



# Japan Hotel REIT Investment Corporation

(TSE : 8985)

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

**Financial Results Briefing 14<sup>th</sup> period (FY12/2013)**

February 21, 2014

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<Reference> Our website

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. Settlement of account for FY12/2013 - Highlights**

# 1. Settlement of account - Highlights

## 1 Acquisitions (Two properties)

### Hilton Tokyo Bay Hotel

(Acquired in April 26, 2013)



- Purchase price : JPY26,050M
- Appraisal value: JPY29,500M<sup>(\*)1</sup>
- Acquisition of the trophy asset
- Purchased through PO + Borrowing + Cash on hand.

### Ibis Styles Kyoto Station

(Acquired in October 31, 2013)



- Purchase price: JPY6,600M
- Appraisal value: JPY6,750M<sup>(\*)1</sup>
- Replaced hotel operator upon acquisition for further upside.

(\*)1 Appraisal value as of the end of December 2013.

## 2 Revenue enhancement of hotels with variable rent

### <Sales and GOP of HMJ's five hotels<sup>(\*)2</sup>>

(2012) (2013)

Sales (Actual)	JPY21,312M	➡	JPY21,994M (+ 3.2%)
GOP (Actual)	JPY5,645M	➡	JPY6,155M (+ 9.0%)

(\*)2 They are namely Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima. (five hotels). (The same applies hereinafter.)

## 3 Rating of JHR (Improved)

R&I	Beginning of the period BBB+ (Stable)	➡	Improved in Oct. 30, 2013 A- (Stable)
JCR	New rating in Sept. 13, 2013 A (Stable)		

(\*)3 R&I: Rating and Investment Information Inc.  
JCR: Japan Credit Rating Agency, Ltd.

## 4 Issuance of investment corporation bonds

- Total amount of bonds : JPY2,500M
- Term: 3 years
- Interest rate: 0.89%

## 5 Partial revision of asset management fees

JHR decided to implement the new fee system which directly links to the dividend per unit (Effective from 2014).

➡ JHR's asset management company clearly showed its stance that the asset management company and investors' profits are on the same boat.

	(Before change)	➡	(After change)	
Asset management fee 1 (Maximum)	Total assets ×0.4%		Total assets ×0.35%	(Reduced)
Asset management fee 2 (Maximum)	NOI ×1.0%		NOI ×1.0%	(No change)
Asset management fee 3 (Maximum)	None		Dividend per unit ×43,000	(New)

(\*)3 See press release dated October 24, 2013 for details and definition of terms, etc.

## Growth in 2013

	(End of the previous period)	➡	(End of this period)
Scale of assets (Based on purchase price)	130,883M	➡	158,902M
NOI yield after depreciation <sup>(*)5</sup>	4.5%	➡	4.8%
LTV (Based on appraisal value)	49.7%	➡	45.0%
Annualized loan cost <sup>(*)6</sup>	2.26%	➡	2.02%

## Dividend per unit

Previous period (annualized dividend)	➡	This period (Actual dividend)
JPY1,621	➡	JPY1,939

(\*)5 NOI yield after depreciation at the end of previous period is annualized number of FY12/2012 (nine months).

(\*)6 Annualized loan cost at the end of each year.

## 2. HMJ's five hotels – Monthly performance highlights

- ✓ The performance of the rooms department was favorable. Occupancy rate and ADR increased in almost all hotels compared with the previous period, and RevPAR greatly improved.
- ✓ Gross sales, which were almost flat or decreased slightly year-on-year during the first three months, have increased since April. GOP increased further on the back of growth in the rooms department with a high profit contribution ratio.

			Jan.	Feb.	Mar.	Apr.	May	Jun.	Total (Jan.-Jun.)	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Total (Jul.-Dec.)	Total	
Major indexes of the rooms department	Occupancy rate	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%	
		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%	
		Year-on-year	3.8%	5.8%	4.4%	7.3%	8.5%	5.4%	5.9%	5.4%	1.8%	2.1%	-0.1%	2.4%	2.8%	2.4%	4.0%	
	ADR (JPY)	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	
		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	
		Year-on-year	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%	
	RevPAR (JPY)	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	
		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	
		Year-on-year	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%	
Gross hotel sales (JPY M)			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
			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
			Year-on-year	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%

\* ADR<Average Daily Rate>  
 \* RevPAR<Revenue Per Available Room>  
 \* GOP<Gross Operating Profit>

: Total room sales for a certain period / No. of rooms sold for the same period.  
 : The total room sales for a certain period / No. of rooms available to sell for the same period (same as ADR× Occupancy rate).  
 : Total hotel sales – Direct expenses necessary to operate hotel such as labor cost and general administrative cost, etc.

## **II. Settlement of account - Summary**

# 1. Operational performance

(Unit JPY M)

		(A)	(B)	(B) - (A)	
		FY12/2012 Actual Annualized numbers <sup>(*)2</sup>	FY12/2013 Actual	Variance	
Profit and loss	<b>Operating revenue</b>	<b>9,638</b>	<b>11,472</b>		<b>1,834</b>
	Fixed rent	2,189	2,811	1→	622
	Variable rent	7,448	8,661	2→	1,213
	<b>NOI <sup>(*)1</sup></b>	<b>8,139</b>	<b>9,907</b>		<b>1,768</b>
		<b>6.2%</b>	<b>6.2%</b>		<b>0.0%</b>
	Depreciation expenses	2,214	2,297	3→	83
	Loss on retirement of noncurrent assets	12	8		-4
	Loss on disposal of fixed assets	0	1,189	4→	1,189
	<b>NOI after depreciation <sup>(*)1</sup></b>	<b>5,912</b>	<b>6,413</b>		<b>501</b>
		<b>4.5%</b>	<b>4.8%</b>		<b>0.3%</b>
	Other operating expenses	870	1,045	5→	175
	<b>Operating profit</b>	<b>5,042</b>	<b>5,367</b>		<b>325</b>
	Non-operating income	4	6		2
	Non-operating expenses	1,633	1,634		1
Dividend	<b>Current net profit</b>	<b>3,410</b>	<b>3,233</b>	6→	<b>-177</b>
	Utilization of negative goodwill	12	1,848	7→	1,836
	Total dividends	3,422	5,083		1,661
	No. of investment units issued	2,111,281	2,621,281	8→	510,000
<b>Dividend per unit (JPY)</b>		<b>1,621</b>	<b>1,939</b>		<b>318</b>

## Major causes of variances

- Increased revenue of HMJ's five hotels : +416  
Increased revenue of "Ibis Tokyo Shinjuku" : +110  
Other : +96
- Increase due to acquisition : +1,282  
Decrease due to disposition : -71  
Other : +2
- Increase due to acquisition : +120  
Decrease due to disposition : -37
- Loss on disposal of fixed assets : +1,189
- Increased fees, etc. resulted from acquisition : +108  
Other : +67
- Impairment loss from the property to be sold  
(as of the date of settlement of accounts) : -517
- Loss on disposal and impairment loss : +1,705  
Loss on retirement of noncurrent assets : -4  
Coped for dilution : +135
- Public offering to acquire Hilton Tokyo Bay Hotel

(\*)1 NOI (Net operating income) = Real estate operating income - Real estate operating expenses + Depreciation expenses + Loss on retirement of non-current assets. NOI yield: NOI/Total purchase price of the assets owned as of the end of the period. NOI after depreciation = Real estate operating income - Real estate operating expenses. NOI yield after depreciation = NOI after depreciation / Total purchase price of the asset owned as of the end of the period.

(\*)2 The actual for FY12/2012 (9 months) is annualized. Variable rent of HMJ's five hotels are calculated based on the actual numbers for the period from January 2012 through December 2012. The assets acquired in FY12/2012 shows the forecast for the period from January 2013 through December 2013 as of the end of FY12/2012. The assets sold in FY12/2012 are calculated based on the premise that they would not be owned for the full financial year. Gain on negative goodwill, loss on disposal of fixed assets, and impairment loss are not assumed.



## 2. Revenue forecast

(Unit JPY M)

		(A)		(B)	(B) − (A)	
		FY12/2012	FY12/2013	FY12/2014	Variance	
		Actual	Actual <sup>(+3)</sup>	Forecast		
		Annualized numbers <sup>(+2)</sup>				
Profit and loss	Operating revenue	9,638	11,472	11,964	492	
	Variable rent	2,189	2,811	3,006	1 →	195
	Fixed rent	7,448	8,661	8,958	2 →	297
	NOI <sup>(+1)</sup>	8,139	9,907	10,180	273	
		6.2%	6.2%	6.5%	0.3%	
	Depreciation expenses	2,214	2,297	2,358	61	
	Loss on retirement of noncurrent assets	12	8	13	5	
	Loss on disposal of fixed assets	0	0	0	0	
	NOI after depreciation <sup>(+1)</sup>	5,912	7,602	7,808	206	
		4.5%	4.8%	5.0%	0.2%	
	Other operating expenses	870	1,045	1,124	3 →	79
	Operating income	5,042	6,556	6,684	128	
	Non-operating income	4	6	0	-6	
	Non-operating expense	1,633	1,634	1,609	-25	
	Ordinary income	3,412	4,929	5,074	145	
	Current net profit	3,410	4,939	5,072	133	
Dividend	Utilization of negative goodwill	12	143	13	-130	
	Total amount of dividend	3,422	5,083	5,085	2	
	No. of investment units issued	2,111,281	2,621,281	2,621,281	0	
	Dividend per unit (JPY)	1,621	1,939	1,940	1	

### Major causes of variances

- Decrease in revenue of HMJ's five hotels : -124  
Full-year revenue impact of "Ibis Styles Kyoto Station" : +305  
Other : +14
- Full-year revenue impact of hotels acquired in 2013 : +632  
Decreased rental income due to disposition, etc. : -335
- Increased fees, etc. resulted from acquisition : +52  
Other : +27

### Major assumptions for FY12/2014 <sup>(\*)4</sup>

- Operating assets:** 27 properties (excluding Dormy Inn Namba sold in January 24, 2014) will be owned/operated for the full financial period. No property transfer (acquisition or disposition) is expected.
- Operating income :** Hotels' competitiveness and market environment have been considered based on the lease contracts.
- Operating expenses :** Fixed asset tax and city planning tax, etc. cost JPY849M. Straight-line method has been applied to calculate depreciation cost.
- Non-operating costs:** JPY1,577M is expected in interest and loan related costs.
- Borrowing:** Balance of loans and investment corporation bonds totaled JPY74,784M at the beginning of the period. Expected to total JPY73,449M at the end of the period.
- No. of investment units issued :** 2,621,281 units in total
- Dividend per unit :** Negative goodwill is utilized for loss on disposal of fixed assets (JPY13M).

(\*)1 NOI (Net Operating Income) = Real estate operating income - Real estate operating expenses + Depreciation expenses + Loss on retirement of non-current assets. NOI yield = NOI/Total purchase price of the assets owned as of the end of the period (including the asset planned to be owned at the end of the period). NOI after depreciation = Real estate operating income - Real estate operating expenses. NOI yield after depreciation = NOI after depreciation / Total purchase price of the assets owned at the end of this period (including the asset(s) planned to be owned).

(\*)2 See (\*)2 of Page 6.

(\*)3 Actual numbers excluding loss on disposal of fixed assets and impairment loss for comparison.

(\*)4 Please see "Notice Concerning Operating Forecast for the Fiscal Period Ending December 2014 (15th period)" dated December 19, 2013 for detail.



### 3. Balance sheet (Summary)

(JPY M)

	As of end of FY12/2012 2012.12.31	As of end of FY12/2013 2013.12.31	Variance
<b>ASSETS</b>			
<b>Current assets</b>	<b>9,960</b>	<b>13,642</b>	<b>3,682</b>
Cash and deposits <sup>(*)1</sup>	8,922	12,553	3,631
Operating accounts receivable	705	753	48
Other	331	335	4
<b>Fixed asset</b>	<b>129,608</b>	<b>157,005</b>	<b>27,397</b>
Tangible fixed assets	109,153	136,529	27,376
Building <sup>(*)2</sup>	577	546	-31
Land	-	-	-
Buildings in trust <sup>(*)3</sup>	49,364	53,480	4,116
Land in trust	59,212	82,502	23,290
Intangible fixed assets	19,836	19,824	-12
Investments and other assets	618	651	33
Security deposits and guarantee money	180	170	-10
Others	437	481	44
<b>Deferred assets</b>	<b>55</b>	<b>79</b>	<b>24</b>
<b>TOTAL ASSETS</b>	<b>139,623</b>	<b>170,727</b>	<b>31,104</b>

	As of end of FY12/2012 2012.12.31	As of end of FY12/2013 2013.12.31	Variance
<b>LIABILITIES</b>			
<b>Current liabilities</b>	<b>12,540</b>	<b>17,887</b>	<b>5,347</b>
Operating accounts payable	298	238	-60
Short-term loans payable	3,841	2,669	-1,172
Investment corporation bonds due within one year	2,000	-	-2,000
Long-term loans due within one year	5,280	13,701	8,421
Other payables	460	560	100
Advances received	638	634	-4
Others	21	82	61
<b>Fixed liabilities</b>	<b>58,072</b>	<b>63,084</b>	<b>5,012</b>
Long-term loans	54,098	55,913	1,815
Investment corporation bonds	-	2,500	2,500
Security deposits and guarantee money	3,936	4,625	689
Others	38	45	7
<b>TOTAL LIABILITIES</b>	<b>70,613</b>	<b>80,971</b>	<b>10,358</b>
<b>EQUITY</b>			
Total unit holder's capital	28,260	48,845	20,585
Unit holders surplus	21,746	21,746	0
Dividend allowances	-	16,017	16,017
Retained earnings	19,031	3,235	-15,796
Others	-28	-88	-60
<b>TOTAL EQUITY</b>	<b>69,010</b>	<b>89,756</b>	<b>20,746</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>139,623</b>	<b>170,727</b>	<b>31,104</b>

(\*)1 Cash in trust and savings in trust are included.

(\*)2 The sum of building, structure, machinery and equipment, tools, appliances and fixtures and construction in progress account.

(\*)3 The sum of building in trust, structure in trust, machinery and equipment in trust, tools in trust, appliances and fixtures in trust, and construction in progress account in trust.

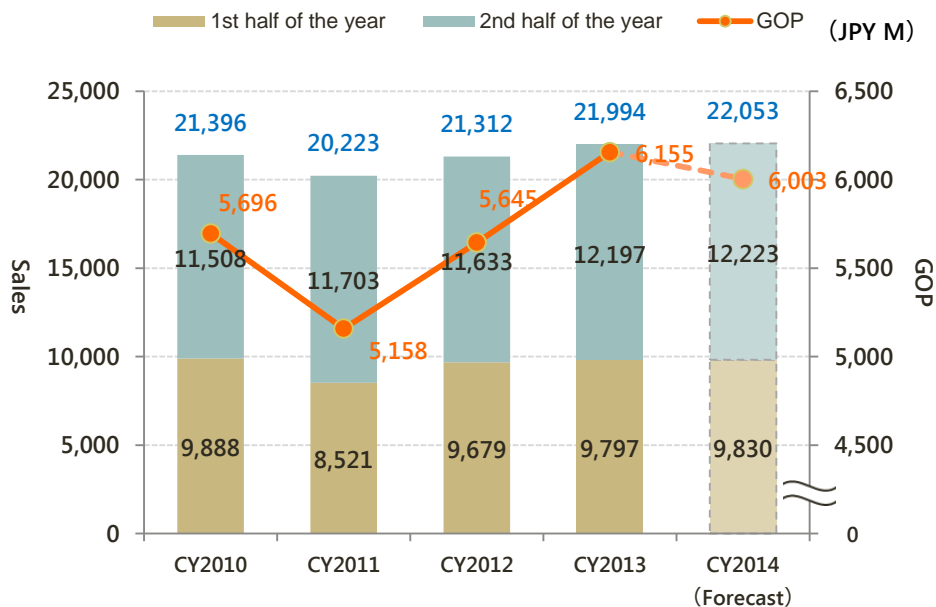
### **III. Performance of the major hotels with variable rents**

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# 1. Performance highlights of HMJ's five hotels

## Changes in sales volume, GOP and management index<sup>(\*)</sup> of HMJ's five hotels

### ◆ Sales and GOP



### ◆ Management index

	CY2010	CY2011	CY2012	CY2013	CY2014 (Forecast)
Occupancy rate	80.4%	76.7%	82.7%	86.1%	85.7%
ADR (JPY)	15,980	15,846	16,200	17,297	16,937
RevPAR (JPY)	12,845	12,160	13,400	14,886	14,510
GOP (JPY M)	5,696	5,158	5,645	6,155	6,003
GOP ratio	26.6%	25.5%	26.5%	28.0%	27.2%

### Actual performance from January 2013 through December 2013

- Gross sales increased by JPY682M or 3.2% compared with the previous period.
- The rooms department positively attracted domestic leisure travelers and overseas travelers, and occupancy rate and ADR of all five hotels improved. Room sales increased by JPY989M or 10.8% compared with the previous period.
- Although restaurant sales increased due to improved occupancy rate, wedding sales declined due to a decrease in the number of weddings. Food and beverage sales declined by JPY331M or 3.3% compared with the previous period.

### Sales forecast from January 2014 through December 2014

- Gross sales are expected to increase by JPY59M or 0.3% compared with the previous period.
- The rooms department will continuously attract more leisure demand and refine revenue management skills. However, room sales are forecast to decline by JPY265M or 2.6% compared with the previous period due to a slowdown in sales from the Oriental Hotel Tokyo Bay after the thirty year anniversary event of Tokyo Disney Resort (TDR).
- All food and beverage sectors (wedding, general banquet and restaurant) are expected to exceed the previous period due to strengthened sales efforts. Food and beverage sales are expected to increase by JPY279M or 2.9% compared with the previous period.

### GOP forecast from January 2014 through December 2014

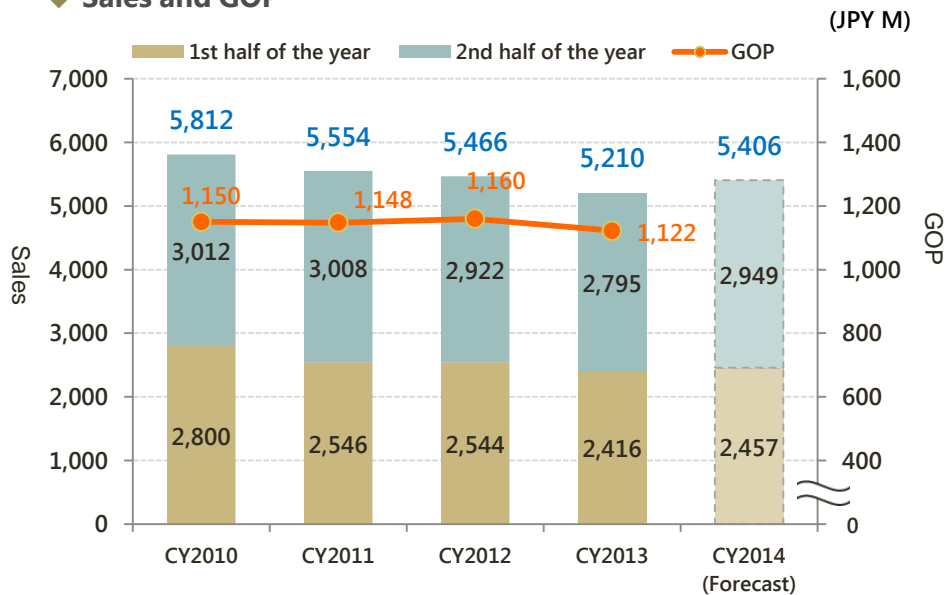
- Total GOP is forecast to decline by JPY152M or 2.5% compared with the previous period.
- Total GOP and GOP ratio are forecast to decline due to a decrease in room sales with high profit ratio (slowdown in sales from the Oriental Hotel Tokyo Bay after the thirty year anniversary event of TDR).

(\*) Sales, GOP and management index have been provided by the lessees and the operators. CY2014 is a forecast and the actual results may differ from the forecast due to various factors (The same applies hereafter for each hotel.)

## 2. Performance highlights of each HMJ hotel 1

### Kobe Meriken Park Oriental Hotel

#### ◆ Sales and GOP



#### ◆ Management index

	CY2010	CY2011	CY2012	CY2013
Occupancy rate	81.3%	76.5%	80.0%	81.5%
ADR (JPY)	13,564	14,645	14,326	14,526
RevPAR (JPY)	11,027	11,197	11,464	11,844
GOP (JPY M)	1,150	1,148	1,160	1,122
GOP ratio	19.8%	20.7%	21.2%	21.5%

#### Actual performance from January 2013 through December 2013

- Gross sales declined by JPY255M or 4.7% compared with the previous period.
- The rooms department sought to attract leisure travelers through expanded sales channels and improved occupancy rate and ADR. Room sales increased by JPY44M or 3.0% compared with the previous period.
- Although restaurant sales increased due to a strengthened sales system, general banquet and wedding sales declined due to a decrease in the number of banquets and weddings. Food and beverage sales declined by JPY290M or 8.1% compared with the previous period.

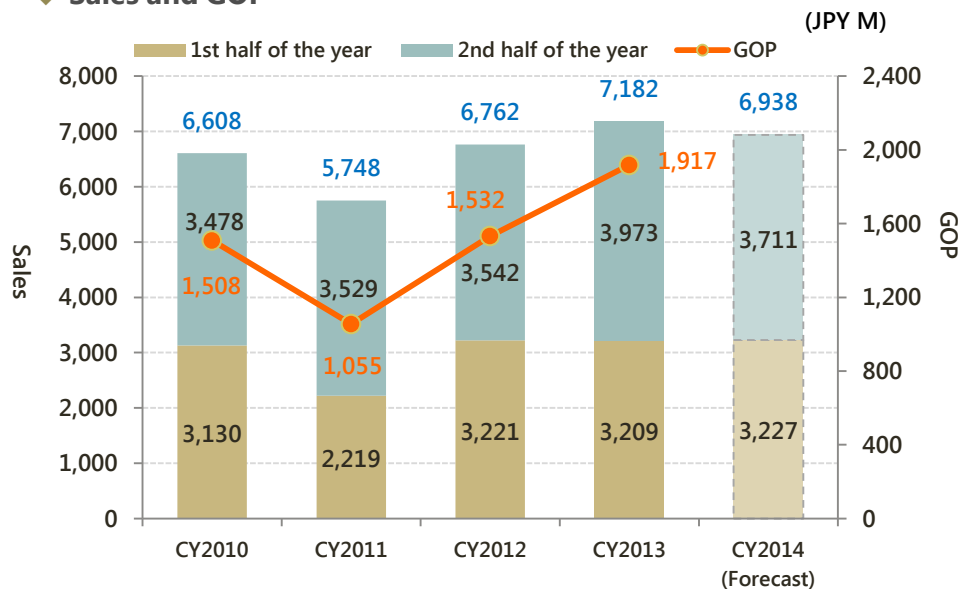
#### Sales forecast from January 2014 through December 2014

- Gross sales are expected to increase by JPY196M or 3.8% compared with the previous period.
- The rooms department will strive to attract more leisure travelers and raise ADR. Room sales are expected to increase by JPY32M or 2.1% compared with the previous period.
- Sales of each sector under the food and beverage department are expected to increase due to improved operations. Food and beverage sales are expected to increase by JPY135M or 4.1% compared with the previous period.

## 2. Performance highlights of each HMJ hotel 2

### Oriental Hotel Tokyo Bay

#### ◆ Sales and GOP



#### ◆ Management index

	CY2010	CY2011	CY2012	CY2013
Occupancy rate	90.2%	78.7%	94.0%	96.1%
ADR (JPY)	16,583	15,941	17,469	20,125
RevPAR (JPY)	14,950	12,542	16,425	19,349
GOP (JPY M)	1,508	1,055	1,532	1,917
GOP ratio	22.8%	18.3%	22.7%	26.7%

#### Actual performance from January 2013 through December 2013

- Gross sales increased by JPY420M or 6.2% compared with the previous period.
- The number of TDR's visitors increased due to its thirty year anniversary event, and rooms department strategically raised the unit price. Occupancy rate and ADR increased and room sales increased by JPY580M or 17.4% compared with the previous period.
- Although restaurant and banquet sales increased compared with the previous period, wedding sales declined due to a decrease in the number of weddings. Food and beverage sales declined by JPY170M or 5.8% compared with the previous period.

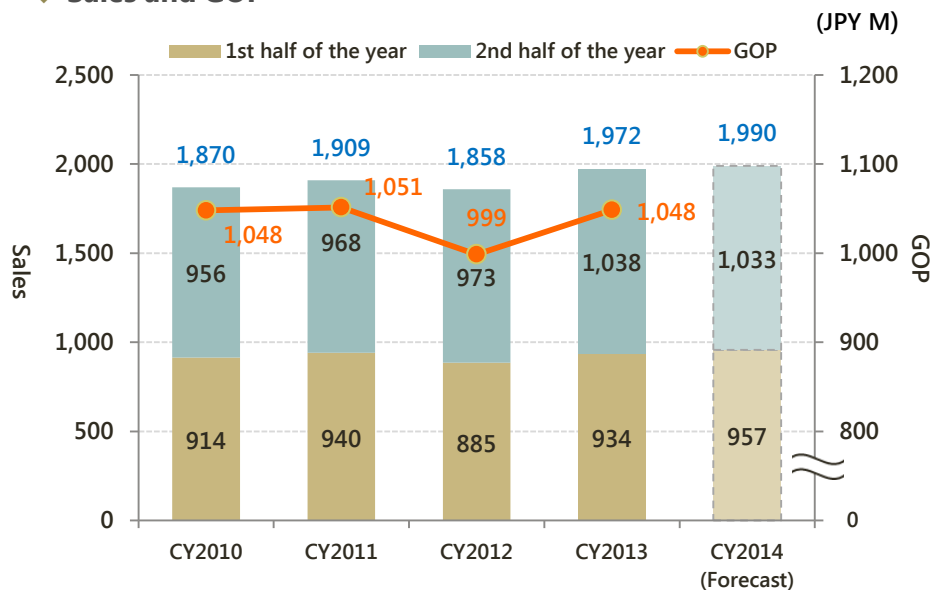
#### Sales forecast from January 2014 through December 2014

- Gross sales are forecast to decline by JPY244M or 3.4% compared with the previous period.
- Room sales are forecast to decline by JPY389M or 9.9% compared with the previous period due to a slowdown in room sales after the thirty year anniversary event of TDR.
- Food and Beverage sales are expected to increase by JPY144M or 5.2% compared with the previous period due to a strengthened sales system.

## 2. Performance highlights of each HMJ hotel 3

### Namba Oriental Hotel

#### ◆ Sales and GOP



#### ◆ Management index

	CY2010	CY2011	CY2012	CY2013
Occupancy rate	81.6%	87.3%	87.6%	91.9%
ADR (JPY)	9,677	10,250	10,049	10,918
RevPAR (JPY)	7,899	8,949	8,805	10,037
GOP (JPY M)	1,048	1,051	999	1,048
GOP ratio	56.0%	55.1%	53.7%	53.2%

#### Actual performance from January 2013 through December 2013

- Gross sales increased by JPY114M or 6.1% compared with the previous period.
- The rooms department attracted demand of both domestic and overseas leisure travelers, and occupancy rate and ADR improved. Room sales increased by JPY125M or 13.7% compared with the previous period.
- Tenant sales declined by JPY8M or 1.0% compared with the previous period, as the hotel received tenant cancellation fees in the previous period.

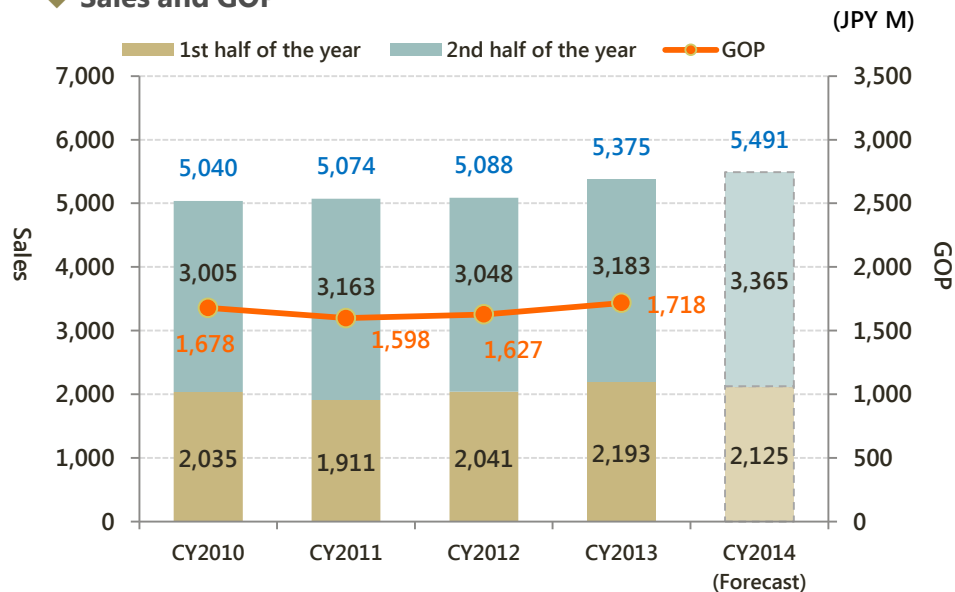
#### Sales forecast from January 2014 through December 2014

- Gross sales are expected to increase by JPY18M or 0.9% compared with the previous period.
- The rooms department will continuously strive to attract domestic and overseas leisure travelers while maintaining a high occupancy rate and ADR. Room sales are expected to be almost the same as the previous period.
- Food and beverage sales are expected to increase by JPY11M or 7.1% compared with the previous period due to a substantiated menu and strengthened sales system.

## 2. Performance highlights of each HMJ hotel 4

### Hotel Nikko Alivila

#### ◆ Sales and GOP



#### ◆ Management index

	CY2010	CY2011	CY2012	CY2013
Occupancy rate	72.2%	73.2%	73.4%	78.0%
ADR (JPY)	25,800	24,934	25,030	25,127
RevPAR (JPY)	18,634	18,243	18,364	19,594
GOP (JPY M)	1,678	1,598	1,627	1,718
GOP ratio	33.3%	31.5%	32.0%	32.0%

#### Actual performance from January 2013 through December 2013

- Gross sales increased by JPY287M or 5.6% compared with the previous period.
- The number of visitors to Okinawa's islands exceeded that of the previous period and the market was in good shape. The rooms department strengthened sales through travel agencies and web agencies and refined revenue management skills. Occupancy rate and ADR improved and room sales increased by JPY188M or 6.4% compared with the previous period.
- Food and beverage sales increased by JPY62M or 3.7% compared with the previous period due to improved occupancy rate, etc.

#### Sales forecast from January 2014 through December 2014

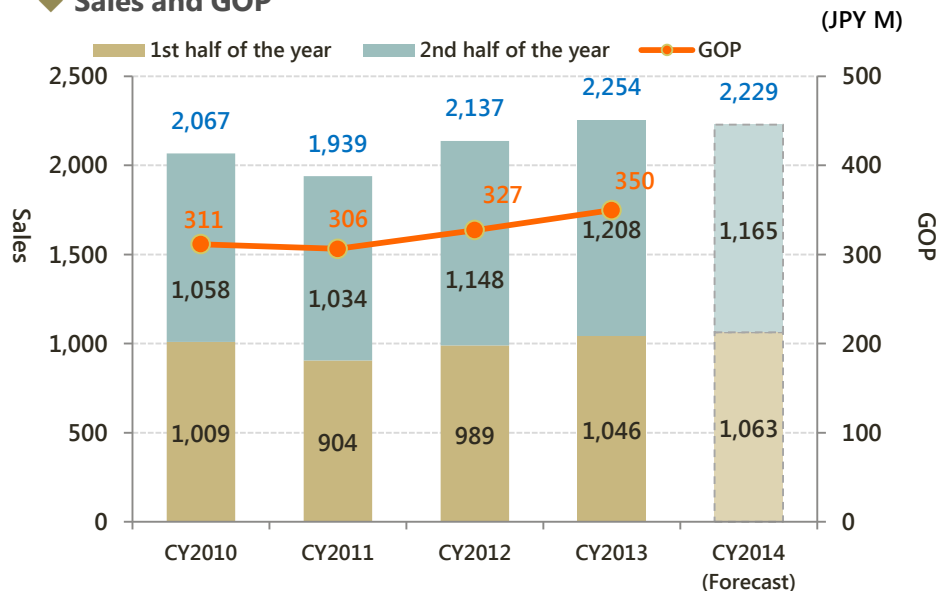
- Gross sales are expected to increase by JPY116M or 2.1% compared with the previous period.
- Although some rooms will be closed temporarily for renovation during January through March, ADR will still increase due to detailed revenue management and improved guestroom structure. Room sales are expected to increase by JPY92M or 2.9% compared with the previous period.
- Wedding and restaurant sales are expected to exceed those of the previous period due to a strengthened sales system. Food and beverage sales are expected to increase by JPY21M or 1.2% compared with the previous period.



## 2. Performance highlights of each HMJ hotel 5

### Oriental Hotel Hiroshima

#### ◆ Sales and GOP



#### ◆ Management index

	CY2010	CY2011	CY2012	CY2013
Occupancy rate	70.3%	67.1%	72.2%	77.5%
ADR (JPY)	8,876	8,479	8,255	8,446
RevPAR (JPY)	6,240	5,692	5,959	6,545
GOP (JPY M)	311	306	327	350
GOP ratio	15.1%	15.8%	15.3%	15.5%

#### Actual performance from January 2013 through December 2013

- Gross sales increased by JPY117M or 5.5% compared with the previous period.
- The rooms department attracted demand from domestic leisure travelers and occupancy rate and ADR improved. Room sales increased by JPY52M or 9.5% compared with the previous period.
- Wedding sales increased due to a strengthened sales system, and restaurant sales increased due to improved occupancy rate and various sales measures. Food and beverage sales increased by JPY72M or 4.7% compared with the previous period.

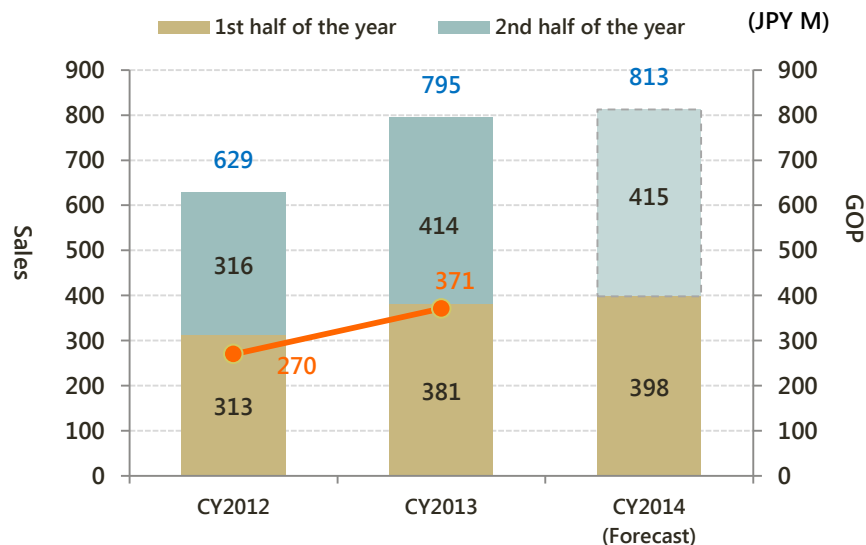
#### Sales forecast from January 2014 through December 2014

- Gross sales are expected to increase by JPY26M or 1.1% compared with the previous period.
- The rooms department will strive to attract leisure travelers further and raise ADR. Room sales are expected to increase by JPY3M or 0.4% compared with the previous period.
- Despite growth of general banquet sales, food and beverage sales are forecast to decline by JPY32M or 2.0% compared with the previous period due to a decrease in the number of weddings.

### 3. Performance highlights of Ibis Tokyo Shinjuku

#### Ibis Tokyo Shinjuku

##### ◆ Sales and GOP



##### ◆ Management index

	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 2013 through December 2013

- Gross sales increased by JPY167M or 26.5% compared with the previous period.
- After rebranding, the rooms department strived to attract business and leisure travelers through expanded sales channels. Moreover, they attracted increased demand from overseas travelers through websites centered on the operator's own website. Occupancy rate and ADR improved, and room sales increased by JPY136M or 23.5% compared with the previous period.

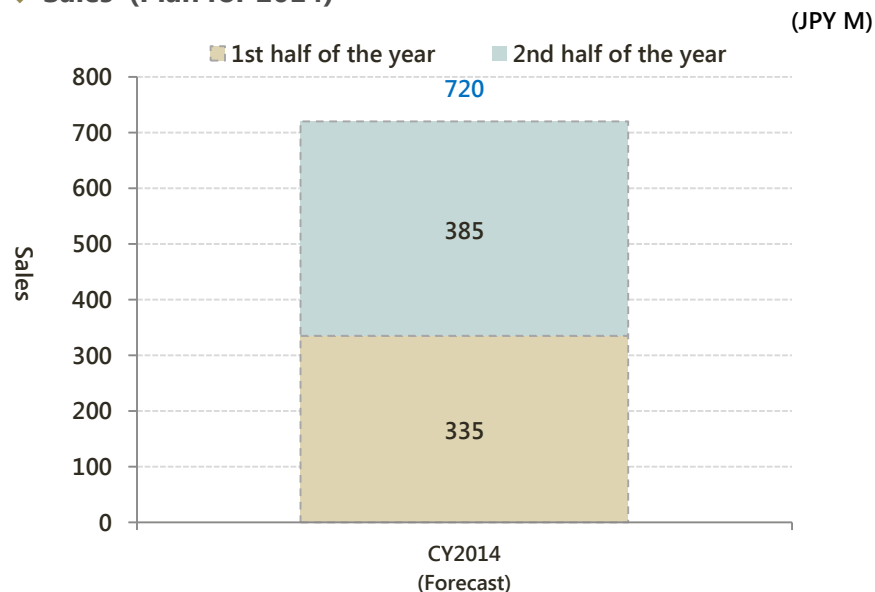
#### Sales forecast from January 2014 through December 2014

- Gross sales are expected to increase by JPY18M or 2.8% compared with the previous period.
- The rooms department will continuously strive to attract business and leisure travelers and overseas travelers while increasing ADR through refined revenue management. Room sales are expected to increase by JPY19M or 3.2% compared with the previous period.

## 4 . Performance highlights of Ibis Styles Kyoto Station

### Ibis Styles Kyoto Station

#### ◆ Sales (Plan for 2014)



#### ◆ Management index on monthly basis after the acquisition

	November 2013	December 2013
Occupancy rate	86.4%	69.0%
ADR (JPY)	12,846	9,566
RevPAR (JPY)	11,106	6,599
Sales (JPY M)	76	47

#### Actual performance after acquisition

- Gross sales after rebranding were JPY123M.
- JHR rebranded the hotel immediately after the acquisition on October 31, 2013.
- The hotel improved its booking website and revised existing contracts with travel agencies. They strived to attract domestic and overseas leisure travelers.

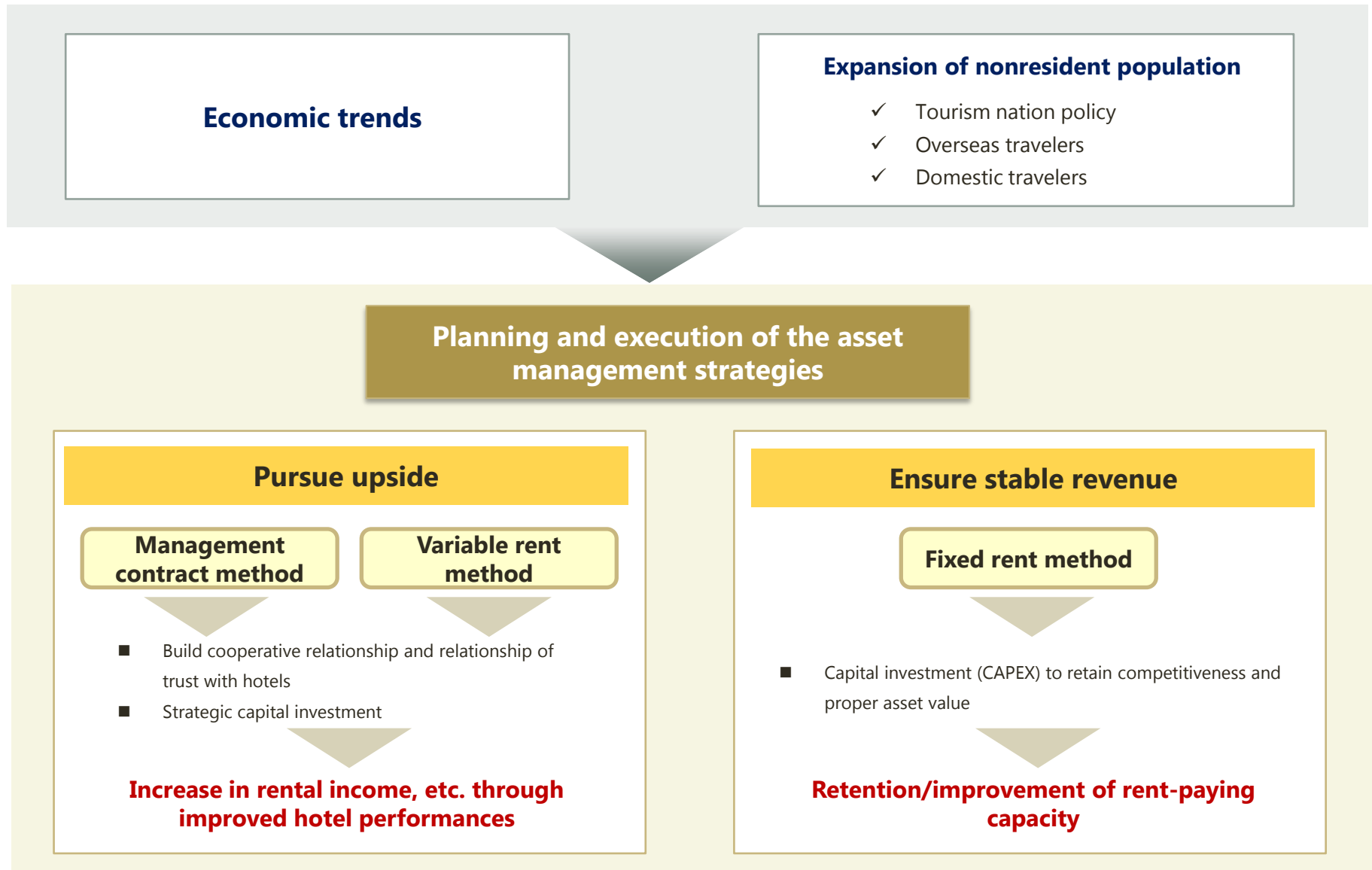
#### Sales forecast from January 2014 through December 2014

- Gross sales are expected to be JPY720M.
- The hotel will strive to restructure its sales system and improve public recognition as soon as possible. In addition to domestic leisure travelers, the hotel will positively attract overseas travelers further with the operator's own network to improve occupancy rate and ADR.

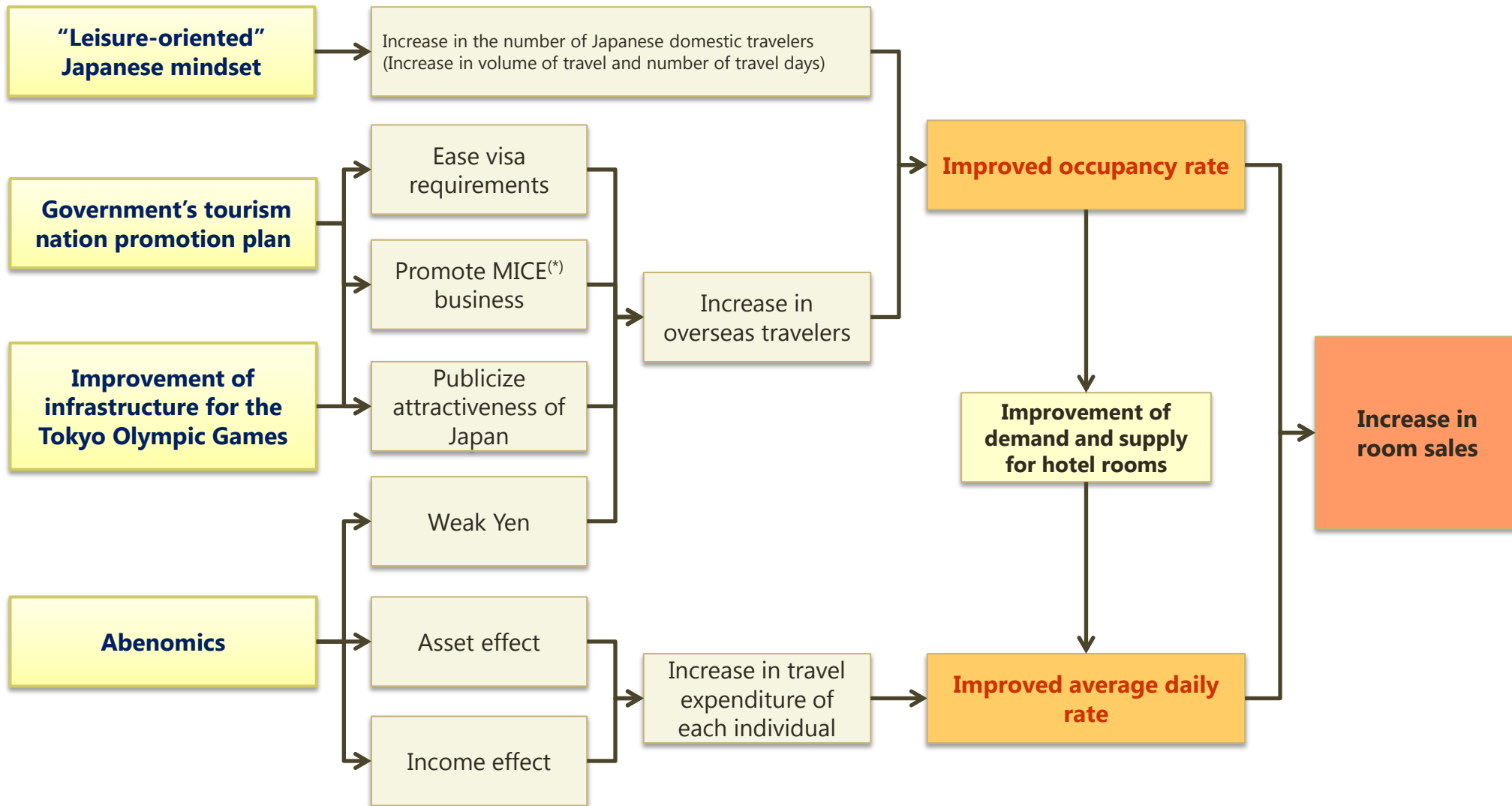
## **IV. Characteristics of JHR**

# 1. Accommodate both stability and upside potential

JHR accommodates both stability and upside potential through mixed various rent systems.



## 2. Factors which increased 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.

### 3 . 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.
- ✓ Prevent 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	
	Off-set various losses, and paid dividend per unit, eliminated special factors	Impairment loss	: 958M
		Loss on disposal of asset	: 1,393M
2013 (January to December)		Loss on retirement of Noncurrent assets	: 9M
		Prevent dilution	: 200M
	Balance of negative goodwill (Dividend allowance)	JPY16,017M	
2014 (January to December)	Amount of negative goodwill used	Impairment loss	: 517M
		Loss on disposal of asset	: 1,189M
		Loss on retirement of noncurrent assets	: 8M
		Prevent dilution	: 135M
	Balance of negative goodwill	JPY14,168M	
	Amount of negative goodwill (plan)	Loss on retirement of Noncurrent assets	: 13M
	Balance of negative goodwill (plan)	JPY14,155M	



## 4. Preferential treatment for unitholders

JHR provides the unitholders with the preferential treatment to improve their satisfaction and expand the investor base.

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

The preferential treatment 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).

### ✓ Detail of the preferential treatment

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

### ✓ Hotels that offer the benefit 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



Kobe Meriken Park Oriental Hotel



Namba Oriental Hotel



Oriental Hotel Tokyo Bay



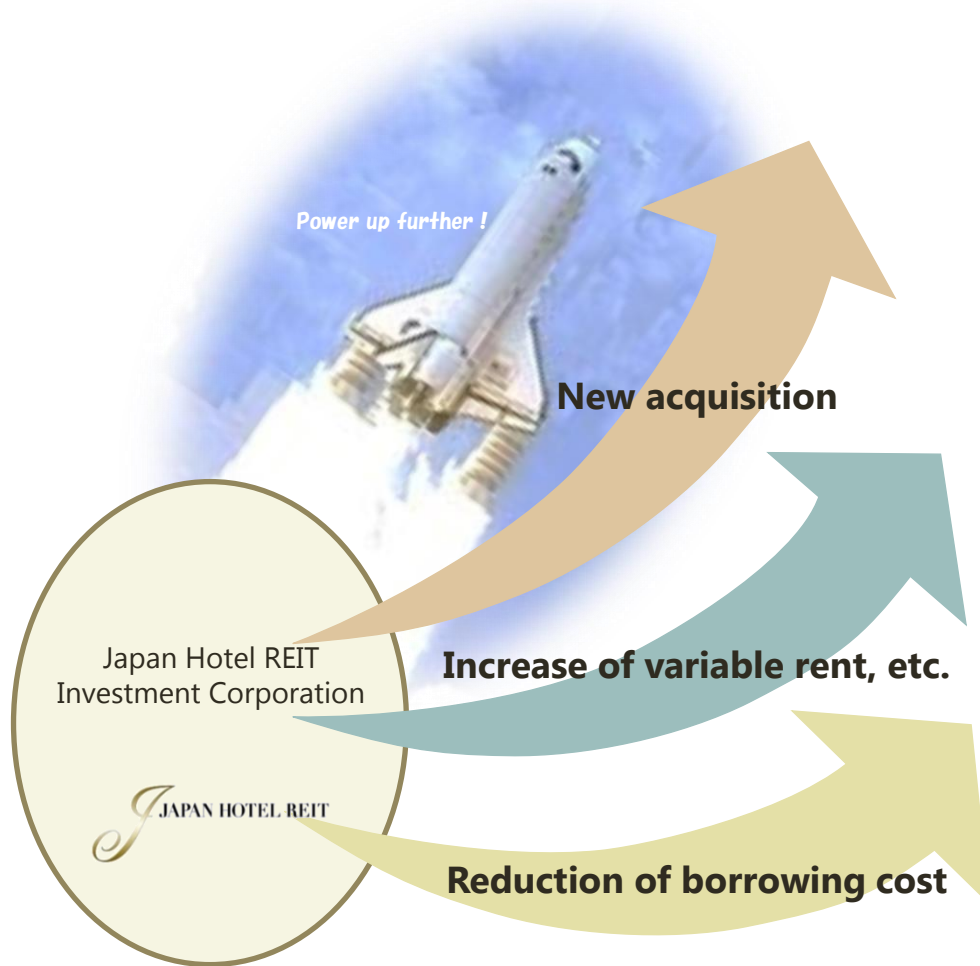
Oriental Hotel Hiroshima



Hotel Nikko Alivila

## **V. Operations strategies**

## I. Three growth engines



## II. Points of operations strategies

### External growth strategies

1. Acquire hotels with prospects for attracting domestic and international 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. Set 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

#### ■ Hotel investment market trends

- Improved hotel revenue on the back of economic recovery and increased demand from overseas travelers, and declined yield of other asset classes intensify competition to acquire property in the hotel investment market. Yields tend to fall at the same time.
- These trends are likely to continue and the market price is forecast to rise.

### Basic policy

- Acquisition of hotel real estate with prospects for attracting “domestic leisure travelers” and “overseas leisure travelers”.
- Improvement of profitability, stability, and quality of the entire portfolio.

### Major policies

- Emphasize the superiority of the hardware, software and location of the hotel real estate.
  - The prime investment targets are “full-service hotels” and “resort hotels” that have high barriers to entry due to the necessity of 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, guestroom structure 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 and 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 hardware improvement potential.
  - If hotel pays a variable rent, etc., internal growth is accelerated through collaboration with the lessee and the operator.

## Perception of the external environment

### ■ General Market environment

- The consumption tax hike this April carries a risk of placing downward pressures on the Japanese economy. However, the Abe administration's economic measures to overcome deflation, additional aggressive monetary easing policies of the Bank of Japan against declining consumption trends, and improved corporate revenue and wage increase will result in capital investment and increase in family income. The economy is expected to recover.

### ■ Hotel Market environment

- Demand for hotels will be continuously favorable due to an increased number of overseas travelers and domestic leisure and business demand resulting from improved consumer and business sentiment. Unit price is expected to increase continuously in the accommodation market.
- From the medium-to-long-term perspective, 1. Travel demand from baby boomers, 2. Overseas travelers promoted by the government's tourism nation policies, are expected to increase.

### Basic policy

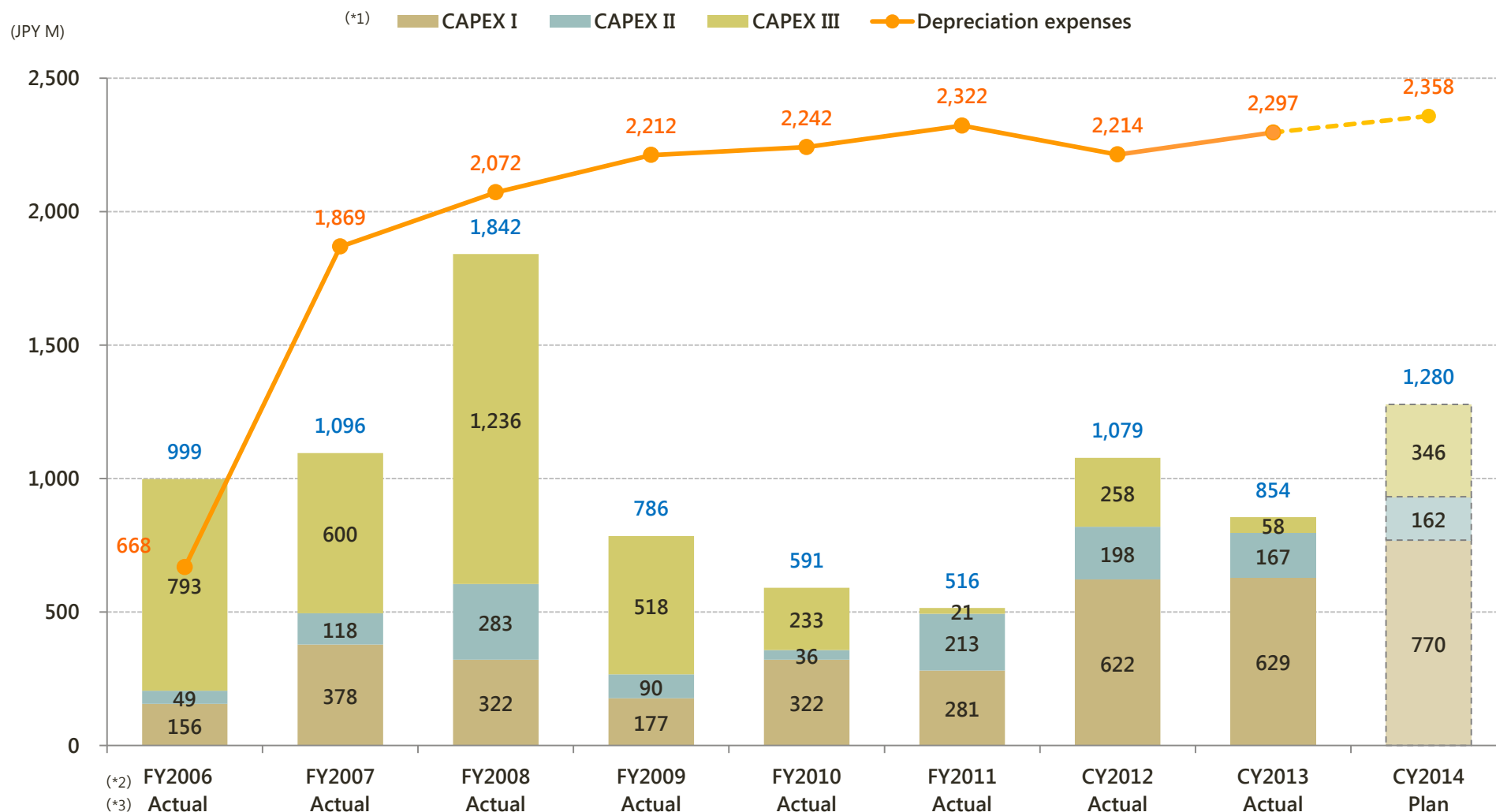
- Increase variable rent, etc. through improvement of hotel revenues
- Maintain proper fixed rent levels based on rent-paying capacity.



### Major policies

- 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 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 hotel organization system that will spur hotel innovation.
- Plan and execute strategic capital investment
  - Strategic capital investment that will improve profitability and strengthen competitiveness
  - Maintain asset value and everyday revenue
- Financial management including cost reduction, and maximization of asset value through proper building maintenance.

## 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 a hotel. 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 expenses are the annualized number for the 13<sup>th</sup> 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.

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



## 6. Financial strategy

### Basic policy

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

### Key measures

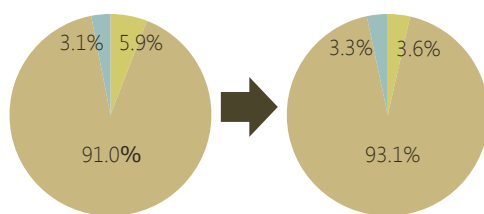
- Maintain LTV level at a maximum of 50% (total asset base) for the time being.
- Diverse fund procurement methods including issuance of the investment corporation bonds
- Disperse maturity
- Interest-rate risk management while preparing for interest rate hike.

As of the end of December  
2012

As of the end of December  
2013

### 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)

46.7% → 43.8%

Interest rate fixation ratio  
(including purchase of cap contract)

51.2% → 65.5%

### Lender list for the interest-bearing debts

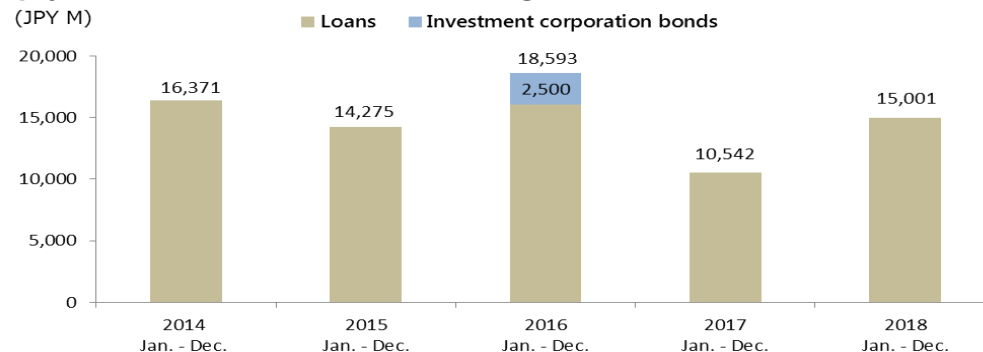
(JPY M)

Lenders/Bonds	Balance as of the end of previous period (As of 12/2012)		Balance as of the end of this period (As of 12/2013)		Variance (Balance)
	Balance	Ratio	Balance	Ratio	
Sumitomo Mitsui Banking Corporation	17,518	26.9%	19,365	25.9%	1,846
Shinsei Bank, Ltd.	8,524	13.1%	9,735	13.0%	1,210
The Tokyo Star Bank, Limited	6,384	9.8%	7,520	10.1%	1,135
Resona Bank, Limited	6,379	9.8%	6,000	8.0%	▲ 379
Mizuho Bank, Ltd.	4,969	7.6%	5,769	7.7%	800
Sumitomo Mitsui Trust Bank, Limited	4,949	7.6%	5,506	7.4%	557
MetLife Alico Life Insurance K.K.	5,000	7.7%	5,000	6.7%	-
The Norinchukin Bank	4,969	7.6%	4,769	6.4%	▲ 200
The Nomura Trust and Banking Co., Ltd.	1,909	2.9%	3,794	5.1%	1,884
The Chiba Bank, Ltd.	759	1.2%	1,670	2.2%	910
Hiroshima Bank, Ltd.	1,000	1.5%	1,000	1.3%	-
Development Bank of Japan Inc.	-	-	895	1.2%	895
Sompo Japan Insurance Inc.	854	1.3%	760	1.0%	▲ 94
The Bank of Fukuoka, Ltd.	-	-	497	0.7%	497
<b>Sub-total of loans</b>	<b>63,220</b>	<b>96.9%</b>	<b>72,284</b>	<b>96.7%</b>	<b>9,063</b>
1 <sup>st</sup> unsecured investment corporation bonds	2,000	3.1%	-	-	▲ 2,000
2 <sup>nd</sup> unsecured investment corporation bonds	-	-	2,500	3.3%	2,500
<b>Sub-total of investment corporation bonds</b>	<b>2,000</b>	<b>3.1%</b>	<b>2,500</b>	<b>3.3%</b>	<b>500</b>
<b>Total interest-bearing loans</b>	<b>65,220</b>	<b>100.0%</b>	<b>74,784</b>	<b>100.0%</b>	<b>9,563</b>

### Repayment schedule of the interest-bearing debts

(As of the end of December 2013)

(JPY M)



# **Appendix 1**

## **Basic information**

# 1. Property list (1/2)

No.	Property name	Hotel type	Grade	No. of guest rooms	Location	Age	Purchase price	Book value	Appraisal value				Investment ratio	Income from leasing business	NOI	P/L of leasing business	NOI yield	NOI yield (Reference after adjustment)
									13 <sup>th</sup> period (as of 2012.12.31)		14 <sup>th</sup> period (as of 2013.12.31)							
									Appraisal value (JPY M) (※6)	CAP rate	Appraisal value (JPY M) (※7)	CAP rate						
		(※1)	(※2)			(※3)	(JPY M) (※4)	(JPY M) (※5)					(※8)	(JPY 1000) (※9)	(JPY 1000) (※9)	(JPY 1000) (※9)	(※10)	(※11)
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	319	Hyogo	18.5	10,900	10,531	10,900	6.3%	10,900	6.1%	6.9%	1,072,641	731,918	378,250	6.7%	6.7%
2	Oriental Hotel Tokyo Bay	Full-service	Mid-price	503	Chiba	18.7	19,900	19,381	21,000	5.2%	21,400	5.1%	12.5%	1,629,282	1,516,771	1,023,721	7.6%	7.6%
3	Namba Oriental Hotel	Limited-service	Mid-price	257	Osaka	17.8	15,000	14,846	15,200	5.4%	15,400	5.2%	9.4%	974,179	872,622	707,695	5.8%	5.8%
4	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Hiroshima	20.3	4,100	4,065	4,100	8.0%	4,100	8.0%	2.6%	438,987	389,985	323,052	9.5%	9.5%
5	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	19.8	18,900	18,537	19,600	6.2%	19,900	6.1%	11.9%	1,392,466	1,238,324	899,017	6.6%	6.6%
6	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	9.8	7,610	7,053	7,090	6.0%	7,440	5.7%	4.8%	511,023	466,730	349,804	6.1%	6.1%
7	Hakone Setsugetsuka	Resort	Mid-price	158	Kanagawa	7.3	4,070	3,939	4,190	6.3%	4,260	6.2%	2.6%	294,946	269,669	187,507	6.6%	6.6%
8	Dormy Inn Kumamoto	Limited-service	Mid-price	294	Kumamoto	5.9	2,334	2,307	2,610	6.7%	2,660	6.6%	1.5%	194,460	171,885	132,412	7.4%	7.4%
9	Dormy Inn Namba	Limited-service	Economy	105	Osaka	14.9	1,270	684	1,090	6.5%	700	-	0.8%	87,720	77,027	58,801	6.1%	6.1%
10	Dormy Inn Suidobashi	Limited-service	Economy	99	Tokyo	27.4	1,120	1,065	1,011	5.8%	1,030	5.7%	0.7%	84,000	73,095	61,922	6.5%	6.5%
11	Dormy Inn EXPRESS Asakusa <sup>(※12)</sup>	Limited-service	Economy	77	Tokyo	16.8	999	984	929	5.2%	950	5.1%	0.6%	63,995	52,410	39,669	5.2%	5.2%
12	Hakata Nakasu Washington Hotel Plaza	Limited-service	Mid-price	247	Fukuoka	18.8	2,130	2,096	2,130	6.1%	2,210	6.1%	1.3%	240,000	222,000	197,000	10.4%	10.4%
13	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Nara	13.8	2,050	1,987	2,060	6.3%	2,090	6.2%	1.3%	153,000	135,000	95,000	6.6%	6.6%
14	R&B Hotel Ueno-Hirokoji	Limited-service	Economy	187	Tokyo	11.8	1,720	1,741	1,540	5.2%	1,580	5.1%	1.1%	100,143	83,836	71,775	4.9%	4.9%
15	R&B Hotel Higashi-Nihombashi	Limited-service	Economy	203	Tokyo	15.8	1,534	1,496	1,670	5.6%	1,710	5.5%	1.0%	122,207	103,202	87,376	6.7%	6.7%
16	Comfort Hotel Tokyo Higashi-Nihombashi	Limited-service	Economy	259	Tokyo	5.9	3,746	3,719	4,310	5.7%	4,410	5.6%	2.4%	270,114	239,567	204,589	6.4%	6.4%
17	Comfort Hotel Shin-Yamaguchi	Limited-service	Economy	139	Yamaguchi	6.4	866	813	786	6.5%	805	6.4%	0.5%	60,529	51,411	36,916	5.9%	5.9%

# 1. Property list (2/2)

No.	Property name	Hotel type	Grade	No. of guest rooms	Location	Age	Purchase price	Book value	Appraisal value				Investment ratio	Income from leasing business	NOI	P/L of leasing business	NOI yield	NOI yield (Reference after adjustment)
									13 <sup>th</sup> period (as of 2012.12.31)		14 <sup>th</sup> period (as of 2013.12.31)							
									Appraisal value (JPY M) (*6)	CAP rate	Appraisal value (JPY M) (*7)	CAP rate						
		(*1)	(*2)			(*3)	(JPY M) (*4)	(JPY M) (*5)					(*8)	(JPY 1000) (*9)	(JPY 1000) (*9)	(JPY 1000) (*9)	(*10)	(*11)
18	Daiwa Roynet Hotel Akita	Limited-service	Economy	221	Akita	7.6	1,760	1,706	1,770	6.7%	1,770	6.7%	1.1%	138,000	124,000	89,000	7.1%	7.1%
19	Smile Hotel Nihombashi-Mitsukoshimae	Limited-service	Economy	164	Tokyo	16.8	2,108	2,054	2,160	5.2%	2,210	5.1%	1.3%	134,400	116,595	98,507	5.5%	5.5%
20	Hotel Sunroute Niigata	Limited-service	Mid-price	231	Niigata	21.4	2,105	1,956	1,840	6.6%	1,870	6.5%	1.3%	156,001	136,301	100,026	6.5%	6.5%
21	Toyoko Inn Hakataguchi Ekimae	Limited-service	Economy	257	Fukuoka	12.3	1,652	1,541	1,930	6.3%	2,060	6.1%	1.0%	141,039	127,776	106,385	7.7%	7.7%
22	Hotel Keihan Universal City	Resort	Mid-price	330	Osaka	12.5	6,000	6,125	6,840	6.6%	7,070	6.4%	3.8%	561,978	494,538	413,569	8.2%	8.2%
23	Chisan Inn Kamata	Limited-service	Economy	70	Tokyo	10.7	823	821	671	6.0%	712	5.8%	0.5%	50,142	38,291	27,852	4.7%	4.7%
24	Hotel Vista Kamata Tokyo	Limited-service	Economy	106	Tokyo	21.9	1,512	1,464	1,080	5.8%	1,290	5.5%	1.0%	93,604	75,665	50,418	5.0%	5.0%
25	Hotel Sunroute Shimbashi	Limited-service	Mid-price	220	Tokyo	5.8	4,800	4,914	5,670	5.1%	5,720	5.1%	3.0%	350,121	295,151	274,078	6.1%	6.1%
26	Hilton Tokyo Bay Hotel	Resort	Luxury	818	Chiba	25.5	26,050	26,264	29,400	5.1%	29,500	5.1%	16.4%	1,283,669	1,169,472	1,055,538	-	6.6%
27	Ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	33.3	7,243	7,478	5,510	5.2%	5,740	5.3%	4.6%	545,640	352,313	292,774	4.9%	4.9%
28	Ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kyoto	4.8	6,600	6,770	6,740	5.2%	6,750	5.2%	4.2%	92,775	81,750	74,815	-	7.3%
Total or Average		-	-	6,792	-	17.7	158,902	156,350	163,827	-	166,237	-	100%	11,472,924	9,907,696	7,602,340	6.2%	6.7%

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

(\*2) In terms of 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 purchase price on the Purchase Agreement for the Beneficial Interest in Trust or Real Estate Purchase Agreement is indicated., excluding consumption tax, brokerage fee and other purchase related costs.

(\*5) Book value as of the end of December 2013.

(\*6) No. 26 and No. 28 are appraisal values at the time of acquisition.

(\*7) No. 9 was sold on January 24, 2014 and appraisal value shows disposition price. (No appraisal value is available as of December 31, 2013.)

(\*8) Investment ratio: The percentage of the purchase price to the total purchase price. Fractions after two decimal places are rounded off.

(\*9) Actual for the period from January 2013 to December 2013. The actual for the disposed two properties (Hotel Vista Hashimoto, Pearl Hotel Kayabacho) are included (Real estate operating income: 235,144 thousand yen, NOI: 199,437 thousand yen, Real estate profit and loss: 163,379 thousand yen).

Lessee did not agree to disclose numbers in units of JPY1000 for Nos. 12, 13 and 18. Fractions less than JPY1M are rounded down.

(\*10) The actual NOI yields were not calculated for No. 26 and No. 28, as they were acquired in this period. The overall NOI yield= Actual NOI for FY12/2013 / Total purchase price of the assets owned at the end of the period.

(\*11) With respect to the acquired/disposed properties, each NOI is calculated by annualizing the actual NOI (Actual NOI / holding period x 365 days).

(\*12) "Dormy Inn Asakusa" was changed to "Dormy Inn EXPRESS Asakusa" in February 1, 2014. (The same applies hereafter.)

## 2. Summary of lease contracts (1/2)

No.	Property name	Rent type	Lessee	Hotel operator/Hotel consulting and management company	Lease tem	Remaining contract term	Contractual rent	Rent summary	Rent modification summary (Acquisition to 2012)		Rent modification schedule (2013~2015)		
									Term	Condition (*4)	2013	2014	2015
1	Kobe Meriken Park Oriental Hotel	Fixed + Variable	Hotel Management Japan Co., Ltd.	Abilitas Hospitality Co., Ltd.	8	6	<Fixed rent> JPY3,221M + <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	13	JPY42M/month	The same rent will be applied until expiration of the contract.	—	—	—	—	—
7	Hakone Setsugetsuka	Fixed			20	13	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.	—	—	—	To be renewed (Apr.)	—
9	Dormy Inn Namba	Fixed		(Sold in January 24, 2014.)									
10	Dormy Inn Suidobashi	Fixed			10	1	JPY7M/month	The same rent will be applied until expiration of the contract.	—	—	—	—	Expire (Jun.)
11	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.)
12	Hakata Nakasu Washington Hotel Plaza	Fixed	Washington Hotel K.K.		20	1	JPY20M/month	The same rent is applied from April 21, 2012 though expiration of the contract.	Apr. 2012	Reduced (-7.5%)	—	—	Expire (Mar.)
13	Nara Washington Hotel Plaza	Fixed			20	6	JPY11M/month	Rent can be modified through mutual agreement.	—	—	—	—	—
14	R & B Hotel Ueno-Hirokoji	Fixed			20	8	JPY8M/month	Rent can be modified through mutual agreement.	Apr. 2011	Increased (+ 3.0%)	—	—	—
15	R & B Hotel Higashi-Nihombashi	Fixed			20	4	JPY10M/month	Rent can be modified through mutual agreement.	Apr. 2010	Increased (+ 5.0%)	Renewed with same rent (Apr.)	—	—
16	Comfort Hotel Tokyo Higashi Nihombashi	Fixed	Greens Co., Ltd.		20	14	JPY21M/month	Rent can be modified through mutual agreement every five years.	—	—	Renewed with same rent (Jan.)	—	—
17	Comfort Hotel Shin-Yamaguchi	Fixed			20	14	JPY5M/month	Rent can be modified through mutual agreement every three years.	Sep. 2010	Same	Renewed with same rent (Sep.)	—	—

## 2. Summary of lease contracts (2/2)

No.	Property name	Rent type  (*1)	Lessee	Hotel operator/Hotel consulting and management company	Lease tem	Remaining contract term  (*2)	Contractual rent  (*3)	Rent summary	Rent modification summary (Acquisition to 2012)		Rent modification schedule (2013~2015)		
									Term	Condition (*4)	2013	2014	2015
18	Daiwa Roynet Hotel Akita	Fixed	DAIWAROYAL Co., Ltd.		20	13	JPY11M/month	Rent can be modified through mutual agreement every five years.	—	—	—	—	—
19	Smile Hotel Nihombashi-Mitsukoshimae	Fixed	The Kamogawa Grand Hotel, Ltd.		20	3	JPY11M/month	Rent can be modified through mutual agreement.	Apr. 2010	Reduced (-12.3%)	Renewed with same rent (Apr.)	To be renewed (Apr.)	—
20	Hotel Sunroute Niigata	Fixed	Sunroute Co., Ltd.		13	3	JPY13M/month	The same rent will be applied until expiration of the contract.	—	—	—	—	—
21	Toyoko Inn Hakataguchi Ekimae	Fixed	Toyoko Inn Co., Ltd.		30	18	JPY11M/month	No rule has been stipulated.	Oct. 2007	Increased (+9.4%)	—	—	—
22	Hotel Keihan Universal City	Fixed	K.K. Hotel Keihan		20	8	Nondisclosure	Nondisclosure	—	—	—	—	—
23	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.	—	—	—
24	Vista Hotel 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.	—	—	Expire (Jun.)
25	Hotel Sunroute Shimbashi	Fixed + Upside sharing	Sunroute Co., Ltd.		15	9	JPY18M/month + Upside sharing	No rule has been stipulated.	—	—	—	—	—
26	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.	—	—	—	—	Expire (Jun.)
27	Ibis Tokyo Shinjuku	Management contract	—	A.A.P.C. Japan K.K.	12	11	Amount equivalent to hotel GOP	-	Jul. 2012	Scheme is modified.	—	—	—
28	Ibis Styles Kyoto Station	Management contract			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 term as of December 31, 2013.

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

(\*4) Detail of rent summary is as follows:

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

No. 23: Fixed rent was replaced with variable rent with replacement of the operator.

No. 24: Fixed rent was reviewed and the upside-sharing scheme was additionally applied.

No. 27: JHR has commenced a direct management contract scheme.

### 3. JHR's operation methods

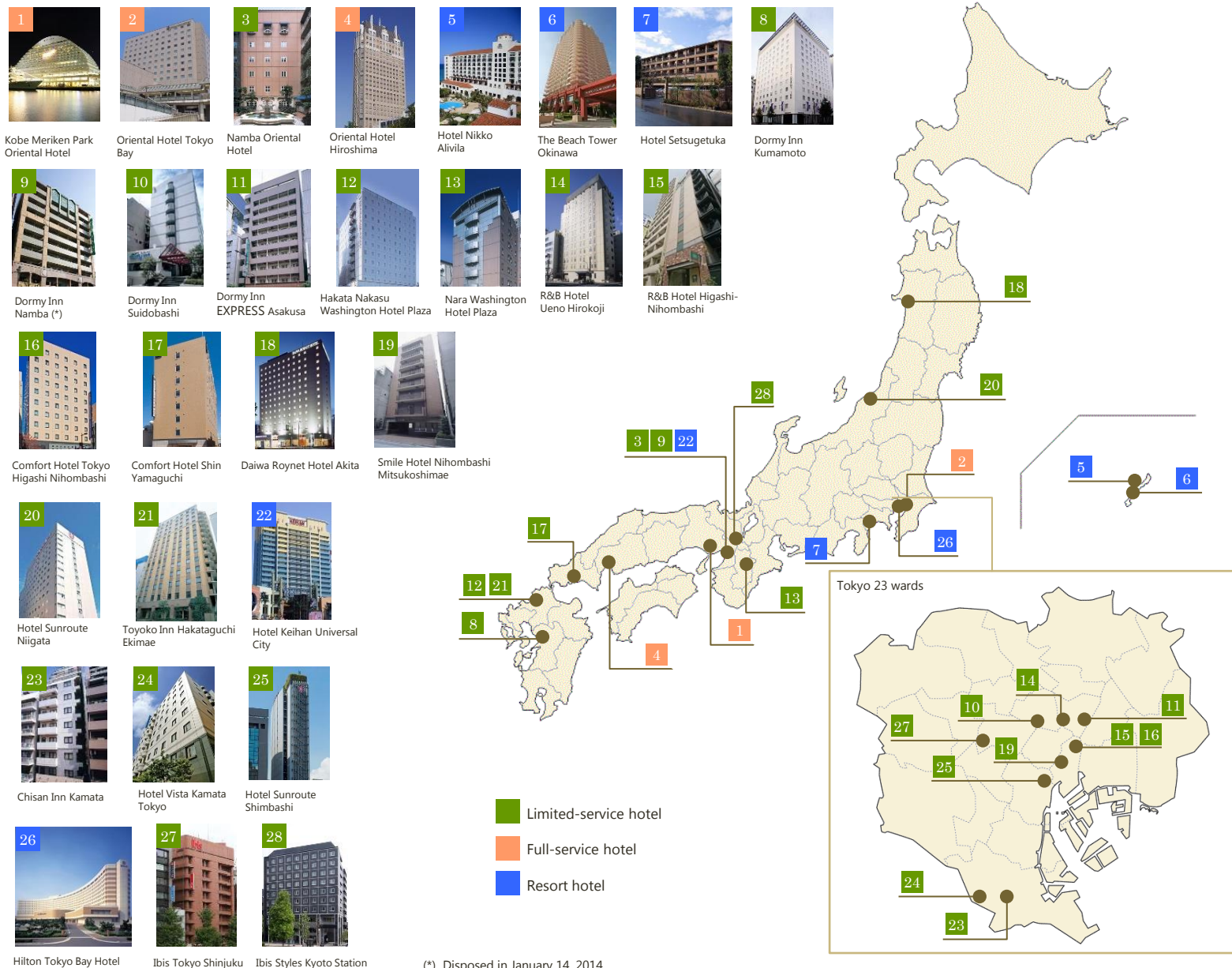


Type of rent	Fixed rent	Fixed rent + Upside sharing	Fixed rent + Variable rent	Variable rent	Management contract scheme	Total
Type of contract	Lease contract	Lease contract	Lease contract	Lease contract	Management contract	
Detail	JHR receives fixed rent on monthly basis.	JHR receives fixed rent on monthly basis.	JHR receives fixed rent on monthly basis.	—	—	—
	—	When lessee's sale exceeds the pre-agreed amount, JHR receives additional rent.  Excess of sales × Pre-agreed %	JHR receives variable rent according to the following formula:  GOP of Hotel (lessee) × Pre-agreed %	JHR receives variable rent according to the following formula:  GOP of hotel (lessee) × Pre-agreed %	Hotel's GOP is JHR's revenue.	—
		There is no assurance that the hotel sales will exceed the pre-agreed amount every year. Thus, there is no guarantee that JHR can share the upside every year.	There is almost no case where GOP goes down below zero. Thus, JHR receives variable rent every year in principle.	There is almost no case where GOP goes down below zero. Thus, JHR receives variable rent every year in principle.	JHR pays fees from the income above (hotel GOP).	
Economic sensitivity	Low	Relatively higher	High	High	High	—
Operating income (%)	3,549M (30.9%)	1,727M (15.1%)	5,507M (48.0%)	50M (0.4%)	638M (5.6%)	11,472M (100.0%)
Break-down	Fixed portion (%)	3,549M (30.9%)	1,693M (14.8%)	—	196M (1.7%)	8,661M (75.5%)
	Variable portion (%)	—	34M (0.3%)	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) Fixture and equipment 3) Strategic investment	1) Renewal of building and facilities 2) Fixture and equipment 3) Strategic investment	—
No. of properties	17 <sup>(*)</sup>	3	5	1	2	28
Purchase 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.



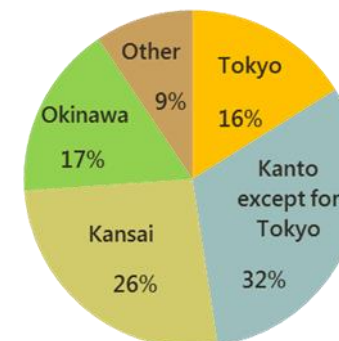
# 4. Portfolio map (as of the end of December 2013)



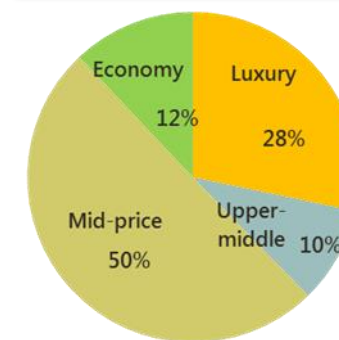
Hotel type























Area



Grade



# 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
Year built	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 rents**

# 1. Hotel performance indicators (1)

## HMJ's five hotels in total

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY M)	2010	1,396	1,462	1,843	1,655	1,961	1,572	1,910	2,382	1,755	1,986	1,727	1,749	21,396
	2011	1,466	1,390	1,341	1,296	1,640	1,387	1,940	2,282	1,727	1,974	1,904	1,876	20,223
	2012	1,402	1,416	1,935	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
Occupancy rate	2010	66.1%	76.2%	80.8%	80.1%	79.3%	78.6%	81.9%	91.5%	87.9%	86.1%	79.6%	76.2%	80.4%
	2011	74.6%	75.8%	61.3%	52.6%	69.2%	72.0%	82.3%	90.4%	87.3%	88.0%	86.3%	80.7%	76.7%
	2012	72.3%	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%
ADR (JPY)	2010	12,971	11,870	15,846	13,518	16,494	13,104	19,105	25,288	15,745	15,203	13,833	16,063	15,980
	2011	12,912	12,213	14,091	14,006	14,926	12,328	18,983	25,157	16,284	15,240	13,705	16,731	15,846
	2012	12,907	11,693	16,093	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
RevPAR (JPY)	2010	8,572	9,044	12,797	10,827	13,082	10,307	15,641	23,148	13,846	13,089	11,018	12,242	12,845
	2011	9,632	9,258	8,642	7,368	10,322	8,876	15,631	22,748	14,223	13,404	11,825	13,498	12,160
	2012	9,337	9,289	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

## Kobe Meriken Park Oriental Hotel

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



# 1 . Hotel performance indicators (2)

## Oriental Hotel Tokyo Bay

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

## Namba Oriental Hotel

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

# 1. Hotel performance indicators (3)

## Hotel Nikko Alivila

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

## Oriental Hotel Hiroshima

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY M)	2010	131	163	193	188	170	164	176	153	159	188	178	204	2,067
	2011	116	153	170	154	172	139	159	123	148	190	204	210	1,939
	2012	129	169	188	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
Occupancy rate	2010	59.3%	64.2%	73.0%	69.6%	70.0%	63.0%	74.3%	85.0%	70.0%	74.1%	74.3%	65.9%	70.3%
	2011	57.5%	61.0%	60.8%	53.0%	65.1%	60.1%	63.1%	75.3%	76.6%	77.0%	79.4%	76.2%	67.1%
	2012	60.8%	63.8%	69.6%	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%
ADR (JPY)	2010	8,455	8,475	8,627	8,295	9,726	8,194	9,023	9,812	8,777	8,873	8,920	8,894	8,876
	2011	8,297	8,577	8,783	8,597	8,802	7,626	8,461	9,170	8,264	8,406	8,367	8,327	8,479
	2012	7,627	7,886	8,248	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
RevPAR (JPY)	2010	5,014	5,439	6,296	5,776	6,809	5,163	6,708	8,335	6,148	6,577	6,631	5,865	6,240
	2011	4,768	5,235	5,337	4,560	5,727	4,581	5,340	6,904	6,334	6,468	6,647	6,342	5,692
	2012	4,640	5,035	5,744	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

# 1 . Hotel performance indicators (4)

## Ibis Tokyo Shinjuku

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY M)	2010													
	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
Occupancy rate	2010													
	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%
ADR (JPY)	2010													
	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
RevPAR (JPY)	2010													
	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

## Ibis Styles Kyoto Station

		January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales (JPY M)	2010													
	2011													
	2012													
	2013											76	47	
Occupancy rate	2010													
	2011													
	2012													
	2013											86.4%	69.0%	
ADR (JPY)	2010													
	2011													
	2012													
	2013											12,846	9,566	
RevPAR (JPY)	2010													
	2011													
	2012													
	2013											11,106	6,599	

## **Appendix 3**

### **Investors composition and investment unit price**



# 1. Major unitholders and owners of the investment units

## Top ten major unitholders

### ◆ As of the end of December 2012

Ranking	Name	No. of units	Percentage <sup>(*)</sup>
1	Taiyo Investment Specific Purpose Company <sup>(*)</sup>	257,059	12.17
2	Japan Trustee Service Bank, Ltd. (Trust)	202,934	9.61
3	Umi Investment Specific Purpose Company <sup>(*)</sup>	173,400	8.21
4	Trust and Custody Services Bank, Ltd. (Securities Investment Trust)	164,593	7.79
5	The Master Trust Bank of Japan, Ltd. (Trust)	160,327	7.59
6	The Nomura Trust and Banking Co., Ltd. (Trust)	84,219	3.98
7	Nomura Bank Luxemburg S.A.	68,045	3.22
8	Shikoku Railway Company	58,311	2.76
9	Goldman Sachs International	39,904	1.89
10	Nomura P.B. Nominees T.K. One Limited	28,320	1.34
Total		1,237,112	58.59

### ◆ As of the end of December 2013

Ranking	Name	No. of units	Percentage <sup>(*)</sup>
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 <sup>(*)</sup>	127,204	4.85
6	Nomura Bank Luxemburg S.A.	77,718	2.96
7	Umi Investment Specific Purpose Company <sup>(*)</sup>	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

(\*)1 The total units held by each investor to the total units issued by JHR as of the end of December 2012 and the end of 2013 (Rounded off to two decimal places).

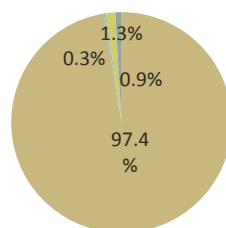
(\*)2 Both Taiyo Investment Specific Purpose Company and Umi Investment Specific Purpose Company are the SPCs established through the intention of RECAP Group.

## Owners of the Investment units

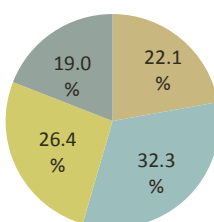
### ◆ As of the end of December 2012

Owners	No. of investors	No. of units
Individuals and other	13,277	468,320
Financial institutions (including securities firms)	46	682,373
Other domestic firms	184	558,068
Foreign firms and individuals	123	402,520
Total	13,630	2,111,281

No. of investors



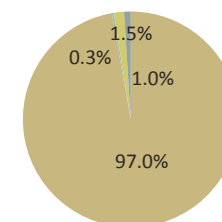
No. of units



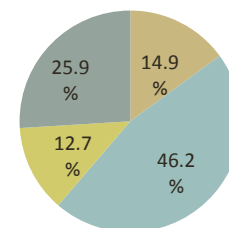
### ◆ As of the end of December 2013

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

No. of investors



No. of units



(\*) 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.)

## 2. Changes in the investment unit price and market capitalization

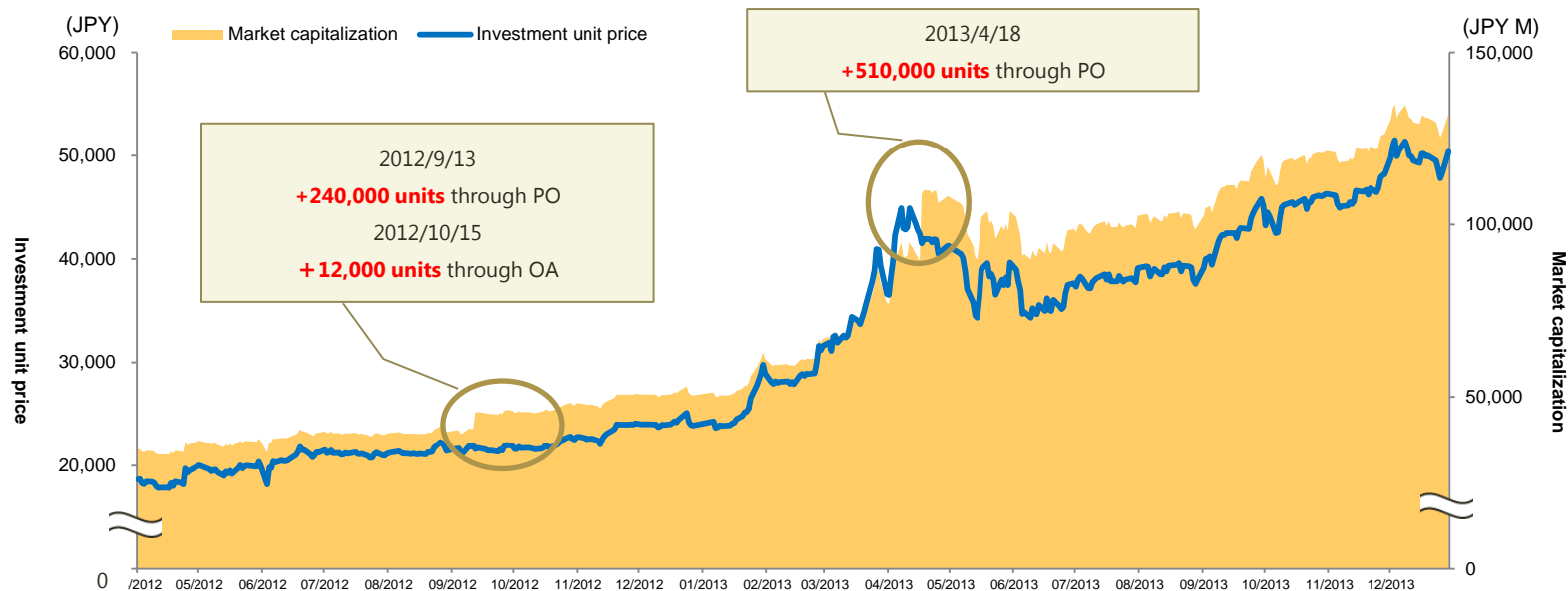
### Changes in the investment unit price and market capitalization (Based on the closing price)

Price of the investment unit:  
**JPY50,400.-**

Total market capitalization  
**JPY132,113M**

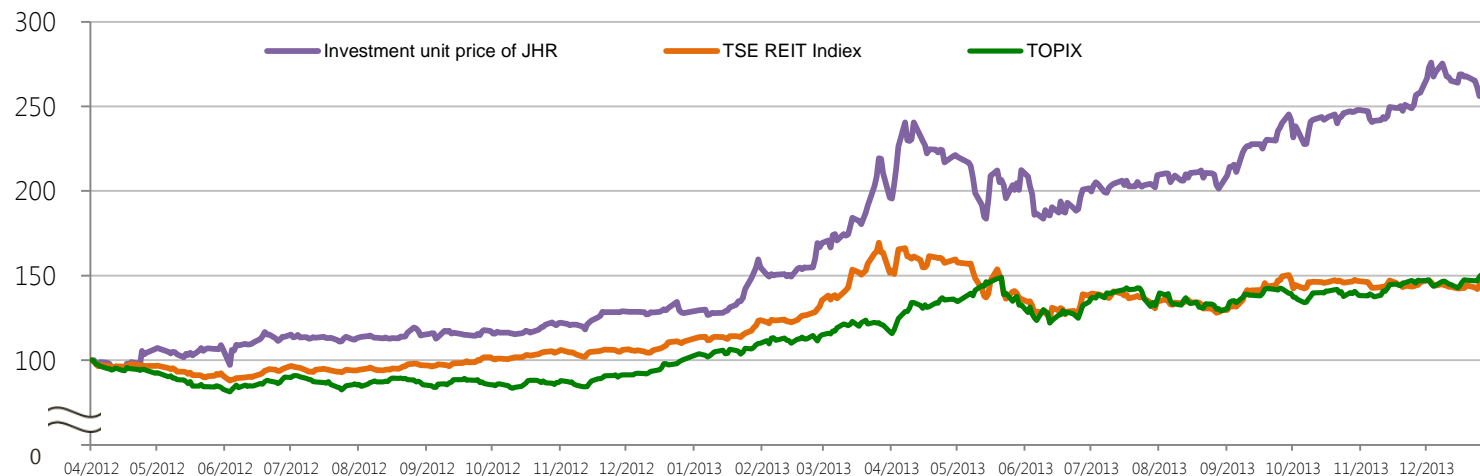
(Based on the closing price of December 30, 2013)

(\*) Price of the real estate investment securities may fall depending on the price of the real estate or fluctuations in profitability, etc., and investors may suffer losses. Investors may also suffer losses through the bankruptcy or deteriorated finances of the issuer. With reference to the risk of investment in JHR units, see Securities Report of JHR dated March 22, 2013 and Mid-term financial report dated September 20, 2013.



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

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



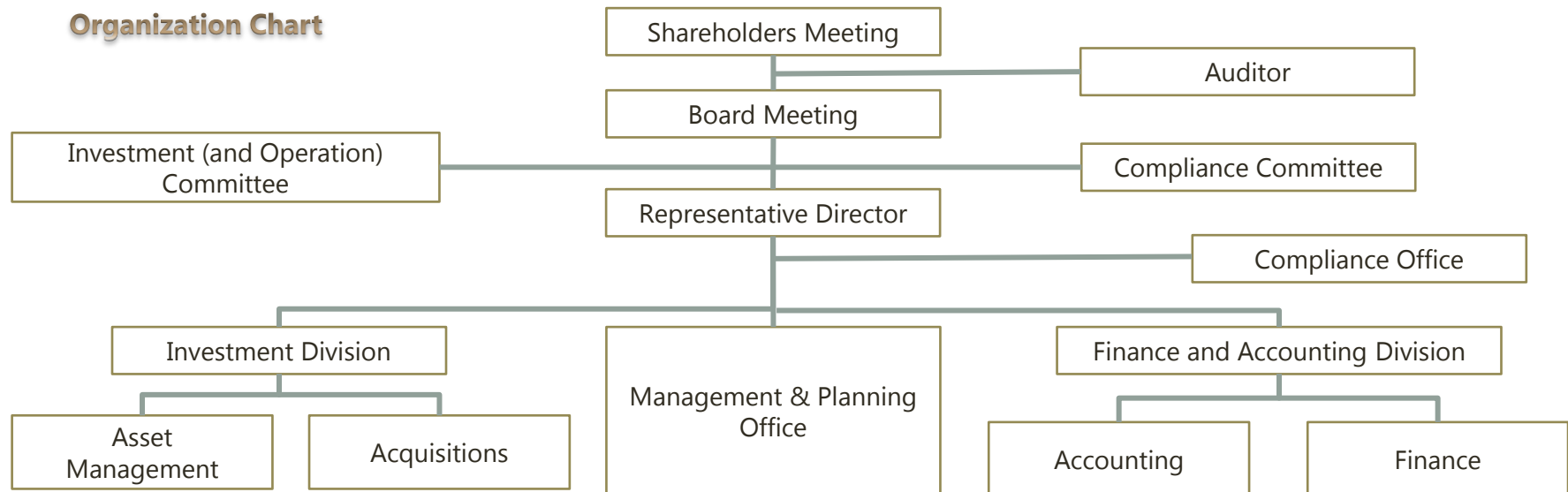
## **Appendix 4**

### **Summary of the asset management company**

# 1. Summary of the asset management company

<b>Company</b>	Japan Hotel REIT Advisors Co., Ltd.
<b>Location</b>	Ebisu Neonato 4F, 4-1-18 Ebisu, Shibuya-ku, Tokyo 150-0013
<b>Establishment</b>	August 10, 2004
<b>Capital</b>	JPY300M (as of December 31, 2013)
<b>Shareholders</b>	Rockrise Sdn Bhd, Kyoritsu Maintenance Co., Ltd., Orix Real Estate Corporation
<b>Representative Director</b>	Hiroyuki Suzui
<b>Registration and Licenses</b>	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 by Director of Kanto Local Finance Bureau, No. 334 Member of The Investment Trust Association, Japan

## 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, the RECAP group<sup>(\*)</sup>, and strong 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”<sup>(\*)</sup>. 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.

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

<sup>(\*)</sup> 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**

# 1. Tourism related information

## Status of overseas travelers

- ▶ The number of overseas travelers exceeded 10,000,000, the goal set by the government.

The number of overseas travelers in 2013: 10,363,900  
(+24% compared with the previous period)

Source: Japan National Tourist Organization (JNTO)

~History of national tourism promotion~

- 2003 Apr. "Visit Japan Campaign" launched.
- 2007 Jan. The Tourism Nation Promotion Basic Law" was implemented.
- 2012 Mar. The Tourism Nation Promotion Basic Plan (Revised and decided on by the cabinet)
- Dec. "Basic policy for Promoting Tourists Visit and Stay Through Development of Tourism Areas" revised.

2013 Jun. **Japan Revitalization Strategy** (Decided on by the cabinet in June 14, 2013)

Goals for the tourism business

No. of overseas travelers	2013 Achieved 10,000,000 2030 Exceed 30,000,000
Consumption of overseas travelers	2030 JPY4.7T

### "Action program for realizing a tourism nation" was made

(Tourism nation promotion cabinet meeting)(\*)

- ① Create "Japan brand" and send messages
- ② Promote inbound travels through mitigation of visa requirements
- ③ Improvement of environment to accept more overseas travelers
- ④ Solicit international meetings (MICE) and promote investment

(\*) Policy meeting consisting of all cabinet members. It was established in March 2013 to realize a tourism nation.

2014

### Promote tourism policies further to establish a tourism nation

Taking advantage of the forthcoming Tokyo Olympic and Paralympic Games, the government made the basic policy with the aim of receiving 20,000,000 overseas travelers by 2020. (Council for Industrial Competitiveness on January 20, 2014)

## Domestic economic trend and consumption trend

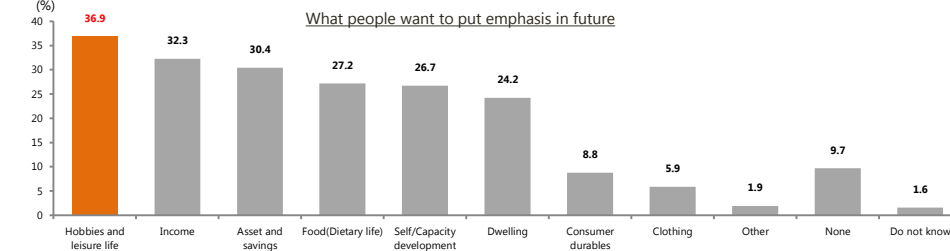
### ▶ Sign of income effect

- ✓ Companies that plan to raise salaries (regular pay raise) : **79.8% (+4.5% compared with last year)**
- ✓ Year-end bonus of the major domestic companies: **822,121 (+5.79% compared with last year)**

Source: Nihon Keizai Shinbun dated November 14, 2013 and November 29, 2013

### ▶ Consumption trends: "Shopping" to "Enjoy the pastime"

- ✓ According to the attitude survey concerning the lifestyles of Japanese people, those who want to emphasize "hobbies and leisure life" in the future account for the highest level (36.9%).



Source: Survey concerning Japanese lifestyle by Office of Public Relations, Minister's Secretariat, Cabinet Office

- ✓ According to the on-line investigation in December 2013, the top three products and services people want to buy or increase the number of times using are all related to hobbies and leisure life.

\* Target: 1,035 men and women aged twenty and over in Japan.

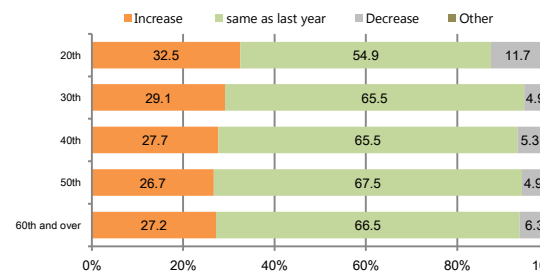
- 1st Domestic travel (33%)
- 2nd Overseas travel (16%)
- 3rd Dining-out (13%)

Source: Nihon Keizai Shinbun dated January 6, 2014

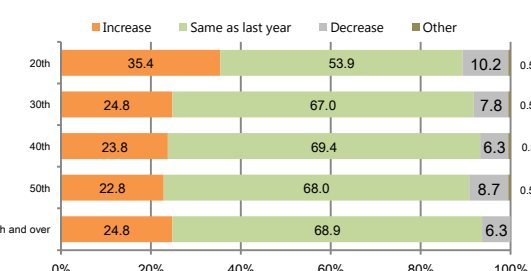
### ▶ People are highly motivated to travel even after a consumption tax hike.

- ✓ According to the investigation conducted by the asset management company of JHR in the middle of October 2013(\*), those who intend to increase travel expenditures for one trip account for 20% to 30%, and more than 50% intend to keep the same level spending as that of the previous year.

Number of trips for 2014



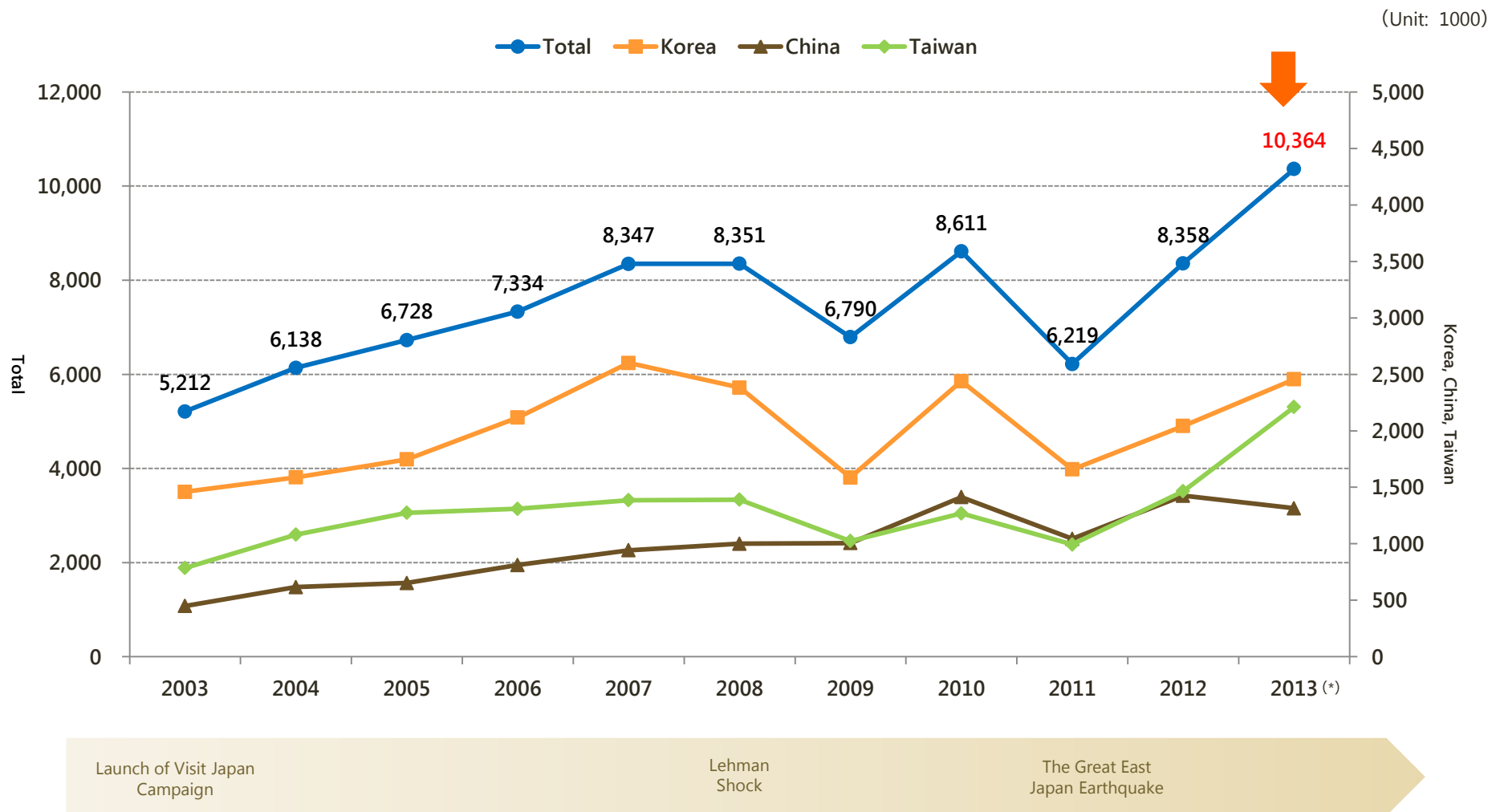
Travel expenses for 2014



\* Target: 1,000 men and women at the 20's to 60's and over who reside in Tokyo, Saitama, Chiba, and Kanagawa prefectures.

## 2. Changes in the number of overseas travelers

The number of overseas travelers has been steadily increasing since the launch of the Visit Japan Campaign. It fell temporarily in 2009 and 2011 due to the Lehman Shock and Great East Japan Earthquake disaster but recovered the following year. The Visit Japan campaign marked its 10<sup>th</sup> anniversary in 2013 and the number of overseas travelers showed the highest on record, exceeding the goal of 10,000,000 set by the government.



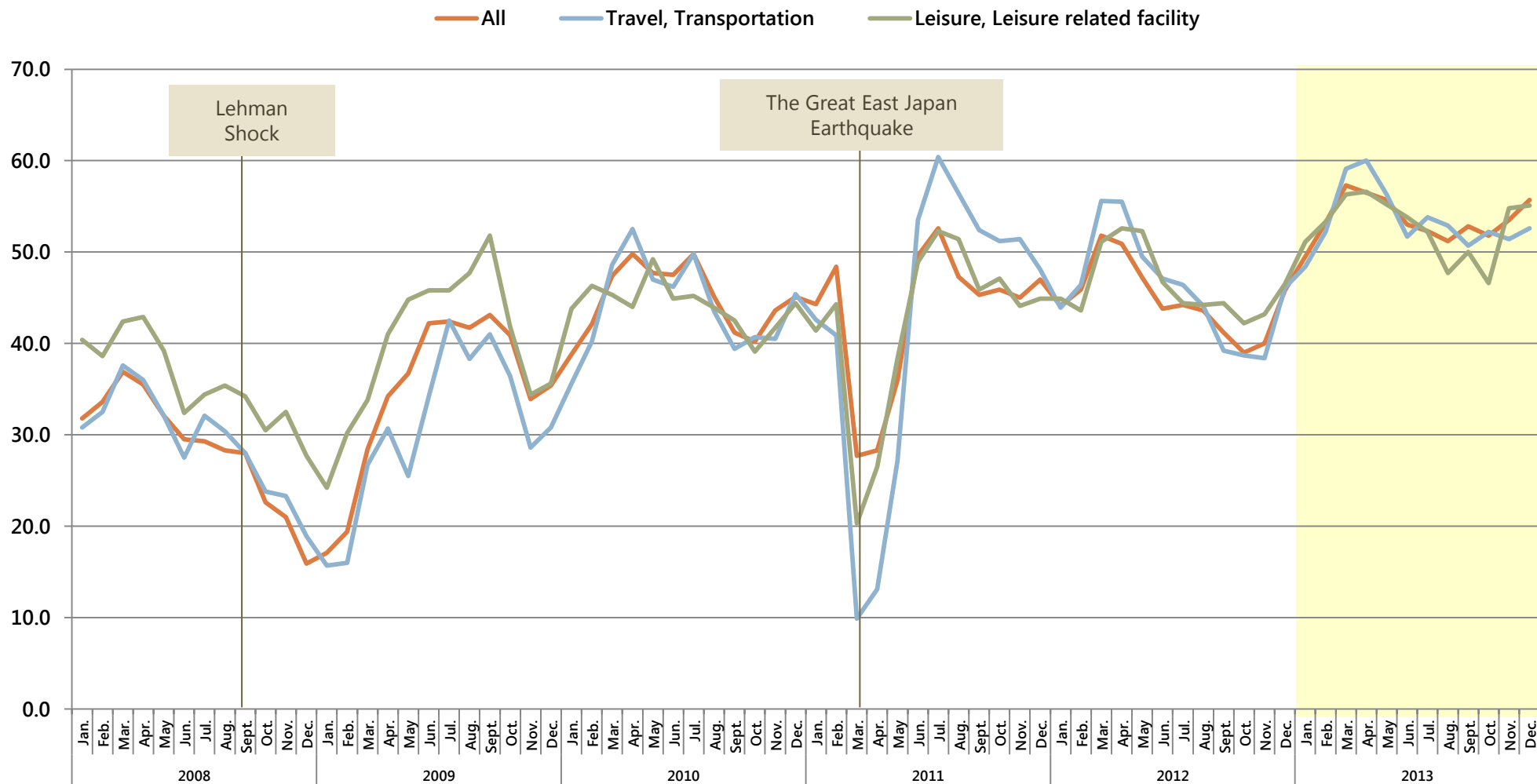
(\*) The numbers from January through October 2013 are provisional numbers calculated by JNTO based on the material made by the Ministry of Justice. The numbers for November and December are calculated based on JNTO's own investigation.

Source: JNTO



### 3. Economic assessment and direction / Changes in DI by industry

According to the Economic Watcher Survey of the Cabinet Office, diffusion indexes (DI) for the overall industries and tourism related industry have almost recovered from the Lehman Shock and the Great East Japan Earthquake disaster. They tended to grow further in 2013 compared with the previous year, and a level of around 50 was kept throughout the year.



Source: Cabinet office

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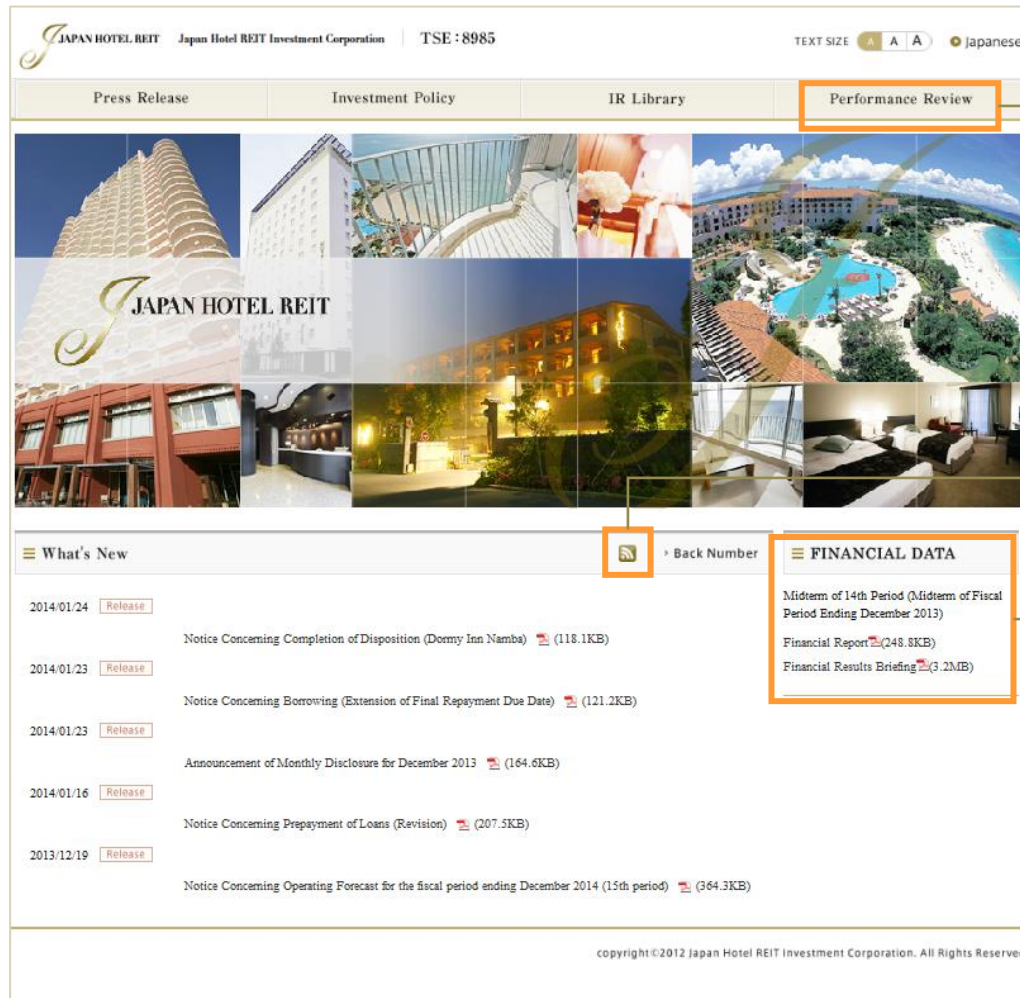
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In addition to the statutory disclosure, JHR discloses important and advantageous information swiftly and properly for investors.



## Website address

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

### ► Performance Review

Monthly performance (occupancy rate and sales, etc.) of the hotels paying variable rent 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) are available.