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REIT Issuer:
Japan Hotel REIT Investment Corporation (TSE code: 8985)
Kaname Masuda, Executive Director

Asset Management Company:
Japan Hotel REIT Advisors Co., Ltd.
Hisashi Furukawa, Representative Director and President
Contact:
Makoto Hanamura
General Manager
Investor Relations Department, Operations Division
TEL: +81-3-6422-0530

Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2016 (17th Period)

Japan Hotel REIT Investment Corporation (hereinafter called "JHR") informs you of the revision of the operating forecast for the full year of the fiscal year ending December 2016 (January 1, 2016 through December 31, 2016) and the operating forecast for the midterm of the fiscal year ending December 2016 (January 1, 2016 through June 30, 2016), which were announced in the "Notice Concerning Revision of Operating Forecast for Fiscal Year Ending December 2016 (17th Period)" dated July 7, 2016, as follows.

1. Revision of the operating forecast and forecast of dividend for the full year ending December 2016 (January 1, 2016 through December 31, 2016)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Previous forecast (A)	JPY1M 22,095	JPY1M 13,621	JPY1M 11,841	JPY1M 11,751	JPY 3,318	JPY 0
Revised forecast (B)	JPY1M 22,281	JPY1M 13,760	JPY1M 11,980	JPY1M 11,890	JPY 3,356	JPY 0
Variance (C)= (B)－(A)	JPY1M 186	JPY1M 139	JPY1M 139	JPY1M 139	JPY 38	JPY 0
Variance (D)= (C)/(A)	% 0.8	% 1.0	% 1.2	% 1.2	% 1.1	% 0

2. Operating status for the midterm of the fiscal year ending December 2016 (January 1, 2016 through June 30, 2016)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Previous forecast (A)	JPY1M 9,199	JPY1M 5,427	JPY1M 4,569	JPY1M 4,479	JPY ―	JPY ―
Revised forecast (B)	JPY1M 9,390	JPY1M 5,682	JPY1M 4,868	JPY1M 4,778	JPY ―	JPY ―
Variance (C)= (B)－(A)	JPY1M 191	JPY1M 255	JPY1M 298	JPY1M 298	JPY ―	JPY ―
Variance (D)= (C)/(A)	% 2.1	% 4.7	% 6.5	% 6.7	% ―	% ―

(Reference) Forecast of net income per unit for the full year: ¥3,396
(Calculated based on the forecast of the average number of investment units during the period (3,501,175 units)

(*1) Dividend per unit is calculated based on the number of investment units issued as of today: 3,761,907 units

(*2) Reserve for dividends in the amount of ¥736 million is planned to be allocated as a part of dividend payment.

(*3) For the assumptions of the operating forecast above, please refer to "<Reference Information> Assumptions of the operating forecast for the full fiscal year ending December 2016 (17th period)" below.

(*4) Amounts are rounded down to the nearest millions of yen and percentages are rounded off to one decimal place.

3. Rationale for the revisions of the operating forecast

Major factors for the difference between the operating forecast for the full fiscal year ending December 2016 (17th Period) and the operating status for the midterm of the fiscal year ending December 2016 (17th Period) and the previous forecast are as follows.

(1) Full fiscal year ending December 2016 (January 1, 2016 through December 31, 2016)

The increases in variable rent and income from management contracts resulting from an increase in GOP (*1) of the eight HMJ hotels (*2), the six Accor hotels (*3), and the six *the b* hotels (*4) are the major factors. As a result, JHR has forecasted an increase in operating revenue by ¥186 million compared with the previous forecast.

Also, by reviewing various expenses, JHR has forecasted an increase in operating expenses by ¥47 million and non-operating expenses, etc. are not expected to be changed from the previous forecast.

For hotel sales and hotel GOP for the eight HMJ hotels, the six Accor hotels, and the six *the b* hotels, please refer to <Reference Materials 1> <1> Sales and GOP of the HMJ Group Hotels (*2), <2> Sales and GOP of the Six Accor Hotels, and <3> Sales and GOP of the Six *the b* Hotels in <Reference Information> Assumptions of the operating forecast for the full fiscal year ending December 2016 (17th period) below.

(2) Midterm for the fiscal year ending December 2016 (January 1, 2016 through December 31, 2016)

The increase in variable rent and income from management contracts resulting from an increase in GOP of the eight HMJ hotels, the six Accor hotels, and the six *the b* hotels, operating revenue is expected to increase by ¥191M compared with the previous forecast. Also, operating expenses and non-operating expenses are expected to decrease by ¥64M and ¥42M, respectively.

(*1) GOP is Gross Operating Profit, which is the remaining amount calculated by deducting expenses incurred from hotel operation, such as personnel cost and general and administrative expenses, from hotel sales. The same shall apply hereafter.

(*2) The eight HMJ hotels are five hotels, namely, Kobe Meriken Park Oriental Hotel, Oriental Hotel tokyo bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima (the five hotels hereinafter collectively called "the five HMJ hotels") plus Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel (the main facility of ACTIVE-INTER CITY HIROSHIMA) and Hotel Centraza Hakata. The HMJ group hotels are the eight HMJ hotels plus HOTEL VISTA GRANDE OSAKA, which was acquired on August 1, 2016. HMJ is the abbreviation for Hotel Management Japan Co., Ltd. The same shall apply hereafter.

(*3) The six Accor hotels are ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo and Mercure Okinawa Naha, and Mercure Yokosuka. The same shall apply hereafter.

(*4) The six *the b* hotels are the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji and the b hakata (the five hotels hereinafter collectively called "the five *the b* hotels") plus the b suidobashi (rebranded from Dormy Inn Suidobashi on July 1, 2015). The same shall apply hereafter.

4. Highlights of the operating forecast and forecast of dividend

(1) Comparison with the operating forecast (previous forecast) announced in the "Notice Concerning Revision of Operating Forecast for Fiscal Year Ending December 2016 (17th Period)" dated July 7, 2016 and major factors causing the variance with the previous forecast on annualized effect.

(millions of yen)

		17th Period				Comparison with Previous Forecast		Factors for the variance
		Previous Forecast (*1)		Forecast This Time				
		(A)	Annualized	(B)	Annualized (*2)	(B)-(A)	Variance	
Properties	No. of properties	41	41	41	41	-	-	
	Acquisition price	286,801	286,801	286,801	286,801	-	-	
Profit and Loss	Operating revenue	22,095	24,357	22,281	24,567	186	0.8%	
	Real estate operating revenue	22,095	24,357	22,281	24,567	186	0.8%	
	Fixed rent	Composition 57.7% 12,745	Composition 56.6% 13,774	Composition 57.2% 12,736	Composition 56.1% 13,778	(9)	(0.1%)	Increase in fixed rent, etc. JPY13M Decrease in utilities income, etc. -JPY22M
	Variable rent	42.3% 9,349	43.4% 10,582	42.8% 9,545	43.9% 10,788	195	2.1%	Increase in variable rent, income from management contracts, and revenue sharing: The HMJ Group Hotels JPY96M, the Six Accor Hotels JPY70M, the Six *the b* Hotels JPY23M, and others.
	Gain on sale of real estate properties	-	-	-	-	-	-	
	NOI (*3)	18,742	20,178	18,918	20,378	175	0.9%	
	NOI yield	*6.5%*	*7.0%*	*6.6%*	*7.1%*	*0.1%*		
	NOI after depreciation (*3)	15,402	16,581	15,541	16,744	139	0.9%	Increase in operating expenses: JPY47M
	NOI yield after depreciation	*5.4%*	*5.8%*	*5.4%*	*5.8%*	*0.0%*		
	Operating income	13,621	14,637	13,760	14,800	139	1.0%	
	Net income	11,751	12,869	11,890	13,008	139	1.2%	
Dividend	Use of negative goodwill	730	155	736	160	5	0.7%	
	Total dividends	12,482	13,023	12,624	13,166	142	1.1%	
	No. of units issued	3,761,907	3,761,907	3,761,907	3,761,907	-	-	
	Dividend per unit (JPY)	3,318	3,462	3,356	3,500	38	1.1%	

(*1) Operating forecast for the fiscal year ending December 2016 (17th period) announced in "Notice Concerning Revision of Operating Forecast for Fiscal Year Ending December 2016 (17th Period)" dated July 7, 2016 and annualized effect based on "<Reference Materials 2> Assumptions of the forecast of annualized effect" in the same press release.

(*2) For the assumptions of the forecast (this time) of the annualized effect (hypothetical result), please refer to "<Reference Materials 2 > Assumptions of the forecast of the annualized effect" below. The annualized effect is shown for reference purpose only calculated based on the assumption that if the asset acquired and asset anticipated to be acquired during the Fiscal Year Ending December 2016 (17th Period) are contributed for a full year basis, and does not represent any forecasts for the operating status and dividend of JHR in a specific calculation period.

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

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

NOI yield = NOI ÷ (Anticipated) acquisition price

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

NOI yield after depreciation = NOI after depreciation ÷ (Anticipated) acquisition price

[Note]
The above is the operating forecast as of today, and actual dividend per unit may fluctuate. This forecast does not guarantee the amount of dividend shown above.

* Website of Japan Hotel REIT Investment Corporation: http://www.jhrth.co.jp/en/

<Reference Information> Assumptions of the operating forecast for the full fiscal year ending December 2016 (17th period)

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Calculation period</td><td>・Full year (17th Period): January 1, 2016 through December 31, 2016 (366 days)</td></tr>
<tr><td>Assets under management</td><td>・The 38 properties owned by JHR as of the end of June 2016, plus the following three assets (Acquired Assets and Asset for Anticipated Acquisition), to total 41 properties are assumed.

<Acquired Assets and Asset for Anticipated Acquisition>
<table>
<tr><th>Acquisition date (Scheduled acquisition date)</th><th>Name of asset</th></tr>
<tr><td>August 1, 2016</td><td>HOTEL VISTA GRANDE OSAKA</td></tr>
<tr><td>August 19, 2016</td><td>HOTEL ASCENT FUKUOKA</td></tr>
<tr><td>September 1, 2016</td><td>Hilton Nagoya</td></tr>
</table>

・It is assumed that there will be no change (acquisition or disposition, etc.) in assets under management other than the above through the end of the fiscal year ending December 2016 (17th period). However, the actual results may fluctuate depending on the changes in assets under management that may take place.</td></tr>
<tr><td>Operating revenue</td><td>・Operating revenue is calculated based on the lease and other contracts effective as of today and in consideration of competitiveness of hotels, market environment and other factors. If there are lease contracts with regard to facilities other than hotels, such as retail facilities and offices, etc., operating revenue calculated on the said lease contracts is included.
・Rents, etc. of the main hotels are calculated based on the following assumptions.

(1) The Five HMJ Hotels
The assumptions of the fixed rent and variable rent for the five HMJ hotels are as follows.
Annual rent (¥6,792 million) = Fixed rent (¥3,221 million/year) + Variable rent
Variable rent = [(a) Total GOP of the five HMJ hotels – (b) GOP base amount] × 85.0%
The five HMJ hotels for the fiscal year ending December 2016 (17th period) (Unit: millions of yen)
<table>
<tr><th></th><th>Total GOP of the five HMJ hotels
(a)</th><th>GOP base amount
(b)</th><th>Variable rent
((a) – (b)) × 85.0%</th></tr>
<tr><td>Midterm</td><td>2,884</td><td>1,675</td><td>1,027</td></tr>
<tr><td>Full year</td><td>7,553</td><td>3,351</td><td>3,571</td></tr>
</table>
(*1) Please refer to “<Reference Materials 1> <1> Sales and GOP of the HMJ Group Hotels” below for the comparison of sales and GOP of the five HMJ hotels.

(2) Okinawa Marriott Resort & Spa
The fixed rent and variable rent of Okinawa Marriott Resort & Spa are calculated as follows.
Annual rent (¥1,111 million) = Fixed rent (¥550 million/year) + Variable rent
Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0%
(Unit: millions of yen)
<table>
<tr><th></th><th>Hotel GOP
(a)</th><th>GOP base amount
(b)</th><th>Variable rent
((a) – (b))×90.0%</th></tr>
<tr><td>Midterm</td><td>347</td><td>350</td><td>—</td></tr>
<tr><td>Full year</td><td>1,323</td><td>700</td><td>561</td></tr>
</table>
(*) Please refer to “<Reference Materials 1> <1> Sales and GOP of the HMJ Group Hotels” below for sales and GOP of Okinawa Marriott Hotel Resort & Spa.</td></tr>
</table>

Item	Assumptions

Operating revenue

(3) ACTIVE-INTER CITY HIROSHIMA

ACTIVE-INTER CITY HIROSHIMA is a complex facility composed of a hotel building, an office building, and a retail zone. Rent for each facility is calculated as follows.

(a) Hotel building (Sheraton Grand Hiroshima Hotel)

Annual rent (¥632 million) = Fixed rent (¥348 million/year)+ Variable rent

Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 82.5%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 82.5%
Midterm	388	234	127
Full year	812	468	284

(*) Please refer to "<Reference Materials 1> <1> Sales and GOP of the HMJ Group Hotels" below for sales and GOP of Sheraton Grand Hiroshima Hotel.

(b) Office building and retail zone

Rent from the office building and the retail zone for the fiscal year ending December 2016 (17th period) is expected to be ¥220 million for the midterm (actual) and ¥447 million for the full year. These figures include ¥8 million for the midterm (actual) and ¥16 million for the full year as variable rent pursuant to an agreement for revenue sharing with some retail tenants.

(4) Hotel Centraza Hakata

The fixed and variable rent of Hotel Centraza Hakata is calculated as follows.

Rent for the fiscal year ending December 2016 (17th period) (*1) (¥560 million) = Fixed rent (¥300 million) + Variable rent

Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0% (Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a) – (b)) × 90.0%
Midterm	213	106	96
Full year	607	318	260

(*1) Rent for the fiscal year ending December 2016 (17th period) shows the estimated figure to incur during the 275 days from April 1, 2016 to December 31, 2016. For your information, it is expected that the GOP base amount after the fiscal year ending December 2017 will be ¥425 million and the annual fixed rent will be ¥400 million.

(*2) Please refer to "<Reference Materials 1> <1> Sales and GOP of the HMJ Group Hotels" below for sales and GOP of Hotel Centraza Hakata.

(5) HOTEL VISTA GRANDE OSAKA

The fixed and variable rent of HOTEL VISTA GRANDE OSAKA is calculated as follows.

Rent for the fiscal year ending December 2016 (17th period) (*1) (¥594 million) = Fixed rent (¥240 million) + Variable rent

Variable rent ＝ [(a) Hotel GOP - (b) GOP Base Amount] × 92.5% (Unit: millions of yen)

	Hotel GOP (a)	GOP Base Amount (b)	Variable rent ((a)－(b))× 92.5%
Full year	652	270	354

(*1) Rent for the fiscal year ending December 2016 (17th period) shows the estimated figure to incur during the 153 days from August 1, 2016 to December 31, 2016. For your information, it is expected that the GOP base amount from the fiscal year ending in December 2017 will be ¥650 million and the annual fixed rent will be ¥576 million.

(*2) Please refer to "<Reference Materials 1> <1> Sales and GOP of the HMJ Group Hotels" below for sales and GOP of HOTEL VISTA GRANDE OSAKA.

Item	Assumptions
Operating revenue	

(6) The Six Accor Hotels

Income from management contracts and variable rent of the six Accor hotels (Unit: millions of yen)

	ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total
Midterm	216	247	238	212	210	141	1,267
Full year	453	536	610	596	470	228	2,896

(*1) Please refer to “<Reference Materials 1> <2> Sales and GOP of the Six Accor Hotels” below for the comparison of sales and GOP of the six Accor hotels.

(*2) For income from management contracts, it is assumed that each hotel’s GOP amount is recognized as income from management contracts and the management contract fees to be paid by JHR are recognized as an operating expense. In cases where certain revenue from non-hotel tenant(s), etc. is included in the hotel’s GOP, such tenant revenue is subtracted from GOP to calculate income from management contracts. Such tenant revenue is recognized as parking area rent.

(*3) Mercure Sapporo includes rent which is linked to the sales of tenant(s) other than the hotel.

(7) The Six *the b* Hotels

Fixed and variable rent of the six *the b* hotels (midterm) (Unit: millions of yen)

	the b suidobashi	the b akasaka-mitsuke	the b ikebukuro	the b ochanomizu	the b hachioji	the b hakata	Total
Fixed (*1)	42	68	108	34	62	43	359
Variable	19	81	79	20	47	64	314
Total	62	149	188	55	109	108	673

Fixed and variable rent of the six *the b* hotels (full year) (Unit: millions of yen)

	the b suidobashi	the b akasaka-mitsuke	the b ikebukuro	the b ochanomizu	the b hachioji	the b hakata	Total
Fixed (*1)	84	136	217	69	122	88	719
Variable	40	174	168	46	100	133	663
Total	125	310	386	115	222	222	1,382

(*1) Fixed rent includes rent from non-hotel tenant(s).

(*2) Please refer to “<Reference Materials 1> <3> Sales and GOP of the Six *the b* Hotels” below for the comparison of sales and GOP of the six *the b* hotels.

(8) Other hotels subject to variable rent

Variable rent from other hotels subject to variable rent (Unit: millions of yen)

	Midterm	Full year
Smile Hotel Nihombashi Mitsukoshimae	18	18
Hotel Vista Kamata Tokyo	—	28
Chisun Inn Kamata	38	79
Hotel Keihan Universal City	Undisclosed (*)	Undisclosed (*)
Hotel Sunroute Shinbashi	87	87
Hilton Tokyo Bay	Undisclosed (*)	Undisclosed (*)
Hilton Nagoya	—	Undisclosed (*)
Total	497	937

(*) Undisclosed since tenants that concluded lease agreements did not agree to disclose rent revenue, etc.

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Operating revenue</td><td>

・The following is the breakdown of variable rent and income from management contracts.

<Breakdown of variable rent for the fiscal year ending December 2016 (17th period)>

(Unit: millions of yen)

<table>
<tr><th></th><th>Midterm</th><th>Full year</th></tr>
<tr><td>The Five HMJ Hotels</td><td>1,027</td><td>3,571</td></tr>
<tr><td>Okinawa Marriott Resort & Spa</td><td>—</td><td>561</td></tr>
<tr><td>ACTIVE-INTER CITY HIROSHIMA</td><td>135</td><td>300</td></tr>
<tr><td>Hotel Centraza Hakata</td><td>96</td><td>260</td></tr>
<tr><td>HOTEL VISTA GRANDE OSAKA</td><td>—</td><td>354</td></tr>
<tr><td>The Six Accor Hotels</td><td>1,267</td><td>2,896</td></tr>
<tr><td>The Six the b Hotels</td><td>314</td><td>663</td></tr>
<tr><td>Other seven hotels with variable rent</td><td>497</td><td>937</td></tr>
<tr><td>Total (28 hotels)</td><td>3,338</td><td>9,545</td></tr>
</table>

(*) For details of variable rent and income from management contract, please refer to page 68, “D. Overview of the hotel business (1) Rent structures of hotels with variable rent, management contract or revenue sharing” of the “Midterm Financial Report for the Fiscal Year Ending December 31, 2016 (January 1, 2016 – December 31, 2016)” dated August 24, 2016.

</td></tr>
<tr><td>Operating expenses</td><td>

・With respect to real estate leasing expenses, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation. Operating expenses of the Acquired Assets and Asset for Anticipated Acquisition are calculated based on historical data as provided by previous owners, etc., and variable factors are reflected in the calculation.

・It is assumed that the ¥1,216 million will be recognized as expenses for fixed asset tax, city planning tax and other taxes and public dues.

・In general, fixed asset tax and city planning tax and other taxes and public dues on acquired assets are settled with the previous owners at the time of acquisition, calculated on a pro rata basis of the holding period. For JHR, such settlement amount is included in the acquisition price, and it will not be recognized as expenses for the calculation period. Therefore, the fixed asset tax, city planning tax and other taxes and public dues for CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata and the Acquired Assets and Asset for Anticipated Acquisition will not be recognized as expenses for the fiscal year ending December 2016 (17th period). The annual fixed asset tax and city planning tax and other taxes and public dues for CANDEO HOTELS UENO-KOEN are expected to be ¥23 million, and the annual fixed asset tax and city planning tax and other taxes and public dues for Hotel Centraza Hakata are expected to be ¥21 million and the annual fixed asset tax and city planning tax and other taxes and public dues for the Acquired Assets and Asset for Anticipated Acquisition are expected to be ¥175 million. Moreover, the fixed asset tax and city planning tax and other taxes and public dues to be recorded as expenses for the fiscal year ending December 2016 (17th period) for the nine properties (the five the b hotels, Hotel Francs, Mercure Yokosuka, Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA) acquired in the fiscal year ended December 2015 (16th period) are assumed to be ¥276 million (equivalent for nine months).

・Depreciation is calculated using the straight-line method, and is estimated to be ¥3,358 million, after taking into consideration the acquisition price of the Acquired Assets and Asset for Anticipated Acquisition (including incidental costs) as well as the planned capital expenditures (¥2,885 million) (capital expenditure (1) for ¥1,387 million, capital expenditure (2) for ¥710 million, and capital expenditure (3) for ¥788 million)(*) for the fiscal year ending December 2016 (17th period).

(*) JHR classifies capital expenditures into the following three categories. (1) Capital investment related to renewal of buildings, facilities, and equipment which is required to maintain proper values of properties, (2) capital investment for fixtures and furniture that are not directly related to building structure or facilities but necessary for operating hotels, and (3) strategic capital investment for renovating guest rooms, etc. for maintaining/

</td></tr>
</table>

	improving the competitiveness of the hotels. ・Repair expenses for buildings are recognized as expenses in the estimated amount necessary for each operating period. Please note that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as; (1) Emergency repair expenses may be necessary due to damage to buildings from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required on a regular basis.

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Non-operating expenses</td><td>・¥1,779 million is expected for all non-operating expenses, including interest expense, arrangement fee, amortization for the following (1) handling fees and (2) derivative instruments (interest rate caps).
・Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method.</td></tr>
<tr><td>Interest-bearing debt</td><td>・The balance of interest-bearing debt (sum of loans and investment corporation bonds) was ¥111,558 million as of June 30, 2016, and the balance of interest-bearing debt will be ¥125,518 million as of September 30, 2016 after the completion of acquisitions of the Acquired Assets and acquiring Asset for Anticipated Acquisition and ¥125,479 million as of December 31, 2016.
・Loans for the Acquired Assets and Asset for Anticipated Acquisition in the amount of ¥14,000 million are assumed.
・It is assumed that the contractual repayment of the above-mentioned loans on or after July 1, 2016 in the amount of ¥79 million will be paid by cash on hand.</td></tr>
<tr><td>Issuance of investment units</td><td>・The number of investment units issued as of today (3,761,907 units) is assumed.
・It is assumed that there will be no additional issuance of investment units through to the end of the fiscal year ending December 2016 (17th period).</td></tr>
<tr><td>Extraordinary loss</td><td>・The Kumamoto earthquake, occurred since April 14, 2016, caused damage to part of exterior and facilities of Dormy Inn Kumamoto. Expenses for repairing such damage are preliminarily estimated to be ¥90 million. The expenses are expected to be recorded for the midterm of the fiscal year ending December 2016 and recorded as extraordinary loss.</td></tr>
<tr><td>Dividend per unit</td><td>・Dividend per unit for the fiscal year ending December 2016 (17th period) is calculated based on the following assumptions.
<table>
<tr><td>Net income</td><td>¥11,890 million</td></tr>
<tr><td>Use of dividend reserve (negative goodwill)</td><td></td></tr>
<tr><td>Loss on retirement of noncurrent assets (*1)</td><td>¥18 million</td></tr>
<tr><td>Amortization of fixed-term leasehold of land and asset retirement obligations (*2)</td><td>¥106 million</td></tr>
<tr><td>Adjustment for dilution (*3)</td><td>¥611 million</td></tr>
<tr><td>Distributable Amount</td><td>¥12,626 million</td></tr>
<tr><td>Total number of investment units issued</td><td>3,761,907 units</td></tr>
<tr><td>Dividend per unit</td><td>¥3,356</td></tr>
</table>
(*1) Amount recognized as a loss on retirement of noncurrent assets will be appropriated by dividend reserve (negative goodwill) and is expected to have no impact on dividend per unit.
(*2) As Hotel Centraza Hakata is a property subject to a fixed-term leasehold of land, amortization, etc. of the fixed-term leasehold rights of land and asset retirement obligations (hereinafter collectively called the “amortization of land leasehold rights, etc.”) will arise. The amount for amortization of land leasehold rights, etc. is expected to be added to the dividends through appropriation of the dividend reserve.
(*3) Although dilution of investment units due to the issuance of new investment units for the Acquired Assets and Asset for Anticipated Acquisition is expected, allocation of reserve for dividend from negative goodwill is planned to avoid the impact of said dilution on dividend per unit for fiscal year ending December 2016.

・Dividend per unit may fluctuate due to various causes, such as fluctuation of rent revenue resulting from transfer of assets under management, change of tenants at hotels, change in the business environment for hotel business, unexpected repairs, and actual number of new units issued.
・The balance of the dividend reserve (negative goodwill) after the appropriation of the dividend reserve (negative goodwill) for dividends for the fiscal year ending December 2016 (17th period) is expected to be ¥13,131 million.</td></tr>
</table>

Item	Assumptions
Acquired Assets and Asset for Anticipated Acquisition	・The operating status for the fiscal year ending December 2016 of Hotel Centraza Hakata, acquired on April 1, 2016, and the Acquired Assets and Asset for Anticipated Acquisition is estimated as follows.

<Hotel Centraza Hakata> (Unit: millions of yen)

	Fiscal year ending December 2016	Annualized (*3)
Operating days	275 days	366 days
Operating revenue	560	726
NOI (*1)	381	470
NOI yield (%) (*2)	-	6.5

<HOTEL VISTA GRANDE OSAKA> (Unit: millions of yen)

	Fiscal year ending December 2016	Annualized (*3)
Operating days	153 days	366 days
Operating revenue	594	1,411
NOI (*1)	592	1,367
NOI yield (%) (*2)	-	5.1

<HOTEL ASCENT FUKUOKA> (Unit: millions of yen)

	Fiscal year ending December 2016	Annualized (*3)
Operating days	135 days	366 days
Operating revenue	129	351
NOI (*1)	112	274
NOI yield (%) (*2)	-	5.6

(*) Operating revenue of HOTEL ASCENT FUKUOKA includes fixed rent calculated based on the lease contracts with respect to retail facilities other than hotel.

<Hilton Nagoya> (Unit: millions of yen)

	Fiscal year ending December 2016	Annualized (*3)
Operating days	122 days	366 days
Operating revenue	471	1,511
NOI (*1)	257	763
NOI yield (%) (*2)	-	5.0

(*) Operating revenue of Hilton Nagoya includes fixed rent calculated based on the lease contracts with respect to retail facilities and offices other than hotel.

(*1) NOI = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + asset retirement obligations expenses

(*2) NOI yield = NOI ÷ (Anticipated) acquisition price

NOI yields of Hotel Centraza Hakata and the Acquired Assets and Asset for Anticipated Acquisition for the fiscal year ending December 2016 are not indicated as these are acquisitions in the middle of the period.

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

Item	Assumptions
Dividend per unit resulting from excess of earnings	・It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.
Other	・It is assumed that revision in law, tax system, accounting standard, regulations of the listing, regulations of The Investment Trusts Association, Japan that may impact the forecast above will not be made. ・It is assumed that unexpected major incident will not occur in the general economy, real estate market and hotel business environment, etc. ・The numerical values are rounded down to the nearest millions of yen in the assumptions above.

<Reference Materials 1>

Of the hotels that have adopted variable rent, the following presents sales and GOP of the HMJ group hotels, the six Accor hotels and the six *the b* hotels. The numerical figures are based on figures obtained from hotel lessees, etc. Please note that these numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of the numbers and information. Sales and GOP are rounded off to the nearest millions of yen. Comparison with the previous period is rounded off to one decimal place.

<1> Sales and GOP of the HMJ Group Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the HMJ Group Hotels		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
		Actual	Comparison with previous period	Previous forecast	Forecast this time First half: actual Second half: forecast	Comparison with the previous forecast	Comparison with previous period
Kobe Meriken Park Oriental Hotel	First half of the year	2,424	(0.0%)	2,646	2,465	(6.9%)	1.7%
	Second half of the year	2,828	1.1%	3,204	2,961	(7.6%)	4.7%
	Full year	5,252	0.6%	5,850	5,426	(7.2%)	3.3%
Oriental Hotel tokyo bay	First half of the year	3,395	0.9%	3,500	3,454	(1.3%)	1.7%
	Second half of the year	3,927	2.2%	4,045	3,976	(1.7%)	1.3%
	Full year	7,322	1.6%	7,544	7,431	(1.5%)	1.5%
Namba Oriental Hotel	First half of the year	1,189	19.1%	1,358	1,386	2.1%	16.6%
	Second half of the year	1,341	16.6%	1,474	1,531	3.9%	14.1%
	Full year	2,530	17.8%	2,832	2,917	3.0%	15.3%
Hotel Nikko Alivila	First half of the year	2,377	8.6%	2,554	2,421	(5.2%)	1.8%
	Second half of the year	3,571	8.2%	3,709	3,723	0.4%	4.3%
	Full year	5,948	8.3%	6,264	6,144	(1.9%)	3.3%
Oriental Hotel Hiroshima	First half of the year	991	(5.2%)	1,062	1,025	(3.5%)	3.4%
	Second half of the year	1,142	(3.0%)	1,135	1,147	1.0%	0.4%
	Full year	2,134	(4.0%)	2,197	2,171	(1.2%)	1.8%
Total of the Five HMJ Hotels	First half of the year	10,376	3.5%	11,121	10,751	(3.3%)	3.6%
	Second half of the year	12,810	4.4%	13,566	13,338	(1.7%)	4.1%
	Full year	23,186	4.0%	24,688	24,089	(2.4%)	3.9%
Okinawa Marriott Resort & Spa	First half of the year	1,614	0.9%	1,696	1,607	(5.2%)	(0.4%)
	Second half of the year	2,402	8.7%	2,505	2,462	(1.7%)	2.5%
	Full year	4,016	5.4%	4,201	4,068	(3.2%)	1.3%
Sheraton Grand Hiroshima Hotel	First half of the year	1,346	(1.0%)	1,356	1,369	0.9%	1.7%
	Second half of the year	1,502	(0.6%)	1,514	1,505	(0.5%)	0.3%
	Full year	2,847	(0.8%)	2,870	2,874	0.2%	0.9%
Hotel Centraza Hakata	First half of the year	1,124	2.0%	1,124	1,155	2.8%	2.8%
	Second half of the year	1,205	6.6%	1,192	1,228	3.0%	1.8%
	Full year	2,330	4.4%	2,316	2,383	2.9%	2.3%
HOTEL VISTA GRANDE OSAKA	First half of the year	832	47.9%	1,110	1,110	0.0%	33.5%
	Second half of the year	1,133	57.6%	1,180	1,180	0.0%	4.1%
	Full year	1,965	53.4%	2,290	2,290	0.0%	16.6%
Total of HMJ Group Hotels	First half of the year	15,291	4.4%	16,407	15,991	(2.5%)	4.6%
	Second half of the year	19,053	6.8%	19,957	19,713	(1.2%)	3.5%
	Full year	34,343	5.7%	36,364	35,704	(1.8%)	4.0%

(*1) Although Okinawa Marriott Resort & Spa was acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) was acquired on December 18, 2015, the figures for the fiscal year ending in December 2015 are for the entire year including prior to the acquisition.
(*2) Hotel Centraza Hakata was acquired on April 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ending December 2016 are for the entire year including prior to the acquisition.
(*3) HOTEL VISTA GRANDE OSAKA was acquired on August 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ending December 2016 are for the entire year including prior to the acquisition.
(*4) Renovation of HOTEL VISTA GRANDE OSAKA was completed by the previous owner in March 2014. The number of guest rooms has increased from 304 to 314. Therefore, the numbers of guest rooms available for sale in the first half or full year of 2015 and the first half or full year of 2014 are different.

(2) Hotel GOP

(Unit: millions of yen)

GOP of the HMJ Group Hotels		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
		Actual	Comparison with previous period	Previous forecast	Forecast this time	Comparison with the previous forecast	Comparison with previous period
Total of the Five HMJ Hotels	GOP	6,941	10.1%	7,558	7,553	(0.1%)	8.8%
	Ratio of GOP to sales	29.9%	1.7%	30.6%	31.4%	0.7%	1.4%
Okinawa Marriott Resort & Spa	GOP	1,230	11.3%	1,313	1,324	0.9%	7.7%
	Ratio of GOP to sales	30.6%	1.6%	31.2%	32.5%	1.3%	1.9%
Sheraton Grand Hiroshima Hotel	GOP	716	10.0%	766	813	6.0%	13.5%
	Ratio of GOP to sales	25.1%	2.5%	26.7%	28.3%	1.6%	3.1%
Hotel Centraza Hakata	GOP	715	8.7%	714	788	10.3%	10.1%
	Ratio of GOP to sales	30.7%	1.2%	30.8%	33.1%	2.2%	2.3%
HOTEL VISTA GRANDE OSAKA	GOP	1,309	73.1%	1,553	1,553	0.0%	18.6%
	Ratio of GOP to sales	66.6%	7.6%	67.8%	67.8%	0.0%	1.2%
Total of the HMJ Group Hotels	GOP	10,912	15.2%	11,905	12,031	1.1%	10.3%
	Ratio of GOP to sales	31.8%	2.6%	32.7%	33.7%	1.0%	1.9%

(*1) Although Okinawa Marriott Resort & Spa was acquired on July 10, 2015 and ACTIVE-INTER CITY HIROSHIMA (Sheraton Grand Hiroshima Hotel) was acquired on December 18, 2015, the figures for the fiscal year ending in December 2015 are for the entire year including prior to the acquisition
(*2) Hotel Centraza Hakata was acquired on April 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ending December 2016 are for the entire year including prior to the acquisition.
(*3) HOTEL VISTA GRANDE OSAKA was acquired on August 1, 2016. The figures for the fiscal year ended December 2015 and the fiscal year ending December 2016 are for the entire year including prior to the acquisition.

<2> Sales and GOP of the Six Accor Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Six Accor Hotels		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
		Actual	Comparison with previous period	Previous forecast	Forecast this time First half: actual Second half: forecast	Comparison with the previous forecast	Comparison with previous period
ibis Tokyo Shinjuku	First half of the year	453	6.1%	435	406	(6.7%)	(10.3%)
	Second half of the year	421	(5.5%)	440	454	3.2%	8.0%
	Full year	873	0.2%	875	860	(1.7%)	(1.5%)
ibis Styles Kyoto Station	First half of the year	357	17.1%	429	464	8.1%	30.0%
	Second half of the year	457	18.8%	500	512	2.3%	12.0%
	Full year	814	18.0%	930	976	5.0%	19.9%
ibis Styles Sapporo	First half of the year	429	7.9%	482	490	1.7%	14.3%
	Second half of the year	591	13.1%	647	662	2.3%	12.0%
	Full year	1,019	10.9%	1,128	1,151	2.1%	12.9%
Mercure Sapporo	First half of the year	499	17.5%	562	546	(2.9%)	9.3%
	Second half of the year	672	17.4%	756	759	0.4%	12.8%
	Full year	1,172	17.4%	1,318	1,305	(1.0%)	11.3%
Mercure Okinawa Naha	First half of the year	407	12.1%	484	489	1.0%	20.2%
	Second half of the year	516	24.5%	572	560	(2.2%)	8.5%
	Full year	923	18.7%	1,056	1,049	(0.7%)	13.7%
Mercure Yokosuka	First half of the year	550	1.0%	580	569	(1.9%)	3.5%
	Second half of the year	512	4.3%	517	521	0.9%	1.9%
	Full year	1,062	2.6%	1,097	1,091	(0.6%)	2.7%
Total	First half of the year	2,696	9.5%	2,973	2,965	(0.3%)	10.0%
	Second half of the year	3,168	12.0%	3,432	3,467	1.0%	9.4%
	Full year	5,863	10.8%	6,405	6,432	0.4%	9.7%

(*) Although Mercure Yokosuka was acquired on April 2, 2015, the figures for the fiscal year ended December 2015 are the figures for the entire year including prior to the acquisition.

(2) Hotel GOP

(Unit: millions of yen)

GOP of the Six Accor Hotels	FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
	Actual	Comparison with previous period	Previous forecast	Forecast this time	Comparison with the previous forecast	Comparison with previous period
Total of the Six Accor Hotels	2,512	21.0%	2,882	2,955	2.5%	17.6%
Ratio of GOP to sales	42.8%	3.6%	45.0%	45.9%	0.9%	3.1%

(*) Although Mercure Yokosuka was acquired on April 2, 2015, the figures for the fiscal year ended December 2015 are for the entire year including prior to the acquisition.

<3> Sales and GOP of the Six *the b* Hotels

(1) Hotel sales (by hotel)

(Unit: millions of yen)

Sales of the Six *the b* Hotels		FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
		Actual	Comparison with previous period	Previous forecast	Forecast this time First half: actual Second half: forecast	Comparison with the previous forecast	Comparison with previous period
the b akasaka-mitsuke	First half of the year	221	69.4%	250	242	(3.3%)	9.4%
	Second half of the year	242	13.8%	271	263	(3.0%)	8.7%
	Full year	464	35.0%	522	506	(3.1%)	9.0%
the b ikebukuro	First half of the year	301	7.7%	335	323	(3.8%)	7.3%
	Second half of the year	324	14.5%	350	348	(0.3%)	7.5%
	Full year	625	11.1%	685	671	(2.0%)	7.4%
the b ochanomizu	First half of the year	132	9.0%	145	131	(9.4%)	(0.8%)
	Second half of the year	130	4.8%	149	140	(6.0%)	7.5%
	Full year	262	6.9%	294	271	(7.7%)	3.3%
the b hachioji	First half of the year	267	10.4%	300	291	(3.1%)	9.0%
	Second half of the year	291	13.8%	316	307	(3.0%)	5.3%
	Full year	558	12.2%	616	597	(3.1%)	7.1%
the b hakata	First half of the year	191	10.9%	202	230	13.8%	20.6%
	Second half of the year	215	12.8%	218	244	11.8%	13.2%
	Full year	406	11.9%	420	473	12.7%	16.6%
Total of the Five *the b* Hotels	First half of the year	1,111	17.7%	1,233	1,216	(1.3%)	9.4%
	Second half of the year	1,203	12.8%	1,304	1,302	(0.2%)	8.2%
	Full year	2,315	15.1%	2,537	2,518	(0.7%)	8.8%
the b suidobashi	First half of the year	–	–	182	177	(2.9%)	–
	Second half of the year	–	–	189	187	(1.4%)	–
	Full year	–	–	372	364	(2.1%)	–
Total of the Six *the b* Hotels	First half of the year	–	–	1,415	1,394	(1.5%)	–
	Second half of the year	–	–	1,494	1,489	(0.3%)	–
	Full year	–	–	2,909	2,882	(0.9%)	–

(*1) Although the five *the b* hotels were acquired on January 30, 2015, the figures for the fiscal year ended December 2015 are the figures for the entire year including prior to the acquisition.
(*2) The b akasaka-mitsuke completed its renovation work by the previous owner in April 2014. The number of guest rooms has increased from 91 to 122. Therefore, the numbers of guest rooms available for sale in the first half or full year of 2015 and the first half or full year of 2014 are different.
(*3) The b suidobashi was rebranded from Dormy Inn Suidobashi on July 1, 2015. Therefore, no figures are indicated for the fiscal year ended December 2015 and comparison with the previous period for the fiscal year ending December 2016.

(2) Hotel GOP

(Unit: millions of yen)

GOP of the Five *the b* Hotels	FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
	Actual	Comparison with previous period	Previous forecast	Forecast this time	Comparison with the previous forecast	Comparison with previous period
Total of the Five *the b* Hotels	1,079	26.4%	1,215	1,240	2.1%	15.0%
Ratio of GOP to sales	46.6%	4.2%	47.9%	49.3%	1.4%	2.6%

(Unit: millions of yen)

GOP of the Six *the b* Hotels	FY 2015 (Fiscal year ended December 2015)		FY 2016 (Fiscal year ending December 2016)			
	Actual	Comparison with previous period	Previous forecast	Forecast this time	Comparison with the previous forecast	Comparison with previous period
Total of the Six *the b* Hotels	—	—	1,395	1,421	1.8%	—
Ratio of GOP to sales	—	—	48.0%	49.3%	1.3%	—

(*1) Although the five *the b* hotels were acquired on January 30, 2015, the figures for the five *the b* hotels for the fiscal year ended December 2015 are for the entire year including prior to the acquisition.
(*2) The b suidobashi was rebranded from Dormy Inn Suidobashi on July 1, 2015. Therefore, no figures for the six *the b* hotels are indicated for the fiscal year ended December 2015 and comparison with the previous period for the fiscal year ending December 2016.

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

(1) The operating revenue and operating expenses for existing properties (properties other than CANDEO HOTELS UENO-KOEN, Hotel Centraza Hakata and the Acquired Assets and Asset for Anticipated Acquisition) remain unchanged, except for fixed asset tax and city planning tax and other taxes and public dues from "<Reference Information> Assumptions of the operating forecast for the full year of the fiscal year ending December 2016 (17th period)" above.

(2) The fixed rent for CANDEO HOTELS UENO-KOEN and HOTEL ASCENT FUKUOKA is assumed to be ¥648 million including the retail facilities.

(3) The annual fixed rent and annualized variable rent for Hotel Centraza Hakata is calculated as follows.
Annual rent for the fiscal year ending December 2016 (17th period) (¥726 million) = Fixed rent (¥400 million) + Variable rent
Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 90.0%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a)－(b))×90.0%
Full year	787	425	326

(4) The annual fixed rent and annualized variable rent for HOTEL VISTA GRANDE OSAKA are calculated as follows.
Annual rent for the fiscal year ending December 2016 (17th period) (¥1,411 million) = Fixed rent (¥576 million) + Variable rent
Variable rent = [(a) Hotel GOP – (b) GOP base amount] × 92.5%

(Unit: millions of yen)

	Hotel GOP (a)	GOP base amount (b)	Variable rent ((a)－(b))×92.5%
Full year	1,553	650	835

(5) The annualized variable rent of Hilton Nagoya is the variable rent based on hotel sales in consideration of the impact of renovation of guest rooms (end of suspension of sales due to renovation construction and increase in ADR(*) due to the renovation of guest rooms) during the fiscal year ending December 2016. The annual fixed rent for the retail facilities and offices is assumed to be ¥104 million.

(6) For the fixed asset tax, city planning tax and other taxes and public dues for the relevant period, the fixed asset tax and city planning tax and other taxes and public dues for the nine properties (the five *the b* hotels, Hotel Francs, Mercure Yokosuka, Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA) acquired in the fiscal year ended December 2015 (16th period) are assumed to be ¥364 million (for twelve months), and the fixed asset tax and city planning tax and other taxes and public dues for CANDEO HOTELS UENO-KOEN and Hotel Centraza Hakata, acquired in the fiscal year ending December 2016 (17th Period) are assumed to be ¥23 million (for twelve months) and ¥21 million (for twelve months), respectively. The fixed asset tax and city planning tax and other taxes and public dues for the Acquired Assets and Asset for Anticipated Acquisition are assumed to be ¥175 million (for twelve months).

(7) For non-operating expenses, borrowing costs, expenses incurred in the issuance of new investment units and others is assumed on an annualized basis (twelve months). However, the major financial costs expensed all at once upon property acquisition are not included in the annualized effect.

(8) The extraordinary loss of ¥90 million for the repair expenses for Dormy Inn Kumamoto relating to the damage from the Kumamoto earthquake is not included in the annualized effect.

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

＜Reference Materials 3＞ Annualized ADR Sensitivity Analysis (*1)

For the 28 properties with variable rent or management contracts, including the Acquired Assets and Asset for Anticipated Acquisition, the sensitivity of annualized NOI and dividend per unit to increases and decreases in the ADR forecasted this time is as follows.

Assumed ADR Increase/decrease (%)	**(30.0%)**	**(20.0%)**	**(10.0%)**	**±0%**	**10.0%**	**20.0%**	**30.0%**
NOI (JPY1M)	**(5,491)**	**(3,754)**	**(1,910)**	**0**	**1,890**	**3,731**	**5,571**
Increase/decrease (%)	(26.9%)	(18.4%)	(9.4%)	0.0%	9.3%	18.3%	27.3%
Dividend per unit (JPY)	**(1,428)**	**(976)**	**(497)**	**0**	**491**	**970**	**1,449**
Increase/decrease (%)	(40.8%)	(27.9%)	(14.2%)	0.0%	14.0%	27.7%	41.4%

(*1) The annualized effect is shown for reference purpose only calculated based on the assumption that the Acquired Assets and Asset for Anticipated Acquisition contributed on a full year basis, and does not represent any forecasts for the operating status and dividend of JHR in a specific calculation period.

(*2) Change in hotel sales and hotel GOP caused by change in ADR is assumed based on historical results etc. of hotels owned by JHR. NOI and dividend per unit are calculated based on calculation of the variable rent and income from management contracts with assumed hotel sales and GOP of JHR above.

(*3) NOI is rounded off to the nearest millions of yen. Increase/decrease is rounded off to one decimal place.