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

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) revises the operating forecast and dividend for the fiscal period ended December 2013 (January 1, 2013 through December 31, 2013) announced by the “Notice Concerning Revision of Operating Forecast for Fiscal Period December 2013 (14th period)” dated December 19, 2013 as follows:

1. Revision of the operating forecast and dividend for the fiscal period ended 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 11,386	JPY 1M 5,262	JPY 1M 3,627	JPY 1M 3,113	JPY 1,896	JPY 0
Revised forecast (B)	JPY1M 11,472	JPY1M 5,367	JPY1M 3,740	JPY1M 3,233	JPY 1,939	JPY 0
Variance (C) = (B) – (A)	JPY1M 86	JPY1M 104	JPY1M 112	JPY1M 119	JPY 43	JPY 0
Variance ratio (D) = (C) / (A)	% 0.8	% 2.0	% 3.1	% 3.8	% 2.3	% 0

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

(*2) Dividend allowance, JPY1.848B, is planned to be the source of dividend payments.

(*3) The current net profit for the fiscal period ended December 2013 includes transfer loss of Hotel Vista Hashimoto (JPY223M), transfer loss of Pearl Hotel Kayabacho (JPY1.189B), and impairment loss of Dormy Inn Namba (JPY516M), and it is not the source of dividend payment. See <Reference 1. Operating results excluding special causes> below for operating forecast excluding special causes.

(*4) See <Reference 2. Dividend per unit> as to how to calculate dividend per unit.

(*5) Amount less than JPY1M is rounded down, and the second decimal place of variance ratio is rounded off.

2. Rationale for revising the operating forecast and dividend

JHR’s operational status of the fiscal period ended December 2013 (14th period) has almost become clear, and JHR revises the operating forecast and dividend as of today as below. The major causes of variance are as follows:

■ Major causes of variance

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

The operating income is expected to rise by JPY86M compared with the last forecast due to increased GOP(*1) of HMJ's five hotels(*2) and increased income from the management contract, etc. Please refer to <Reference 3. Calculation basis for the variable rent of HMJ's five hotels for the fiscal period ended December 2013> below for calculation method, definition of GOP, hotel sales and hotel GOP of HMJ's five hotels.

(*1) GOP (Gross Operating Profit) is the representative index to show the hotel's operational capability. It is calculated by deducting expenses below (expenses directly required to operate hotel only) from the hotel sales: 1. Sales cost, 2. Labor cost and welfare cost of hotel employees, 3. Equipment and fixture expenses, 4. Expenses necessary for sales department (including outsourcing expenses and handling charges), 5. General administrative expenses, 6. Sales promotion and advertising expenses, 7. Repair and maintenance expenses (including facility maintenance and management expenses), 8. Utility expenses, 9. Insurance in relation to hotel operational management, 10. Tax in relation to hotel operational management (stamp duty, etc.), 11. Allowances for bad debts and bad debts loss of hotel, 12. Other direct expenses necessary to operate hotel.

(*2) 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) Other factors

As a result of reviewing operating expenses and financial expenses, etc., they are expected to decrease by JPY26M compared with the last forecast. Moreover, impairment loss of Dormy Inn Namba is expected to decrease by JPY6M compared with the last forecast.

(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/>

<Reference 1> Operating results excluding special causes

The operating results for the fiscal period ended 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	11,386	11,472	86
Operating profit	6,453	6,556	103
Ordinary income	4,818	4,929	111
Current net profit	4,827	4,939	112
NOI (*1)	9,812	9,907	95

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

<Reference 2> Dividend per unit

Dividend per unit for the fiscal period ended December 2013 has been calculated as follows:

(JPY1M)	Previous forecast	Revised forecast
Current net profit	3,113	3,233
Utilization of negative goodwill (Loss on retirement of noncurrent assets)(*)	10	8
Utilization of negative goodwill (Transfer loss resulted from real estate dispositions)(*)	1,190	1,189
Utilization of negative goodwill (Impairment loss)(*)	523	516
Utilization of negative goodwill (Preventing dilution) (*)	135	135
Total amount of dividend	4,972	5,082
Total number of investment units issued	2,621,281 units	2,621,281 units
Dividend per unit	JPY1,896	JPY1,939

(*) The balance of the dividend allowance after utilization of negative goodwill is planned to be JPY14.1B.

<Reference 3> Calculation basis for the variable rent of HMJ's five hotels for the fiscal period ended December 2013

The calculation basis for HMJ's five hotels for the fiscal period ended December 2013 is as follows:

Rent of the fiscal period ended December 2013 (JPY5.506B) = Fixed rent (JPY3.221B) + Variable rent (JPY2.285B)
 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 is assumed to be JPY6.155B for the fiscal period ended December 2013 (14th period).
2. GOP base amount set for the fiscal period ended December 2013 (14th period) is JPY3.351B.

Please refer to <Reference 4. Sales and GOP of HMJ's five hotels> for three-term comparison for sales, GOP, and variable rent, etc. of HMJ's five hotels.

<Reference 4> Sales and GOP of HMJ's five hotels
(1) Hotel sales (by 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%	2,795	-4.3%
	Full year	5,554	-4.4%	5,466	-1.6%	5,210	-4.7%
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%	3,973	12.2%
	Full year	5,748	-13.0%	6,762	17.6%	7,182	6.2%
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%	1,038	6.6%
	Full year	1,909	2.1%	1,858	-2.6%	1,972	6.1%
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%	3,183	4.4%
	Full year	5,074	0.7%	5,088	0.3%	5,375	5.6%
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%	1,208	5.2%
	Full year	1,939	-6.2%	2,137	10.2%	2,254	5.5%
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%	12,197	4.8%
	Full year	20,223	-5.5%	21,312	5.4%	21,994	3.2%

(*1) The settlement period for the fiscal period ended December 2012 is nine months but full year 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. The second decimal place is rounded off for comparison with last period.

(2) Hotel GOP

(JPY1M)

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%	6,155	9.0%
GOP ratio to sales	25.5%	-1.1%	26.5%	1.0%	28.0%	1.5%

(*1) The settlement period for the fiscal period ended December 2012 is nine months but full year 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. The second decimal place is rounded off for GOP ratio to sales and comparison with last period.