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

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you of the revision of the operating forecast for the fiscal year December 2013 (January 1, 2013 through December 31, 2013) announced on the “Financial Report for the Fiscal Period ended December 31, 2012” dated February 21, 2013 as follows:

1. Rationale for revising the operating forecast

Japan Hotel REIT Investment Corporation resolved at the Board of Directors meeting today to issue new investment units with the aim of supplementing the funds to acquire the new asset. Accordingly, the operating forecast for the aforementioned period announced on “Financial Report for the Fiscal Period ended December 31, 2012” dated February 21, 2013 needs to be revised. Dilution may occur on the fiscal year December 2013 owing to the issuance of the new investment units. However, the dividend per unit for the term above will be covered by the dividend reserve of the negative goodwill, and JPY1,670/unit will be maintained as we announced on February 21, 2013. The impact on the dividend per unit will be prevented. The latest operating forecast for the term above without including the acquisition of the new asset is expected to be progressed according to our plan.

For your reference, the dividend per unit including the annualized asset acquisition effect is expected to be JPY1,770.- Please refer to Appendix 2 “Growth history of JHR and the annualized effect of asset acquisition ” for the asset acquisition effect and Appendix 3 “Assumptions for calculating the annualized effect” for the presuppositions for calculation.

(1) Revised operating forecast for the fiscal year 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 resulted from excess of earnings
Previous forecast (A)	JPY1M 9,795	JPY1M 5,045	JPY1M 3,517	JPY1M 3,515	JPY 1,670	JPY 0
Revised forecast (B)	JPY 11,085	JPY 6,014	JPY 4,234	JPY 4,232	JPY 1,670	JPY 0
Variance (C) = (B) - (A)	JPY 1,290	JPY 969	JPY 717	JPY 717	JPY 0	JPY 0
Variance ratio (D) = (C) / (A)	% 13.2	% 19.2	% 20.4	% 20.4	% 0	% 0

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 year December 2013 (14th period). This document should not be construed as an offer to sell or solicitation of an offer to purchase any unit or other investment of JHR. Prospective investors are advised to read the JHR's prospectus for new unit issuance and secondary offering (and its amendments, if any) and make any investment decisions at their own risk and responsibility.

(2) Revision of the operating forecast for the midterm of the fiscal year 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 resulted from excess of earnings
Previous forecast (A)	JPY1M 4,228	JPY1M 1,933	JPY1M 1,185	JPY1M 1,185	JPY -	JPY -
Revised forecast (B)	JPY1M 4,569	JPY1M 2,176	JPY1M 1,274	JPY1M 1,274	JPY -	JPY -
Variance (C) = (B) - (A)	JPY1M 340	JPY1M 243	JPY1M 89	JPY1M 89	JPY -	JPY -
Variance ratio (D) = (C) / (A)	% 8.1	% 12.6	% 7.5	% 7.5	% -	% -

(Reference) Assumed net profit per unit for the full fiscal year: JPY1,670.-

- (1) The number of the investment unit already issued as of today is 2,111,281 units. Additional issuance of new units (510,000 units) is assumed according to the resolution of the Board of Directors Meeting today.
- (2) The dividend reserve, JPY145M, is to be distributed.
- (3) See “Appendix 1, Assumptions for the operating forecast for the midterm and the full fiscal year December 2013” for the presupposition of the above. .
- (4) The numbers less than JPY1M is rounded down. Fraction less than two decimal places is rounded off.

<Remark> The above is based on the operating forecast as of today and the actual dividend per unit may fluctuate. The amount indicated on this notice is not guaranteed.

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

Assumptions for the operating forecast for the midterm and the full fiscal year December 2013

Item	Assumption				
Calculation term	- FY12/2013 (14th period) Midterm: January 1, 2013 through June 30, 2013 (181 days) - FY12/2013 (14th period) Full year: January 1, 2013 through December 31, 2013 (365 days)				
Operating asset	- Twenty nine properties are assumed here such as twenty eight properties JHR owns as of today (hereinafter called “existing assets”) and below-mentioned property to be acquired (hereinafter called “new asset”). < The new asset > <table border="1"> <tr> <td>Acquisition date</td><td>Name of the asset</td></tr> <tr> <td>April 26, 2013</td><td>Hilton Tokyo Bay Hotel</td></tr> </table> - No asset is assumed to be transferred (e.g. new acquisition and asset disposition) by the end of FY12/2013 (14th period) besides the above. The actual amount may fluctuate by transfer of the asset.	Acquisition date	Name of the asset	April 26, 2013	Hilton Tokyo Bay Hotel
Acquisition date	Name of the asset				
April 26, 2013	Hilton Tokyo Bay Hotel				
Number of investment units issued	2,111,281 units have been issued as of today and 510,000 units will be additionally issued according to the resolution of the Board of Directors meeting today. - It is assumed that no additional units will be issued by the end of December 2013 (14th period).				
Operating income	- With reference to the existing assets, no change is required for the operating forecasts for both midterm (FY12/2013, 14th period) and the full fiscal year (FY12/2013, 14th period) stated on the “Financial Report for the Fiscal Period ended December 31, 2012” dated February 21, 2013. - The operating income of the new asset is calculated based on the information provided by the present owner.				
Operating Cost	- With reference to the existing assets, no change is required for the operating forecasts for both midterm (FY12/2013, 14th period) and the full fiscal year (FY12/2013, 14th period) stated on the “Financial Report for the Fiscal Period ended December 31, 2012” dated February 21, 2013. - The operating cost of the new asset is calculated based on the past actual numbers provided by the present owner, and the factors that may fluctuate the cost are reflected on the calculation. - Taxes for the new asset such as the fixed asset tax and the city planning tax are included in the purchase price. Therefore, they are not posted during the term above. - Depreciation cost is assumed to be JPY2.331B. It is calculated by the straight-line method including incidental cost and additional capital expenditure, JPY978M, for FY12/2013 (14th period).				
Non-operating cost	- JPY1.658B is assumed to be the interest, the amount written off for loan cost, and arrangement fee. - JPY60M is assumed to be the cost for issuing the new investment units and offering. - It is assumed to depreciate the cost for issuing the new investment units and the secondary distribution in three years.				

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Item	Assumption												
Interest bearing borrowings	• The borrowing to acquire the new asset is assumed to be JPY10B. • The balance of the total interest bearing loan (the borrowing and the investment corporation bond in total) as of January 1, 2013 is JPY65.220B. It will be JPY75.040B and JPY74.451B after acquisition of new asset and on December 31, 2013 respectively. • The balance of the borrowing above includes the contractual repayment of JPY768M in the 14th period. It is assumed to be repaid by cash on hand. • JPY2B, the investment corporation bond to be redeemed within one year in the 14th period, is assumed to be all redeemed by the funds through issuance of the investment corporation bond. • No change is assumed for the balances of both loan and the investment corporation bond besides the above.												
Dividend per unit	• The dividend per unit is calculated by the following assumptions.<table><tr><td>Current net profit</td><td>JPY4.232B</td></tr><tr><td>Use of the negative goodwill (loss on retirement of noncurrent assets)</td><td>JPY10M</td></tr><tr><td>Use of negative goodwill to prevent dilution</td><td>JPY135M</td></tr><tr><td>Total dividend</td><td>JPY4.377B</td></tr><tr><td>Total investment units</td><td>2,621,281units</td></tr><tr><td>Dividend per unit</td><td>JPY1,670</td></tr></table> • Dividend per unit may fluctuate by various factors such as transfer of the operating asset, transfer of the hotel lessee or fluctuation of the rent income resulted from changing lessee’s business environment or unexpected repair, etc.	Current net profit	JPY4.232B	Use of the negative goodwill (loss on retirement of noncurrent assets)	JPY10M	Use of negative goodwill to prevent dilution	JPY135M	Total dividend	JPY4.377B	Total investment units	2,621,281units	Dividend per unit	JPY1,670
Current net profit	JPY4.232B												
Use of the negative goodwill (loss on retirement of noncurrent assets)	JPY10M												
Use of negative goodwill to prevent dilution	JPY135M												
Total dividend	JPY4.377B												
Total investment units	2,621,281units												
Dividend per unit	JPY1,670												
Dividend per unit resulted from excess of earnings	• It is assumed that the excess of earnings (dividend per unit resulted from excess of earning) will not be distributed.												
New asset	• The below is the assumed operating status of the new asset.<table><tr><td colspan="3"><Hilton Tokyo Bay Hotel></td></tr><tr><td></td><td>FY12/2013</td><td>Full fiscal year</td></tr><tr><td>Operating income</td><td>1,290</td><td>1,884</td></tr><tr><td>Operating profit</td><td>937</td><td>1,276</td></tr></table> *See “Appendix 3, Assumption for calculating the annualized effect” for preconditions.	<Hilton Tokyo Bay Hotel>				FY12/2013	Full fiscal year	Operating income	1,290	1,884	Operating profit	937	1,276
<Hilton Tokyo Bay Hotel>													
	FY12/2013	Full fiscal year											
Operating income	1,290	1,884											
Operating profit	937	1,276											
Other	• 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 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.												

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<Appendix 2> Growth history of JHR and the annualized effect of asset acquisition

		Effective date of merger (*1)	End of FY12/2012 (*2)	Previously forecasted (*3)	Asset to be acquired (*4)	After acquiring the asset (*4)
No. of Properties		28	28	28	1	29
Total acquisition price (Scheduled acquisition inclusive)	JPY1M	122,285	130,883	130,883	26,050	156,933
Total appraisal value	JPY1M	117,706	131,227	131,227	29,400	160,627
NOI yield (*5)	%	5.9	6.2	6.3	6.1	6.3
NOI yield after depreciation (*6)	%	3.9	4.5	4.6	5.5	4.8
LTV (purchase price) (*7)	%	49.4	49.8	49.8		47.9
Appraised LTV (*7)	%	51.4	49.7	49.7		46.8
Dividend per unit	JPY		1,621	1,670		1770(*8)

- (*1) Referring to the NOI yield and NOI yield after depreciation on the effective date of merger, the actual of FY03/2012 (12th period) has been applied for the properties owned by former Nippon Hotel Fund Investment Corporation (NHF), and the actual of FY03/2012 (7th period) has been applied for the properties owned by former Japan Hotel and Resort, Inc. (JHR).
- (*2) See page 9 of “Financial Report for the Fiscal Period ended December 31, 2012” dated February 21, 2013 for the preconditions of NOI yield, NOI yield after depreciation and dividend per unit as of the end of FY12/2012 (13th period).
- (*3) See page 7 of “Financial Report for the Fiscal Period ended December 31, 2012” dated February 21, 2013 for the preconditions of NOI yield, NOI yield after depreciation and dividend per unit previously forecasted.
- (*4) See “Appendix 3, Assumptions for calculating the annualized effect” for the preconditions for calculating NOI yield, NOI yield after depreciation and dividend per unit for the asset to be acquired and after acquiring the asset
- (*5) $\text{NOI} = \text{Real estate operating income} - \text{Real estate operating cost} + \text{Depreciation cost} + \text{Loss on retirement of noncurrent assets}$
 $\text{NOI yield} = \text{NOI} \div \text{Purchase price (including plan)}$
- (*6) $\text{NOI after depreciation} = \text{Real estate operating income} - \text{Real estate operating cost}$
 $\text{NOI yield after depreciation} = \text{NOI after depreciation} \div \text{Purchase price (including plan)}$
- (*7) $\text{LTV (purchase price)} = \text{Total interest bearing loan} \div \text{Purchase price (including plan)} \times 100$
 $\text{Appraised LTV} = \text{Interest bearing loan} \div \text{Appraisal value} \times 100$
Interest bearing loan as of the effective date of merger means the interest bearing loan as of April 1, 2012. The interest bearing loan as of FY12/2012 and on the previous operating forecast means the interest bearing loan as of the end of December 2012. The interest bearing loan after acquiring the asset means the interest bearing loan as of the end of FY12/2012 + JPY10B (planned borrowing for new acquisition).
- (*8) The dividend per unit when the asset acquisition effect for the full year was calculated.
- (*9) The amount less than JPY1M is rounded down. Fraction less than two decimal places is rounded off.

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<Appendix 3> Assumptions for calculating the annualized effect

- With reference to the existing assets, no change is required for the operating forecasts for the midterm (FY12/2013, 14th period) and the full fiscal year (FY12/2013, 14th period) stated on the “Financial Report for the Fiscal Period ended December 31, 2012” dated February 21, 2013.
- The numbers for the new asset is the one-year forecast (January 2014 through December 2014) calculated based on the information provided by the present owner. It is assumed that tax (fixed asset tax and city planning tax) for the term above is JPY112 million for nine months.