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REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)

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Notice Concerning the Operating Forecast for the fiscal year December 2013

(January 1, 2013 through December 31, 2013)

This is to inform you of the operating forecast of Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) for the fiscal year December 2013 (14<sup>th</sup> period from January 1, 2013 through December 31, 2013) as below.

The operating result for the fiscal year December 2012 (13<sup>th</sup> period from April 1, 2012 through December 31, 2012) will be separately informed upon determination.

1. The operating forecast for FY12/2013 (January 1, 2013 through December 31, 2013) full business year (\*1)

(Unit: JPY1M)

	Operating income	Operating profit	Ordinary income	Current net profit	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulted from excess of earnings
December 2013 Mid-term	4,228	1,933	1,185	1,185	-	-
December 2013 Full year	9,795	5,045	3,517	3,515	1,670	0

<Reference>

Mid-term, December 2013: Assumed number of the issued investment units at the end of the term (Units for JHR’s self-investment inclusive) 2,111,281 units

Assumed number of JHR’s self-investment at the end of the term 0 unit

Full year, December 2013: Assumed number of the issued investment units at the end of the term (Units for JHR’s self-investment inclusive) 2,111,281 units

Assumed number of JHR’s self-investment at the end of the term 0 unit

(\*1) The above estimated operation forecasts and assumed number of the issued investment units at the end of the term are calculated based on “2. Assumption for the operating forecasts for the mid-term, FY12/2013 (14<sup>th</sup> period) and full year, FY12/2013 (14<sup>th</sup> period)” below as of today. The actual operating result may vary significantly by the various factors.

(\*2) Fractions smaller than the unit (JPY1M) are rounded down.

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2. Assumption for the operating forecasts for the mid-term, FY12/2013 (14<sup>th</sup> period) and full year, FY12/2013 (14<sup>th</sup> period)

Item	Assumption												
Calculation term	<ul style="list-style-type: none"><li>• Mid-term of FY12/2013(14<sup>th</sup> period): January 1, 2013 through June 30, 2013 (181 days)</li><li>• Full year of FY12/2013 (14<sup>th</sup> period): January 1, 2013 through December 31, 2013 (365 days)</li></ul>												
Operating asset	<ul style="list-style-type: none"><li>• Out of twenty nine properties JHR currently owns, one property below will be disposed of and twenty eight properties will be continuously owned as of the end of the fiscal year December 2013. No asset transfer (e.g., new property acquisition and property disposition) is currently assumed but the number may fluctuate depending on the asset transfer.</li></ul> <p>&lt; Property to be disposed &gt;</p> <table><tr><td>Scheduled disposition date</td><td>Property name</td></tr><tr><td>December 21, 2012</td><td>Hotel Resol Sapporo Minaminijo</td></tr></table>	Scheduled disposition date	Property name	December 21, 2012	Hotel Resol Sapporo Minaminijo								
Scheduled disposition date	Property name												
December 21, 2012	Hotel Resol Sapporo Minaminijo												
Operating income	<ul style="list-style-type: none"><li>• The operating income has been calculated based on the effective lease agreement as of today considering competitiveness of the hotel and the market environment.</li><li>• The rent of HMJ’s five hotels (*1) has been calculated as follows: Annual rent (JPY5.191B) = Fixed rent (JPY3.221B/year) + Variable rent (see calculation as follows)  Variable rent = [1. Total GOP of HMJ’s five hotels (*2) – 2. GOP base amount (*3)] x 81.5%</li></ul> <p>&lt;Variable rent of HMJ’s five hotels as of FY12/2013&gt;</p> <p>(Fractions smaller than JPY1M is rounded down)</p> <table><tr><td></td><td>Total GOP of HMJ’s five hotels 1</td><td>GOP base amount 2</td><td>Variable rent (1-2) x 81.5%</td></tr><tr><td>Mid term</td><td>2,054</td><td>1,675</td><td>308</td></tr><tr><td>Full year</td><td>5,768</td><td>3,351</td><td>1,970</td></tr></table> <ul style="list-style-type: none"><li>(*1) Five properties such as Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima.</li><li>(*2) Gross Operating Profit is the standard management index showing the hotel’s operational capability. Gross Operating Profit = Hotel sales volume – Operating cost directly related to the sales of each hotel only such as 1. Cost of sales, 2. Labor cost and welfare cost of the hotel staffs, 3. Supply cost, 4. Cost for the sales dept. including outsourcing cost and various handling charges, 5. General administration cost, 6. Sales promotion and advertisement cost, 7. Repair and maintenance cost (Facilities maintenance and management cost inclusive), 8. Water and energy cost, 9. Insurance for operating the hotel, 10. Tax to operate the hotel (Revenue stamp tax, etc.), 11. Allowance for bad debts and loss from bad debts for the hotel receivables, 12. Other direct costs to operate the hotel.</li><li>(*3) It is not assumed to change GOP base amount throughout the entire term of the lease contract.</li><li>(*4) See &lt;Reference&gt; at the end of this document for the sales of HMJ’s five hotels, GOP and variable rent for three terms for comparison.</li></ul>		Total GOP of HMJ’s five hotels 1	GOP base amount 2	Variable rent (1-2) x 81.5%	Mid term	2,054	1,675	308	Full year	5,768	3,351	1,970
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Operating income	<ul style="list-style-type: none"><li>Referring to the operating income of Ibis Tokyo Shinjuku, the real estate operational income of JPY343M/year from the operator, A.A.P.C. Japan (JPY167M for the mid-term) and the fixed rent of JPY100M from the non-hotel tenant (JPY50M for the mid-term) are inclusive. It is assumed that the real estate operational income is the GOP amount of Ibis Tokyo Shinjuku, and the outsourcing cost paid by JHR is the operating cost.</li><li>The entire rent paid by Chisan Inn Kamata and variable rent paid by Hotel Sunroute Shinbashi are assumed to be variable rent.</li></ul> <p>&lt;Breakdown of the variable rent for FY12/2013&gt;</p> <p style="text-align: right;">(Fractions smaller than JPY1M is rounded down)</p> <table><tr><td></td><td>HMJ's five hotels</td><td>Ibis Tokyo Shinjuku</td><td>Other variable rent</td><td>Total</td></tr><tr><td>Mid-term</td><td>308</td><td>167</td><td>57</td><td>532</td></tr><tr><td>Full year</td><td>1,970</td><td>343</td><td>82</td><td>2,396</td></tr></table> <ul style="list-style-type: none"><li>Rent delinquency and nonpayment of rent are not assumed for the operating income.</li></ul>		HMJ's five hotels	Ibis Tokyo Shinjuku	Other variable rent	Total	Mid-term	308	167	57	532	Full year	1,970	343	82	2,396
	HMJ's five hotels	Ibis Tokyo Shinjuku	Other variable rent	Total												
Mid-term	308	167	57	532												
Full year	1,970	343	82	2,396												
Operating cost	<ul style="list-style-type: none"><li>The cost besides the depreciation cost of the real estate leasing cost (the major operating cost) is based on the past actual data, and the factor which may fluctuate the cost has been reflected on the calculation.</li><li>JPY754M is assumed to be paid for tax such as the fixed asset tax and the city planning tax.</li><li>In general, the fixed asset tax and the city planning tax for the newly acquired asset are proportionately divided between JHR and the previous owner based on the period, and adjustment is made at acquisition. JHR integrates the adjusted amount into the acquisition price thus it is not calculated as the cost. Accordingly, the fixed asset tax and the city planning tax for the fiscal year December 2013 for Hotel Keihan Universal City and Hotel Sunroute Shinbashi acquired on September 19, 2012 are assumed to be JPY57M (nine months).</li><li>Depreciation cost is calculated by the straight-line method including incidental cost and the additional capital expenditure for the fiscal year December 2013 (14<sup>th</sup> period), JPY898M. JPY2.215B is assumed.</li><li>The repair cost of the building has been calculated based on the necessary amount for each operating term. Please note that 1. Emergency repair may be required by the unexpected incident and damage, 2. More cost is required for the old property, and 3. The cost is not regularly required. Thus, the actual repair cost of each operating period may differ greatly from the assumption.</li></ul>															
Non-operating cost	<ul style="list-style-type: none"><li>JPY1.439B is assumed for the payment of the interest, depreciation of the loan cost, and arrangement fee.</li><li>The cost for issuing new investment units and offering is depreciated in three years by the straight-line method.</li></ul>															
Loan	<ul style="list-style-type: none"><li>The balance of the loan and the investment corporation bond of JHR as of January 1, 2013 is JPY65.220B. It is assumed to be JPY64.501B as of December 31, 2013.</li><li>Reduction of the loan balance above results from the contractual repayment of JPY718M and repayment by the cash on-hand is assumed.</li><li>The loan that will be matured during the 14<sup>th</sup> period totals JPY8.492B, and refinance is assumed for all amount.</li><li>The investment corporation bonds that will be matured during the 14<sup>th</sup> period and redeemed within one year totals JPY2B. All of them will be redeemed by issuance of new investment corporation bond.</li></ul>															

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	<ul style="list-style-type: none"> <li>No fluctuation is assumed for the balances of both loan and the investment corporation bond except for the above.</li> </ul>										
Issuance of investment units	<ul style="list-style-type: none"> <li>The total investment units having been issued as of today, 2,111,281 units, is the assumption base.</li> <li>No additional issuance by the end of December 2013 is assumed.</li> </ul>										
Dividend per unit	<ul style="list-style-type: none"> <li>It is assumed that the all amount after deducting “loss on retirement of noncurrent assets” from the current net profit is distributed. Detail is as follows: <table> <tr> <td>Current net profit</td><td>JPY3.515B</td></tr> <tr> <td>Use of negative goodwill (loss on retirement of noncurrent asset(*))</td><td>JPY10M</td></tr> <tr> <td>Total amount of distribution</td><td>JPY3.525B</td></tr> <tr> <td>Total number of units</td><td>2,111,281 units</td></tr> <tr> <td>Dividend per unit</td><td>JPY1,670</td></tr> </table> <p>(*) The amount for loss on retirement of noncurrent asset is scheduled to be appropriated for the distribution with advantage of negative goodwill.</p> </li> <li>Dividend per unit may fluctuate depending on various factors such as transfer of the operating asset, rent fluctuation because of the transfer of the hotel lessee or their business climate, and unexpected repair, etc.</li> </ul>	Current net profit	JPY3.515B	Use of negative goodwill (loss on retirement of noncurrent asset(*))	JPY10M	Total amount of distribution	JPY3.525B	Total number of units	2,111,281 units	Dividend per unit	JPY1,670
Current net profit	JPY3.515B										
Use of negative goodwill (loss on retirement of noncurrent asset(*))	JPY10M										
Total amount of distribution	JPY3.525B										
Total number of units	2,111,281 units										
Dividend per unit	JPY1,670										
Dividend per unit in excess of earnings	<ul style="list-style-type: none"> <li>It is assumed that JHR will not provide the dividend per unit in excess of earnings.</li> </ul>										
Other	<ul style="list-style-type: none"> <li>Modification of law, tax law, accounting standard, regulation of the Tokyo Stock Exchange, and regulation of the Investment Trust Association that may impact on the above are not assumed.</li> <li>No contingency is assumed for the general economy, real estate market, and hotel business environment.</li> <li>Fractions smaller than JPY1M is rounded down in above.</li> </ul>										

<Reference>

(1) Hotel Sales by hotel

(Unit JPY1M)

Sales of HMJ's five hotels		Year 2010 January 2010 to December 2010 (*1)		Year 2011 January 2011 to December 2011 (*1)		Year 2012 January 2012 to December 2012 (*1)		Year 2013 April 2013 to December 2013 (*1)	
		Actual	Comp. with last term	Actual	Comp. with last term	Forecast (*2)	Comp. with last term	Forecast this time	Comp. with last term
Kobe Meriken Park Oriental Hotel	1 <sup>st</sup> half	2,800	4.2%	2,546	-9.1%	2,528	-0.7%	2,481	-1.9%
	2 <sup>nd</sup> half	3,012	-5.8%	3,008	-0.1%	3,005	-0.1%	3,048	1.4%
	Full year	5,812	-1.2%	5,554	-4.4%	5,533	-0.4%	5,529	Δ0.1%
Oriental Hotel Tokyo Bay	1 <sup>st</sup> half	3,130	4.4%	2,219	-29.1%	3,161	42.4%	3,190	0.9%
	2 <sup>nd</sup> half	3,478	5.6%	3,529	1.5%	3,582	1.5%	3,683	2.8%
	Full year	6,608	5.0%	5,748	-13.0%	6,742	17.3%	6,873	1.9%
Namba Oriental Hotel	1 <sup>st</sup> half	914	9.7%	940	2.9%	874	-7.1%	885	1.3%
	2 <sup>nd</sup> half	956	7.1%	968	1.3%	913	-5.7%	942	3.2%
	Full year	1,870	8.3%	1,909	2.1%	1,786	-6.4%	1,827	2.3%
Hotel Nikko Alivila	1 <sup>st</sup> half	2,035	-7.0%	1,911	-6.1%	2,108	10.3%	2,126	0.9%
	2 <sup>nd</sup> half	3,005	0.7%	3,163	5.3%	3,245	2.6%	3,269	0.8%
	Full year	5,040	-2.6%	5,074	0.7%	5,352	5.5%	5,395	0.8%
Oriental Hotel Hiroshima	1 <sup>st</sup> half	1,009	0.5%	904	-10.4%	988	9.3%	1,004	1.6%
	2 <sup>nd</sup> half	1,058	-0.4%	1,034	-2.2%	1,118	8.1%	1,152	3.1%
	Full year	2,067	0.0%	1,939	-6.2%	2,106	8.6%	2,156	2.4%
Total	1 <sup>st</sup> half	9,888	1.8%	8,521	-13.8%	9,659	13.4%	9,685	0.3%
	2 <sup>nd</sup> half	11,508	0.7%	11,703	1.7%	11,861	1.4%	12,094	2.0%
	Full year	21,396	1.2%	20,223	-5.5%	21,520	6.4%	21,780	1.2%

(2) Hotel GOP

(Unit JPY1M)

GOP of HMJ's five hotels	Year 2010 January 2010 to December 2010 (*1)		Year 2011 January 2011 to December 2011 (*1)		Year 2012 January 2012 to December 2012 (*1)		Year 2013 January 2013 to December 2013 (*1)	
	Actual	Comp. with last term	Actual	Comp. with last term	Forecast (*2)	Comp. with last term	Forecast this time	Comp. with last term
HMJ's five hotels in total	5,696	10.9%	5,158	-9.4%	5,602	8.6%	5,768	3.0%
GOP ratio to the sales	26.6%	2.3%	25.5%	-1.1%	26.0%	0.5%	26.5%	0.5%

(\*1) The financial settlement term for the fiscal year December 2012 has only nine months but each hotel sales have been calculated on annual basis (January 1 through December 31) for the comparison purpose.

(\*2) Both hotel sales and GOP of HMJ's five hotels at the operating forecast for FY12/2012 (13<sup>th</sup> period from April 1, 2012 through December 31, 2012) is based on the assumption that no modification is required to the sales of HMJ's five hotels of the former operating forecast announced on August 28, 2012.

(\*3) Fractions less than JPY1M are rounded off.

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

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