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Notice Concerning Revision of Operating Forecast and Forecast of Dividend for
Fiscal Year Ended December 2014 (15th Period)

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you of revision of the operating forecast and forecast of dividend for the fiscal year ended December 2014 (January 1, 2014 through December 31, 2014) announced in the “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for the Fiscal Year Ended December 2014 (15th Period), and Operating Forecast and Forecast of Dividend for the Fiscal Year Ending December 2015 (16th Period) dated January 9, 2015 as follows.

1. Revision of the operating forecast and forecast of dividend for the fiscal year ended December 2014
(January 1, 2014 through December 31, 2014)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earning
Previous forecast (A)	JPY1M 12,669	JPY1M 7,389	JPY1M 5,619	JPY1M 5,617	JPY 2,102	JPY 0
Forecast this time (B)	JPY1M 12,760	JPY1M 7,545	JPY1M 5,776	JPY1M 5,774	JPY 2,155	JPY 0
Variance (C) = (B) - (A)	JPY1M 90	JPY1M 156	JPY1M 156	JPY1M 157	JPY 53	JPY 0
Variance (D) = (C) / (A)	% 0.7	% 2.1	% 2.8	% 2.8	% 2.5	% 0

(Reference) Forecast of net income per unit for the full year: JPY2,159

(Calculated based on the forecast period-average number of investment units of 2,674,377 units.)

- (*1) Dividend per unit is calculated based on the total number of investment units issued of 2,791,281 units as at the end of fiscal year December 2014.
- (*2) Reserve for dividends, JPY240M, is planned to be the source of dividend payments.
- (*3) For operating results for fiscal year ended December 2014, see “<Reference Material 1> Highlights of Operating Forecast and Forecast of Dividend” below.
- (*4) See “<Reference Material 2> Dividend per Unit” as to how to calculate dividend per unit.
- (*5) Amounts are rounded down to the nearest JPY1M, and percentage figures are rounded off to one decimal place.

Note: This document is intended to serve as a press release to make available the information on the revision of the operating forecast and forecast of dividend for the fiscal year ended December 2014 (15th Period). This document should not be construed as an offer to sell or solicitation of an offer to purchase any investment units or other investment of JHR. Prospective investors are advised to make any investment decisions at their own risk and responsibility.

2. Rationale for revising the operating forecast and forecast of dividend

JHR's operating results of the fiscal year ended December 2014 (15th Period) have almost become clear, and JHR revises the operating status and dividend as of today. The major causes of variance are an increase in variable rent of HMJ's five hotels(*1), increase in income from management contract, etc. and decrease in operating expenses of Accor's five hotels(*2). For details of sales and GOP of HMJ's five hotels, see "<Reference Material 3> Sales and GOP of HMJ's Five Hotels."

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

(*2) Accor's five hotels are five hotels, namely, ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Hotel Sapporo, and Mercure Hotel Okinawa Naha.

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/>

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<Reference Material 1> Highlights of Operating Forecast and Forecast of Dividend

The comparison and the major causes of variance between actual results of fiscal year ended December 2013 (14th Period) and forecast of fiscal year ended December 2014 (15th Period) are as follows.

(Unit: JPY 1M)

		14th Period	15th Period	Variance (1)		Major causes of variance	
		Actual (*1) (A)	Forecast (B)	(B) - (A)	Variance ratio	Acquisition of 3 properties (*2)	Existing properties and disposed properties
Properties	No. of properties	28	30	2	7.1%	3	-
	Acquisition price	158,902	173,429	14,527	9.1%	15,797	-
Profit and loss	Operating revenue	11,472	12,760	1,287	11.2%	442	844
	Fixed rent	Composition 75.5% 8,661	Composition 71.1% 9,066	405	4.7%	80	325
	Variable rent	24.5% 2,811	28.9% 3,693	881	31.3%	362	519
	NOI (*5)	9,907 6.2%	11,002 6.3%	1,094 0.1%	11.0% 1.6%	382 -	712
	NOI after depreciation (*5)	7,602 4.8%	8,597 5.0%	994 0.2%	13.1% 4.2%	305 -	689
	Operating income	6,556	7,545	988	15.1%		
	Net income	4,939	5,774	835	16.9%		
							(1) Full-year impact of JPY637M by acquiring two properties(*3) in FY2013. (2) JPY317M decrease due to disposition of 3 properties(*4).
Dividend	Use of negative goodwill	143	240	97	67.8%		(1) JPY119M increase in HMJ's variable rent (2) JPY74M increase in income from management contract with ibis Tokyo Shinjuku (3) JPY33M increase in upside sharing, etc. (4) Full-year impact of JPY291M by purchasing 2 properties in FY2013
	Total dividends	5,082	6,015	932	18.3%		
	No. of units issued	2,621,281	2,791,281	170,000	6.5%		
	Dividend per unit (JPY)	1,939	2,155	216	11.1%		

(*1) Operating results excluding special causes resulting from loss on sale of Hotel Vista Hashimoto and Pearl Hotel Kayabacho and impairment loss by selling Dormy Inn Namba.

(*2) Refers to ibis Styles Sapporo acquired on July 9, 2014, and Mercure Hotel Sapporo and Mercure Hotel Okinawa Naha acquired on September 30, 2014.

(*3) Refers to Hilton Tokyo Bay Hotel acquired on April 26, 2013 and ibis Styles Kyoto Station acquired on October 31, 2013. FY1, Hilton Tokyo Bay Hotel is posted on profit and loss in the 14th Period (Actual) for the amount approximately eight months rent, etc. and ibis Styles Kyoto Station for the amount approximately two months rent, etc.

(*4) Refers to Hotel Vista Hashimoto sold on June 28, 2013, Pearl Hotel Kayabacho sold on November 13, 2013, and Dormy Inn Namba sold on January 24, 2014.

(*5) Each is calculated using the following formula.

NOI (Net Operating Income) = Real estate operating revenue - Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets

NOI yield = NOI / Acquisition price

NOI after depreciation = Real estate operating revenue - Real estate operating costs

NOI yield after depreciation = NOI after depreciation / Acquisition price

<Reference Material 2> Dividend per Unit

Dividend per unit for the fiscal year ended December 2014 is calculated based on the following assumptions.

	Revised forecast
Unappropriated retained earnings	JPY5,776M
Use of negative goodwill (Loss on retirement of noncurrent assets)	JPY4M
Use of negative goodwill (Adjustment for dilution)	JPY164M
Use of negative goodwill (Financial costs associated with early repayment)	JPY71M
Total amount of dividend	JPY6,015M
Total number of investment units	2,791,281 units
Dividend per unit	JPY2,155

(*) The balance of the dividend reserve after the use of negative goodwill mentioned above is planned to be JPY13,928M.

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<Reference Material 3> Sales and GOP of HMJ's Five Hotels

(1) Hotel sales (by hotel)

(Unit: JPY1M)

Sales of HMJ's five hotels		FY 2013 January 1, 2013–December 31, 2013		FY 2014 January 1, 2014–December 31, 2014	
		Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Kobe Meriken Park Oriental Hotel	First half of the year	2,416	-5.0%	2,424	0.4%
	Second half of the year	2,795	-4.3%	2,798	0.1%
	Full year	5,210	-4.7%	5,222	0.2%
Oriental Hotel tokyo bay	First half of the year	3,209	-0.4%	3,366	4.9%
	Second half of the year	3,973	12.2%	3,844	-3.3%
	Full year	7,182	6.2%	7,210	0.4%
Namba Oriental Hotel	First half of the year	934	5.5%	998	6.8%
	Second half of the year	1,038	6.6%	1,151	10.9%
	Full year	1,972	6.1%	2,149	9.0%
Hotel Nikko Alivila	First half of the year	2,193	7.5%	2,190	-0.1%
	Second half of the year	3,183	4.4%	3,301	3.7%
	Full year	5,375	5.6%	5,491	2.2%
Oriental Hotel Hiroshima	First half of the year	1,046	5.8%	1,046	-0.0%
	Second half of the year	1,208	5.2%	1,178	-2.5%
	Full year	2,254	5.5%	2,223	-1.4%
Total	First half of the year	9,797	1.2%	10,024	2.3%
	Second half of the year	12,197	4.8%	12,272	0.6%
	Full year	21,994	3.2%	22,296	1.4%

(*) Sales are rounded off to the nearest JPY1M. Comparison with the previous period is rounded off to one decimal place.

(2) Hotel GOP

(Unit: JPY1M)

GOP of HMJ's five hotels		FY 2013 January 1, 2013–December 31, 2013		FY 2014 January 1, 2014–December 31, 2014	
		Actual	Comparison with previous period	Forecast this time	Comparison with previous period
Total for HMJ's five hotels		6,155	9.0%	6,302	2.4%
Ratio of GOP to sales		28.0%	1.5%	28.3%	0.3%

(*) GOP is rounded off to the nearest JPY1M. Ratio of GOP to sales and comparison with the previous period are rounded off to one decimal place.

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