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Notice Concerning Revision of Operating Forecast for Fiscal Period December 2013 (14th period)

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you that the operating forecast for the fiscal period ending December 2013 (January 1, 2013 through December 31, 2013) announced by the “Notice Concerning the Revision of the Operating Forecast for the Fiscal Period December 2013 (14th period)” dated August 20, 2013 is revised as follows:

1. Revision of the operating forecast for the fiscal period ending December 2013 (January 1, 2013 through December 31, 2013)

	Operating income	Operating profit	Ordinary income	Current net profit	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Previous forecast (A)	JPY 1M 11,222	JPY 1M 6,008	JPY 1M 4,349	JPY 1M 4,357	JPY 1,803	JPY 0
Revised forecast (B)	JPY1M 11,386	JPY1M 5,262	JPY1M 3,627	JPY1M 3,113	JPY 1,896	JPY 0
Variance (C) = (B) - (A)	JPY1M 163	JPY1M -745	JPY1M -721	JPY1M -1,244	JPY 93	JPY 0
Variance ratio (D) = (C) / (A)	% 1.5	% -12.4	% -16.6	% -28.6	% 5.2	% 0

(*1) Dividend per unit is calculated based on the investment units issued as of the end of this period, 2,621,281 units.

(*2) For assumption of the operating forecast above, see “Assumptions for the operating forecast for the full fiscal period ending December 2013 (14th period) below.

(*3) The allowance of the dividend, JPY1.858B, is scheduled to be distributed as dividend.

(*4) The current net profit of the fiscal period ending December 2013 includes transfer loss of Hotel Vista Hashimoto (JPY223M), transfer loss of Peal Hotel Kayabacho (JPY966M), impairment loss of Dormy Inn Namba (JPY523M), and it is not the source of dividend. See <Reference 1. Operating results excluding special causes> below for operating forecast excluding special causes.

(*5) Amount less than JPY1M is rounded down and fractions after two decimal places are rounded off.

2. Rationale for revising the operating forecast

As a result of reviewing the operating forecast for the fiscal period ending December 2013 (14th period), more than 5% variance is anticipated to the amount of dividend per unit based on the operating forecast for the fiscal period ending December 2013 (14th period) announced in August 20, 2013. JHR revises the forecast as below and the major causes for variance are as follows:

Note: This document is intended to serve as a press release to make available the information on the revision of the operating forecast for the fiscal period December 2013 (14th period). This document should not be construed as solicitation and prospective investors are advised to make any investment decisions at their own judgment and responsibility.

■ Major causes for more than 5% variance

(1) Increase of operating income resulted from increased variable rent

Operating income is expected to raise by JPY163M compared with the last forecast due to increased GOP of HMJ's five hotels(*) and increased income due to acquisition of Ibis Styles Kyoto Station. Please refer to "Assumptions for the operating forecast for the full fiscal period ending December 2013 (14th period)" below as to how to calculate variable rent of HMJ's five hotels, definition of GOP, hotel sales and hotel GOP.

*HMJ's five hotels are namely Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima.

(2) Decrease of expenses resulted from cost reduction efforts

JHR reviewed each operating expense. Operating expenses are expected to decrease by JPY57M compared with the previous forecast.

Moreover, non-operating expenses will also decrease by JPY24M as a result of reduction efforts of loan cost, etc.

<Reference>

Transfer loss of Pearl Hotel Kayabacho and impairment loss of Dormy Inn Namba

JHR forecasts that current net profit decreases by JPY1.244B compared with that of the previous operating forecast. The major causes of this decrease results from transfer loss of Pearl Hotel Kayabacho, JPY966M, and impairment loss of Dormy Inn Namba, JPY523M that are included in this fiscal period.(*).

If these special causes (transfer loss and impairment loss) are excluded, operating profit, ordinary income and current net profit are all expected to increase compared with the last operating forecast. For detail, please refer to <Reference 1. Operating forecast excluding special causes> below.

Above-mentioned transfer loss and impairment loss will be covered by negative goodwill and impact on dividend per unit will be avoided.

(*) For detail of disposition of Pearl Hotel Kayabacho and Dormy Inn Namba, please see our press release "Notice Concerning Disposition of Asset ("Pearl Hotel Kayabacho") dated September 20, 2013 and "Notice Concerning Disposition of Asset ("Dormy Inn Namba") dated today.

(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/>

Assumptions for the operating forecast for the full fiscal period ending December 2013 (14th period)

Item	Assumption																				
Calculation period	Full fiscal period ending December 2013 (14 th period): January 1, 2013 through December 31, 2013 (365 days)																				
Operating asset	It is assumed that twenty eight properties JHR owned as of November 30, 2013 will be continuously owned by the end of the fiscal period ending December 30, 2013, and transfer of asset (acquisition or disposition of asset) will not take place. Actual may fluctuate by transfer of asset.																				
Operating income	<div>Operating income has been calculated according to hotel competitiveness and market environment, etc. based on the effective lease contract, etc. as of today.</div> <div>Rent of HMJ's five hotels have been calculated as follows:</div> <div>Annual rent (JPY5.458B) = Fixed rent (JPY3.221B/year) + Variable rent (See below for calculation)</div> <div><div>Variable rent = [1. Total GOP of HMJ's five hotels − 2. GOP base amount (*1)] × 81.5%</div><div><Variable rent of HMJ's five hotels for the fiscal period ending December 2013></div><div>(Fraction less than JPY1M is rounded down)</div><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) × 81.5%</td></tr><tr><td>Full fiscal period</td><td>6,096</td><td>3,351</td><td>2,237</td></tr></table><div>(*1) It is not assumed to change GOP base amount until expiration of the lease contract.</div><div>(*2) Three periods comparison for sales, GOP and variable rent of HMJ's five hotels are shown in <Reference 3> Sales and GOP of HMJ's five hotels".</div><div>Breakdown of variable rent and income through the management contracts are as follows:</div><div><Breakdown of variable rent, etc. for the fiscal period ending December 2013></div><div>(Fraction less than JPY1M is rounded down.)</div><table><tr><td></td><td>HMJ's five hotels</td><td>Ibis Tokyo Shinjuku</td><td>Ibis Styles Kyoto Station</td><td>Other variable rent</td><td>Total</td></tr><tr><td>Full fiscal period</td><td>2,237</td><td>365</td><td>55</td><td>81</td><td>2,739</td></tr></table><div>It is assumed that GOP amounts of both Ibis Tokyo Shinjuku and Ibis Styles Kyoto Station are included in real estate operating income and the management expenses to be paid by JHR are included in operating expenses.</div><div>Delinquency in rent payment, etc. are not assumed for the operating income.</div></div>		Total GOP of HMJ's five Hotels 1	GOP base amount 2	Variable rent (1-2) × 81.5%	Full fiscal period	6,096	3,351	2,237		HMJ's five hotels	Ibis Tokyo Shinjuku	Ibis Styles Kyoto Station	Other variable rent	Total	Full fiscal period	2,237	365	55	81	2,739
	Total GOP of HMJ's five Hotels 1	GOP base amount 2	Variable rent (1-2) × 81.5%																		
Full fiscal period	6,096	3,351	2,237																		
	HMJ's five hotels	Ibis Tokyo Shinjuku	Ibis Styles Kyoto Station	Other variable rent	Total																
Full fiscal period	2,237	365	55	81	2,739																
Operating expenses	<div>As for the real estate operating expenses (our major operating expenses), all expenses except for depreciation expense are based on actual in the past, and variable factors are reflected in calculation.</div> <div>JPY722M is assumed to be paid for the fixed asset tax and city planning tax etc.</div> <div>In general, the previous owner and JHR pay fixed asset tax and city planning tax for the acquired asset based on the holding period, and adjustment is made at the closing of acquisition. JHR includes the adjusted amount in the acquisition price thus it will not be included in the expenses for such calculation period. Accordingly, those of Hilton Tokyo Bay Hotel acquired in April 26, 2013 and Ibis Styles Kyoto Station acquired in October 31, 2013 will not be included in expenses for calculation period, and those of two hotels acquired in September 19, 2012 (Hotel Keihan Universal City and Hotel Sunroute Shimbashi) to be paid in this fiscal period are assumed to be JPY54M for nine months.</div>																				

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Item	Assumption
Operating expenses	<ul style="list-style-type: none"> Depreciation expenses have been calculated by the straight-line method including the incidental cost and additional capital expenditure for the fiscal period ending December 2013 (14th period). It is assumed to be JPY2.323B. Repair expenses are assumed amount necessary for each operating period. But please bear in mind that the repair expenses of each operating period may differ materially, as 1. Emergency repair expenses may be necessary due to damage caused by unexpected incident, 2. The more property is fatigued, the more repair expenses are needed, and 3. Repair expenses are not required on regular basis.
Non-operating expenses	<ul style="list-style-type: none"> JPY1.602B is assumed for borrowing related expenses such as redeeming handling charges for borrowings, interest, arrangement fee, and redemption expenses, etc. for derivative products (Interest-cap). Expenses for issuing and selling the new investment units are redeemed in three years according to the straight-line method.
Interest-bearing loan	<ul style="list-style-type: none"> It is assumed to be JPY74.784B as of December 31, 2013. Investment corporation bonds to be redeemed within one year during 14th period, JPY2.000B, will be all redeemed by the funds procured through JHR's second investment corporation bonds issued in November 26, 2013 (JPY2.500B). Balance of interest-bearing loans remains unchanged other than the above.
Issuance of investment unit	<ul style="list-style-type: none"> Investment units issued as of today, 2,621,281 units, are assumed. It is assumed that no additional investment units are to be issued by the end of December 2013.
Dividend per unit resulting from excess of earnings	<ul style="list-style-type: none"> It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.
Other	<ul style="list-style-type: none"> It is assumed that law, tax law, accounting standard, regulations of the listing, and regulations of The Investment Trusts Association, Japan that may impact on the forecast above will not be revised. It is assumed that unexpected major incident will not occur in the general economy, the real estate market, and the hotel business environment, etc. The numbers less than JPY1M in this assumption is rounded down.

Note: This document is intended to serve as a press release to make available the information on the revision of the operating forecast for the fiscal period December 2013 (14th period). This document should not be construed as solicitation and prospective investors are advised to make any investment decisions at their own judgment and responsibility.

<Reference 1> Operating results excluding special causes

The operating results for the fiscal period ending December 2013 except for special causes (e.g., transfer losses resulted from dispositions of Hotel Vista Hashimoto and Pearl Hotel Kayabacho, and impairment loss of Dormy Inn Namba) are as follows:

(JPY1M)	Previous forecast	Revised forecast	Variance
Operating income	11,222	11,386	163
Operating profit	6,232	6,453	221
Ordinary income	4,572	4,818	245
Current net profit	4,581	4,827	245
NOI (*1)	9,662	9,812	149
NOI yield (*2)	6.2%	6.2%	0.0%

(*1) NOI = Real estate operating income – Real estate operating expenses + Depreciation expenses + Loss on retirement of noncurrent assets.

(*2) NOI yield = NOI ÷ Acquisition price

<Reference 2> Dividend per unit

Dividend per unit at the fiscal period ending December 2013 has been calculated as follows:

(JPY1M)	Previous forecast	Revised forecast
Current net profit	4,357	3,113
Use of negative goodwill (Loss on retirement of noncurrent assets)	10	10
Use of negative goodwill (Transfer loss resulted from real estate dispositions)	223	1,190
Use of negative goodwill (Impairment loss)	—	523
Use of negative goodwill (Preventing dilution) (*)	135	135
Total amount of dividend	4,726	4,972
Total investment units issued	2,621,281 units	2,621,281 units
Dividend per unit	JPY1,803	JPY1,896

(*) Expenses for preventing dilution resulted from additional issuance of investment units on the fiscal period ending December 2013 is scheduled to be JPY135M, as announced before.

<Reference 3> Sales and GOP of HMJ's five hotels
(1) Hotel sales by each hotel

(JPY1M)

Sales of HMJ five hotels with variable rent		January 2011 to December 2011 (12 months)		January 2012 to December 2012 (12 months) (*1)		January 2013 to December 2013 (12 months)	
		Actual	Comparison with last period	Actual	Comparison with last period	1 st half : Actual 2 nd half : Forecast Full year : Forecast	Comparison with last period
Kobe Meriken Park Oriental Hotel	1 st half of the year	2,546	-9.1%	2,544	-0.1%	2,416	-5.0%
	2 nd half of the year	3,008	-0.1%	2,922	-2.9%	2,801	-4.1%
	Full year	5,554	-4.4%	5,466	-1.6%	5,216	-4.6%
Oriental Hotel Tokyo Bay	1 st half of the year	2,219	-29.1%	3,221	45.1%	3,209	-0.4%
	2 nd half of the year	3,529	1.5%	3,542	0.4%	3,947	11.4%
	Full year	5,748	-13.0%	6,762	17.6%	7,155	5.8%
Namba Oriental Hotel	1 st half of the year	940	2.9%	885	-5.9%	934	5.5%
	2 nd half of the year	968	1.3%	973	0.5%	1,028	5.6%
	Full year	1,909	2.1%	1,858	-2.6%	1,962	5.6%
Hotel Nikko Alivila	1 st half of the year	1,911	-6.1%	2,041	6.8%	2,193	7.5%
	2 nd half of the year	3,163	5.3%	3,048	-3.6%	3,190	4.7%
	Full year	5,074	0.7%	5,088	0.3%	5,383	5.8%
Oriental Hotel Hiroshima	1 st half of the year	904	-10.4%	989	9.3%	1,046	5.8%
	2 nd half of the year	1,034	-2.2%	1,148	11.0%	1,182	3.0%
	Full year	1,939	-6.2%	2,137	10.2%	2,228	4.3%
Total	1 st half of the year	8,521	-13.8%	9,679	13.6%	9,797	1.2%
	2 nd half of the year	11,703	1.7%	11,633	-0.6%	12,147	4.4%
	Full year	20,223	-5.5%	21,312	5.4%	21,944	3.0%

(*1) The settlement period for the fiscal period ending December 2012 is nine months but annualized numbers (one year from January 1 through December 31) are shown above for comparing hotel business results.

(*2) Less than JPY1M is rounded off for sales. Fractions after two decimal places are rounded off for comparison with last period.

(2) Hotel GOP

GOP of HMJ's five hotels	January 2011 through December 2011 (12 months)		January 2012 through December 2012 (12 months) (*1)		January 2013 through December 2013 (12 months)	
	Actual	Comparison with last period	Actual	Comparison with last period	Revised forecast	Comparison with last period
HMJ's five hotels in total	5,158	-9.4%	5,645	9.4%	6,096	8.0%
GOP ratio to sales	25.5%	-1.1%	26.5%	1.0%	27.8%	1.3%

(*1) The settlement period for the fiscal period ending December 2012 is nine months but annualized numbers (one year from January 1 through December 31) are shown above for comparing hotel business results.

(*2) Less than JPY1M is rounded off for GOP. Fractions after two decimal places are rounded off for GOP ratio to sales and comparison with last period.