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Notice concerning the Revision of the Operating Forecast for the Fiscal Year December 2012 (13th period)

This is to inform you that Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) revises the operating forecast for the fiscal year December 2012 (April 1, 2012 through December 31, 2012) released by “Notice concerning the Revision of the Operating Forecast for the Fiscal Year December 2012 (13th period)” on August 28, 2012 as follows:

1. Revision of the operating forecast for the fiscal year December 2012 (April 1, 2012 through December 31, 2012)

	Operating income	Operating profit	Ordinary income	Current net profit	Dividend per unit (Dividend from excess of earnings exclusive)	Dividend from excess of earnings per unit
Forecast previously announced (A)	JPY1M 7,226	JPY1M 2,799	JPY1M 1,598	JPY1M 20,196	JPY 1,341	JPY 0
Forecast revised this time (B)	JPY1M 7,283	JPY1M 2,595	JPY1M 1,412	JPY1M 19,031	JPY 1,427	JPY 0
Variance (C)= (B) – (A)	JPY1M 57	JPY1M -203	JPY1M -189	JPY1M -1,167	JPY 86	JPY 0
Variance ratio (D)= (C)/(A)	% 0.8	% -7.3	% -11.8	% -5.8	% 6.4	% 0

(*1) Number of units having been issued as of the end of the term: 2,111,281 units

(*2) The current net profit includes the negative goodwill (JPY18.578B) due to merger dated April 1st 2012, transfer loss (JPY1.393B), and impairment loss (JPY958M), and it is not the source of the dividend. For detail, see <Reference 1> “Operating status without special factors” and <Reference 2> “Dividend per unit”.

(*3) 13th period has the irregular financial settlement period that is from April 1, 2012 through December 31, 2012 (nine months). Thus, dividend per unit for the fiscal year December 2012, JPY1,427, is not the annualized dividend. For your reference, the annualized dividend per unit calculated under the certain conditions is JPY1,621. (The annualized dividend per unit of the previous operating forecast was JPY1,563.) Please see <Reference 3> “Preconditions for the annual basis”

(*4) Amount less than JPY1M will be rounded down. Numbers less than two decimal places are rounded off.

Note: This documents is intended to serve as the public announcement of JHR’s operating forecast for the fiscal year December 2012 (13th period), and does not intend to solicit for investment. JHR would appreciate your investing in units at your own responsibility and judgment.

2. Rationale for revising the operating forecast

The operational status of the fiscal year December 2012 became almost clear, and JHR reviewed the operating forecast. Owing to the below-mentioned main causes, more than 5% variance has been identified for the operating income, ordinary income, current net profit, and dividend per unit of the operating forecast for the fiscal year December 2012 (13th period) released on August 2012. This is to revise the forecast with main causes below.

The operating income, the ordinary income, current net profit and dividend per unit of the operating forecast without the special factors such as the advantage of the negative goodwill, transfer loss, and impairment loss are expected to increase in comparison with the operating forecast for the fiscal year December 2012 (13th period). For detail, please see <Reference 1> “Operating status without the special factors”.

(1) Disposition of “Hotel Resol Sapporo Minaminijo”

As stated in the press release “Notice concerning Completion of Disposition (Hotel Resol Sapporo Minaminijo)” dated December 21, 2012, JHR disposed of “Hotel Resol Sapporo Minaminijo” on December 21, 2012 and the transfer loss of JPY411M will be posted as the operating cost for this disposition. However, it will not impact on the dividend, as the dividend reserve by the negative goodwill will cover the loss.

(2) Impairment of Hotel Vista Hashimoto

Considering the future market condition of Hotel Vista Hashimoto such as the competitor’s impact on their business, JHR came to conclusion that declaring impairment is appropriate. Impairment loss of JPY958M will be posted as the extraordinary loss (The book value after the impairment will be JPY589M.) but it will not impact on the dividend. The dividend reserve by the negative goodwill will cover the loss. Moreover, the impact on the operating forecast for the fiscal year December 2013 (January 1, 2013 through December 31, 2013) is slight and no revision is scheduled as of today.

(3) Other causes

The operating income is expected to increase by JPY57M in comparison with the previous forecast due to the increased GOP of HMJ’s five hotels* and increased earnings from the hotel operation of Ibis Tokyo Shinjuku. Each item of the operating cost has been reviewed, and the operating cost is expected to decrease by JPY150M in comparison with the previous forecast.

Please see <Reference 4> “Calculation basis for HMJ’s rent for the fiscal year December 2012” as to how to calculate the variable rent of HMJ’s five hotels, definition of GOP, and the hotel sales and GOP.

* Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima.

<Remark>

The above is based on the operating forecast as of today and the dividend per unit may fluctuate in future. The numbers stated above are not guaranteed.

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

<Reference 1> Operating status without the special factors

The operating status as of the fiscal year December 2012 without the advantage of the negative goodwill, transfer loss by the dispositions of Millennia Hotel Matsuyama and Hotel Resol Sapporo Minaminijo, and impairment loss of Hotel Vista Hashimoto is as follows:

(JPY1M)	Forecast previously announced	Forecast revised this time	Variance
Operating income	7,226	7,283	57
Operating profit	3,781	3,989	207
Ordinary income	2,580	2,806	222
Current net profit	2,578	2,805	224
Dividend per unit	1,341	1,427	86

<Reference 2> Dividend per unit

The dividend per unit for the fiscal year December 2012 has been calculated according to the following preconditions:

(JPY1M)	Forecast previously announced	Forecast revised this time
Current net profit	20,196	19,031
Advantage of the negative goodwill (Posted to the extraordinary income)	-18,600	-18,578
Use of the negative goodwill (Impairment loss)	--	958
Use of the negative goodwill (Loss on retirement of noncurrent assets)	52	9
Use of the negative goodwill (Loss on transfer)	981	1,393
Use of the negative goodwill (Cope with dilution)*	200	200
Total dividends	2,831	3,014
Total No. of units issued	2,111,281 units	2,111,281 units
Dividend per unit	JPY1,341	JPY1,427

*As previously forecasted, JPY200M has been scheduled for the cost to cope with dilution which may be triggered by the public offering during fiscal year December 2012.

<Reference 3> Preconditions for the annual basis

The dividend per unit as of the fiscal year December 2012 is JPY1,427, and its annualized dividend is JPY1,621. The preconditions to calculate the annualized dividend are as follows:

- For the existing properties, the items except for the variable rent of HMJ's five hotels have been annualized based on the forecast of nine months, and the variable rent of HMJ's five hotels have been calculated from the numerical figures submitted by the hotels for the period from January 2012 through December 2012.
- The forecast for one year from January 2013 through December 2013 is indicated by the hotels for newly acquired Hotel Keihan Universal City and Hotel Sunroute Shinbashi.
- JHR does not own the disposed assets, Millennia Hotel Matsuyama and Hotel Resol Sapporo Minaminijo, throughout the year is the precondition.

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- Advantage of the negative goodwill (JPY18.578B), transfer loss (JPY1.393B), and impairment loss (JPY958M) are not preconditioned.

The calculation basis for the annual rent of HMJ's five hotels

Annualized rent (JPY5.090B) = Fixed rent (JPY3.221B) + Variable rent (JPY1.869B)

Fixed rent = Monthly rent JPY268M x 12 months

Variable rent = <1. Total GOP of HMJ's five hotels – 2. GOP base amount> x 81.5%

1. The total GOP of HMJ's five hotels expected is JPY5.645B for the period from January 2012 through December 2012.
2. JPY3.351B has been set as the annual GOP base amount.

The three-term comparison for the sales, GOP and the variable rent of HMJ's five hotels are indicated on <Reference 6> "Sales of HMJ's five hotels and GOP".

<Reference 4> Calculation basis for HMJ's rent for the fiscal year December 2012

The calculation basis for HMJ's rent for the fiscal year December 2012 is as follows:

The rent for the fiscal year December 2012 (JPY4.210B) = Fixed rent (JPY2.415B) + Variable rent (JPY1.794B)

Fixed rent = Monthly rent JPY268M x 9 months

Variable rent = <1. Total GOP of HMJ's five hotels – 2. GOP base amount> x 81.5%

1. Total GOP of HMJ's five hotels for the fiscal year December 2012 (13th period) is projected to be JPY4.715B.
2. JPY2.513B has been set as GOP base amount for the fiscal year December 2012 (13th period).

The three-term comparison for the sales, GOP and the variable rent of HMJ's five hotels are indicated on <Reference 6> "Sales and GOP of HMJ's five hotels".

*GOP is the gross operating profit that is the standard management index for the hotel's operational capabilities. It is the remainder after subtracting below-mentioned operating costs (the cost directly related to the operation of each property only) from the hotel sales volume.

1. Cost of sales, 2. Labor cost and welfare cost of the hotel employees, 3. Supply cost, 4. Cost related to the sales department (Outsourced service fee and various fees inclusive), 5. General administrative cost, 6. Sales promotion and advertisement cost, 7. Repair and maintenance cost (Maintenance and management cost inclusive), 8. Water and energy cost, 9. Insurance for the operational management, 10. Tax for operating the hotel (revenue stamp, etc.), 11. Allowance for bad debts and bad debts loss relating to the hotel receivables, 12. Other direct cost(s) relating to the hotel operational management.

<Reference 5> Calculation basis for the earnings from the hotel operation of Ibis Tokyo Shinjuku for the fiscal year December 2012

The calculation basis for the earnings from the hotel operation of Ibis Tokyo Shinjuku for the fiscal year December 2012 is as follows:

The operating income of Ibis Tokyo Shinjuku includes the real estate operating income from the hotel operator, A.A.P.C. Japan, JPY127M*, and the fixed rent from the hotel tenant, JPY75M. The management fee JHR pays to the operator from GOP of Ibis Tokyo Shinjuku is to be posted to the operating cost.

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*The asset management with the management contract scheme commenced on July 1, 2012, and the calculation period for the above is six month from July 1, 2012 through December 31, 2012.

< Reference 6 > “Sales and GOP of HMJ’s five hotels”

(1) Hotel sales by each hotel

(Unit: JPY1M)

Sales of HMJ’s five hotels		January 2010 to December 2010 (12 months) (*1)		January 2011 to December 2011 (12 months) (*1)		January 2012 to December 2012 (12 months) (*1)		April 2012 to December 2012 (9 months) (*2)	
		Actual	Comparison with last term	Actual	Comparison with last term	Forecast This time	Comparison with last term	Forecast This time	Comparison with last term
Kobe Meriken Park Oriental Hotel	1 st half	2,800	4.2%	2,546	-9.1%	2,544	-0.1%		
	2 nd half	3,012	-5.8%	3,008	-0.1%	2,922	-2.9%		
	Whole financial year	5,812	-1.2%	5,554	-4.4%	5,466	-1.6%	4,241	-3.1%
Oriental Hotel Tokyo Bay	1 st half	3,130	4.4%	2,219	-29.1%	3,221	45.1%		
	2 nd half	3,478	5.6%	3,529	1.5%	3,542	0.4%		
	Whole financial year	6,608	5.0%	5,748	-13.0%	6,762	17.6%	5,148	14.0%
Namba Oriental Hotel	1 st half	914	9.7%	940	2.9%	885	-5.9%		
	2 nd half	956	7.1%	968	1.3%	973	-0.5%		
	Whole financial year	1,870	8.3%	1,909	2.1%	1,858	-2.6%	1,422	-2.3%
Hotel Nikko Alivila	1 st half	2,035	-7.0%	1,911	-6.1%	2,041	6.8%		
	2 nd half	3,005	0.7%	3,163	5.3%	3,048	-3.6%		
	Whole financial year	5,040	-2.6%	5,074	0.7%	5,088	0.3%	4,097	-1.9%
Oriental Hotel Hiroshima	1 st half	1,009	0.5%	904	-10.4%	989	9.3%		
	2 nd half	1,058	-0.4%	1,034	-2.2%	1,148	11.0%		
	Whole financial year	2,067	0.0%	1,939	-6.2%	2,137	10.2%	1,650	10.1%
Total	1 st half	9,888	1.8%	8,521	-13.8%	9,679	13.6%		
	2 nd half	11,508	0.7%	11,703	1.7%	11,633	-0.6%		
	Whole financial year	21,396	1.2%	20,223	-5.5%	21,312	5.4%	16,559	3.3%

(*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 for the comparison purpose (January 1 through December 31).

(*2) The numerical figures for the fiscal year December 2012 (nine months from April 1 through December 31) is indicated. It is compared to the nine months of the last term.

(*3) Amount less than JPY1M is rounded off.

(2) Hotel GOP

(Unit: JPY1M)

GOP of HMJ’s five hotels	January 2010 to December 2010 (12 months) (*1)		January 2011 to December 2011 (12 months) (*1)		January 2012 to December 2012 (12 months) (*1)		April 2012 to December 2012 (9 months) (*2)	
	Actual	Comparison with last term	Actual	Comparison with last term	Forecast this time	Comparison with last term	Forecast this time	Comparison with last term
HMJ’s five hotels in total	5,696	10.9%	5,158	-9.4%	5,645	9.4%	4,715	4.7%
GOP ratio to the sales	26.6%	2.3%	25.5%	-1.1%	26.5%	1.0%	28.5%	0.4%

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- (*2) The numerical figures for the fiscal year December 2012 (nine months from April 1 through December 31) is indicated. It is compared to the nine months of the last term.
- (*3) Amount less than JPY1M is rounded off.