	JPY42M/month	The same rent will be applied until expiration of the contract.	—	—	—	—
7	Hakone Setsugetsuka	Fixed			20	12	JPY24M/month	The same rent will be applied until expiration of the contract.	—	—	—	—
8	Dormy Inn Kumamoto	Fixed			12	9	JPY16M/month	Rent can be modified through mutual agreement every three years.	—	—	Under discussion	—
9	Dormy Inn Suidobashi	Fixed			10	1	JPY7M/month	The same rent will be applied until expiration of the contract.	—	—	—	To be expired (Jun.)
10	Dormy Inn EXPRESS Asakusa	Fixed			20	3	JPY5M/month	Rent can be modified through mutual agreement every three years.	Apr. 2012	Same	—	To be renewed (Apr.)
11	Hakata Nakasu Washington Hotel Plaza	Fixed	Washington Hotel K.K.		20	1	JPY20M/month	The same rent is applied from April 21, 2012 through expiration of the contract.	Apr. 2012	Reduced (-7.5%)	—	To be expired (Mar.)
12	Nara Washington Hotel Plaza	Fixed			20	6	JPY11M/month	Rent can be modified through mutual agreement.	—	—	—	—
13	R & B Hotel Ueno-Hirokoji	Fixed			20	8	JPY8M/month	Rent can be modified through mutual agreement.	Apr. 2011	Increased (+3.0%)	—	—
14	R & B Hotel Higashi-Nihombashi	Fixed			20	4	JPY10M/month	Rent can be modified through mutual agreement.	Apr. 2013	Same	—	—
15	Comfort Hotel Tokyo Higashi Nihombashi	Fixed	Greens Co., Ltd.		20	14	JPY21M/month	Rent can be modified through mutual agreement every five years.	Jan. 2013	Same	—	—
16	Comfort Hotel Shin-Yamaguchi	Fixed			20	13	JPY5M/month	Rent can be modified through mutual agreement every three years.	Sep. 2013	Same	—	—
17	Daiwa Roynet Hotel Akita	Fixed	DAIWAROYAL Co., Ltd.		20	12	JPY11M/month	Rent can be modified through mutual agreement every five years.	—	—	—	—

Appendix 1-2. Summary of Lease Contracts (2/2)

As of the end of June 2014

No.	Property name	Rent type (*1)	Lessee	Hotel operator/Hotel consulting and management company	Lease term	Remaining contract term (*2)	Contractual rent (*3)	Rent summary	Rent modification summary (Acquisition to 2013)		Rent modification schedule (2014~2015)	
									Term	Condition (*4)	2014 (*4)	2015
18	Smile Hotel Nihombashi Mitsukoshimae	Fixed + Upside sharing	The Kamogawa Grand Hotel, Ltd.		20	3	JPY11M/month + Upside sharing	Rent can be modified through mutual agreement.	Apr. 2013	Same	Scheme is modified.	—
19	Hotel Sunroute Niigata	Fixed	Sunroute Co., Ltd.		13	3	JPY13M/month	The same rent will be applied until expiration of the contract.	—	—	—	—
20	Toyoko Inn Hakataguchi Ekimae	Fixed	Toyoko Inn Co., Ltd.		30	17	JPY11M/month	No rule has been stipulated.	Oct. 2007	Increased (+9.4%)	—	—
21	Hotel Keihan Universal City	Fixed + Upside sharing	K.K. Hotel Keihan		20	7	Nondisclosure	Nondisclosure	—	—	Scheme is modified.	—
22	Chisan Inn Kamata	Variable	Solare Hotels & Resorts Co., Ltd.	SHR Hotels, Co., Ltd.	5	3	Hotel GOP x 85% (If it is below zero, it will be JPY0.-)	-	Jul. 2012	Scheme is modified.	—	—
23	Hotel Vista Kamata Tokyo	Fixed + Upside sharing	Sun Vista Co., Ltd.		3	1	JPY7M/month + Upside sharing	The same rent will be applied until expiration of the contract.	Jul. 2012	Scheme is modified.	—	To be expired (Jun.)
24	Hotel Sunroute Shimbashi	Fixed + Upside sharing	Sunroute Co., Ltd.		15	9	JPY18M/month + Upside sharing	No rule has been stipulated.	—	—	—	—
25	Hilton Tokyo Bay Hotel	Fixed + Upside sharing	THE DAIICHI BUILDING CO., LTD.	Hilton International Company	5	1	JPY157M/month + Upside sharing	Rent can be modified through mutual agreement.	—	—	—	To be expired (Jun.)
26	ibis Tokyo Shinjuku	Management contract	—	A.A.P.C Japan K.K.	12	10	Amount equivalent to hotel GOP	-	Jul. 2012	Scheme is modified.	—	—
27	ibis Styles Kyoto Station	Management contract	—	A.A.P.C Japan K.K.	5	5	Amount equivalent to hotel GOP	-	—	—	—	—

(*1) Rent type is as follows:
 Fixed: Fixed monthly rent,
 Variable: Variable monthly rent
 Management contract: Management contract
 Fixed+variable: Property paying both fixed and variable rent
 Fixed+upside sharing: When the sales of the hotel (lessee) exceed pre-determined amount, additional rent is paid.

(*2) Remaining contract term as of June 30, 2014.

(*3) Amount including car park and CAM without tax.

(*4) Details of "Modified Scheme" is as follows.

No. 1 to No. 5: Variable rent was modified from sales-base to GOP-base.

No. 18: Upside sharing scheme has been applied in addition to fixed rent (from April 1, 2014).

No. 21: Upside sharing scheme has been applied in addition to fixed rent (from July 1, 2014).

No. 22: Fixed rent has been replaced with the variable rent due to the replacement of the lessee.

No. 23: When the contract was renewed, the fixed rent was reviewed and the upside-sharing scheme has been additionally applied.

No. 26: JHR has commenced direct management contract scheme.

Appendix 1-3. JHR's Rent Schemes



As of the end of December 2013

Type of rent		Fixed rent	Fixed rent + Upside sharing	Fixed rent + Variable rent	Variable rent	Management contract	Total
Type of contract		Lease contract	Lease contract	Lease contract	Lease contract	Management contract	
Rent schemes	Fixed	○	○	○	—	—	—
	Variable	—	A certain percentage of sales exceeded the threshold	A certain percentage of hotel GOP	A certain percentage of hotel GOP	GOP of hotel	—
Macro economic sensitivity		Low	Relatively higher	High	High	High	—
Operating revenue (%)		3,746M (32.6%)	1,727M (15.1%)	5,507M (48.0%)	50M (0.4%)	441M (3.9%)	11,472M (100.0%)
Break-down	Fixed rent (%)	3,746M (32.6%)	1,693M (14.8%)	3,221M (28.1%)	—	—	8,661M (75.5%)
	Variable rent (%)	—	34M (0.3%)	2,285M (19.9%)	50M (0.4%)	441M (3.9%)	2,811M (24.5%)
Involvement in hotel operation		Low	Low	High	High	High	—
CAPEX paid by JHR		1) Renewal of building and facilities	1) Renewal of building and facilities <3) Strategic investment>	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixtures and equipment 3) Strategic investment	—
No. of properties		17 ^(*)	3	5	1	2	28
Acquisition price (%)		43,074M (27.1%)	32,362M (20.4%)	68,800M (43.3%)	823M (0.5%)	13,843M (8.7%)	158,902M (100.0%)
Hotels		Hakone Setsugetsuka Hotel Keihan Universal City The Beach Tower Okinawa Dormy Inn Kumamoto (13 other hotels*)	Hotel Sunroute Shimbashi Hilton Tokyo Bay Hotel Hotel Vista Kamata Tokyo	Kobe Meriken Park Oriental Hotel Oriental Hotel tokyo bay Namba Oriental Hotel Hotel Nikko Alivila Oriental Hotel Hiroshima	Chisan Inn Kamata	Ibis Tokyo Shinjuku Ibis Styles Kyoto Station	—

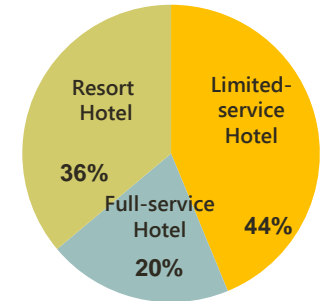
* One property (Dormy Inn Namba) was sold in January 24, 2014.

Appendix 1-4. Portfolio Map

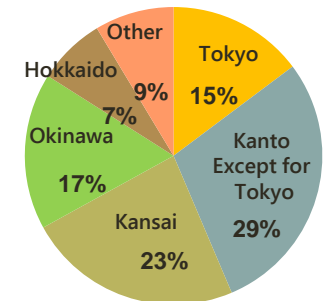
(As of the end of September 2014 (schedule))



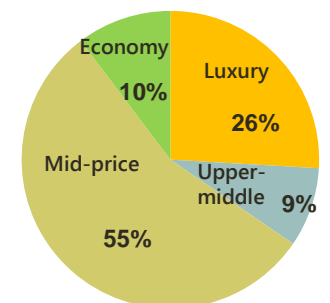
Hotel Type























Area



Grade



Appendix 1-5. Major Properties

Property Name	Kobe Meriken Park Oriental Hotel	Oriental Hotel Tokyo Bay	Namba Oriental Hotel	Hotel Nikko Alivila	Oriental Hotel Hiroshima
Hotel Type	 Full-service hotel	 Full-service hotel	 Limited-service hotel	 Resort hotel	 Full-service hotel
Photograph	 	 	 	 	 
Location	Chuo-ku, Kobe city, Hyogo	Urayasu city, Chiba	Chuo-ku, Osaka city, Osaka	Yomitanson, Nakagami-gun, Okinawa	Naka-ku, Hiroshima city, Hiroshima
No. of rooms	319	503	257	396	227
Completion	July 1995/June 2001	May 1995	March 1996	April 1994	September 1993 / September 2006 (extended)
Map					

APPENDIX 2

INDEX DATA FOR THE MAJOR HOTELS WITH VARIABLE RENT

Appendix 2-1. Management Indicators (on a Monthly Basis) (1)

HMJ's five hotels in total

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Sales (JPY M)	2011	1,466	1,390	1,341	1,296	1,640	1,387	1,940	2,282	1,727	1,974	1,904	1,876	20,223
	2012	1,402	1,416	1,935	1,677	1,655	1,594	1,966	2,367	1,707	1,854	1,864	1,874	21,312
	2013	1,410	1,355	1,915	1,711	1,806	1,599	1,994	2,543	1,849	1,891	1,943	1,976	21,994
	2014	1,483	1,343	2,081	1,614	1,837	1,665	2,108						
Occupancy rate	2011	74.6%	75.8%	61.3%	52.6%	69.2%	72.0%	82.3%	90.4%	87.3%	88.0%	86.3%	80.7%	76.7%
	2012	72.3%	79.4%	85.3%	79.5%	77.5%	79.3%	83.1%	93.2%	87.0%	88.7%	86.5%	80.5%	82.7%
	2013	75.1%	84.1%	89.1%	85.3%	84.1%	83.6%	87.5%	94.8%	88.9%	88.6%	88.6%	82.8%	86.1%
	2014	76.9%	80.3%	87.1%	87.2%	87.4%	86.8%	89.6%						
ADR (JPY)	2011	12,912	12,213	14,091	14,006	14,926	12,328	18,983	25,157	16,284	15,240	13,705	16,731	15,846
	2012	12,907	11,693	16,093	14,920	15,875	13,511	19,236	25,365	15,725	14,982	14,723	17,174	16,200
	2013	13,640	12,454	16,252	15,417	16,113	13,994	20,338	28,240	17,674	16,150	16,080	18,840	17,297
	2014	14,668	12,850	18,177	14,827	16,215	14,181	20,372						
RevPAR (JPY)	2011	9,632	9,258	8,642	7,368	10,322	8,876	15,631	22,748	14,223	13,404	11,825	13,498	12,160
	2012	9,337	9,289	13,730	11,866	12,300	10,718	15,982	23,628	13,682	13,291	12,740	13,822	13,400
	2013	10,242	10,471	14,481	13,156	13,546	11,703	17,803	26,779	15,707	14,317	14,246	15,595	14,886
	2014	11,279	10,319	15,832	12,923	14,175	12,309	18,253						

Kobe Meriken Park Oriental Hotel

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Sales (JPY M)	2011	372	358	445	439	531	401	468	490	456	555	532	507	5,554
	2012	359	357	508	448	459	413	439	481	440	498	538	526	5,466
	2013	343	321	446	422	485	398	398	458	435	475	508	520	5,210
	2014	344	339	495	382	465	399	420						
Occupancy rate	2011	66.5%	61.4%	74.7%	61.4%	83.3%	76.0%	74.0%	87.6%	83.0%	83.3%	82.9%	81.9%	76.5%
	2012	61.7%	68.8%	82.3%	76.1%	79.9%	78.4%	78.1%	94.3%	86.2%	85.2%	84.1%	84.6%	80.0%
	2013	68.7%	70.2%	85.0%	82.8%	79.6%	76.4%	78.8%	92.6%	84.2%	86.3%	86.2%	86.7%	81.5%
	2014	68.2%	69.8%	84.2%	82.1%	82.9%	74.4%	77.8%						
ADR (JPY)	2011	12,050	12,149	13,876	14,140	14,722	12,390	14,860	18,026	14,827	15,290	13,841	17,598	14,645
	2012	13,055	11,582	13,142	13,529	14,771	12,695	13,645	16,909	13,916	14,523	14,555	17,964	14,326
	2013	12,623	12,644	12,823	12,952	15,424	12,591	14,265	18,025	14,389	14,047	15,032	17,981	14,526
	2014	13,561	12,076	14,582	13,080	16,336	13,749	14,300						
RevPAR (JPY)	2011	8,019	7,456	10,364	8,676	12,263	9,420	10,997	15,795	12,303	12,740	11,473	14,407	11,197
	2012	8,049	7,968	10,812	10,302	11,799	9,956	10,659	15,946	11,991	12,378	12,234	15,199	11,464
	2013	8,677	8,880	10,896	10,728	12,272	9,614	11,237	16,689	12,114	12,123	12,962	15,585	11,844
	2014	9,255	8,435	12,276	10,739	13,547	10,224	11,127						

Appendix 2-2. Management Indicators (on a Monthly Basis) (2)

Oriental Hotel tokyo bay

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Sales (JPY M)	2011	510	462	262	211	393	382	456	599	516	657	643	657	5,748
	2012	488	458	669	509	565	532	503	667	509	600	614	649	6,762
	2013	485	435	670	525	597	496	557	748	610	664	689	705	7,182
	2014	517	451	765	509	598	526	580						
Occupancy rate	2011	87.5%	91.1%	44.4%	17.9%	53.5%	68.1%	85.8%	99.6%	98.7%	99.1%	99.2%	99.1%	78.7%
	2012	90.2%	97.4%	98.8%	83.7%	91.3%	93.2%	87.6%	98.9%	97.9%	96.2%	97.1%	96.0%	94.0%
	2013	90.5%	98.7%	98.7%	87.8%	95.5%	97.6%	94.2%	98.5%	98.2%	98.6%	98.7%	97.0%	96.1%
	2014	95.6%	98.3%	99.4%	96.4%	95.1%	98.7%	98.6%						
ADR (JPY)	2011	14,091	12,845	14,156	12,410	13,643	11,529	14,337	22,130	16,379	17,732	15,505	19,097	15,941
	2012	13,416	12,374	20,142	17,288	17,433	14,071	15,932	24,549	15,971	18,322	18,496	20,467	17,469
	2013	14,727	13,440	21,267	18,545	19,079	15,398	19,583	30,210	20,733	21,534	21,780	23,789	20,125
	2014	16,230	15,091	25,459	16,267	18,128	14,338	17,905						
RevPAR (JPY)	2011	12,330	11,706	6,291	2,217	7,301	7,855	12,294	22,046	16,174	17,576	15,388	18,922	12,542
	2012	12,106	12,051	19,906	14,463	15,922	13,109	13,958	24,286	15,631	17,625	17,964	19,649	16,425
	2013	13,322	13,264	20,983	16,279	18,230	15,027	18,446	29,754	20,354	21,242	21,493	23,069	19,349
	2014	15,515	14,832	25,317	15,675	17,232	14,157	17,649						

Namba Oriental Hotel

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Sales (JPY M)	2011	151	140	162	161	164	163	179	171	142	152	148	176	1,909
	2012	142	141	154	157	152	140	153	177	151	159	163	170	1,858
	2013	150	148	165	161	158	152	164	188	160	167	175	184	1,972
	2014	165	152	177	172	174	159	180						
Occupancy rate	2011	78.2%	79.4%	86.1%	89.8%	89.0%	93.5%	98.4%	92.9%	83.3%	83.4%	86.1%	86.8%	87.3%
	2012	79.5%	75.4%	88.3%	92.0%	84.7%	82.5%	86.5%	96.5%	89.0%	94.0%	93.1%	89.3%	87.6%
	2013	86.5%	95.1%	94.6%	90.2%	87.7%	88.8%	93.5%	97.0%	90.8%	93.9%	94.4%	90.8%	91.9%
	2014	86.6%	92.1%	91.4%	89.1%	88.8%	86.5%	91.1%						
ADR (JPY)	2011	9,496	9,487	10,751	10,580	10,340	10,170	11,053	10,419	9,677	10,124	9,741	10,778	10,250
	2012	9,429	8,929	9,861	10,276	10,036	8,995	9,875	11,368	9,634	9,713	10,806	11,138	10,049
	2013	9,566	9,687	10,440	11,106	10,413	9,847	10,384	12,594	10,736	10,983	12,153	12,811	10,918
	2014	11,459	10,648	12,173	12,672	12,345	11,078	12,511						
RevPAR (JPY)	2011	7,431	7,530	9,257	9,503	9,198	9,513	10,878	9,683	8,056	8,447	8,389	9,358	8,949
	2012	7,499	6,732	8,705	9,449	8,500	7,424	8,545	10,974	8,578	9,130	10,056	9,947	8,805
	2013	8,276	9,208	9,875	10,012	9,131	8,749	9,707	12,218	9,747	10,317	11,478	11,637	10,037
	2014	9,924	9,804	11,123	11,284	10,964	9,578	11,396						

Appendix 2-3. Management Indicators (on a Monthly Basis)(3)

Hotel Nikko Alivila

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Sales (JPY M)	2011	317	276	302	332	380	303	678	899	465	420	376	325	5,074
	2012	283	292	416	376	335	339	686	877	430	413	330	312	5,088
	2013	302	300	432	423	372	364	697	960	463	388	332	343	5,375
	2014	305	237	409	398	413	428	729						
Occupancy rate	2011	72.2%	74.1%	56.2%	65.2%	67.1%	66.5%	85.3%	88.0%	85.2%	86.7%	76.6%	54.9%	73.2%
	2012	60.2%	76.8%	77.7%	74.3%	57.2%	66.8%	86.1%	85.2%	81.6%	86.2%	75.0%	53.9%	73.4%
	2013	62.0%	78.2%	84.4%	86.2%	73.5%	74.4%	88.7%	92.6%	83.4%	79.6%	73.7%	59.3%	78.0%
	2014	61.7%	62.0%	78.0%	82.3%	83.9%	90.2%	93.2%						
ADR (JPY)	2011	16,253	14,881	20,862	20,045	23,781	17,714	38,190	53,155	25,615	18,253	16,694	23,055	24,934
	2012	17,858	14,251	20,698	20,061	24,846	20,292	38,954	54,220	24,982	17,670	15,574	22,336	25,030
	2013	19,466	15,184	19,812	19,794	20,702	19,531	38,521	54,989	25,856	17,861	15,800	23,538	25,127
	2014	19,457	14,398	19,382	19,387	20,257	19,098	38,604						
RevPAR (JPY)	2011	11,729	11,034	11,731	13,070	15,949	11,781	32,587	46,803	21,816	15,834	12,781	12,666	18,243
	2012	10,745	10,942	16,073	14,901	14,222	13,545	33,543	46,177	20,375	15,233	11,679	12,034	18,364
	2013	12,064	11,867	16,727	17,070	15,209	14,538	34,150	50,935	21,570	14,215	11,640	13,953	19,594
	2014	12,008	8,931	15,117	15,963	16,987	17,228	35,972						

Oriental Hotel Hiroshima

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Sales (JPY M)	2011	116	153	170	154	172	139	159	123	148	190	204	210	1,939
	2012	129	169	188	186	145	171	185	164	176	185	219	218	2,137
	2013	130	151	202	180	194	190	178	190	181	196	239	225	2,254
	2014	151	165	235	153	187	154	200						
Occupancy rate	2011	57.5%	61.0%	60.8%	53.0%	65.1%	60.1%	63.1%	75.3%	76.6%	77.0%	79.4%	76.2%	67.1%
	2012	60.8%	63.8%	69.6%	70.2%	70.5%	68.3%	70.8%	88.8%	71.3%	75.4%	79.3%	76.7%	72.2%
	2013	59.9%	69.1%	75.6%	76.4%	79.4%	73.1%	76.4%	91.2%	82.2%	79.6%	89.0%	77.7%	77.5%
	2014	63.1%	73.7%	74.9%	80.1%	81.4%	72.3%	78.3%						
ADR (JPY)	2011	8,297	8,577	8,783	8,597	8,802	7,626	8,461	9,170	8,264	8,406	8,367	8,327	8,479
	2012	7,627	7,886	8,248	8,189	8,400	7,748	8,089	8,954	8,187	8,343	8,534	8,448	8,255
	2013	7,791	7,983	8,472	8,351	8,889	7,767	8,182	9,547	8,490	8,492	8,623	8,227	8,446
	2014	7,927	8,100	8,534	8,041	8,609	7,827	8,242						
RevPAR (JPY)	2011	4,768	5,235	5,337	4,560	5,727	4,581	5,340	6,904	6,334	6,468	6,647	6,342	5,692
	2012	4,640	5,035	5,744	5,752	5,924	5,288	5,730	7,953	5,840	6,292	6,767	6,478	5,959
	2013	4,665	5,516	6,408	6,379	7,057	5,674	6,252	8,708	6,976	6,760	7,674	6,390	6,545
	2014	5,000	5,967	6,391	6,445	7,012	5,657	6,456						

Appendix 2-4. Management Indicators (on a Monthly Basis)(4)

ibis Tokyo Shinjuku

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Sales (JPY M)	2011											45	51	
	2012	45	53	56	55	53	51	56	55	46	51	53	55	629
	2013	54	65	66	66	66	64	69	69	66	71	71	69	795
	2014	63	74	76	75	72	67	75						
Occupancy rate	2011											72.4%	80.8%	
	2012	75.4%	84.9%	89.6%	89.1%	90.1%	91.4%	86.2%	84.5%	73.5%	76.9%	79.5%	80.8%	83.5%
	2013	85.4%	96.0%	97.3%	93.4%	91.1%	92.3%	94.6%	92.7%	92.0%	95.2%	93.6%	90.1%	92.8%
	2014	82.3%	94.0%	92.7%	94.7%	89.6%	91.5%	94.8%						
ADR (JPY)	2011											9,013	9,084	
	2012	8,408	9,645	8,976	9,226	8,557	8,315	9,294	9,311	9,359	9,428	9,708	9,792	9,154
	2013	9,000	10,437	9,544	10,293	10,222	10,185	10,238	10,364	10,376	10,481	10,967	10,762	10,240
	2014	10,791	12,230	11,428	11,374	11,170	10,595	11,087						
RevPAR (JPY)	2011											6,525	7,342	
	2012	6,342	8,187	8,041	8,220	7,712	7,597	8,008	7,863	6,878	7,252	7,721	7,907	7,641
	2013	7,684	10,021	9,287	9,618	9,308	9,404	9,685	9,609	9,543	9,979	10,266	9,700	9,502
	2014	8,875	11,493	10,594	10,769	10,014	9,698	10,508						

ibis Styles Kyoto Station

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Sales (JPY M)	2011													
	2012													
	2013											76	47	
	2014	35	40	59	71	58	43	52						
Occupancy rate	2011													
	2012													
	2013											86.4%	69.0%	
	2014	59.6%	79.7%	82.6%	91.9%	84.0%	73.6%	82.6%						
ADR (JPY)	2011													
	2012													
	2013											12,846	9,566	
	2014	8,115	7,615	10,021	11,271	9,623	8,258	8,762						
RevPAR (JPY)	2011													
	2012													
	2013											11,106	6,599	
	2014	4,835	6,069	8,282	10,363	8,084	6,078	7,234						

APPENDIX 3

INVESTORS COMPOSITION AND INVESTMENT UNIT PRICE

Appendix 3-1. Major Unitholders and Owners of the Investment Units

Top ten major unitholders

◆ As of the end of December 2013

Ranking	Name	No. of units	Percentage ^(*)
1	Japan Trustee Service Bank, Ltd. (Trust)	448,866	17.12
2	The Master Trust Bank of Japan, Ltd. (Trust)	310,214	11.83
3	Trust and Custody Services Bank, Ltd. (Securities Investment Trust)	215,180	8.20
4	The Nomura Trust and Banking Co., Ltd. (Trust)	138,110	5.26
5	Taiyo Investment Specific Purpose Company ^{(*)2}	127,204	4.85
6	Nomura Bank (Luxembourg) S.A.	77,718	2.96
7	Umi Investment Specific Purpose Company ^{(*)2}	77,435	2.95
8	The Bank of New York, Non-Treaty JASDEC Account	69,926	2.66
9	Shikoku Railway Company	58,311	2.22
10	Goldman Sachs International	42,946	1.63
Total		1,565,910	59.73

◆ As of the end of June 2014

Ranking	Name	No. of units	Percentage ^(*)
1	Japan Trustee Service Bank, Ltd. (Trust)	485,920	18.53
2	The Master Trust Bank of Japan, Ltd. (Trust)	286,037	10.91
3	Trust and Custody Services Bank, Ltd. (Securities Investment Trust)	212,139	8.09
4	The Nomura Trust and Banking Co., Ltd. (Trust)	129,726	4.94
5	Taiyo Investment Specific Purpose Company ^{(*)2}	114,689	4.37
6	Nomura Bank (Luxembourg) S.A.	94,172	3.59
7	Umi Investment Specific Purpose Company ^{(*)2}	77,435	2.95
8	Shikoku Railway Company	58,311	2.22
9	BNYM SA/NV for BNYM Client Account MPCJ Japan	39,152	1.49
10	Nomura PB Nominees TK1 Limited	38,269	1.45
Total		1,535,850	58.59

(*)1 The total units held by each investors to the total units issued by JHR as of the end of December 2013 and the end of June 2014 (Rounded off to two decimal places).

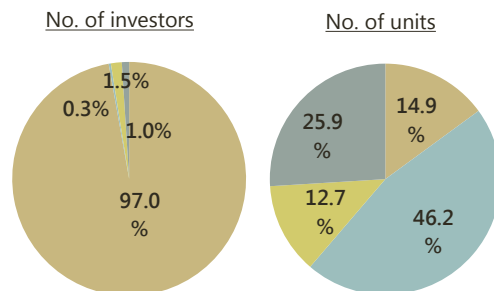
(*)2 Both Taiyo Investment Specific Purpose Company and Umi Investment Specific Purpose Company are the SPCs established through the intention of RECAP group.

Owners of the Investment units

Individuals and others Financial institutions (including securities firms) Other domestic firms Foreign firms and individuals

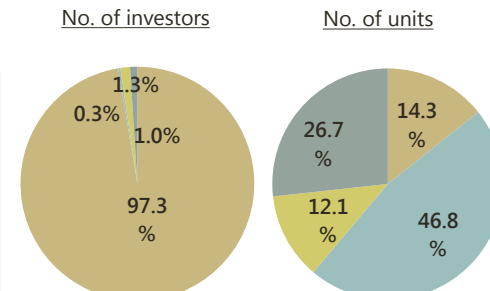
◆ As of the end of December 2013

Owners	No. of investors	No. of units
Individuals and other	16,564	392,782
Financial institutions (including securities firms)	58	1,213,027
Other domestic firms	268	334,077
Foreign firms and individuals	183	681,395
Total	17,073	2,621,281



◆ As of the end of June 2014

Owners	No. of investors	No. of units
Individuals and other	17,782	375,301
Financial institutions (including securities firms)	63	1,228,073
Other domestic firms	242	317,798
Foreign firms and individuals	185	700,109
Total	18,272	2,621,281



(*) Percentage of investors: Percentage of owners to the total number of investors in JHR.

Percentage of investment units: Percentage of investment units owned to the total investment units issued (Round off to one decimal place.)

Appendix 3-2. Changes of the Investment Unit Price and Market Capitalization

Change in the investment unit price and market capitalization (Based on the closing price)

Price of the investment unit:

JPY63,500.-

Total market capitalization:

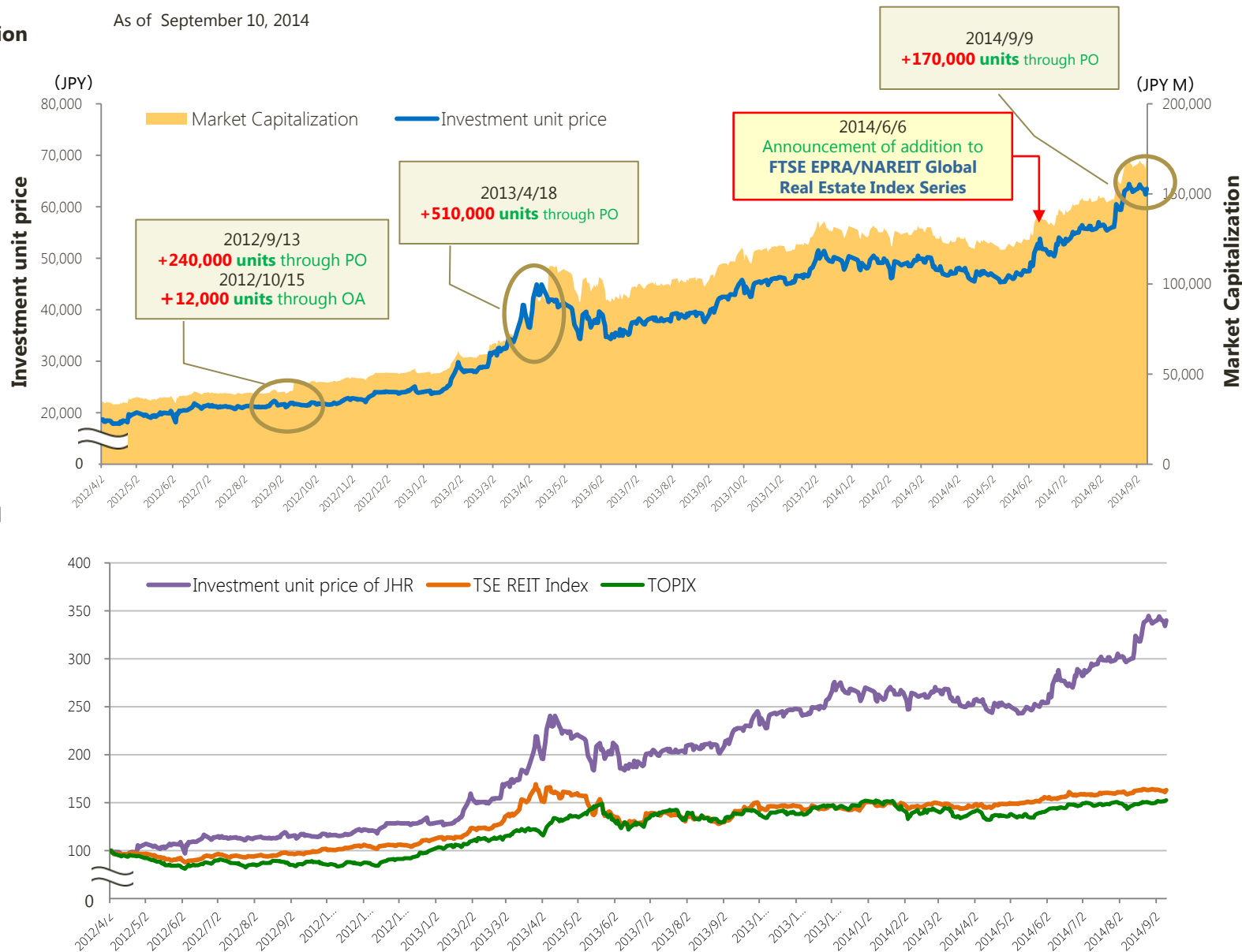
JPY177.2B

(Based on the closing price of Sep. 10, 2014)

(*) Price of the real estate investment securities may fall depending on the price of the real estate under management or fluctuations of its profitability, etc., and investors may suffer losses. Investors may also suffer losses through the bankruptcy or deteriorated financial condition of the issuer. With reference to the risk of investment in investment securities (units) issued by JHR, please check Securities Report (Japanese version) of JHR dated March 20, 2014.

Comparison with REIT Index and TOPIX of Tokyo Stock Exchange (TSE)

(*) 100 is the closing price of JHR, REIT index and TOPIX of TSE dated April 2, 2012. REIT Index of TSE is index of weighted average of the market capitalization of all REITs listed on TSE.



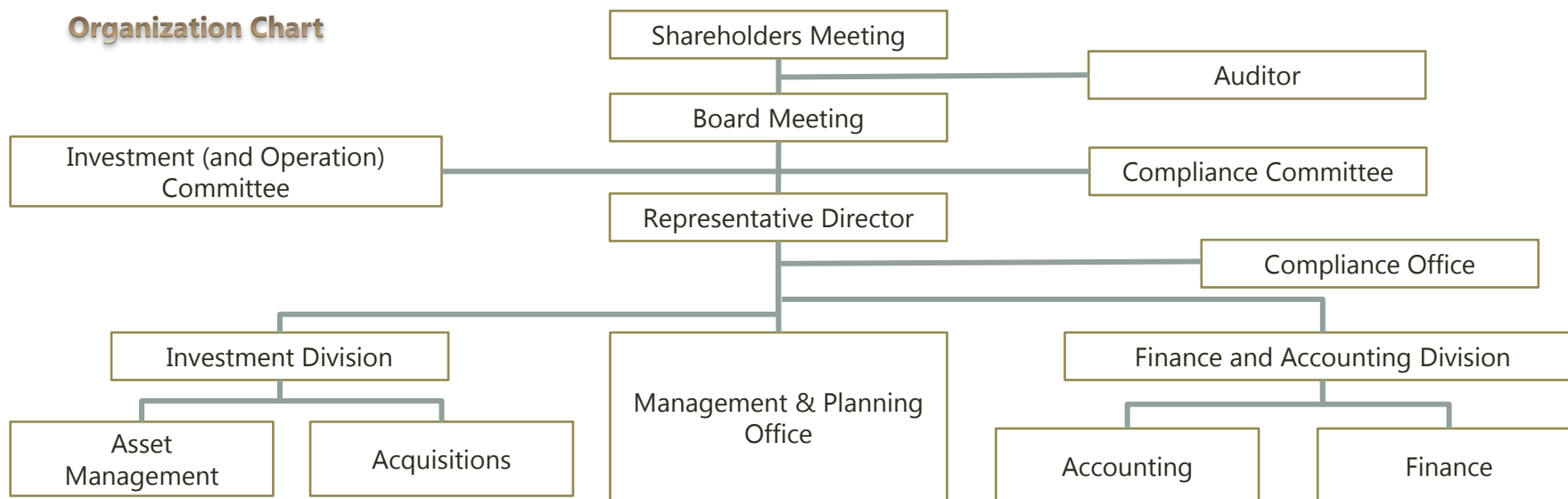
APPENDIX 4

SUMMARY OF THE ASSET MANAGEMENT COMPANY

Appendix 4-1. Summary of the Asset Management Company

Company	Japan Hotel REIT Advisors Co., Ltd.
Location	Ebisu Neonato 4F, 4-1-18 Ebisu, Shibuya-ku, Tokyo 150-0013
Establishment	August 10, 2004
Capital	JPY300M as of June 30, 2013
Shareholders	Rockrise Sdn Bhd, Kyoritsu Maintenance Co., Ltd., ORIX Corporation
Representative Director	Hisashi Furukawa
Registration and Licenses	Building Lots and Buildings Transaction Business Operator, Governor of Tokyo (2) No. 83613 Discretionary Transaction Agent by Minister of Land, Infrastructure, Transport and Tourism No. 38 Financial Instruments Trading Company No. 334, Director of Kanto Local Finance Bureau

Organization Chart



Features of the asset management company

【1】 Mission statement

We continue challenge and creation, and provide you with attractive hotel investment opportunities.

【2】 Advanced expertise

- ✓ Planned and executed unprecedented measures for the asset management of JHR.
- ✓ Extensive experience, planning and execution abilities in renovation or rebranding through collaboration with hotel lessees or hotel operator.
- ✓ Good and long term business relationships with many hotel lessees and hotel operators.
- ✓ Ensure managerial independence from the main sponsor^(*1) and commitment to the growth of JHR.
- ✓ Conduct and publish unique proprietary research on the hotel and tourism industries.

Rule to prevent conflict of interest in dealing with the sponsor-related persons

Strict decision-making rules including those detailed below have been set for dealing with “sponsor-related persons”^(*2). In order to prevent conflict, we strive to comply with arms length rule and ensure deal transparency.

Asset management company: Compliance committee

- ✓ The compliance committee consists of the committee members including outside specialists, and attendance of the outside specialists is in principle required for approval of the transaction.
- ✓ In principle, the outside specialists are authorized to dismiss the proposal.

JHR: Committee

- ✓ The committee consists of third party members who do not have any relationship with the sponsors-related persons.
- ✓ All deals involving a sponsor-related persons in principle need the approval of the committee.

(*1) No employee of the asset management company is a seconded employee of the main sponsor, RECAP group, except for a part-time director.

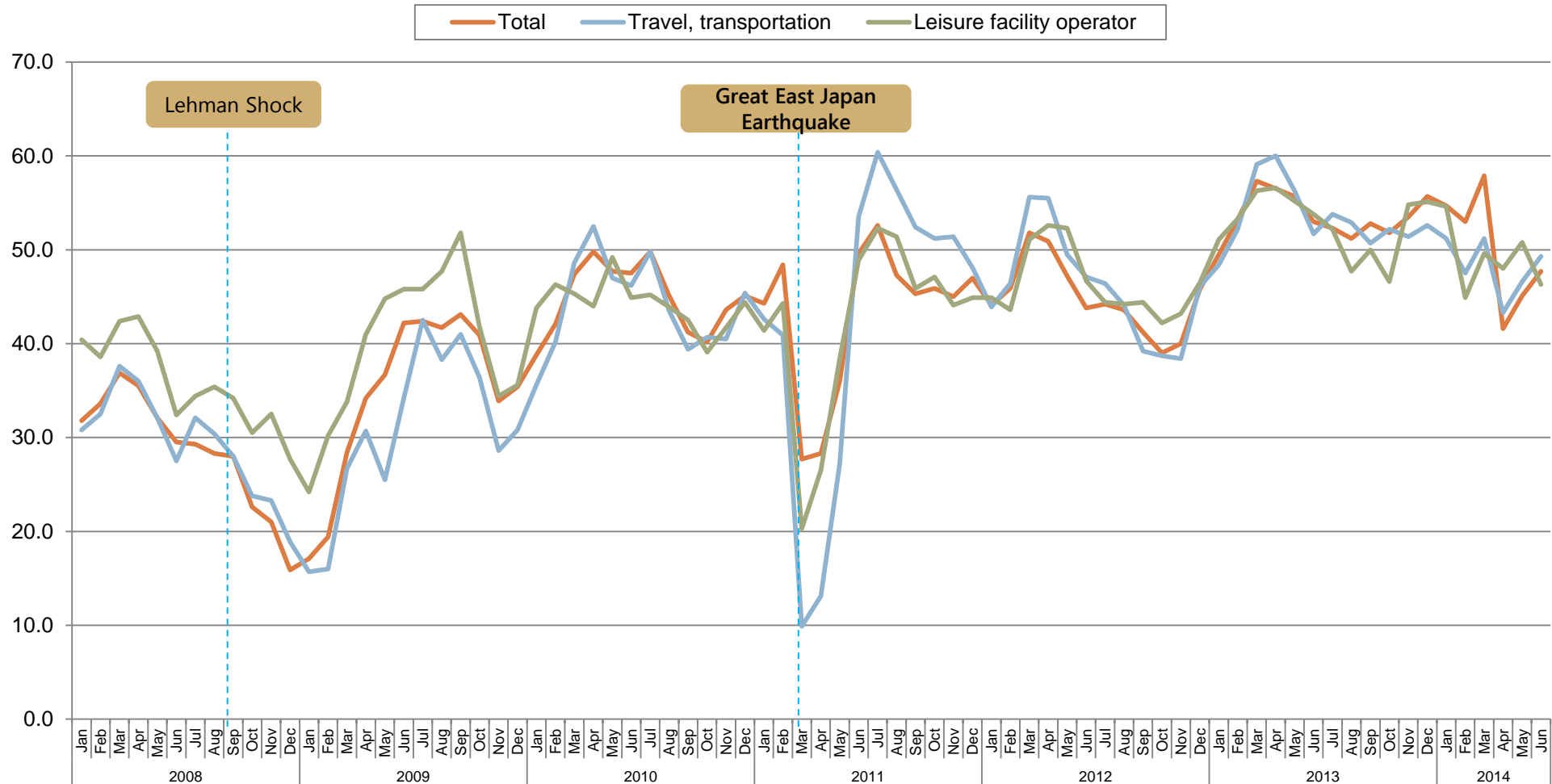
(*2) Definition of “sponsor-related person” is broader than the “interested party” stipulated by law. All investors of the asset management company and its subsidiary company, etc. are considered as sponsor-related persons.

APPENDIX 5

MARKET DATA

Appendix 5-1. Economic Assessment and Direction / Changes in DI by Industry

According to the Economy Watchers Survey by the Cabinet Office, diffusion indexes (DI) for the overall industries and tourism-related industry have moved at the level of above 50 throughout the year in 2013. They dropped temporarily after the consumption tax hike in April 2014 but they are recovering.



Source: Cabinet office

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This material is neither a disclosure document nor an investment report required under or prepared pursuant to the Financial Instruments and Exchange Act, Investment Trust and Investment Corporation Act and related government ordinances, Cabinet Office regulations, Tokyo Stock Exchange listing rules, or other related rules and regulations.

This material contains forward-looking statements about financial conditions, operational results, and businesses of JHR, as well as plans and intentions of JHR and its asset management company, Japan Hotel REIT Advisors Co., Ltd ("JHRA"). Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or performance of JHR to materially differ from those expressed or implied forecasts. Those forecasts are made based on JHR's present and future business strategies and assumptions relating to the political and economic circumstances surrounding JHR in the future.

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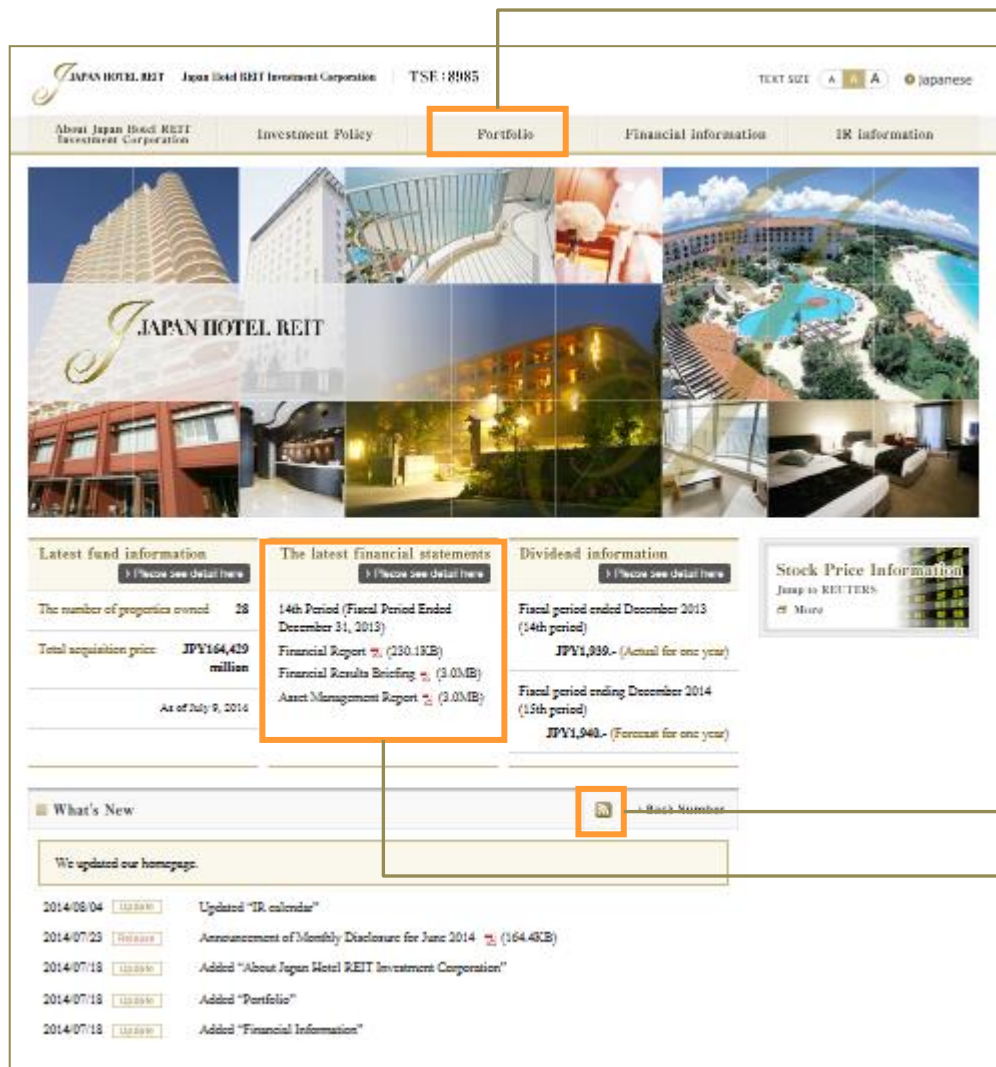
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JHR mainly invests in real estate-related assets, primarily hotels which are subject to change in values. Therefore, unitholders and investment corporation bond holders may suffer losses due to economic conditions of the real estate market or securities market, interest rates, the nature of investment units, dependency on mechanisms and related persons of investment corporations, changes in legal systems related to real estate (such as tax regulations and building regulations), damages caused to the real estate-related assets by natural disasters, fluctuation in prices or profitability of the real estate-related assets, nature of the trust beneficiary rights under management, delisting of the investment units, or worsening of the financial position or insolvency of JHR. For details, please refer to the Articles of Incorporation, Securities Registration Statement, Annual Securities Report and Extraordinary Report of JHR.

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Japan Hotel REIT Advisors Co., Ltd.
Financial Instruments Trading Company
No. 334, Director of Kanto Local Finance Bureau
Member of the Investment Trust Association, Japan

In addition to the statutory disclosure, JHR discloses important and advantageous information swiftly and properly for investors.



Website address

<http://www.jhrth.co.jp/en/index.html>

► Portfolio

Monthly performance (occupancy rate and sales, etc.) of the hotels paying variable rent, etc. are available. The performance of these hotels is disclosed on a monthly basis.

► Information distribution function through RSS

JHR distributes the latest information and press releases through RSS.

► Financial Data

The latest financial data (Financial report and Financial Results Briefing, etc.) are available.