JAPAN HOTEL REIT

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Notice Concerning Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2016 (17th Period)

Japan Hotel REIT Investment Corporation (hereinafter called "JHR") informs you of its operating forecast and forecast of dividend for the fiscal year ending December 2016 (January 1, 2016 through December 31, 2016), as follows.

1. Operating forecast and forecast of dividend for the fiscal year ending December 2016 (January 1, 2016 through December 31, 2016)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Dividend from excess of earnings exclusive)	Dividend from excess of earnings per unit
Fiscal year ending December 2016 Midterm	JPY1M 8,974	JPY1M 5,335	JPY1M 4,506	JPY1M 4,506	JPY –	JPY –
Fiscal year ending December 2016 Full year	JPY1M 20,332	JPY1M 12,538	JPY1M 10,871	JPY1M 10,871	JPY 3,275	JPY 0

(Reference) Forecast of net income per unit for the full year: JPY3,282
(Calculated based on the forecast period-average number of investment units of 3,312,810 units)

(*1) The number of investment units issued as of today is 3,144,227 units. It is assumed that JHR will additionally issue new investment units through public offering (170,000 units) and by way of third-party allotment (8,500 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 2016 and the full fiscal year ending December 2016 (17th period)" below.

(*3) As announced in the press releases "Notice Concerning Completion of Asset Acquisition (ACTIVE-INTER CITY HIROSHIMA "Sheraton Hiroshima Hotel") dated December 18, 2015 and "Notice Concerning Acquisition of New Asset ("CANDEO HOTELS UENO-KOEN")" dated today, it is assumed that JHR will have acquired the two properties (ACTIVE-INTER CITY HIROSHIMA and CANDEO HOTELS UENO-KOEN) (hereinafter called the "New Assets)"). For the operating forecast that reflects the full-year impact of the acquisition of the New Assets, please refer to 2. Highlights of the operating forecast and forecast of dividend below.

(*4) Amounts are rounded down to the nearest JPY1M.

2. Highlights of the operating forecast and forecast of dividend

The following tables provides the operating forecast for the fiscal year ending December 2016 (17th period), annualized effect after acquiring the New Assets and the factors causing the variance from the operating forecast announced in the "Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2015 (16th Period)" dated December 15, 2015.

Note: This document is intended to serve as a press release to make available the information on the operating forecast and forecast of dividend for the fiscal year ending December 2016 (17th 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.

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(Unit: JPY1M)

		16th Fiscal Period	17th Fiscal Period		Variance from Forecast Previous Time		Major Causes of Variance		
		Forecast (A) (*1)	Forecast This Time (B)	Forecast This Time Annualized (*2)	(B)-(A)	Variance Ratio	Due to the Property Acquired This Time (*3)	Existing Properties	
Properties	No. of properties	36	37	37	1	2.8%			
	Acquisition price (planned acquisition price inclusive)	225,723	232,428	232,428	6,705	3.0%			
Profit and loss	Operating revenue	17,326	20,332	20,359	3,006	17.4%	1,636	1,370	
	Fixed rent	Composition 60.7% 10,334	Composition 58.5% 11,904	Composition 58.6% 11,930	1,569	15.2%	1,370	199	(1) Full year impact, etc. of JPY429M from 8 properties (*4) acquired in the previous fiscal year (2) Decrease of JPY293M due to sales of 3 properties (*5) in the previous fiscal year
	Variable rent	39.3% 6,685	41.5% 8,428	41.4% 8,428	1,742	26.1%	266	1,476	(1) HMJ's 5 hotels (*6) --increase in variable rent by JPY657M (2) Accor's 5 hotels (*7) -- increase in income from management contracts, etc. by JPY371M (3) Increases from upside sharing, etc. by JPY125M (4) Full year impact, etc. of JPY322M from 8 properties (*4) acquired in the previous fiscal year
	Gain on sale of real estate	305	-	-	- 305	-	-	- 305	
	NOI (*7)	14,792	17,299	17,214	2,507	17.0%	1,210	1,297	
	*NOI yield (*8)*	*6.6% (*9) (7.1%)*	*7.4%*	*7.4%*	*0.9%*	-	*5.0%*		
	NOI after depreciation (*7)	11,988	14,255	14,165	2,266	18.9%	975	1,291	
	*NOI yield after depreciation (*8)*	*5.3% (*9) (5.7%)*	*6.1%*	*6.1%*	*0.8%*	-	*4.1%*		
	Operating income	10,927	12,538	12,444	1,610	14.7%	851	758	
	Net income	9,223	10,871	10,812	1,647	17.9%	712	935	
Dividend	Use of negative goodwill	36	13	13	- 23	-64.5%			
	Total dividends	9,259	10,881	10,822	1,622	17.5%			
	No. of units issued	3,144,227	3,322,727	3,322,727	178,500	5.7%			
	Dividend per unit (JPY)	2,945	3,275	3,257	330	11.2%			

(*1) Operating forecast announced in the "Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2015 (16th Period)" dated December 15, 2015.

(*2) For assumptions of calculating the annualized figures in forecast this time, please refer to <Reference Materials 7> Assumptions of the forecast of the annualized effect.

(*3) This indicates impact by acquisition of 2 properties (ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015 and CANDEO HOTELS UENO-KOEN to be acquired on February 1, 2016) on the statement of income.

(*4) Eight properties refer to the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji, the b hakata (hereinafter called "Five 'the b' hotels") acquired on January 30, 2015, Hotel Francs acquired on March 31, 2015, Mercure Yokosuka acquired on April 2, 2015 and Okinawa Marriott Resort & Spa acquired on July 10, 2015.

(*5) Three properties refer to Comfort Hotel Shin-Yamaguchi, Daiwa Roynet Hotel Akita and Hotel Sunroute Niigata sold on October 30, 2015.

(*6) HMJ's 5 hotels refer to Kobe Meriken Park Oriental Hotel, Oriental Hotel tokyo bay, Namba Oriental Hotel, Hotel Nikko Alivila and Oriental Hotel Hiroshima.

(*7) Accor's 5 hotels refer to ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo and Mercure Okinawa Naha.

(*8) 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 acquisition price inclusive)
NOI after depreciation = Real estate operating revenue − Real estate operating costs
NOI yield after depreciation = NOI after depreciation ÷ Acquisition price (planned acquisition price inclusive)
Real estate operating revenue is an amount obtained by subtracting gain on sale of real estate properties from operating revenue.

(*9) Forecast as of end of fiscal year ended December 2015 includes the acquisition price of ACTIVE-INTER CITY HIROSHIMA. On the other hand, NOI yield and NOI yield after depreciation only include 14 days as management period of ACTIVE-INTER CITY HIROSHIMA. Please see numbers in parentheses for NOI yield and NOI yield after depreciation excluding the effect of ACTIVE-INTER CITY HIROSHIMA.

[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 2016 and the full fiscal year ending December 2016 (17th period)

<table>
<tr><th>Item</th><th>Assumption</th></tr>
<tr><td>Calculation period</td><td>・Midterm year: January 1, 2016 through June 30, 2016 (182 days)
・Full year: January 1, 2016 through December 31, 2016 (366 days)</td></tr>
<tr><td>Investment assets</td><td>・The 36 properties owned by JHR as of today (hereinafter called “existing properties”), plus CANDEO HOTELS UENO-KOEN, an asset planned to be acquired on February 1 (hereinafter called “To-be-acquired Asset”), to total 37 properties is assumed.
・In addition, it is assumed that there will be no change in assets (acquisition or disposition) other than the above through the end of the fiscal year ending December 2016 (17th period). The actual number may fluctuate, though, depending on the changes in asset that may take place.</td></tr>
<tr><td>Number of investment units issued</td><td>・On top of the number of investment units issued as of today (3,144,227 units), it is assumed that JHR will additionally issue new investment units through public offering (170,000 units) and by way of third-party allotment (8,500 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 2016 (17th period).</td></tr>
<tr><td>Operating revenue</td><td>・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
The assumptions of the fixed rent and variable rent for the HMJ’s five hotels are as follows.
Annual rent (JPY6,797M) = Fixed rent (JPY3,221M/year) + Variable rent (See below for calculation)(*1)
Variable rent = [(a) Total GOP of HMJ’s five hotels – (b) GOP base amount] × 85.0%

HMJ’s five hotels for the fiscal year ending December 2016 (17th period)
(JPY1M)
<table>
<tr><th></th><th>Total GOP of HMJ’s five hotels
(a)</th><th>GOP base amount
(b)</th><th>Variable rent
((a)-(b))×85.0%</th></tr>
<tr><td>Midterm</td><td>2,784</td><td>1,675</td><td>942</td></tr>
<tr><td>Full year</td><td>7,558</td><td>3,351</td><td>3,576</td></tr>
</table>
(*1) Concerning a fixed-term lease agreement on HMJ’s five hotels, JHR concluded an agreement (hereinafter called “Revised Agreement”) to change the variable rent ratio from 81.5% to 85.0% effective as of January 1, 2016. For details of the Revised Agreement, please refer to the press release “Notice Concerning Revision of Fixed-Term Lease Agreement” dated December 18, 2015.
(*2) Concerning comparison of sales, GOP, and other items of the HMJ’s five hotels, please refer to <Reference Materials 1> Sales and GOP of the HMJ’s five hotels.

(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 2016 (17th period) (JPY1,101M) = Fixed rent (JPY550M/year) + Variable rent (See below for calculation)
Variable rent = [(a) GOP of the Hotel – (b) GOP base amount] × 90.0%</td></tr>
</table>

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(JPY1M)

	GOP of the Hotel (a)	GOP base amount (b)	Variable rent ((a)－(b))×90.0%
Midterm	335	350	－
Full year	1,312	700	551

(*) Concerning sales and GOP of the Okinawa Marriott Resort & Spa, please refer to <Reference Materials 2> Sales and GOP of the Okinawa Marriott Resort & Spa.

(3) ACTIVE-INTER CITY HIROSHIMA

ACTIVE-INTER CITY HIROSHIMA is a complex facility comprised of a hotel building, an office building and a retail zone. Rents for each facility are calculated as follows.

(a) Hotel building (Sheraton Hiroshima Hotel)

Annual rent (JPY594M) = Fixed rent (JPY348M/year) + Variable rent (See below for calculation)

Variable rent = [(a) GOP of the Hotel – (b) GOP base amount] × 82.5%

(JPY1M)

	GOP of the Hotel (a)	GOP base amount (b)	Variable rent ((a)－(b))×82.5%
Midterm	342	234	89
Full year	766	468	246

Operating revenue

(*) Concerning sales and GOP of the Sheraton Hiroshima Hotel, please refer to <Reference Materials 3> Sales and GOP of the Sheraton Hiroshima Hotel.

(b) Office building and retail zone

Rent from the office building and the retail zone in the fiscal year ending December 2016 (17th period) is expected to be JPY225M for the midterm and JPY451M for the full year. These figures include JPY10M for the midterm and JPY20M for the full year as variable rent pursuant to an agreement for upside sharing with some retail tenants.

(4) Accor's six hotels (*1)

Income from management contract and variable rent of Accor's six hotels

(JPY1M)

	ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total
Midterm	225	226	237	220	189	121	1,221
Full year	454	508	610	596	449	206	2,826

(*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.

(*2) Concerning comparison of the sales, GOP, and other items of the Accor's six hotels, please refer to <Reference Materials 4> Sales and GOP of the Accor's six hotels below.

(*3) It is assumed that the respective hotel's GOP amount is posted for 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 revenue from GOP. The concerned amount equivalent to sales from tenant is posted as fixed rent, etc.

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(*4) As to Mercure Sapporo, although tenants other than the hotel have concluded agreements for upside sharing, variable rent is not expected for the fiscal year ending December 2016 (17th period).

(5) Six "the b" hotels (*1)

Fixed and variable rent of the six "the b" hotels (midterm)

(JPY1M)

	the b suidobashi	the b akasaka-mitsuke	the b ikebukuro	the b ochanomizu	the b hachioij	the b hakata	Total
Fixed (*2)	42	68	108	34	61	43	358
Variable	18	83	80	29	47	36	294
Total	61	151	189	63	108	79	653

Fixed and variable rent of the six "the b" hotels (full year)

(JPY1M)

	the b suidobashi	the b akasaka-mitsuke	the b ikebukuro	the b ochanomizu	the b hachioij	the b hakata	Total
Fixed (*2)	84	136	217	69	122	88	719
Variable	40	183	168	61	103	82	639
Total	125	319	386	130	226	170	1,358

Operating revenue

(*1) Six "the b" hotels are six hotels, the b akasaka-mitsuke, the b ikebukuro, the b ochanomizu, the b hachioji and the b hakata (hereinafter called "Five 'the b' hotels"), plus the b suidobashi, which was rebranded from Dormy Inn Suidobashi on July 1, 2015.

(*2) Fixed rent includes certain rent from tenant other than the hotel.

(*3) Concerning sales, GOP, and other items of the six "the b" hotels, please refer to <Reference Materials 5> Sales and GOP of the six "the b" hotels.

(6) Other hotels that have adopted variable rent

Variable rent of other hotels that have adopted variable rent

(JPY1M)

	Smile Hotel Nihombashi-Mitsukoshimae	Hotel Vista Kamata Tokyo	Chisan Inn Kamata	Hotel Keihan Universal City	Hotel Sunroute Shimbashi	Hilton Tokyo Bay	Total
Midterm	17	—	36	(*)	74	(*)	431
Full year	17	28	73	(*)	74	(*)	568

(*) Not disclosed as the consent for disclosure of rent income, etc. could not be obtained from the tenant which concluded the lease agreement.

・The following is the breakdown of variable rent and income from management contract.

<Breakdown of variable rent, etc. for the fiscal year ending December 2016 (17th period)>

(JPY1M)

	HMJ's five hotels	Okinawa Marriott Resort & Spa	Active- Inter City Hiroshima	Accor's six hotels	Six "the b" hotels	Other hotels with variable rent	Total
Midterm	942	—	99	1,221	294	431	2,990
Full year	3,576	551	266	2,826	639	568	8,428

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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 acquired assets (To-be-acquired Assets inclusive) are calculated based on past actual data as provided by previous owners, etc. and reflecting variable factors of expenses. ・It is assumed that JPY1,201M 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 acquired property 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 which property is acquired. Therefore, the fixed asset tax, city planning tax and other taxes and public dues for CANDEO HOTELS UENO-KOEN will not be posted as expenses for the fiscal year ending December 2016 (17th period). Furthermore, the annual fixed asset tax and city planning tax, etc. for CANDEO HOTELS UENO-KOEN are expected to be JPY23M. Moreover, the fixed asset tax and city planning tax, etc. to be recorded as expenses for the fiscal year ending December 2016 (17th period) for the nine properties (Five 'the b' hotels, Hotel Francs, Mercure Yokosuka, Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA) acquired in the fiscal year ended December 2015 (16th period) are assumed to be JP263M (for nine months on a pro rata basis). ・Depreciation is calculated by the straight-line method, and is estimated to be JPY3,031M, including the acquisition price of the acquired assets (To-be-acquired-Assets inclusive) (including incidental costs) as well as the planned capital expenditures (JPY2,521M) for the fiscal year ending December 2016 (17th 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	・JPY1,666M is expected for cost related to borrowing such as interest expense, arrangement fee and amortization for the following (1) handling fees of borrowing, and (2) derivative instruments (interest rate caps), etc. ・Expenses for issuance of new 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 JPY102,772M as of January 1, 2016, will be JPY104,593M as of December 31, 2016.
Dividend per unit	・It is assumed that the whole mount 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 2016 (17th period) is calculated based on the following assumptions. Net income: JPY10,871M Use of negative goodwill (Loss on retirement of noncurrent assets) (*): JPY13M Distributable amount: JPY10,884M Total number of investment units: 3,322,727 units Dividend per unit: JPY3,275 (*) Amount posted as a loss on retirement of noncurrent assets will be appropriated by dividend reserve from negative goodwill and is expected to have no impact on dividend. ・Dividend per unit may fluctuate by various causes, such as transfer of asset, fluctuation of rental income resulting from transfer of hotel lessee, etc, change of hotel lessee's business environment, etc. and unexpected repairs, etc. ・The balance of the dividend reserve (negative goodwill) after the appropriation for dividends for the fiscal

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<table>
<tr><td></td><td>year ending December 2016 (17th period) is expected to be JPY13,878M.</td></tr>
<tr><td>New Assets</td><td>・The operating status of the ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015 and CANDEO HOTELS UENO-KOEN to be acquired on February 1, 2016 is estimated to be as follows.

<ACTIVE-INTER CITY HIROSHIMA> (JPY1M)
<table>
<tr><td></td><td>Fiscal year ending December 2016</td><td>Annualized (*3)</td></tr>
<tr><td>Operating days</td><td>366 days</td><td>366 days</td></tr>
<tr><td>Operating revenue</td><td>1,346</td><td>1,346</td></tr>
<tr><td>NOI (*1)</td><td>922</td><td>892</td></tr>
<tr><td>NOI yield (%) (*2)</td><td>5.3</td><td>5.1</td></tr>
</table>

<CANDEO HOTELS UENO-KOEN> (JPY1M)
<table>
<tr><td></td><td>Fiscal year ending December 2016</td><td>Annualized (*3)</td></tr>
<tr><td>Operating days</td><td>335 days</td><td>366 days</td></tr>
<tr><td>Operating revenue</td><td>290</td><td>316</td></tr>
<tr><td>NOI (*1)</td><td>287</td><td>289</td></tr>
<tr><td>NOI yield (%) (*2)</td><td>-</td><td>4.3</td></tr>
</table>

(*1) NOI = Real estate operating revenue – real estate operating costs + depreciation + loss on retirement of noncurrent assets
(*2) NOI yield = NOI / Acquisition price (planned acquisition price inclusive)
NOI yield of CANDEO HOTELS UENO-KOEN for the fiscal year ending December 2016 is not indicated as it will be acquired in the middle of the period.
(*3) For assumptions of calculating the annualized figures, please refer to <Reference Materials 7> Assumptions of the forecast of the annualized effect below.</td></tr>
<tr><td>Dividend per unit resulting from excess of earnings</td><td>・It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.</td></tr>
<tr><td>Other</td><td>・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.</td></tr>
</table>

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＜Reference Materials 1＞ Sales and GOP of HMJ's five hotels

(1) Hotel sales (by hotel)

(Unit: JPY1M)

Sales of HMJ's five hotels		Fiscal year ended December 2015		Fiscal year ending December 2016	
		Forecast last time First half: Actual Second half: Forecast Full year: Forecast	Comparison with previous period	Forecast this time	Comparison with previous forecast
Kobe Meriken Park Oriental Hotel	1st half of the year	2,424	-0.0%	2,646	9.2%
	2nd half of the year	2,855	2.0%	3,204	12.2%
	Full year	5,278	1.1%	5,850	10.8%
Oriental Hotel tokyo bay	1st half of the year	3,395	0.9%	3,500	3.1%
	2nd half of the year	3,900	1.4%	4,045	3.7%
	Full year	7,295	1.2%	7,544	3.4%
Namba Oriental Hotel	1st half of the year	1,189	19.1%	1,358	14.3%
	2nd half of the year	1,341	16.5%	1,474	9.9%
	Full year	2,530	17.8%	2,832	11.9%
Hotel Nikko Alivila	1st half of the year	2,377	8.6%	2,554	7.5%
	2nd half of the year	3,593	8.8%	3,709	3.2%
	Full year	5,970	8.7%	6,264	4.9%
Oriental Hotel Hiroshima	1st half of the year	991	-5.2%	1,062	7.2%
	2nd half of the year	1,137	-3.4%	1,135	-0.2%
	Full year	2,129	-4.3%	2,197	3.2%
Total	1st half of the year	10,376	3.5%	11,121	7.2%
	2nd half of the year	12,826	4.5%	13,566	5.8%
	Full year	23,202	4.1%	24,688	6.4%

(*1) Numbers are based on figures obtained from hotel lessees. Please note that these numerical numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of each number.
(*2) 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	Fiscal year ended December 2015		Fiscal year ending December 2016	
	Forecast last time	Comparison with previous period	Forecast this time	Comparison with previous forecast
Total of HMJ's five hotels	6,933	10.0%	7,558	9.0%
Ratio of GOP to sales	29.9%	1.6%	30.6%	0.7%

(*1) Numbers are based on figures obtained from hotel lessees. Please note that these numerical numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of each number.
(*2) 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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＜Reference Materials 2＞　Sales and GOP of Okinawa Marriott Resort & Spa

(Unit: JPY1M)

		Fiscal year ended December 2015		Fiscal year ending December 2016	
		First half: Actual Second half: Forecast Full year: Forecast	Comparison with previous period	Forecast this time	Comparison with previous forecast
Okinawa Marriott Resort & Spa	Hotel sales: First half	1,614	0.9%	1,696	5.1%
	Hotel sales: Second half	2,409	9.0%	2,505	4.0%
	Hotel sales: Full year	4,023	5.6%	4,201	4.4%
	Hotel GOP: Full year	1,229	11.3%	1,313	6.8%
	Ratio of GOP to sales	30.6%	1.6%	31.2%	0.7%

(*1) Numbers are based on figures obtained from hotel lessees. Please note that these numerical numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of each number.
(*2) Sales and GOP are rounded off to the nearest JPY1M. Comparison with the previous period and ratio of GOP to sales are rounded off to one decimal place.
(*3) Although Okinawa Marriott Resort & Spa was acquired on July 10, 2015, numbers for the fiscal year ended December 2015 are for the full year including numbers prior to the acquisition.

＜Reference Materials 3＞　Sales and GOP of Sheraton Hiroshima Hotel

(Unit: JPY1M)

		Fiscal year ended December 2015		Fiscal year ending December 2016	
		First half: Actual Second half: Forecast Full year: Forecast	Comparison with previous period	Forecast this time	Comparison with previous forecast
Sheraton Hiroshima Hotel	Hotel sales: First half	1,346	-1.0%	1,356	0.8%
	Hotel sales: Second half	1,484	-1.8%	1,514	2.0%
	Hotel sales: Full year	2,830	-1.4%	2,870	1.4%
	Hotel GOP: Full year	711	9.3%	766	7.8%
	Ratio of GOP to sales	25.1%	2.5%	26.7%	1.6%

(*1) Numbers are based on figures obtained from hotel lessees. Please note that these numerical numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of each number.
(*2) Sales and GOP are rounded off to the nearest JPY1M. Comparison with the previous period and ratio of GOP to sales are rounded off to one decimal place.
(*3) Although ACTIVE-INTER CITY HIROSHIMA (Sheraton Hiroshima Hotel) was acquired on December 18, 2015, numbers for the fiscal year ended December 2015 are for the full year including numbers prior to the acquisition.

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JAPAN HOTEL REIT

＜Reference Materials 4＞　Sales and GOP of Accor's six hotels

(1) Hotel sales (by hotel)

(Unit: JPY1M)

Sales of Accor's six hotels		Fiscal year ended December 2015		Fiscal year ending December 2016	
		Forecast last time First half: Actual Second half: Forecast Full year: Forecast	Comparison with previous period	Forecast this time	Comparison with previous forecast
ibis Tokyo Shinjuku	1st half of the year	453	6.1%	435	-3.9%
	2nd half of the year	426	-4.2%	440	3.2%
	Full year	879	0.8%	875	-0.4%
ibis Styles Kyoto Station	1st half of the year	357	17.1%	429	20.2%
	2nd half of the year	457	19.0%	500	9.4%
	Full year	815	18.1%	930	14.1%
ibis Styles Sapporo	1st half of the year	429	7.9%	482	12.4%
	2nd half of the year	580	11.1%	647	11.4%
	Full year	1,009	9.7%	1,128	11.8%
Mercure Sapporo	1st half of the year	499	17.5%	562	12.5%
	2nd half of the year	668	16.7%	756	13.1%
	Full year	1,167	17.0%	1,318	12.9%
Mercure Okinawa Naha	1st half of the year	407	12.1%	484	19.0%
	2nd half of the year	509	22.8%	572	12.4%
	Full year	916	17.8%	1,056	15.3%
Mercure Yokosuka	1st half of the year	550	1.0%	580	5.5%
	2nd half of the year	508	3.5%	517	1.8%
	Full year	1,058	2.2%	1,097	3.7%
Total	1st half of the year	2,696	9.5%	2,973	10.3%
	2nd half of the year	3,149	11.3%	3,432	9.0%
	Full year	5,845	10.4%	6,405	9.6%

(*1) Numbers are based on figures obtained from hotel operators and hotel lessees. Please note that these numerical numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of each number.
(*2) Sales are rounded off to the nearest JPY1M. Comparison with the previous period is rounded off to one decimal place.
(*3) Although Mercure Yokosuka was acquired on April 2, 2015, numbers for the fiscal year ended December 2015 are for the full year including numbers prior to the acquisition.

(2) Hotel GOP

(Unit: JPY1M)

GOP of Accor's six hotels	Fiscal year ended December 2015		Fiscal year ending December 2016	
	Forecast last time	Comparison with previous period	Forecast this time	Comparison with previous forecast
Total of Accor's six hotels	2,492	20.1%	2,882	15.7%
Ratio of GOP to sales	42.6%	3.4%	45.0%	2.4%

(*1) Numbers are based on figures obtained from hotel operators and hotel lessees. Please note that these numerical numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of each number.
(*2) 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.
(*3) Although Mercure Yokosuka was acquired on April 2, 2015, numbers for the fiscal year ended December 2015 are for the full year including numbers prior to the acquisition.

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JAPAN HOTEL REIT

＜Reference Materials 5＞ Sales and GOP of six “the b” hotels

(1) Hotel sales (by hotel)

(Unit: JPY1M)

		Fiscal year ended December 2015		Fiscal year ending December 2016	
		Forecast last time First half: Actual Second half: Forecast Full year: Forecast	Comparison with previous period	Forecast this time	Comparison with previous forecast
the b akasaka-mitsuke	1st half of the year	221	69.4%	250	13.1%
	2nd half of the year	247	16.2%	271	9.8%
	Full year	469	36.4%	522	11.4%
the b ikebukuro	1st half of the year	301	7.7%	335	11.6%
	2nd half of the year	320	13.1%	350	9.2%
	Full year	621	10.4%	685	10.3%
the b ochanomizu	1st half of the year	132	9.0%	145	9.5%
	2nd half of the year	135	8.2%	149	10.8%
	Full year	267	8.6%	294	10.2%
the b hachioji	1st half of the year	267	10.4%	300	12.5%
	2nd half of the year	292	14.3%	316	8.1%
	Full year	559	12.4%	616	10.2%
the b hakata	1st half of the year	191	10.9%	202	6.0%
	2nd half of the year	208	9.2%	218	4.7%
	Full year	399	10.0%	420	5.3%
Total for five “the b” hotels	1st half of the year	1,111	17.7%	1,233	10.9%
	2nd half of the year	1,203	12.7%	1,304	8.4%
	Full year	2,314	15.1%	2,537	9.6%
the b suidobashi	1st half of the year	—	—	182	—
	2nd half of the year	—	—	189	—
	Full year	—	—	372	—
Total for six “the b” hotels	1st half of the year	—	—	1,415	—
	2nd half of the year	—	—	1,494	—
	Full year	—	—	2,909	—

(*1) Numbers are based on figures obtained from hotel lessees. Please note that these numerical numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of each number.
(*2) Sales are rounded off to the nearest JPY1M. Comparison with the previous period are rounded off to one decimal place.
(*3) Although five “the b” hotels were acquired on January 30, 2015, numbers for the fiscal year ended December 2015 are for the full year including numbers prior to the acquisition.
(*4) The b akasaka-mitsuke completed its renovation work by the previous owner in April 2014. The number of guest rooms has increased from 91 to 122. Therefore, the number of guest rooms available for sales in the first half of 2015 and the first half of 2014 are different.
(*5) The b suidobashi was rebranded from Dormy Inn Suidobashi on July 1, 2015. Therefore, no figures are indicated for the fiscal year ended December 2015 and for Comparison with previous forecast for the fiscal year ending December 2016.

(2) Hotel GOP

(Unit: JPY1M)

GOP of five “the b” hotels	Fiscal year ended December 2015		Fiscal year ending December 2016	
	Forecast last time	Comparison with previous period	Forecast this time	Comparison with previous forecast
Total of five “the b” hotels	1,069	25.2%	1,215	13.7%
Ratio of GOP to sales	46.2%	3.8%	47.9%	1.7%

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GOP of six "the b" hotels	Fiscal year ended December 2015		Fiscal year ending December 2016	
	Forecast last time	Comparison with previous period	Forecast this time	Comparison with previous forecast
Total of six "the b" hotels	—	—	1,395	—
Ratio of GOP to sales	—	—	48.0%	—

(*1) Numbers are based on figures obtained from hotel lessees. Please note that these numerical numbers have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of each number.
(*2) GOP is rounded off to the nearest JPY1M. Comparison with the previous period is rounded off to one decimal place.
(*3) Although five "the b" hotels were acquired on January 30, 2015, numbers for the fiscal year ended December 2015 are for the full year including numbers prior to the acquisition.
(*4) The b suidobashi was rebranded from Dormy Inn Suidobashi on July 1, 2015. Therefore, no figures are indicated in six "the b" hotels for the fiscal year ended December 2015 and in Comparison with previous forecast for the fiscal year ending December 2016.

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<Reference Materials 6> Growth history of JHR and the annualized effect of asset acquisition

		Effective Date of Merger (*1)	End of FY2014	End of FY2015 Forecast (*2)	End of FY2016 Forecast (*3)
Number of properties		**28**	**30**	**36**	**37**
Acquisition price (planned acquisition price inclusive)(*4)	JPY1M	**122,285**	**173,429**	**225,723**	**232,428**
Appraisal value (*5)	JPY1M	**117,706**	**205,408**	**274,980**	**281,800**
NOI yield (*6)	%	**5.9**	**6.3**	**6.6 (7.1)** (*11)	**7.4**
NOI yield after depreciation (*7)	%	**3.9**	**5.0**	**5.3 (5.7)** (*11)	**6.1**
LTV (acquisition price basis) (*8)	%	**49.4**	**46.8**	**45.5**	**45.0**
Appraisal LTV (*8)	%	**51.4**	**39.5**	**37.4**	**37.1**
LTV (total assets basis) (*9)	%	**46.3**	**43.1**	**43.0**	**40.9**
Market cap (*10)	JPY1M	**34,712**	**214,928**	**282,037**	**298,048**
Dividend per unit	JPY	**-**	**2,155**	**2,945**	**3,275**

(*1) NOI yield and NOI yield after depreciation on the effective date of merger, which is April 1, 2012 (hereinafter called "Effective Date of Merger"), are calculated by annualizing the actual results of the fiscal year 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 year 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 at the end of the fiscal year ended December 2015 (forecast), please refer to the <Reference Information> Assumptions of the operating forecast for the full fiscal year ending December 2015 (16th Period) in the "Notice Concerning Revision of Operating Forecast and

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Forecast of Dividend for Fiscal Year Ending December 2015 (16th Period)" dated December 15, 2015.

(*3) For the assumptions for calculating the NOI yield, NOI yield after depreciation and dividend per unit at the end of the fiscal year ending December 2016 (forecast), please refer to the <Reference Information> Assumptions of the operating forecast for the midterm of the fiscal year ending December 2016 and the full year of the fiscal year ending December 2016 (17th period) above.

(*4) Acquisition price (plan) indicates the purchase price stated on the purchase and sale agreement for beneficial interest in trust or real estate purchase and sale agreement (consumption tax, local consumption tax and the acquisition expense such as broker's fee are not included). For properties accepted through the merger, the acceptance price is indicated. For CANDEO HOTELS UENO-KOEN, the To-be-acquired Asset, the scheduled acquisition price is indicated.

(*5) The total appraisal value on the Effective Date of Merger is calculated using the appraisal value with the end of March 2012 as the date of appraisal or the acceptance prices after revaluation for the merger. Concerning the total appraisal value at the end of each fiscal year, in accordance with the asset appraisal method and standards stipulated in the Articles of Incorporation of JHR 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 used for calculation. The total of appraisal value at the end of the fiscal year ended December 2015 (forecast) indicates the sum of the appraisal value of Okinawa Marriot Resort & Spa acquired on July 10, 2015, the appraisal value of ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015, and after excluding appraisal value of Comfort Hotel Shin-Yamaguchi, Daiwa Roynet Hotel Akita, and Hotel Sunroute Niigata sold on October 30, 2015 (hereinafter called "Sold Three Properties") from the appraisal value with the end of midterm June 2015 as the date of appraisal. The total of appraisal value at the end of the fiscal year ending December 2016 (forecast) is obtained by adding the total of appraisal value at the end of the fiscal year ended December 2015 (forecast) to the appraisal value of CANDEO HOTELS UENO-KOEN, the To-be-acquired Asset. The appraisal value for Okinawa Marriot Resort & Spa acquired on July 10, 2015 uses appraisal value based on the appraisal reports prepared by Japan Real Estate Institute with April 1, 2015 as the date of appraisal. As to appraisal value for ACTIVE-INTER CITY HIROSHIMA acquired on December 18, 2015 and CANDEO HOTELS UENO-KOEN, the To-be-acquired Assets, appraisal value based on the appraisal reports prepared by Daiwa Real Estate Appraisal Co., Ltd. with November 1, 2015 as the date of appraisal is used.

(*6) NOI = Real estate operating revenue (*) − Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets

NOI yield = NOI ÷ Acquisition price (planned acquisition price inclusive)

(*)Real estate operating revenue is an amount obtained by subtracting gain on sale of real estate properties from operating revenue.

(*7) NOI after depreciation = Real estate operating revenue (*) − Real estate operating costs

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

(*)Real estate operating revenue is an amount obtained by subtracting gain on sale of real estate properties from operating revenue.

(8*) LTV (Acquisition price) = Total interest-bearing debt ÷ Total acquisition price (planned acquisition price inclusive) × 100

Appraisal LTV = Total interest-bearing debt ÷ Total appraisal value × 100

Furthermore, interest-bearing debt in the forecast at end of the fiscal year ended December 2015 is calculated using interest-bearing debt as of the end of December 2015 of JPY102,772M, and forecast interest-bearing debt as of the end of the fiscal year ending December 2016 is calculated using expected interest-bearing debt as of the end of December 2016 of JPY104,593M.

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

LTV on total assets basis = Total interest-bearing debt (*) / Total assets (**) x 100

(*)Total interest-bearing debt

On the Effective Date of Merger:

The amount of interest-bearing debt as of April 1, 2012

End of the fiscal year ended December 2014:

The amount of interest-bearing debt at the end of the fiscal year ended December 2014

End of the fiscal year ended December 2015 (forecast):

The amount of interest-bearing debt at the end of the fiscal year ended December 2015 (JPY102,772M)

End of the fiscal year ending December 2016 (forecast):

The expected amount of interest-bearing debt at the end of the fiscal year ending December 2016 (JPY104,593M)

(**) Total assets

On the Effective Date of Merger:

Total assets as of April 1, 2012

End of the fiscal year ended December 2014:

Total assets at the end of the fiscal year ended December 2014

End of the fiscal year ended December 2015 (forecast):

Total assets at the end of October 2015 + Interest-bearing debt of JPY9,000M in line with the acquisition of ACTIVE-INTER CITY HIROSHIMA in December 2015 + Security deposits and guarantees of JPY408M for ACTIVE-INTER CITY HIROSHIMA.

End of the fiscal year ending December 2016 (forecast):

The expected total assets as of the end of the fiscal year ended December 2015 (forecast) + Expected proceeds from the public offering (JPY13,834M) + Maximum expected proceeds from the third-party allotment (JPY691M)

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+ Security deposits and guarantees of CANDEO HOTELS UENO-KOEN (JPY79M) + The expected net increase of interest-bearing debt in the fiscal year ending December 2016 (JPY1,820M).

(*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 as of the end of the fiscal year ended December 2015 (forecast) is that on November 30, 2015. Moreover, the market cap as of the end of the fiscal year ending December 2016 (forecast) is the figure obtained by multiplying the 3,322,727 units, which is the number of JHR investment units comprising 3,144,227 units issued and outstanding and the number of new investment units to be issued through the public offering (170,000 units) and by way of third-party allotment (8,500 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 November 30, 2015.

(*11) Forecast as of end of fiscal year ended December 2015 includes acquisition price of ACTIVE-INTER CITY HIROSHIMA. On the other hand, NOI yield and NOI yield after depreciation only include 14 days as management period of ACTIVE-INTER CITY HIROSHIMA. Please see numbers in parentheses for NOI yield and NOI yield after depreciation excluding the effect of ACTIVE-INTER CITY HIROSHIMA.

(*12) Amounts are rounded down to the nearest JPY1M, and percentage figures are rounded off to one decimal place.

<Reference Materials 7> Assumptions of the forecast of the annualized effect

(1) The operating revenue and operating expenses of the properties excluding CANDEO HOTELS UENO-KOEN remain unchanged, except for fixed asset tax and city planning tax, etc., from the "Assumptions of the operating forecast for the midterm of the fiscal year ending December 2016 and full year of the fiscal year ending December 2016 (17th period)" above.

(2) The fixed rent for CANDEO HOTELS UENO-KOEN is assumed to be JPY316M/year.

(3) For the fixed asset tax, city planning tax and other taxes and public dues for the relevant period, JPY351M (for twelve months) is expected for the 9 properties acquired in the fiscal year ended December 2015 (16th period) (five "the b" hotels, Hotel Francs, Mercure Yokosuka, Okinawa Marriott Resort & Spa and ACTIVE-INTER CITY HIROSHIMA), and JPY23M (for twelve months) for CANDEO HOTELS UENO-KOEN, the To-be-acquired Asset.

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