

This English translation has been made for information purpose only. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail.

August 20, 2013

REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)
Yukio Isa, Executive Director

Asset Management Company:

Japan Hotel REIT Advisors Co., Ltd.
Hiroyuki Suzui, Representative Director

Contact:

Kazuyuki Udo
Director and Officer
Management & Planning Office
TEL : +81-3-6422-0530

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

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you of revising 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 Year December 2013” dated April 2, 2013 as follows:

1. Revision of the operating forecast for the full 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)	JPY1M 11,085	JPY1M 6,014	JPY1M 4,234	JPY1M 4,232	JPY 1,670	JPY 0
Revised forecast (B)	JPY1M 11,222	JPY1M 6,008	JPY1M 4,349	JPY1M 4,357	JPY 1,803	JPY 0
Variance (C) = (B) – (A)	JPY1M 136	JPY1M -5	JPY1M 114	JPY1M 125	JPY 133	JPY 0
Variance ratio (D) = (C) / (A)	% 1.2	% -0.1	% 2.7	% 3.0	% 8.0	% 0

2. Operating results for the midterm of the fiscal period ending December 2013 (January 1, 2013 through June 30, 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)	JPY1M 4,569	JPY1M 2,176	JPY1M 1,274	JPY1M 1,274	JPY —	JPY —
Revised forecast (Actual) (B)	JPY1M 4,780	JPY1M 2,220	JPY1M 1,418	JPY1M 1,429	JPY —	JPY —
Variance (C) = (B) – (A)	JPY1M 211	JPY1M 43	JPY1M 144	JPY1M 154	JPY —	JPY —
Variance ratio (D) = (C) / (A)	% 4.6	% 2.0	% 11.3	% 12.1	% —	% —

Reference Forecast current net profit per unit for the full fiscal period: JPY1,762.- (It is calculated based on assumed average number of the investment units for the fiscal period, 2,473,171 units.)

- (1) Dividend per unit is calculated based on the investment units issued at the end of the midterm, 2,621,281 units.

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.

- (2) See “Assumptions for the operating forecast for the fiscal period ending December 2013 (14th period) for assumptions of the operating forecast above.
- (3) The allowance for the dividend, JPY368M, is scheduled to be the source of dividend.
- (4) The current net profit for the full fiscal period ending December 2013 includes capital loss caused by disposition of Hotel Vista Hashimoto (JPY223M) and it is not the source of dividend. See “<Reference 2> Operating forecast for the full fiscal period ending December 2013, 1. Operating results excluding extraordinary factors” below for the operating forecast excluding capital loss caused by disposition of Hotel Vista Hashimoto.
- (5) See “<Reference 2> Operating forecast for the full fiscal period ending December 2013, 2. Asset acquisition and disposition impacts on the full fiscal period” for the operating forecast including the full year impacts of the hotels acquired and disposed in the midterm (Hilton Tokyo Bay Hotel and Hotel Vista Hashimoto).
- (6) Current net profit for the fiscal period ending December 2013 includes capital loss caused by disposition of Hotel Vista Hashimoto (JPY223M). See <Reference 1> Operating results excluding extraordinary factors for the midterm of the fiscal period ending December 2013.
- (7) Amount less than JPY1M is rounded down and percentage is rounded off to one decimal place.

3. Rationale for revising the operating forecast

Monthly occupancy rate and ADR of all HMJ’s five hotels (*1) in the first half of the year exceeded those of the same period previous year, and room sales increased by 8.9% compared with the same period previous year. Room sales for the second half of the year are also expected to increase by 5.8%, and it is expected to increase by 7.1% on the full year basis compared with the same period previous year.

However, food and beverage sales are forecast to decrease resulting from decreased wedding sales, and the gross sales of HMJ’s five hotels for the full year is expected to increase by 2.1% compared with the same period previous year.

As a result, variance at more than 5% is expected to occur to the dividend per investment unit due to 1. GOP (*2) of HMJ’s five hotels are expected to increase by 5.7% compared with the same period previous year due to increased room sales with high profit contribution, and 2. Operating expense and finance expense have been reduced.

This is to revise the previously announced dividend per unit, and the following is the major causes:

(1) Full fiscal period ending December 2013 (January 1, 2013 through December 31, 2013)

a. Increase of variable rent

Operating income is expected to increase by JPY162M compared with the previous forecast mainly due to increased GOP of HMJ’s five hotels resulting from increased room sales.

b. Decrease of operating expense and non-operating expense

As a result of reviewing the operating expense and loan related expense, operating expense and non-operating expense are expected to decrease by JPY81M and JPY116M respectively compared with the previous forecast.

c. Disposition of Hotel Vista Hashimoto

As we announced by the press release, “Notice Concerning Completion of Disposition (Hotel Vista Hashimoto)” dated June 28, 2013, disposition of Hotel Vista Hashimoto has completed on June 28, 2013 and capital loss of JPY223M has been posted as the operating expense. This capital loss is covered by dividend allowance of negative goodwill and there will be no impact on dividend.

(2) Midterm of the fiscal period ending December 2013 (January 1, 2013 through June 30, 2013)

a. Increase of variable rent

Operating income has increased by JPY201M compared with the previous forecast mainly due to increased GOP of HMJ’s five hotels resulting from increased room sales.

b. Decrease of operating expense and non-operating expense

Both operating expenses and loan related expense have decreased compared with the previous forecast. Operating expense and non-operating expense have decreased by JPY55M and JPY97M respectively.

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.

c. Disposition of Hotel Vista Hashimoto

As stated above.

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

(*2) Gross Operating Profit (GOP) is the representative management index for the hotel operational capability.

Hotel sales volume – Operating expenses = Gross Operating Profit.

Operating expenses must be expenses directly required for each property only such as 1. Cost of sales, 2. Labor expense and welfare expense of hotel staffs, 3. Fixture and equipment expenses, 4. Expense in relation to sales department (Outsourcing expense and various handling charges are included), 5. General administrative expense, 6. Sales promotion expense and advertisement expense, 7. Repair and maintenance expense (Facility maintenance and administrative expenses are included.), 8. Water and energy expense, 9. Insurance required for hotel operational management, 10. Tax for hotel operational management (revenue stamp, etc.), 11. Allowance for bad debts and bad debts loss for hotel receivable, and 12. Other direct expenses for hotel operational management.

(Note)

The above is the operating forecast as of today and actual dividend per unit may fluctuate. This forecast does not guarantee the dividend indicated.

*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 June 30, 2013 will be continuously owned by the end of the fiscal period ending December 30, 2013, and asset transfer (acquisition or disposition) will not take place. The numerical figures may fluctuate by the transfer of asset.														
Operating income	Operating income has been calculated based on the effective lease contract, etc. as of today, considering hotel competitiveness and market environment, etc.														
	Rent of HMJ's five hotels have been calculated as follows:														
	Annual rent (JPY5.353B) = Fixed rent (JPY3.221B/year) + Variable rent (See below for calculation of variable rent)														
	Variable rent = [1. Total GOP of HMJ's five hotels − 2. GOP base amount (*1)] × 81.5%														
	<Variable rent of HMJ's five hotels for the fiscal period ending December 2013>														
	(Fraction less than JPY1M is rounded off)														
	<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>Midterm</td><td>2,300</td><td>1,675</td><td>509</td></tr><tr><td>Full fiscal period</td><td>5,968</td><td>3,351</td><td>2,132</td></tr></table>		Total GOP of HMJ's five hotels 1	GOP base amount 2	Variable rent (1-2) × 81.5%	Midterm	2,300	1,675	509	Full fiscal period	5,968	3,351	2,132		
		Total GOP of HMJ's five hotels 1	GOP base amount 2	Variable rent (1-2) × 81.5%											
	Midterm	2,300	1,675	509											
	Full fiscal period	5,968	3,351	2,132											
(*1) It is not assumed to change GOP base amount until expiration of the lease contract.															
(*2) Three terms comparison for sales, GOP and variable rent of HMJ's five hotels are indicated on <Reference 3> Sales and GOP of HMJ's five hotels".															
The operating income of Ibis Tokyo Shinjuku includes the real estate operating revenue from the operator, A.A.P.C. Japan, JPY346M (JPY169M for the midterm), and the fixed rent from tenant, JPY100M (JPY50M for the midterm). GOP of Ibis Tokyo Shinjuku is assumed to be posted as the real estate operating revenue, and the outsourcing expense to be paid by JHR is assumed to be posted as operating expense.															
All rent paid by Chisan Inn Kamata and upside sharing of Hotel Sunroute Shimbashi are assumed to be posted as variable rent.															
<Breakdown of variable rent for the fiscal period ending December 2013>															
(Fraction less than JPY1M is rounded off.)															
<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>509</td><td>169</td><td>55</td><td>734</td></tr><tr><td>Full fiscal period</td><td>2,132</td><td>346</td><td>81</td><td>2,561</td></tr></table>		HMJ's five hotels	Ibis Tokyo Shinjuku	Other variable rent	Total	Mid term	509	169	55	734	Full fiscal period	2,132	346	81	2,561
	HMJ's five hotels	Ibis Tokyo Shinjuku	Other variable rent	Total											
Mid term	509	169	55	734											
Full fiscal period	2,132	346	81	2,561											
	Delinquency in rent payment of lessee, etc. is not assumed for the operating income.														
Operating expense	Among the real estate operating expenses (our major operating expense), all expenses except for depreciation expense are based on actual in the past, and variable factors are reflected on calculation.														
	JPY734M is assumed to be paid for the fixed asset tax and city planning tax etc.														
	The previous owner and JHR pay the 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 tax amount in the acquisition price thus it will not be included in the expense for this fiscal period. Accordingly, those of Hilton Tokyo Bay Hotel acquired in April 26, 2013 will not be included in expense for this fiscal period and those of two hotels acquired in September 19, 2012 (Hotel Keihan Universal City and Hotel Sunroute Shimbashi) are														

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.

	assumed to be JPY54M for nine months.
--	---------------------------------------

Item	Assumption														
Operating expense	<ul style="list-style-type: none"> Depreciation expense has been calculated by the straight-line method including the incidental cost and additional capital expenditure (JPY936M) for the fiscal period ending December 2013 (14th period). It is assumed to be JPY2.319B. Repair expense is the assumed amount necessary for each operating term. But please understand that the repair expense of each operating term may differ materially, as 1. Additional repair cost may be necessary due to damage caused by unexpected incident, 2. The more property is fatigued, the more repair cost is needed, and 3. Repair expense is not required on regular basis. 														
Non-operating expense	<ul style="list-style-type: none"> JPY1.521B is estimated as redemption amount for handling charges for borrowings, interest, arrangement fee, and redemption expense 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"> Balance of the interest-bearing debts as of June 30, 2013 was JPY73.394B for both borrowings and investment corporation bond. It is assumed to be JPY72.990B as of December 31, 2013. Decrease of the amount above will result from the contractual repayment of JPY403M and repayment is assumed to be made with own funds. The amount to be repaid on September 2013 is JPY2.834B and repayment is assumed to be managed by refinance. Investment corporation bond to be redeemed within one year in 14th period, JPY2.000B, will be all redeemed by own funds managed by issuance of new investment corporation bond. No fluctuations are assumed in the balance of interest-bearing loan except for the above. 														
Issuance of investment unit	<ul style="list-style-type: none"> Investment units issued as of today, 2,621,281 units, are assumed. No additional investment units are assumed to be issued by December 2013. 														
Dividend per unit	<ul style="list-style-type: none"> Dividend per unit is calculated according to the following assumptions: <table> <tr> <td>Current net profit</td><td>JPY4.357B</td></tr> <tr> <td>Negative goodwill (loss on retirement of noncurrent asset)</td><td>JPY10M</td></tr> <tr> <td>Negative goodwill (Capital loss)</td><td>JPY223M</td></tr> <tr> <td>Negative goodwill (preventing dilution)</td><td>JPY135M</td></tr> <tr> <td>Total dividends</td><td>JPY4.726B</td></tr> <tr> <td>Total investment units</td><td>2,621,281 units</td></tr> <tr> <td>Dividend per unit</td><td>JPY1,803</td></tr> </table> Dividend per unit may fluctuate by various factors such as transfer of operating asset, change of hotel lessee, or fluctuation of the rent income resulting from changing lessee's business environment or unexpected repair, etc. 	Current net profit	JPY4.357B	Negative goodwill (loss on retirement of noncurrent asset)	JPY10M	Negative goodwill (Capital loss)	JPY223M	Negative goodwill (preventing dilution)	JPY135M	Total dividends	JPY4.726B	Total investment units	2,621,281 units	Dividend per unit	JPY1,803
Current net profit	JPY4.357B														
Negative goodwill (loss on retirement of noncurrent asset)	JPY10M														
Negative goodwill (Capital loss)	JPY223M														
Negative goodwill (preventing dilution)	JPY135M														
Total dividends	JPY4.726B														
Total investment units	2,621,281 units														
Dividend per unit	JPY1,803														
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 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 number less than JPY1M 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 extraordinary factors for the midterm of the fiscal period ending December 2013

The operating results excluding the capital loss caused by Hotel Vista Hashimoto is as follows:

Actual of Midterm (six months)	(JPY1M)
Operating income	4,780
Operating profit	2,443
Ordinary income	1,642
Midterm net profit	1,652

<Reference 2> Operating forecast for the full fiscal period ending December 2013
1. Operating results excluding extraordinary factors

The operating results excluding capital loss caused by the disposition of Hotel Vista Hashimoto is as follows:

Forecast for this fiscal period (12 months)	(JPY1M)
Operating income	11,222
Operating profit	6,232
Ordinary income	4,572
Current net profit	4,581
NOI (*1)	9,662
NOI yield (*2)	6.2%

2. Asset acquisition and disposition impacts on the full fiscal period

The operating forecast including the full year impact(*3) of the hotels acquired and disposed in the midterm (Hilton Tokyo Bay Hotel and Hotel Vista Hashimoto) is as follows:

Forecast for the full fiscal period (twelve months)	(JPY1M)
Operating income	11,781
Operating profit	6,545
Ordinary income	4,907
Current net profit	4,915
NOI (Note 1)	10,059
NOI yield (Note 2)	6.5%

(Reference: Dividend per unit JPY1,879.-)

(Note 1) NOI = Real estate operating profit – Real estate operating expense + Depreciation expense + Loss on retirement of noncurrent assets

(Note 2) NOI yield = NOI ÷ Acquisition price

(Note 3) Assumptions for calculating the full year

- The properties except for Hilton Tokyo Bay Hotel and Hotel Vista Hashimoto are in accordance with above-mentioned “Assumptions for the operating forecast for the full fiscal period ending December 2013 (14th period) “.
- Numerical figures of Hilton Tokyo Bay Hotel are forecast calculated for the period from January 2014 through December 2014 (one year) based on the information provided by the seller, etc.. JPY111M (9 months) are scheduled to be posted as the fixed asset tax and city planning tax for the period above.
- It is not assumed to own Hotel Vista Hashimoto for full year.

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

(JPY1M)

Sales of five hotels with variable rent		CY 2011 (12 months)		CY 2012 (12 months) (*1)		CY 2013 (12 months)	
		Actual	Comparison with last term	Actual	Comparison with last term	1 st half: Actual 2 nd half: Forecast Full year: Forecast	Comparison with last term
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%	2,877	-1.5%
	Full year	5,554	-4.4%	5,466	-1.6%	5,293	-3.2%
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%	3,717	4.9%
	Full year	5,748	-13.0%	6,762	17.6%	6,925	2.4%
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%	969	-0.4%
	Full year	1,909	2.1%	1,858	-2.6%	1,903	2.4%
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%	3,240	6.3%
	Full year	5,074	0.7%	5,088	0.3%	5,433	6.8%
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%	1,149	0.1%
	Full year	1,939	-6.2%	2,137	10.2%	2,195	2.7%
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%	11,952	2.7%
	Full year	20,223	-5.5%	21,312	5.4%	21,749	2.1%

(*1) CY2012 (fiscal period ended December 2012) had nine months financial settlement period, however, sales of each hotel above are annual numbers from January 1 to December 31 for comparison.

(*2) Fraction less than JPY1M is rounded off. Numerical figures on comparison with last term are rounded off to one decimal place.

(2) Hotel GOP

(JPY 1M)

GOP of five hotels with variable rent	CY 2011 (12 months)		CY 2012 (12 months) (*1)		CY 2013 (12 months)	
	Actual	Comparison with last term	Actual	Comparison with last term	Forecast this time	Comparison with last term
Five hotels with variable rent in total	5,158	-9.4%	5,645	9.4%	5,968	5.7%
GOP ratio to sales	25.5%	-1.1%	26.5%	1.0%	27.4%	1.0%

(*1) CY2012 (fiscal period ended December 2012) had nine months financial settlement period, however, GOP of each hotel above are annual numbers from January 1 to December 31 for comparison.

(*2) Fraction less than JPY1M is rounded off. GOP ratio to sales and numerical figures on comparison with last term are rounded off to one decimal place.