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Notice Concerning Revision of Operating Forecast and Forecast of Dividend
for Fiscal Year Ending December 2015 (16th Period)

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you of its revision of the operating forecast and forecast of dividend for the fiscal year ending December 2015 (January 1, 2015 through December 31, 2015) which was announced in the “Financial Report for the Fiscal Year Ended December 31, 2014” dated February 19, 2015, as follows.

1. Revision of the operating forecast and forecast of dividend for the fiscal year ending December 2015 (January 1, 2015 through December 31, 2015)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Dividend from excess of earnings exclusive)	Dividend from excess of earnings per unit
Previous forecast (A)	JPY1M 15,148	JPY1M 8,695	JPY1M 6,907	JPY1M 6,907	JPY 2,306	JPY 0
Revised forecast (B)	JPY1M 16,050	JPY1M 9,375	JPY1M 7,539	JPY1M 7,539	JPY 2,400	JPY 0
Variance (C)= (B) – (A)	JPY1M 902	JPY1M 680	JPY1M 631	JPY1M 631	JPY 94	JPY 0
Variance ratio (D)= (C)/(A)	% 6.0	% 7.8	% 9.1	% 9.1	% 4.1	% 0

2. Revision of the operating forecast for the midterm of the fiscal year ending December 2015 (January 1, 2015 through June 30, 2015)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Dividend from excess of earnings exclusive)	Dividend from excess of earnings per unit
Previous forecast (A)	JPY1M 6,649	JPY1M 3,559	JPY1M 2,719	JPY1M 2,719	JPY —	JPY —
Revised forecast (B)	JPY1M 6,824	JPY1M 3,709	JPY1M 2,870	JPY1M 2,870	JPY —	JPY —
Variance (C)= (B) – (A)	JPY1M 175	JPY1M 150	JPY1M 150	JPY1M 150	JPY —	JPY —
Variance ratio (D)= (C)/(A)	% 2.6	% 4.2	% 5.5	% 5.5	% —	% —

Note: This document is intended to serve as a press release to make available the information on revision of the operating forecast and forecast of dividend for the fiscal year ending December 2015 (16th period) of JHR. 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 read JHR’s prospectus for issuance of new investment units and secondary offering (and its amendments, if any) and make any investment decisions at their own risk and responsibility.

- (Reference) Forecast of net income per unit for the full year: JPY2,462
(Calculated based on the forecast of average number of investment units during the period (3,062,021 units))
- (*1) The number of investment units issued as of today is 3,000,322 units. On top of this, it is assumed that JHR will additionally issue new investment units through public offering (140,000 units) and by way of third-party allotment (7,000 units) based on the resolution of the Board of Directors meeting held today.
 - (*2) For the assumptions of the operating forecast above, please see “<Reference Information> Assumptions of the operating forecasts for the midterm of the fiscal year ending December 2015 and the full fiscal year ending December 2015” below.
 - (*3) The acquisition of the two properties (Mercure Yokosuka and Okinawa Marriott Resort & Spa) (hereinafter called the “Assets for (Planned) Acquisition”) is assumed as announced in the press releases “Notice Concerning Completion of Asset Acquisition (“Mercure Yokosuka”) dated April 2, 2015 and “Notice Concerning Acquisition and Lease of New Asset (“Okinawa Marriott Resort & Spa”)” dated today. For the operating forecast that reflects the full-year impact of the acquisition of the Assets for (Planned) Acquisition, please refer to “4. Highlights of the operating forecast and forecast of dividend” below.
 - (*4) Amounts are rounded down to the nearest JPY1M, and percentage figures are rounded off to one decimal place.

3. Rationale for the revision

In association with the issuance of new investment units (hereinafter called “Issuance”) as announced in the press release “Notice Concerning Issuance of New Investment Units and Secondary Offering,” dated today, acquisition of Assets for (Planned) Acquisition, and increase in variable rent (upside sharing scheme) of existing properties, assumptions for operating forecast which were announced in “Financial Report for the Fiscal Year Ended December 31, 2014 (January 1, 2014 – December 31, 2014)” dated February 19, 2015 have changed. Therefore, JHR revises the operating status and dividend.

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4. Highlights of the operating forecast and forecast of dividend

The following table provides the operating forecast for the fiscal year ending December 2015 (16th period), annualized effect after acquiring the Assets for (Planned) Acquisition and the factors causing the variance from the operating forecast announced in the “Financial Report for the Fiscal Year Ended December 31, 2014” dated February 19, 2015.

(Unit: JPY1M)

		16th Period				Variance		Major Causes of Variance		
		Forecast Previous Time (A)	Forecast Previous Time Annualized (B)	Forecast This Time (C)	Forecast This Time Annualized (*1) (D)			Assets for (Planned) Acquisition (*2)	Existing Properties	
Properties	No. of properties	36	36	38	38	2	5.6%	2	-	
	Acquisition price	196,534	196,534	213,134	213,134	16,600	8.4%	16,600	-	
Profit and loss	Operating revenue	15,148	15,293	16,050	16,615	1,321	8.6%	1,186	134	
	Fixed rent	Composition 66.6% 10,085	Composition 66.8% 10,209	Composition 64.5% 10,347	Composition 64.8% 10,759	550	5.4%	550	0	
	Variable rent	33.4% 5,062	33.2% 5,084	35.5% 5,703	35.2% 5,855	771	15.2%	636	134	An increase of JPY134M in variable rent from Smile Hotel Nihombashi-Mitsukoshimae, Hotel Keihan Universal City and Hotel Sunroute Shimbashi
	NOI (*3)	12,868 6.5%	12,863 6.5%	13,736 6.4%	14,039 6.6%	1,175 0.0%	9.1% 0.6%	1,041 6.3%	134	
	NOI after depreciation (*3)	10,132 5.2%	10,119 5.1%	10,860 5.1%	11,035 5.2%	915 0.0%	9.1% 0.6%	781 4.7%	134	
	Operating income	8,695	8,676	9,375	9,507	831	9.6%	700	131	
	Net income	6,907	6,940	7,539	7,678	737	10.6%	606	131	
Dividend	Use of negative goodwill	13	13	13	13	0	0.0%			
	Total dividends	6,918	6,951	7,553	7,688	737	10.6%			
	No. of units issued	3,000,322	3,000,322	3,147,322	3,147,322	147,000	4.9%			
	Dividend per unit (JPY)	2,306	2,317	2,400	2,443	126	5.4%			

(*1) For the assumptions of the latest annualized forecast, please refer to “<Reference Materials 2> Assumptions of the forecast of the annualized effect” below.

(*2) The Assets for (Planned) Acquisition refer to Mercure Yokosuka which JHR acquired on April 2, 2015 and Okinawa Marriot Resort & Spa which JHR plans to acquire on July 10, 2015.

(*3) 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 (planned)

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

NOI yield after depreciation = NOI after depreciation ÷ Acquisition price (planned)

[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/en/>

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<Reference Information>

Assumptions of the operating forecasts for the midterm of the fiscal year ending December 2015
and the full fiscal year ending December 2015

Item	Assumption												
Calculation period	• Midterm (16th Period): January 1, 2015 through June 30, 2015 (181 days) • Full year (16th Period): January 1, 2015 through December 31, 2015 (365 days)												
Investment assets	• The 36 properties owned by JHR as of April 1, 2015 (hereinafter called “existing properties”), plus the following two Assets for (Planned) Acquisition, to total 38 properties is assumed. <Assets for (Planned) Acquisition > <table><tr><td>(Scheduled) acquisition date</td><td>Asset name</td></tr><tr><td>April 2, 2015</td><td>Mercure Yokosuka</td></tr><tr><td>July 10, 2015</td><td>Okinawa Marriott Resort & Spa</td></tr></table> • In addition, it is assumed that there will be no change in assets (acquisition or disposition, etc.) other than the above through the end of the fiscal year ending December 2015 (16th period). The actual number may fluctuate, though, depending on the changes in asset that may take place.	(Scheduled) acquisition date	Asset name	April 2, 2015	Mercure Yokosuka	July 10, 2015	Okinawa Marriott Resort & Spa						
(Scheduled) acquisition date	Asset name												
April 2, 2015	Mercure Yokosuka												
July 10, 2015	Okinawa Marriott Resort & Spa												
Number of investment units issued	• On top of the number of investment units issued as of today (3,000,322 units), it is assumed that JHR will additionally issue new investment units through public offering (140,000 units) and by way of third-party allotment (7,000 units) based on the resolution at the Board of Directors meeting held today. • It is assumed that there will be no additional issuance of investment units other than the above through the end of the fiscal year ending December 2015 (16th period).												
Operating revenue	• Operating revenue is calculated based on the effective lease contracts, etc. as of today and considering hotel competitiveness and market environment, etc. • Rents of the main hotels are calculated based on the following assumptions. (1) HMJ’s five hotels (*1) The assumptions of the fixed rent and variable rent for the HMJ’s five hotels are as follows. There is no change from the “Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 2015” (hereinafter called the “Previous Assumptions” on page 3 of the “Financial Report for Fiscal Year Ended December 31, 2014” dated February 19, 2015. Annual rent (JPY5,678M) = Fixed rent (JPY3,221M/year) + Variable rent (See below for calculation) Variable rent = [(a) Total GOP of HMJ’s five hotels (*2) – (b) GOP base amount (*3)] × 81.5% HMJ’s five hotels for the fiscal year ending December 2015 (16th period) (JPY1M) <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>2,257</td><td>1,675</td><td>474</td></tr><tr><td>Full year</td><td>6,366</td><td>3,351</td><td>2,457</td></tr></table> (*1) HMJ’s five hotels are five hotels, namely, Kobe Meriken Park Oriental Hotel, Oriental Hotel tokyo bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima. (*2) GOP is Gross Operating Profit, which is the remaining amount calculated by deducting operating expenses, such as personnel cost and general and administrative expenses, incurred directly from hotels’ total sales. (*3) It is assumed that there will be no change in the GOP base throughout the contract period of the lease		Total GOP of HMJ’s five hotels (1)	GOP base amount (2)	Variable rent ((1)-(2))×81.5%	Midterm	2,257	1,675	474	Full year	6,366	3,351	2,457
	Total GOP of HMJ’s five hotels (1)	GOP base amount (2)	Variable rent ((1)-(2))×81.5%										
Midterm	2,257	1,675	474										
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Item	Assumption																								
	contracts.																								
	(2) Okinawa Marriott Resort & Spa The fixed rent and variable rent of Okinawa Marriott Resort & Spa are calculated as follows: Rent for the fiscal year ending December 2015 (16th period) (*1) (JPY670M) = Fixed rent (JPY261M) + Variable rent Variable rent = [(1) GOP of the Hotel – (2) GOP base amount] × 90.0% (JPY1M)																								
	<table><tr><td></td><td>GOP of the Hotel (1)</td><td>GOP base amount (2)</td><td>Variable rent ((1) – (2)) × 90.0%</td></tr><tr><td>Fiscal year ending December 2015 (16th period)</td><td>818</td><td>365</td><td>408</td></tr></table>		GOP of the Hotel (1)	GOP base amount (2)	Variable rent ((1) – (2)) × 90.0%	Fiscal year ending December 2015 (16th period)	818	365	408																
	GOP of the Hotel (1)	GOP base amount (2)	Variable rent ((1) – (2)) × 90.0%																						
Fiscal year ending December 2015 (16th period)	818	365	408																						
	(*1) The rent for the fiscal year ending December 2015 (16th period) shows the figure estimated to incur during the 175 days from July 10, 2015 through December 31, 2015. Furthermore, it is assumed that the GOP base amount after January 1, 2016 will be JPY700M and the annual fixed rent will be JPY550M.																								
	(3) Accor’s six hotels (*1) Income from management contract and variable rent of Accor’s six hotels (JPY1M)																								
	<table><tr><td></td><td>ibis Tokyo Shinjuku</td><td>ibis Styles Kyoto Station</td><td>ibis Styles Sapporo</td><td>Mercure Sapporo</td><td>Mercure Okinawa Naha</td><td>Mercure Yokosuka</td><td>Total</td></tr><tr><td>Midterm</td><td>232</td><td>177</td><td>192</td><td>115</td><td>134</td><td>41</td><td>892</td></tr><tr><td>Full year</td><td>471</td><td>398</td><td>471</td><td>362</td><td>288</td><td>97</td><td>2,089</td></tr></table>		ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total	Midterm	232	177	192	115	134	41	892	Full year	471	398	471	362	288	97	2,089
	ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total																		
Midterm	232	177	192	115	134	41	892																		
Full year	471	398	471	362	288	97	2,089																		
	The assumptions for income from management contract for each of the above hotels excluding Mercure Yokosuka remain unchanged from the Previous Assumptions.																								
	(*1) Accor’s six hotels represent the six hotels comprising Accor’s five hotels, namely, ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo and Mercure Okinawa Naha, plus Mercure Yokosuka that JHR acquired on April 2, 2015.																								
	(*2) It is assumed that the respective hotel’s GOP amount is posted as income from management contract and the management contract fees to be paid by JHR is posted as an operating expenses item. In cases where certain tenant revenue is included in the respective hotel’s GOP, income from management contract is posted by subtracting the amount equivalent to tenant sales from GOP. The concerned amount equivalent to tenant sales is posted as fixed rent, etc.																								
	(4) Five “the b” hotels (*1) Fixed and variable rent of the five “the b” hotels (JPY1M)																								

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Item	Assumption																										
		the b akasaka-mitsuke	the b ikebukuro	the b ochanomizu	the b hachioij	the b hakata																					
Fixed (*2)	125	199	63	112	78	580																					
Variable	142	110	46	59	47	406																					
Total	268	310	110	172	126	987																					
The assumptions for fixed and variable rents for each of the five “the b” hotels remain unchanged from the Previous Assumptions. Furthermore, the assumptions for the b suidobashi, to be rebranded from Dormy Inn Suidobashi as of July 1, 2015, also remains unchanged from the Previous Assumptions. (*1) Five “the b” hotels are five hotels, namely, the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji and the b hakata. (*2) Fixed rent includes tenant rent. (5) Other hotels that have adopted variable rent The variable rent for Smile Hotel Nihombashi-Mitsukoshimae, Hotel Keihan Universal City and Hotel Sunroute Shimbashi is anticipated to increase by JPY134M in total. The assumptions for the variable rent for Hilton Tokyo Bay and Chisan Inn Kamata remain unchanged from the Previous Assumptions. The variable rent of Chisan Inn Kamata has been calculated by multiplying the hotel’s monthly GOP by 85%, and includes JPY29M for the midterm and JPY63M for the full year of the fiscal year. • The following is the breakdown of variable rent and income from management contract (*). <Breakdown of variable rent, etc. for the fiscal year ending December 2015 (16th period)> (JPY1M) <table> <tr> <td></td><td>HMJ’s five hotels</td><td>Okinawa Marriott Resort & Spa</td><td>Accor’s six hotels</td><td>Five “the b” hotels</td><td>Other hotels with variable rent</td><td>Total</td></tr> <tr> <td>Midterm</td><td>474</td><td>—</td><td>892</td><td>174</td><td>303</td><td>1,845</td></tr> <tr> <td>Full year</td><td>2,457</td><td>408</td><td>2,089</td><td>406</td><td>341</td><td>5,703</td></tr> </table> • It is assumed that operating revenue has no arrears or non-payment of rent, etc. by the lessees, etc.								HMJ’s five hotels	Okinawa Marriott Resort & Spa	Accor’s six hotels	Five “the b” hotels	Other hotels with variable rent	Total	Midterm	474	—	892	174	303	1,845	Full year	2,457	408	2,089	406	341	5,703
	HMJ’s five hotels	Okinawa Marriott Resort & Spa	Accor’s six hotels	Five “the b” hotels	Other hotels with variable rent	Total																					
Midterm	474	—	892	174	303	1,845																					
Full year	2,457	408	2,089	406	341	5,703																					
Operating expenses	• Among real estate leasing expenses, which are the major operating expenses, expenses other than depreciation are calculated based on past actual data and reflecting variable factors of expenses. Operating expenses of the five “the b” hotels, Hotel Francs and the Assets for (Planned) Acquisition are calculated based on past actual data as provided by previous owners, etc. and reflecting variable factors of expenses. • It is assumed that JPY985M will be posted as expenses for fixed asset tax, city planning tax and other taxes and public dues. • In general, fixed asset tax and city planning tax, etc. of a property to be acquired are settled with the previous owner at the time of acquisition, calculated on a pro rata basis of the holding period. For JHR, the settlement amount is included in the acquisition price and will not be posted as expenses for the calculation period. Therefore, the fixed asset tax, city planning tax and other taxes and public dues for the five “the b” hotels, Hotel Francs and the Assets for (Planned) Acquisition will not be posted as expenses for the fiscal year ending																										

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	December 2015 (16th period). Furthermore, the annual fixed asset tax and city planning tax, etc. for the five “the b” hotels and Hotel Francs are expected to be JPY147M, while the annual fixed asset tax and city planning tax, etc. for the Assets for (Planned) Acquisition are expected to be JPY108M. Moreover, the fixed asset tax and city planning tax, etc. to be recorded as expenses for the fiscal year ending December 2015 (16th period) for the three properties (ibis Styles Sapporo, Mercure Sapporo and Mercure Okinawa Naha) acquired in the fiscal year ended December 2014 (15th period) are assumed to be JPY84M (for nine months). • Depreciation is calculated by the straight-line method, and is estimated to be JPY2,862M. This calculation includes the five “the b” hotels, Hotel Francs and the Assets for (Planned) Acquisition which are based on acquisition prices and incidental costs as well as the planned capital expenditures (JPY1,780M) for the fiscal year ending December 2015 (16th period). • Repair expenses for buildings are posted as expenses in the estimated amount necessary for each operating period. Please bear in mind that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as 1. Emergency repair expenses may be necessary due to damage, etc. to buildings from unexpected causes, 2. The amount of repair expenses generally tends to increase in difference over time, and 3. Repair expenses are not required on a regular basis.												
Non-operating expenses	• JPY1,836M is expected for interest expense, arrangement fee and amortization for the following (1) handling fees, (2) derivative instruments (interest rate caps), etc. • Expenses for the issuance of new investment units in January 2015 and the issuance of new investment units by way of third-party allotment in February 2015 are estimated to be JPY29M, and expenses for the issuance of new investment units in June 2015 and the issuance of new investment units by way of third-party allotment in July 2015 are estimated to be JPY33M. • Expenses for additional issuance of investment units and secondary offering are amortized over a period of three years by the straight-line method.												
Interest-bearing debt	• It is assumed that the balance of interest-bearing debt (sum of loans and investment corporation bonds), which was JPY81,089M as of January 1, 2015, will be JPY91,598M as of March 31, 2015 before acquiring the Assets for (Planned) Acquisition, JPY97,961M as of July 31, 2015 after acquiring the Assets for (Planned) Acquisition and JPY97,760M as of December 31, 2015. • Loans for acquiring the Assets for (Planned) Acquisition are assumed to be JPY6,500M. • Loans with maturity due in 2015 totals JPY11,381M, and the entire amount is assumed to be refinanced. • Other than the above, interest-bearing debt totaling JPY450M is scheduled for contractual repayment, and is assumed to be repaid by using JHR’s own funds.												
Dividend per unit	• It is assumed that the whole amount of net income excluding the amount posted as a loss on retirement of noncurrent assets is distributed. • Dividend per unit for the fiscal year ending December 2015 (16th period) is calculated based on the following assumptions. <table> <tr> <td>Net income</td><td>JPY7,539M</td></tr> <tr> <td>Balance carried forward</td><td>JPY1M</td></tr> <tr> <td>Use of negative goodwill (Loss on retirement of noncurrent assets) (*)</td><td>JPY13M</td></tr> <tr> <td>Distributable amount</td><td>JPY7,553M</td></tr> <tr> <td>Total number of investment units</td><td>3,147,322 units</td></tr> <tr> <td>Dividend per unit</td><td>JPY2,400</td></tr> </table> (*) Amount posted as a loss on retirement of noncurrent assets will be appropriated by reserve for dividends (negative goodwill) and is expected to have no impact on dividend per unit. Regarding the issuance of new investment units during the fiscal year, dividend per unit will generally be reduced due	Net income	JPY7,539M	Balance carried forward	JPY1M	Use of negative goodwill (Loss on retirement of noncurrent assets) (*)	JPY13M	Distributable amount	JPY7,553M	Total number of investment units	3,147,322 units	Dividend per unit	JPY2,400
Net income	JPY7,539M												
Balance carried forward	JPY1M												
Use of negative goodwill (Loss on retirement of noncurrent assets) (*)	JPY13M												
Distributable amount	JPY7,553M												
Total number of investment units	3,147,322 units												
Dividend per unit	JPY2,400												

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Item	Assumption																																				
	to the increase in the number of investment units. But dividend for the fiscal year ending December 2015 (16th period) after acquiring Assets for (Planned) Acquisition is projected to increase compared with the previously forecasted dividend per unit due to the impact of revenue increase from the purchase of Assets for (Planned) Acquisition. Therefore, JHR does not plan to appropriate the reserve for dividends (negative goodwill) for dividend for the fiscal year ending December 2015 (16th period). • Dividend per unit may fluctuate by various causes, such as transfer of asset, transfer of hotel lessee, fluctuation of rental income resulting from change of hotel lessee’s business environment, etc. and unexpected repairs, etc. • The balance of reserve for dividends (negative goodwill) after the appropriation for dividends for the fiscal year ending December 2015 (16th period) is calculated based on the following assumptions. <table><tr><td>Balance of reserve for dividends (negative goodwill) at end of fiscal year ended December 2014</td><td>JPY14,168M</td></tr><tr><td>Use of negative goodwill (Loss on retirement of noncurrent assets)</td><td>-JPY4M</td></tr><tr><td>Use of negative goodwill (Financial costs in accordance with early repayment)</td><td>-JPY71M</td></tr><tr><td>Use of negative goodwill (Adjustment for dilution in 15th fiscal period)</td><td>-JPY164M</td></tr><tr><td>Balance of reserve for dividends at end of fiscal year ending December 2015</td><td>JPY13,928M</td></tr></table>	Balance of reserve for dividends (negative goodwill) at end of fiscal year ended December 2014	JPY14,168M	Use of negative goodwill (Loss on retirement of noncurrent assets)	-JPY4M	Use of negative goodwill (Financial costs in accordance with early repayment)	-JPY71M	Use of negative goodwill (Adjustment for dilution in 15th fiscal period)	-JPY164M	Balance of reserve for dividends at end of fiscal year ending December 2015	JPY13,928M																										
Balance of reserve for dividends (negative goodwill) at end of fiscal year ended December 2014	JPY14,168M																																				
Use of negative goodwill (Loss on retirement of noncurrent assets)	-JPY4M																																				
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Use of negative goodwill (Adjustment for dilution in 15th fiscal period)	-JPY164M																																				
Balance of reserve for dividends at end of fiscal year ending December 2015	JPY13,928M																																				
Assets for (Planned) Acquisition in 16th period	• The operating status of the five “the b” hotels acquired on January 30, 2015 and Hotel Francs acquired on March 31, 2015 is estimated to be as follows. <table><tr><td colspan="3"><the b akasaka-mitsuke> (JPY1M)</td></tr><tr><td></td><td>Fiscal year ending December 2015</td><td>Annualized (*3)</td></tr><tr><td>Operating revenue</td><td>268</td><td>288</td></tr><tr><td>NOI (*1)</td><td>263</td><td>267</td></tr><tr><td>NOI yield (%) (*2)</td><td>-</td><td>4.3</td></tr><tr><td>Operating income</td><td>209</td><td>212</td></tr></table> <table><tr><td colspan="3"><the b ikebukuro> (JPY1M)</td></tr><tr><td></td><td>Fiscal year ending December 2015</td><td>Annualized (*3)</td></tr><tr><td>Operating revenue</td><td>310</td><td>334</td></tr><tr><td>NOI (*1)</td><td>305</td><td>305</td></tr><tr><td>NOI yield (%) (*2)</td><td>-</td><td>4.7</td></tr><tr><td>Operating income</td><td>239</td><td>239</td></tr></table>	<the b akasaka-mitsuke> (JPY1M)				Fiscal year ending December 2015	Annualized (*3)	Operating revenue	268	288	NOI (*1)	263	267	NOI yield (%) (*2)	-	4.3	Operating income	209	212	<the b ikebukuro> (JPY1M)				Fiscal year ending December 2015	Annualized (*3)	Operating revenue	310	334	NOI (*1)	305	305	NOI yield (%) (*2)	-	4.7	Operating income	239	239
<the b akasaka-mitsuke> (JPY1M)																																					
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Item	Assumption		
	<the b ochanomizu> (JPY1M)		
		Fiscal year ending December 2015	Annualized (*3)
	Operating revenue	110	117
	NOI (*1)	105	105
	NOI yield (%) (*2)	-	4.6
	Operating income	80	79
	<the b hachioji> (JPY1M)		
		Fiscal year ending December 2015	Annualized (*3)
	Operating revenue	179	189
	NOI (*1)	174	159
	NOI yield (%) (*2)	-	6.1
	Operating income	131	115
	<the b hakata> (JPY1M)		
		Fiscal year ending December 2015	Annualized (*3)
	Operating revenue	126	135
	NOI (*1)	121	119
	NOI yield (%) (*2)	-	5.2
	Operating income	87	85
	<Hotel Francs> (JPY1M)		
		Fiscal year ending December 2015	Annualized (*3)
	Operating revenue	225	300
	NOI (*1)	221	228
	NOI yield (%) (*2)	-	7.4
	Operating income	160	157
	• The operating status of the Assets for (Planned) Acquisition is estimated to be as follows:		
	<Mercure Yokosuka> (JPY1M)		
		Fiscal year ending December 2015	Annualized (*3)
	Operating revenue	97	186
	NOI (*1)	72	116
	NOI yield (%) (*2)	-	7.0
	Operating income	35	66

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Item	Assumption		
	<Okinawa Marriott Resort & Spa > (JPY1M)		
		Fiscal year ending December 2015	Annualized (*3)
	Operating revenue	670	1,000
	NOI (*1)	661	924
	NOI yield (%) (*2)	-	6.2
	Operating income	512	633
	(*1) NOI = Real estate operating revenue – real estate operating costs + depreciation + loss on retirement of noncurrent assets (*2) NOI yield = NOI /Acquisition price (planned) (*3) For assumptions of calculating the annualized figures, please refer to “<Reference Materials 2> Assumptions of the forecast of the annualized effect” below.		
Dividend per unit resulting from excess of earnings	It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.		
Other	- It is assumed that no revision in law, tax law, accounting standard, regulations of the listing, regulations of The Investment Trusts Association, Japan, etc. that may impact the forecast above will not be made. - It is assumed that unexpected major incident will not occur in the general economy, real estate market, hotel business environment, etc. - The numerical values are rounded down to the nearest JPY1M in the assumptions above.		

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<Reference Materials 1> Growth history of JHR and the annualized effect of asset acquisition

		Effective Date of Merger (*1)	End of FY2012	End of FY2013	End of FY2014	Before Acquisition of the Assets for (Planned) Acquisition (*2)	After Acquisition of the Assets for (Planned) Acquisition (*3)
Number of properties		28	28	28	30	36	38
Acquisition price (planned acquisition inclusive) (*4)	JPY1M	122,285	130,883	158,902	173,429	196,534	213,134
Appraisal value (*5)	JPY1M	117,706	131,227	166,237	205,408	229,658	246,738
NOI yield (*6)	%	5.9	6.2	6.2	6.3	6.5	6.6
NOI yield after depreciation (*7)	%	3.9	4.5	4.8	5.0	5.1	5.2
LTV (acquisition price basis) (*8)	%	49.4	49.8	47.1	46.8	46.6	46.0
Appraisal LTV (*8)	%	51.4	49.7	45.0	39.5	39.9	39.8
LTV (total assets basis) (*9)	%	46.3	46.7	43.8	43.1	42.7	42.1
Market cap (*10)	JPY1M	34,712	50,417	132,112	214,928	256,227	270,984
Dividend per unit	JPY	-	1,621	1,939	2,155	2,317	2,443 (*11)

(*1) NOI yield and NOI yield after depreciation on the effective date of merger are calculated by annualizing the actual results of the fiscal period ended March 2012 (12th period) of former Nippon Hotel Fund Investment Corporation (hereinafter called “former NHF”) for the properties owned by former NHF and by annualizing the actual results of the fiscal period ended March 2012 (7th period) of former Japan Hotel and Resort, Inc. (hereinafter called “former JHR”) for the properties owned by former JHR.

(*2) For the assumptions for calculating the NOI yield, NOI yield after depreciation and dividend per unit before acquiring the Assets for (Planned) Acquisition, please refer to the “Assumptions of the operating forecast for the midterm and full year of the fiscal year ending December 2015” on page 3 of the “Financial Report for the Fiscal Year Ended December 31, 2014” dated February 19, 2015.

(*3) For the assumptions for calculating the NOI yield, NOI yield after depreciation and dividend per unit after acquiring the Assets for (Planned) Acquisition, please refer to the “<Reference Information> Assumptions of the operating forecasts for the midterm of the fiscal year ending December 2015 and the full fiscal year ending December 2015” above.

(*4) Acquisition price (planned acquisition inclusive) indicates the acquisition price stated on the purchase and sale agreement (consumption tax, local consumption tax and the acquisition expense such as broker’s fee are not included.). For properties received upon the merger, the receiving price is indicated. For Okinawa Marriott Resort & Spa, the asset planned for acquisition, the planned acquisition price is indicated.

(*5) Concerning appraisal value at the end of each fiscal year, in accordance with the asset appraisal method and standards stipulated in the Articles of Incorporation and also with the rules set by The Investment Trusts Association, Japan, the appraisal value with the end of the relevant fiscal year as the date of appraisal is indicated. As Dormy Inn Namba was sold on January 24, 2014, the appraisal value of the property in the appraisal value at the end of the fiscal year ended December 2013

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(14th period) is the selling price. The appraisal value before acquiring the Assets for (Planned) Acquisition is the sum total of the appraisal value with the end of the fiscal year ended December 2014 as the date of appraisal, the appraisal value for the five “the b” hotels with November 1, 2014 as the date of appraisal and the appraisal value for Hotel Francs with December 1, 2014 as the date of appraisal, based on the appraisal reports prepared by Japan Real Estate Institute and Daiwa Real Estate Appraisal Co., Ltd., respectively. The appraisal value after acquiring the Assets for (Planned) Acquisition is the sum total of the appraisal value before acquiring the Assets for (Planned) Acquisition and the appraisal values of Mercure Yokosuka and Okinawa Marriot Resort & Spa, which are the Assets for (Planned) Acquisition, with February 28, 2015 for the former and April 1, 2015 for the latter as the date of appraisal, based on the appraisal reports prepared by Japan Real Estate Institute and Daiwa Real Estate Appraisal Co., Ltd., respectively.

(*6) $\text{NOI} = \text{Real estate operating revenue} - \text{Real estate operating costs} + \text{Depreciation} + \text{Loss on retirement of noncurrent assets}$
 $\text{NOI yield} = \text{NOI} \div \text{Acquisition price (planned)}$

(*7) $\text{NOI after depreciation} = \text{Real estate operating revenue} - \text{Real estate operating costs}$
 $\text{NOI yield after depreciation} = \text{NOI after depreciation} \div \text{Acquisition price (planned)}$

(*8) $\text{LTV (Acquisition price)} = \text{Total interest-bearing debt} \div \text{Acquisition price (planned)} \times 100$
 $\text{Appraisal LTV} = \text{Total interest-bearing debt} \div \text{Appraisal value} \times 100$

Furthermore, the calculation used JPY91,598M, which is the balance of interest-bearing debt as of March 31, 2015, for the balance of interest-bearing debt before acquiring the Assets for (Planned) Acquisition, and JPY98,098M, which is the balance of interest-bearing debt as of March 31, 2015 plus JPY6,500M, for the balance of interest-bearing debt after acquiring the Assets for (Planned) Acquisition.

(*9) The LTV on total assets basis is calculated based on the following assumptions:

$\text{LTV on total assets basis} = \text{Total interest-bearing debt (*)} / \text{Total assets (**)} \times 100$

(*) Total interest-bearing debt

On the effective date of merger:	The amount of interest-bearing debt as of April 1, 2012
End of each fiscal year:	The amount of interest-bearing debt at the end of each fiscal year
Before acquiring the Assets for (Planned) Acquisition:	The amount of interest-bearing debt as of March 31, 2015
After acquiring the Assets for (Planned) Acquisition:	The amount of interest-bearing debt before acquiring the Assets for (Planned) Acquisition + JPY6,500M, which is the planned loan amount for the Assets for (Planned) Acquisition

(**) Total assets

On the effective date of merger:	Total assets as of April 1, 2012
End of each fiscal year:	Total assets at the end of each fiscal year
Estimated total assets before acquiring the Assets for (Planned) Acquisition:	Total assets as of December 31, 2014 + JPY221M as security deposits and guarantees for the five “the b” hotels and Hotel Francs + JPY15,651M as capital increase through the previous issuances + the amount of net increase in interest-bearing debt from December 31, 2014 through March 31, 2015

Estimated total assets after acquiring the Assets for (Planned) Acquisition:

Estimated total assets before acquiring the Assets for (Planned) Acquisition + JPY11,941M as total paid-in amount of the Issuance + JPY6,500M as interest-bearing debt scheduled to be procured upon the Issuance.

The total paid-in amount of the Issuance is the estimated sum of the total paid-in amount of the public offering and the paid-in amount of the third-party allotment. The estimated amount has been calculated by assuming the paid-in amount to be JPY81,234 per JHR investment unit, based on the closing price of the regular trading of the investment units at the Tokyo Stock Exchange as of May 18, 2015. As for the third-party allotment, it is assumed that all of the investment units newly issued by way of the third-party allotment will be paid in by SMBC Nikko Securities Inc. Accordingly, if the actual paid-in amount in the public offering or the third-party allotment turns out to be lower than the above assumption, or if the payment for the new investment units by way of third-party allotment is not wholly or partly conducted, the total paid-in amount from the Issuance will be lower than the above amount and the actual LTV on the total assets basis after acquiring the Assets for (Planned) Acquisition will be higher than the above figure. On the contrary, if the actual paid-in amount is higher than the above assumption, the total paid-in amount from the Issuance may increase from the above amount. If that happens, the actual LTV on

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total asset basis after acquiring the Assets for (Planned) Acquisition will be lower than the above figure.

- (*10) The amount is the market cap calculated using the closing price in regular trading of JHR investment units on the Tokyo Stock Exchange, Inc. at that time. However, the market cap on the effective date of merger is that on April 2, 2012, and the market cap after acquiring the Assets for (Planned) Acquisition is that on March 31, 2015.
Moreover, the market cap after acquiring the Assets for (Planned) Acquisition is the figure obtained by multiplying the 3,147,322 units, which is the number of JHR investment units comprising 3,000,322 units issued and outstanding and the number of new investment units to be issued through the public offering (140,000 units) and by way of third-party allotment (7,000 units) that were resolved at the board of directors' meeting held today, by the closing price in regular trading of JHR investment units on the Tokyo Stock Exchange, Inc. on May 18, 2015.
- (*11) This dividend per unit is the dividend per unit assuming full-year impact (annualized effect) of the acquisition of the Assets for (Planned) Acquisition.
- (*12) Amounts are rounded down to the nearest JPY1M, and percentage figures are rounded off to one decimal place.

<Reference Materials 2> Assumptions of the forecast of the annualized effect

- (1) The operating revenue and operating expenses of the properties excluding the five “the b” hotels and Hotel Francs remain unchanged from the “<Reference Information> Assumptions of the operating forecasts for the midterm of the fiscal year ending December 2015 and full fiscal year ending December 2015” above.
- (2) The fixed and variable rents for Okinawa Marriot Resort & Spa are calculated as follows:
Annual rent (JPY1,000M) = Fixed rent (JPY550M) + Variable rent
Variable rent = [(1) GOP of the Hotel – (2) GOP base amount] × 90.0%

(JPY1M)

	GOP of the Hotel (1)	GOP base amount (2)	Variable rent ((1) - (2))×90.0%
Full year	1,200	700	450

- (3) The variable rent for Mercure Yokosuka is assumed to be JPY186M.
- (4) The figures for the five “the b” hotels, Hotel Francs and the Assets for (Planned) Acquisition are the forecasted annual figures calculated based on the information provided by the sellers, etc. For the revenue and other figures for the relevant period, please refer to the “Assets for (Planned) Acquisition in 16th period” in the “<Reference Information> Assumptions of the operating forecasts for the midterm of the fiscal year ending December 2015 and the full fiscal year ending December 2015” above.
- (5) For the fixed asset tax, city planning tax and other taxes and public dues for the relevant period, it is assumed that JPY147M will be recorded as expenses for the five “the b” hotels and Hotel Francs and JPY108M (for twelve months) will be recorded as expenses for the Assets for (Planned) Acquisition.

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